



# 2019/20 ANNUAL REPORT





**Registered Name** Eastern Cape Rural Development Agency  
**Physical Address** Infinity Place, 14 St Helena, Beacon Bay  
**Contact Number** 043 703 6300  
**Email** info@ecrda.co.za  
**Website** www.ecrda.co.za  
**External Auditors** AGSA  
**Company Secretary** Frank Botha

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## For attention: Honourable Nomakhosazana Meth

Member of the Executive Council for the Department of Rural Development and Agrarian Reform. The Board has the honour of submitting the Annual Report of the Eastern Cape Rural Development Agency (ECRDA) for the period 01 April 2019 to 31 March 2020.

Ms Lulama Nare  
Chairperson of the Board

# EASTERN CAPE RURAL DEVELOPMENT AGENCY

## ABBREVIATIONS

AFS	Annual Financial Statements
APP	Annual Performance Plan
ARDA	Agrarian Research and Development Agency
ASGISA	Accelerated Shared Growth Initiative of South Africa
BRP	Business Rescue Process
CEO	Chief Executive Officer
DAFF	Department of Agriculture, Forestry and Fisheries
DRDAR	Department of Rural Development and Agrarian Reform
DRDLR	Department of Rural Development and Land Reform
EC	Eastern Cape
ECDC	Eastern Cape Development Corporation
ECRDA	Eastern Cape Rural Development Agency
ECRFC	Eastern Cape Rural Finance Corporation
EIA	Environmental Impact Assessment
GRAP	Generally Recognised Accounting Practice
GDP	Gross Domestic Product
HA	Hectare
HIPPs	High Impact Priority Projects
HOD	Head of Department
HR	Human Resources
IDC	Industrial Development Corporation
IOD	Institute of Directors
IT	Information Technology
MEC	Member of the Executive Council
MoU	Memorandum of Understanding
NDP	National Development Plan
PDP	Provincial Development Plan
PFMA	Public Finance Management Act
PSC	Project Steering Committee
RED	Rural Enterprise Development Hubs
SALGA	South African Local Government Association
SCM	Supply Chain Management
UFH	University of Fort Hare
UJ	University of Johannesburg
UNISA	University of South Africa

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# OPERATIONAL HIGHLIGHTS 2019/20

AUDIT OPINION  
**UNQUALIFIED**

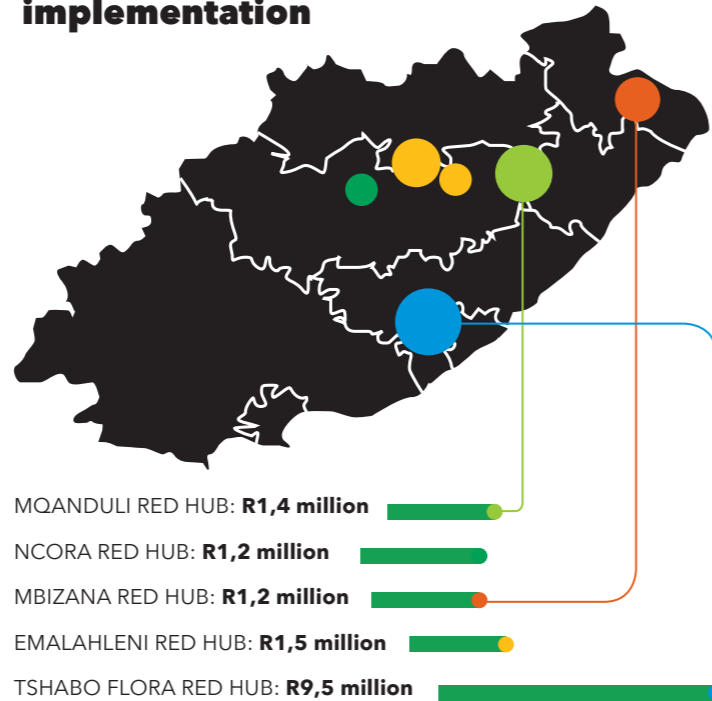
BUDGET ALLOCATION  
**R168 566 million**

PROJECT FUNDING  
**R129 651 million for projects**



## AGRO-PROCESSING

BUDGET ALLOCATION:  
**R15,382 million for project implementation**



### BUDGET USE:

- Employee costs • Plant holding facility • Erection of a boundary fence
- Two tractors with implements • Two shipping containers
- Tools and equipment • Bush clearing and contour flattening
- Land preparation • Delivery of plant rootstock • Professional fees.



## LIVESTOCK DEVELOPMENT

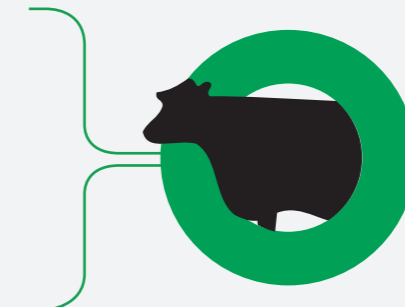
BUDGET ALLOCATION:  
**R1 million for irrigation system at Zigudu Feedlot**

STIMULUS FUND:  
**Additional R4,29 million for Zigudu, Mqanduli and Ncora feedlots**

### Project Sales and Revenue

LIVESTOCK SALES  
**210 cattle sold at the three feedlots**

LIVESTOCK  
Average PRICE  
**R11 500**



SALES REVENUE:  
**R2, 415 million**

CATTLE COSTS:  
**60 cattle procured for Zigudu and Mqanduli feedlots for R588 000**

CATTLE TRAILERS:  
**3 cattle trailers bought for the three feedlots for R223 000**





## FORESTRY DEVELOPMENT

BUDGET ALLOCATION:

**R1,650 million for maintenance and siviculture at Gqukunqa, Izinini, Mkambathi, Sinawo and Sixhotyeni**

SIVICULTURAL ACTIVITIES:

**1,403ha of sivicultural activities**

SAPPI DONATION:

**SAPPI donation of seedlings worth R349,661**

PLANTING  
**84ha at Mkambathi and Sinawo**



TIMBER SALES

**Sinawo (R5,5 million)**

TIMBER SALES

**Mkambathi (R2,4 million)**

JOBS:

**234 jobs created at Sinawo, Izinini, Mkambathi, Gqukunqa and Sixhotyeni**

YOUTH & WOMEN JOBS:

**74 youth jobs & 81 women.**



## RURAL FINANCE

LOAN APPROVALS:

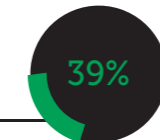
**R6,266 million to 117 clients**

LOAN DISBURSEMENTS:

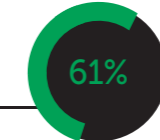
**R5,1 million to 94 clients**

LOAN SPLIT

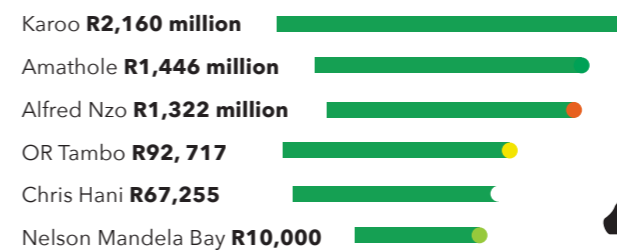
**Agricultural (R1,982 million or 39%)**



**Non-agricultural loans (R3,116 million or 61%)**



GEOGRAPHIC SPREAD:



LOAN COLLECTIONS:

**R2,253 million**

## BUSINESS SUPPORT AND SOCIAL FACILITATION

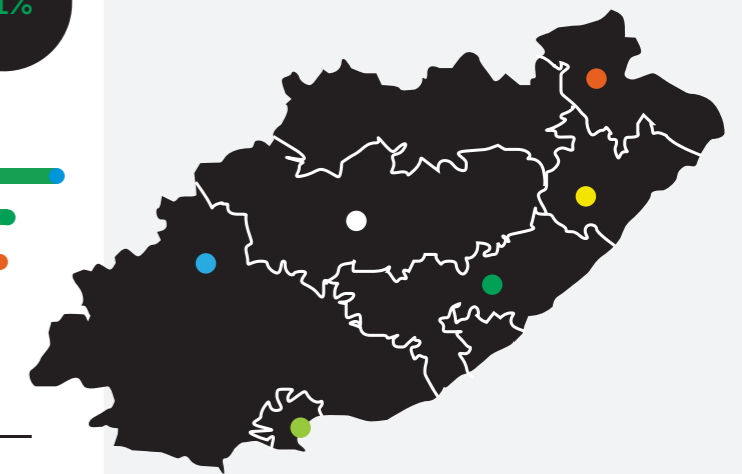
BUDGET ALLOCATION:

**R265 000**

TRAINING support at RED Hubs and at village clusters and nodes

**10 Tsomo community members received computer literacy training**

**10 Tsomo community members were assisted to receive their drivers' licences**





# PART A

## ABOUT THE ECRDA

## ABOUT THE ECRDA

The Eastern Cape Rural Development Agency (ECRDA) is a Schedule 3C entity in terms of the Public Finance Management Act (PFMA). It was established as a result of a merger between two public entities, namely, the Eastern Cape Rural Finance Corporation (ECRFC) and AsgiSA-Eastern Cape (Pty) Ltd. ECRDA has a dedicated focus on formulating, promoting and ensuring the implementation of a comprehensive integrated rural development strategy for the Eastern Cape Province.

### Legislative Mandate

The White Paper for Agrarian Transformation in the Eastern Cape confirms the vision for rural development that is articulated in the national Integrated Sustainable Rural Development Strategy (ISRDS) namely: "sustainable growth and development for improved quality of life". This vision is elaborated as follows, "to attain socially cohesive and stable communities with viable institutions, sustainable economies and universal access to social amenities, able to attract skilled and knowledgeable people, equipped to contribute to their own and the nation's growth and development."

In practice, this means rural communities having access to quality physical, social and economic infrastructure; land and other natural resources becoming viable assets in the hands of the rural poor; indigenous knowledge and cultural value systems being harnessed for human and social development; a vibrant arts and cultural life; and rural communities having access to information, communication and technology. In essence rural communities must be involved in a process of regeneration and there should be no obstacles to the full development of human potential.

This vision serves to inspire us to work tirelessly towards transformed rural areas that are socially and economically developed, as well as establishing an institutional environment conducive to rural development.

# STRATEGIC OVERVIEW

## Vision

A vibrant and sustainable rural economy that improves the livelihoods of rural communities within the Eastern Cape.

## Mission

ECRDA aims to drive, coordinate and facilitate implementation of integrated high impact programmes of rural development and agrarian reform in the Eastern Cape by forming partnerships with rural communities, the private sector and other public sector organisations with the main objective of building a vibrant and sustainable rural economy.

## Legislative and other Mandates

### LEGISLATIVE FRAMEWORK

The Agency is impacted upon by the following legislation with which there has to be alignment, compliance and consistency. These include, but are not limited to, the following:

- Eastern Cape Rural Finance Corporation Amendment Act, 2012
- Public Finance Management Act, 1999 Act No.1 of 1999
- Basic Conditions of Employment Act, 1997 Act No.75 of 1997
- Preferential Procurement Policy Framework Act, 2000 Act No. 5 of 2000
- Skills Development Act, 1998 Act No. 97 of 1998
- Occupational Health and Safety Act, 1993 Act No. 85 of 1993
- Employment Equity Act, 1998 Act No. 55 of 1998
- Promotion of Access to Information Act, 2000 Act No. 2 of 2000
- Promotion of Administrative Justice Act, 2000 Act No. 2 of 2000



## Policy Mandate

Section 3 of the Eastern Cape Rural Finance Corporation Amendment Act 2012, provides the legislative mandate of the ECRDA which is the following objectives and powers. The objects of the corporation are to promote, support and facilitate rural development in the Province by -

- Mobilising financial resources and providing financial and supportive services to persons domiciled, ordinarily resident or carrying on business within the Province.
- Promoting and encouraging private sector investment in the Province and the participation of the private sector in contributing to economic growth
- Promoting, assisting and encouraging the development of the Province's human resources and financial infrastructure, in association with other institutions having similar or related objectives

- Acting as the governments' agent for performing any development-related tasks and responsibilities that the government considers may be more efficiently or effectively performed by a corporate entity
- Driving and coordinating integrated programmes of rural development, land reform and agrarian transformation in the Province
- Project managing rural development interventions in the Province
- Promoting applied research and innovative technologies for rural development in the Province
- Planning, monitoring, implementing and evaluating rural development in the Province
- Facilitating the participation of the private sector and community organizations in rural development programmes.

## Values

### TRANSPARENCY

We will be transparent in all our dealings and promote inclusive and accountable participation by all stakeholders.

### EXCELLENCE

We will strive for the highest organizational achievement in all aspects of service delivery in our mandate of rural development

### HONESTY AND INTEGRITY

We will strive to remain consistent, trustworthy and demonstrate respect and commitment in our intentions by setting an example of true professionalism and ethical propriety in our all dealings.

### INNOVATION

We will strive for creativity and innovation. Through innovation we enhance our ability to mainstream appropriate technologies that benefit the poor and rural communities.

### COMMITMENT TO EMPOWERMENT

We will demonstrate loyalty to our developmental goals in uplifting the plight of the rural poor. We will work towards the promotion of the interest of the communities we serve and of the organization.

### UBUNTU

We will demonstrate our commitment to the value of Ubuntu through our interaction with the community and adopting a mindset of shared humanity.



# ORGANISATIONAL STRUCTURE

The diagram below illustrates the 2013 – 2019 approved functional structure. It should, however, be noted that the ECRDA would have to embark on a participatory process to re-align the functional structure and reconfigure the organisational organogram to ensure the effective and efficient implementation of the 2020 – 2025 Strategy and the associated annual performance plans.



## Statement of responsibility and confirmation of the accuracy of the Annual Report

**To the best of our knowledge and belief, we 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 GRAP standards applicable to the public entity.

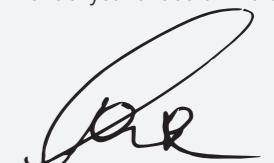
The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

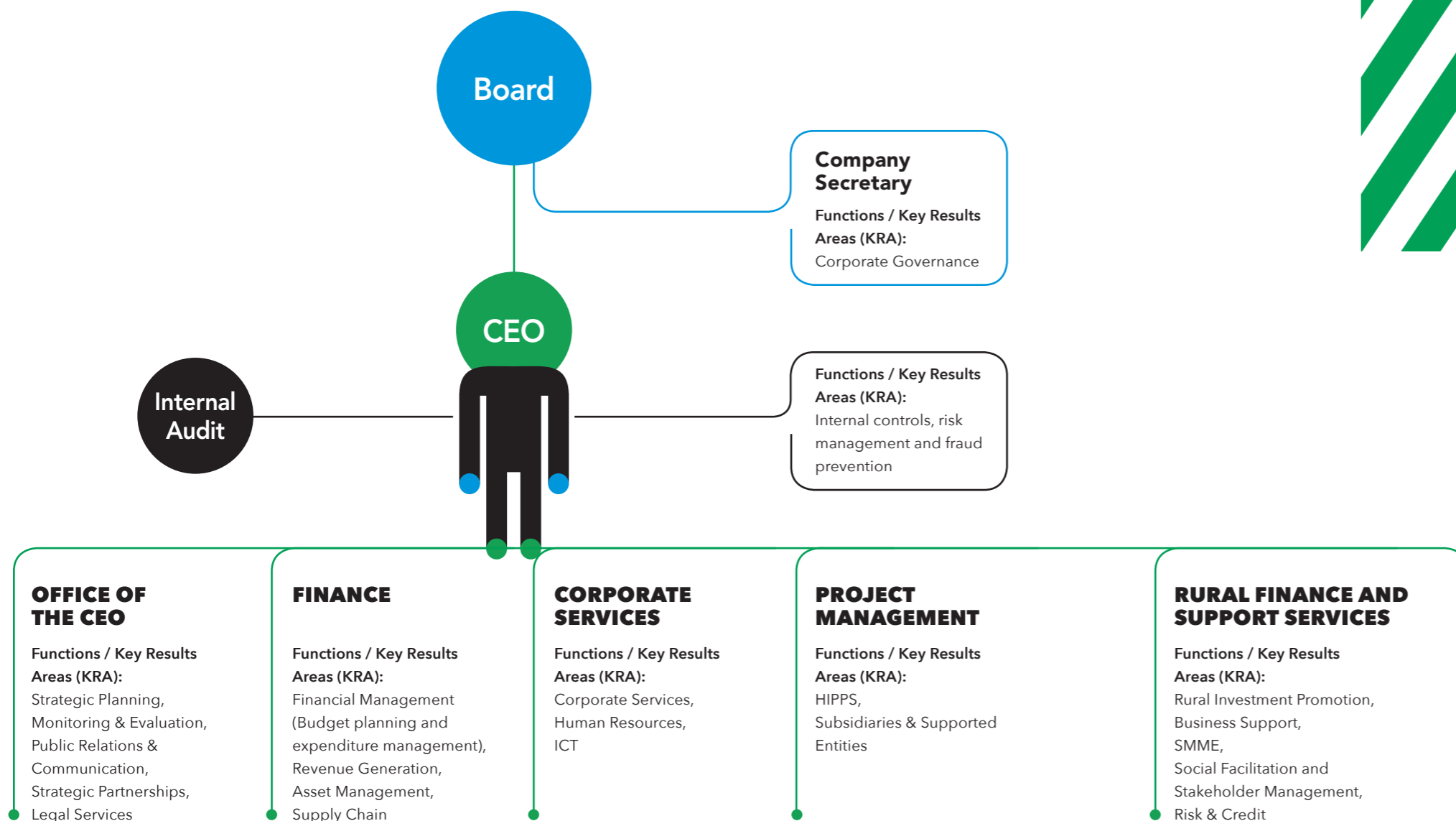
The accounting authority is responsible for establishing, and implementing a system of internal control to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

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.

  
**Chief Executive Officer**  
n dladla  
Date

  
**Chairperson of the Board**  
L Nare  
Date







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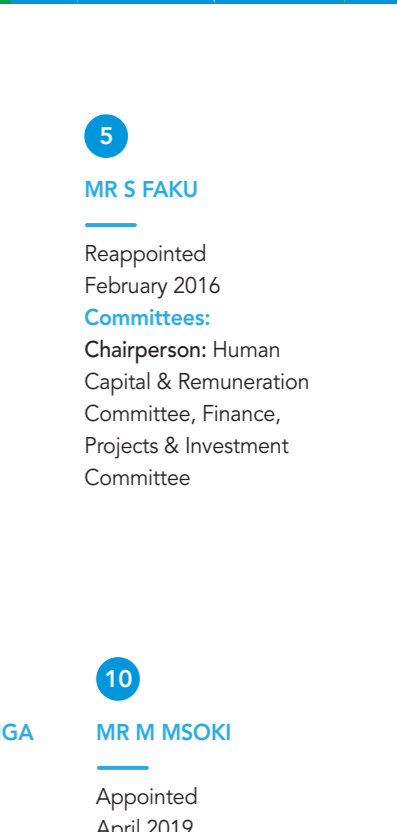
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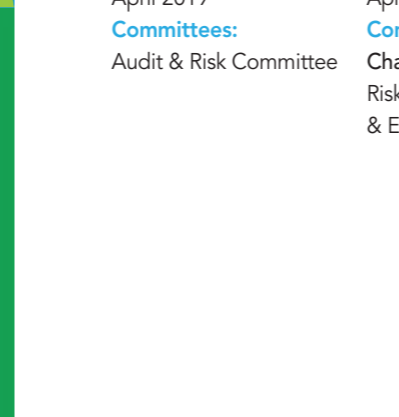
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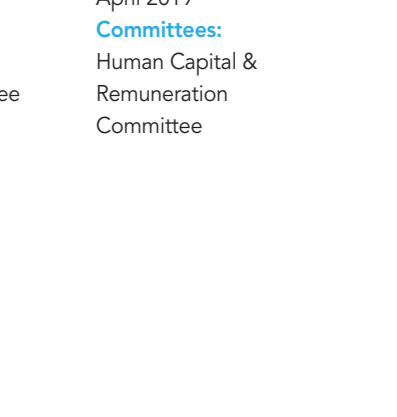
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# ECRDA BOARD

1

**MS L NARE**

**Chairperson**  
Appointed April 2019  
**Committees:**  
Social And Ethics Committee

2

**MR M NCWADI**

**Deputy Chairperson**  
Appointed April 2019  
**Committees:**  
Social & Ethics Committee, Finance, Projects & Investment Committee

3

**AMB M MAQUETUKA**

**Chief Executive Officer:**  
Appointed October 2018  
**Committees:**  
Human Capital & Remuneration Committee

4

**MR S MAKUNGA**

Appointed April 2019  
**Committees:**  
**Chairperson:** Social & Ethics Committee, Finance, Projects & Investment Committee

5

**MR S FAKU**

Reappointed February 2016  
**Committees:**  
**Chairperson:** Human Capital & Remuneration Committee, Finance, Projects & Investment Committee

6

**ADV P MAYAPHI**

Appointed April 2019  
**Committees:**  
Audit & Risk Committee

7

**MS Z THOMAS**

Appointed April 2019  
**Committees:**  
**Chairperson:** Audit & Risk Committee, Social & Ethics Committee

8

**MS N MBETE**

Appointed April 2019  
**Committees:**  
**Chairperson:** Finance, Projects & Investment Committee, Audit & Risk Committee

9

**MS N PETELA-NGCANGA**

Reappointed February 2016  
**Committees:**  
Human Capital & Remuneration Committee

10

**MR M MSOKI**

Appointed April 2019  
**Committees:**  
Human Capital & Remuneration Committee

# CHAIRPERSON'S FOREWORD

The 2019/20 financial year presented a formidable platform for a detailed, consultative and informed review of the previous strategy cycle which came to a culmination at the end of the 2018/19 financial year. The deliberations from this review exercise provided critical inputs into the development of the new strategy cycle which spans the period 2020/21 - 2024/25. The finalisation of this review process resulted in the development of a comprehensive 2020/21 – 2024/25 Strategic Plan. The new strategy incorporates the aspirations of rural communities diligently served by the ECRDA as well as the valuable inputs of partners, staff, stakeholders and those of various publics impacted by the ECRDA's programmes.

On behalf of the Board of Directors and the ECRDA, I wish to convey my profound and sincere gratitude to the Honourable MEC for Rural Development and Agrarian Reform Nomakhosazana Meth for her genuine and considered support during this strategy development process. Similarly, the agency is grateful for the support received from the administrative leadership of the department. The strategy is crafted in a manner which is cognisant of government priorities and the national and provincial aspirations as contained in the National Development Plan (NDP) and the Provincial Development Plan (PDP).

**The strategy outlines exciting new service delivery areas which will further improve the ECRDA's impact and footprint. The 2019/20 financial year was thus a transitional period into a strategy implementation cycle which should be characterised by robust and energised mandate delivery. The Board is thus committed to using its collective wisdom and acumen to provide the required support to the organisation in order to achieve the desired socio-economic returns.**

## Corporate Governance

I am pleased that the Board collective has committed itself to continue to stringently uphold the tenets of good and sound corporate governance. This commitment to sound corporate governance is critical against the background of the 2019/20 financial year being the first full year for the current ECRDA Board of Directors. The members of the Board are now acquainted and fully versed and immersed in the ECRDA business. The board is acutely aware that high governance and oversight standards will form a central pillar in the effective and efficient discharge of the ECRDA mandate. As a result, the board commits itself to use its influence to drive clean governance and leadership which

supports the attainment of the shared aspirations contained in the new Strategic Plan.

## Human Resources

The board is also committed to supporting the further development of the ECRDA's personnel so that they are well-equipped to respond to the demands of the new strategy. Appropriate personnel support and training programmes are in place to ensure that staff is empowered with the skills necessary for high-impact project design and execution.

## Financial Acumen

In addition, the 2019/20 financial year has further highlighted the need to maintain the general financial health of the organisation. A financially sound and viable ECRDA is well-poised to deliver a maximum development impact. In this regard, the board continues to support the discharge of sound financial management and administration which supports the delivery of the core business. The board is aware that sound financial management builds public and funder confidence. As such, I am pleased to report that the ECRDA has again achieved an unqualified audit opinion in the 2019/20 financial year.

This indicates that the organisation is able to account for the prudent use of public assets. The board will ensure that this admirable track record is maintained. The organisation is also pleased with the R169m budget allocation received from the shareholder in 2019/20. This budget allowed the ECRDA to implement and support rural development initiatives which place the rural populace at the centre of the development narrative.

## Partnerships

I am grateful for the continued support of the ECRDA's strategic partners, funders and the general stakeholder community. The mobilisation of these partner and other resources support a collaborative approach in the execution of the development agenda. They improve the impact and extent of ECRDA programmes. The agency will continue to mobilise partner resources in order to widen the scale and reach of the ECRDA's programmes. In particular, I would like to recognise SAPPI's support of the forestry project in Mkambathi. In 2019/20, SAPPI donated seedlings worth R349 661

which resulted in 84ha being planted at Mkambathi and Sinawo forestry projects. The manufacturer also subsidised the transportation of timber at the Mkambathi forestry project by R988 000 in the period under review.

## Mandate Delivery

The agency is pleased with the progress being made in the implementation of its high impact priority programmes. In particular, the agency continues to execute its flagship Rural Enterprise Development (RED) Hubs at five sites throughout the province. In 2019/20, the ECRDA used its R15,382m budget for the implementation of the agro-processing programme. The budget was used on activities such as project implementation and for capital requirements. Interventions in the livestock development programme resulted in the sale of 210 cattle during the period under review. The cattle were sold at an average price of R11 500 thus translating to R2, 415m in sales.

A total of R1,65m was set aside for maintenance and silviculture activities at the Gqukunqa, Izinini, Sixhotyeni, Mkambathi and Sinawo community forestry enterprises. The funds were also used for technical and administrative support to five forestry projects. In 2019/20, 1,403ha were used for silvicultural activities. The Sinawo forestry project generated R5,5m in timber sales and the Mkambathi project generated R2,4m in sales.

During the review period, the ECRDA approved R6,3m in loans for disbursement to 117 clients. Of this amount, R5,1m was disbursed to 94 clients. These were agricultural R1,9m (39%) and non-agricultural loans R3,1m (61%).

**2019/20 BUDGET**  
**R15,382 m**

used for the implementation of the agro-processing programme. The budget was used on activities such as project implementation and for capital requirements.

**SILVICULTURE**  
**R1,65 m**

was set aside for maintenance and silviculture activities at the Gqukunqa, Izinini, Sixhotyeni, Mkambathi and Sinawo community forestry enterprises.



## Subsidiaries

The Board is also pleased with the progress being made in the turnaround processes of its various subsidiaries and associated entities. The agency is working hard to resolve some of the long-standing challenges which confront the efficacy of these enterprises. The Board is thus engaged in continuous conversations with government and private sector partners in order to craft a workable, productive and profitable future for these projects.

## Appreciation

Finally, the Board extends its sincere gratitude to the Honourable MEC for Rural Development and Agrarian Reform, Nomakhosazana Meth, for her confidence in the Board to chart an inspired future for the ECRDA. I am grateful for the support and commitment of board members in the execution of the ECRDA mandate. I extend special thanks to management and the entire ECRDA team for their diligence under a challenging operational and fiscal environment. Finally, I am grateful for the support of the communities we operate in and for the collaborative spirit of the ECRDA's partners.



Lulama Nare  
Chairperson of the board

**I AM GRATEFUL FOR  
THE SUPPORT OF THE  
COMMUNITIES WE  
OPERATE IN AND FOR  
THE COLLABORATIVE  
SPIRIT OF THE ECRDA'S  
PARTNERS.**



# ECRDA EXECUTIVES



**1** NHLANGANISO DLADLA  
Chief Executive Officer

**2** NAVY SIMUKONDA  
Chief Operations Officer

**3** JANINE BAXTER  
Chief Financial Officer

**4** CELLO GARDNER  
Executive Manager:  
Corporate Services Executive

**5** ROAK CREW  
Executive Manager:  
Renewable Energy  
Resigned 2019







# CHIEF EXECUTIVE OFFICER'S REPORT

At the beginning of the 2019/20 financial year, the Eastern Cape Rural Development Agency (ECRDA) began a transition from the previous five-year planning period to the next planning cycle (2020/21 – 2024/25). As such, the period under review was marked by – (i) the development of a new strategy for the next medium-term cycle, and (ii) the implementation of activities articulated in the 2019/20 Annual Performance Plan (APP).

## Strategy Development

The strategy cycle which will be introduced in earnest at the beginning of the 2020/21 financial year, reaffirms the shared aspiration of an inclusive and sustainable rural economy as articulated in the National Development Plan (NDP 2030) and the Provincial Development Plan (PDP 2030).

The strategy development process began with a robust review and critical appraisal of the past strategy cycle which ended in 2019. The strategy preparation process also sought to underline the exciting development prospects available to the ECRDA to pursue in the new strategy cycle. These were determined through a pull-and-push approach, which included the engagement of constituencies, institutional partners and the market in which we operate. During these deliberations, the ECRDA invited submissions on ideas and innovations that should frame the new strategy. On the other hand, the ECRDA proactively sought to redraw plans on reconfigured programmes which exist within our portfolio to respond to the outcomes of, as well as incorporate lesson-pointers from the review exercise.

By the end of the third quarter of the 2019/20 financial year the ECRDA had finalised a well-considered and thoroughly consulted

2020–2025 Strategic Plan.

While mindful of diminishing public resources, the 2020–2025 strategy catapults the agency into a demanding and exciting chapter which requires the organisation to do more with less in pursuit of a pronounced development impact. Consistent with the objectives of the previous strategy cycle, the ultimate purpose of the new strategy is to fundamentally alter the condition of powerlessness, alienation and marginalisation of the rural citizenry. The attainment of this purpose should lead to a universal circumstance which gives expression to increased human worth and in the betterment of the material conditions of rural communities and its economy.

To this end, the role of the ECRDA is to provide the appropriate form of agency that will deepen and strengthen the nexus between human development, economic opportunities and rights. The reimagined ECRDA should be one that supports institutional capabilities, which should in turn facilitate a systemic and sustainable socio-economic impact within the integrated rural development space of the Eastern Cape Province.

In line with its policy mandate, the strategic focus of the ECRDA over the next planning period will be on the consolidation of the existing portfolio of work, whilst adding new elements that are in line with strategic development priorities as redefined by the leadership of the Republic of South Africa and the Province of the Eastern Cape.

The implementation of these projects requires a re-purposed ECRDA which is re-configured to respond to the demands of the new strategy. Underpinning this refocus is the capacitation of the ECRDA with functional skills to execute quality programme and project design, development and implementation management, as well as the mobilisation of enabling institutional networks, partnerships, investment and funding to advance implementation. The impact of these interventions will be augmented through the application of innovation, research and the appropriate application of technology.

The ECRDA's ability to register and leverage socio-economic impact will be further enhanced by empowering beneficiaries with financial resources, capacity and/or enabling infrastructure, interventions whose impact we will measure systematically and report on to our key stakeholders and partners throughout the term of this strategy.

To this end, the ECRDA will among other things, reorient the management of its regional operations in order to inject an enhanced agility and responsiveness to provide development support in line with the revisited strategy.

## Human Capital

The ECRDA continues to pursue the development of human capital which is fit-for-purpose, with the technical ability to execute complex and simple project design and implementation for maximum efficacy and efficiency. Towards this end, a Human Capital Strategy and a reconfigured organisational structure are in the process of being developed in order to give effect to the new Strategy. The Human Capital Strategy will, among others, drive change, re-skilling and upskilling, as well as people management to reorient the ECRDA towards new ways of thinking and doing things.

Linked to this is the development and introduction of an e-performance management system (PMS) which was designed and introduced in the past year. The system is now live on a digital platform. A slew of other human capital policies are also being developed in consultation with staff and organised labour towards strengthening the operational capabilities of the agency. These include learning and development as well as remuneration policies.

I am pleased to also report that during the period under review, the ECRDA has seen a growing maturity in the relationship between management and organised labour, moderated in part through the Joint Labour and Management Forum (JLMF). This is a structure that provides a platform for regular engagement and joint solution-seeking. In addition to the introduction of the PMS, these engagements culminated in a three-year Remuneration Agreement between management and organised labour, which includes a suite of employee benefits that will contribute to the attraction and retention of staff.



**I am pleased to also report that during the period under review, the ECRDA has seen a growing maturity in the relationship between management and organised labour, moderated in part through the Joint Labour and Management Forum (JLMF).**



## Financial Performance

The ECRDA has continued to be consistent in maintaining financial prudence and managing the delicate balance between financial sustainability and viability in the overall execution of our developmental mandate.

I am pleased that ECRDA has again registered an unqualified audit opinion for the 2019/20 financial year. The R169m budget allocation by government for the 2019/20 financial year continues to reflect the challenging budget and financial regime under which the agency operates. However, the agency has an opportunity to develop small yet significant pockets of excellence in its areas of operation and impact which is reflected in its operational performance. This budget was used for flagship projects such as the Tshabo Flora Red Hub, forestry community-owned projects and the hosting of South Africa's first rural development indaba. The provincial government made a further R93m available for the resuscitation of the Magwa-Majola tea estates which is the largest operating tea farm in the southern hemisphere. The agency remains on a sound financial footing to deliver on its mandate as a schedule 3C public entity which focuses on sustainable rural development projects and providing access to enabling rural finance.

### DISCONTINUED ACTIVITIES / ACTIVITIES TO BE DISCONTINUED

Moving forward, the ECRDA initiative on feedlots will be incorporated into the DRDAR feedlot programme. The Group Annual Financial Statements include the financial results of the ECRDA and its subsidiary Kangela (Pty) Ltd. Kangela (Pty) Ltd did not prepare its financial statements on the going concern basis.

### SUPPLY CHAIN MANAGEMENT POLICIES AND SYSTEMS

The ECRDA has a supply chain management policy in place which is supported by appropriate systems, processes and procedures.

Challenges addressed in the constitution of the Bid Evaluation and Bid Adjudication Committees have been addressed in pursuance of ongoing improvement.

### AUDIT REPORT MATTERS FROM THE PREVIOUS YEAR

The ECRDA is also actively addressing challenges identified relating to ICT governance matters. The agency has made improvements during the period under review. As with supply chain management, the ICT improvement process is ongoing.

## Operational Performance

During the period under review, the following operational milestones were achieved:

### AGROPROCESSING

The agency continued to facilitate the implementation of its flagship Rural Enterprise Development (RED) Hubs programme which places rural communities and their organised entrepreneurial organisations at the centre of operations. The underpinning programme philosophy is aimed at creating virtuous value cycles within our rural communities and ensuring, among others, that money circulates within local economies for as long as possible. In practice, taking the example of mealie-meal and other grain products, this means maize is grown within the community, milled in the community, packaged and even sold within the community. When sold outside, money returns to fuel the local economy.

The ECRDA continues to operate five RED Hubs throughout the province. These are four RED Hubs that focus on grain production and value-addition – Emalahleni in Lady Frere, Mbizana, Ncora and in Mqanduli. The

ECRDA also operates the new Tshabo RED Hub in Berlin outside East London. The RED Hub is introducing and developing a new flora industry in the Eastern Cape.

In 2019/20, a total of R15,382m was used in the implementation of agro-processing programmes. A total of R1,4m was spent in Mqanduli, R1,2m in Ncora, R1,2m in Mbizana, R1,5m at Emalahleni and R9,5m in Tshabo. These funds went toward employee costs, capital requirements such as a plant holding facility, erection of a boundary fence, tractors with implements, shipping containers, tools and equipment, bush clearing and contour flattening, land preparation, delivery of plant rootstock as well as professional fees.

### TOTAL 2019/20 BUDGET ALLOCATION

**R169 m**

**R15,382 m**

used for the implementation of the agro-processing programme. The budget was used on activities such as project implementation and for capital requirements.

I am also pleased to report that in 2019/20, a Food Safety Policy was developed and implemented at the milling RED Hubs. In addition, instore promotions were conducted at SPAR branches with substantial success. The promotions which took place at seven SPAR Eastern Cape stores were aimed at activating RED Hub mill products. These stores are in East London, Mdantsane Highway, Fort Beaufort, Butterworth and at Engcobo.

I am also grateful for the partnership with Grain South Africa which has assisted with capacity-building training on tractor and farm implement maintenance. Furthermore, the ECRDA has facilitated training and demonstrations on new mobile maize dryers that were received from the Department of Rural Development and Land Reform (DRDLR) in the fourth quarter of 2018/19. These RED Hubs have been supported with grain demonstration sites that are meant to practically educate and train the primary co-operative members so that their technical knowledge can improve, thereby improving their maize crop yields.

### FORESTRY DEVELOPMENT

In the forestry development programme, a total of R1,65m was set aside for maintenance and silviculture activities at the Gqukunqa, Izinini and Sixhotyeni community forestry enterprises. The funds were also used for technical and administrative support to five forestry projects.

In 2019/20, against a total area of 1,163ha planned for silvicultural activities, actual activities covered 1,403ha, exceeding the target by 240ha (121% achievement), despite limited financial resources.

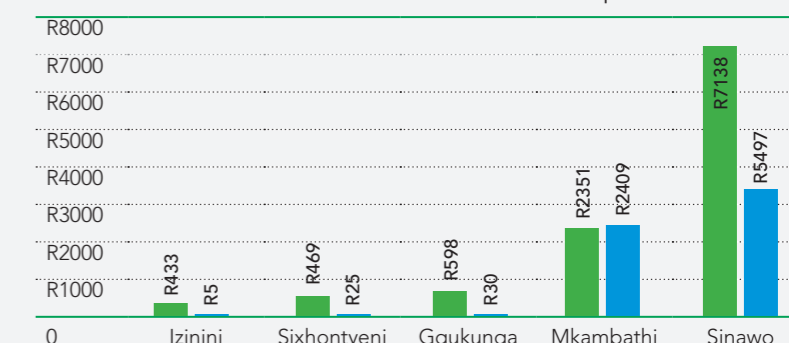
The partnership with strategic partner SAPPI also resulted in a donation of seedlings

valued at R349 661 from the manufacturer. This resulted in the planting of 84ha at the Mkambathi and Sinawo forestry projects. Furthermore, SAPPI has subsidised the transportation of timber at the Mkambathi forestry project by R988 000 in the period under review. Despite some challenges related to deep-rooted community impasses, the Sinawo and Mkambathi forestry projects managed to generate turnovers of R5,5m and R2,4m respectively. This is an indication of a promising commercial future for the community forestry operations.

**R7,9 m**

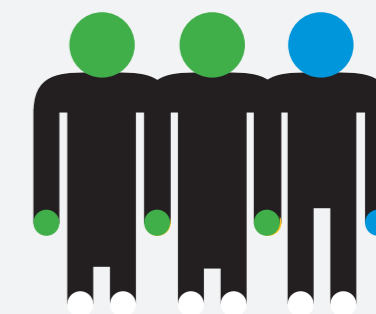
Despite some challenges related to deep-rooted community impasses, the Sinawo and Mkambathi forestry projects managed to generate turnovers of R5,5m and R2,4m respectively.

FINAL PERFORMANCE OF FIVE PROJECTS 2019-20 Expenditure Income



**A total of 234 jobs have been created at the five forestry projects.**

This figure comprises Sinawo (140), Izinini (29), Mkambathi (37), Gqukunqa (16) and Sixhotyeni (12). Of this number, 74 jobs were youth and 81 were women.



## Rural Finance

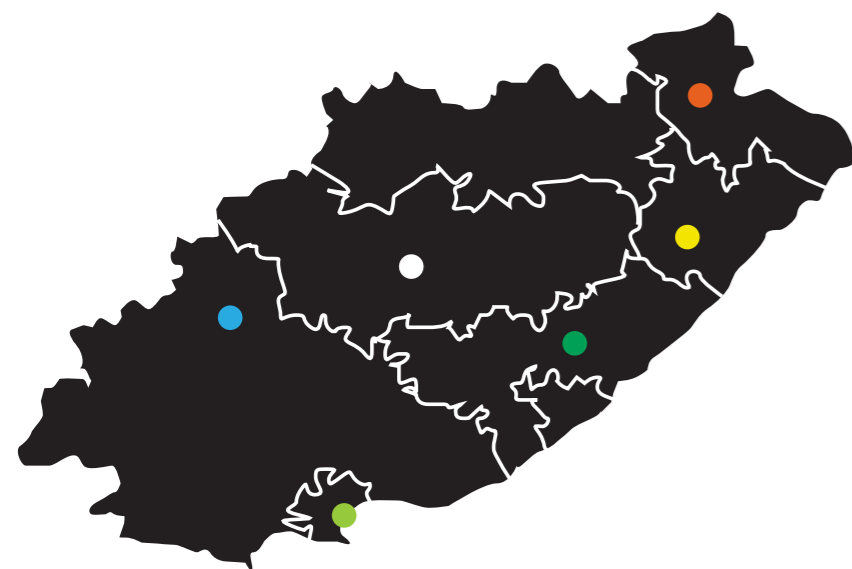
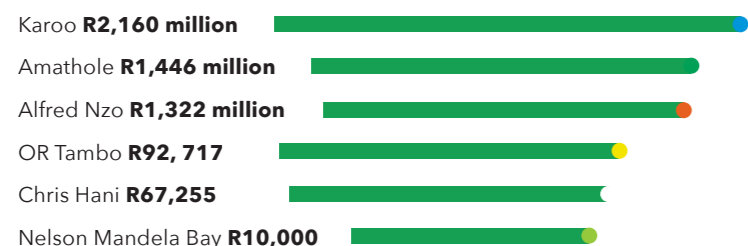
In 2019/20, the ECRDA continued with the extension of credit lines to deserving entrepreneurs located in the rural communities of the province. These credit facilities are crucial in the development of an entrepreneurial culture and the improvement of income generation. Improved income generation is crucial in developing a culture of self-sufficiency particularly in rural projects. The ECRDA approved R6,3m in loans for disbursement to 117 clients. Of this amount, R5,1m was actually disbursed to 94 clients. These were agricultural R1,9m

(39%) and non-agricultural loans R3,1m (61%).

A total of R2,2m went to the Karoo region, Amathole R1,4m, Alfred Nzo R1,3m, OR Tambo R92,717.90, Chris Hanani R67,255.83, and Nelson Mandela Bay R10,000.

**A total of R2,3m in loan repayments was collected in the 2019/20 financial year.**

### GEOGRAPHIC SPREAD:



## Livestock Development

The end of the 2019/20 financial year saw the Department of Rural Development and Agrarian Reform (DRDAR) taking over the running of the livestock development programme and incorporating it in the core programmes of the department.

However, during the period under review, the agency facilitated a number of livestock development activities at select feedlots – Zigudu, Mqanduli and Ncorha.

These activities included –

(i) the installation of an irrigation system at the Zigudu Feedlot which is aimed at ensuring that the feedlot is in a position to produce its own feed mixing ingredients in order to curtail feeding costs;

(ii) the procurement of equipment and seed capital for feeder cattle through the use of a R5,2m allocation from the Provincial Stimulus Fund;

(iii) awareness campaigns on cattle conditioning, marketing and the purchase of mobile auction pens to be used in various areas of the former Transkei. These campaigns were attended by close to 500 farmers;

(iv) educational radio sessions on livestock marketing and condition. These sessions are to be followed by a vernacular newsletter planned for the new financial year, as well as;

(v) purchases of cattle for fattening at the feedlots, and facilitating the sales thereof.

## Business Support And Social Facilitation

The ECRDA continued to provide business support, advisory services and capacity-building to external clients such as co-operatives and to businesses which make up the RED Hubs, feedlot owners, forestry development enterprises and to the communities which the ECRDA services in general. In 2019/20, a budget of R265 000 was allocated for these training and empowerment programmes. The funds were used for training at sessions organised around the RED Hubs and at the village clusters and nodes. The training covered among others, co-operative governance, financial management and leadership, computer literacy, assistance to obtain drivers licences, as well as educational tours for learning by exposure.

## Subsidiaries

During the period under review, the ECRDA provided financial and technical support interventions to its subsidiaries and associated entities. These entities include the Magwa-Majola Tea Estate, Amajingqi Macadamia Farming as well as the Kangela Citrus Farm. The agency's interventions are meant to improve productivity and competitiveness of these businesses.

### MAGWA-MAJOLA TEA ESTATE

In 2019/20, Magwa Enterprise Tea (MET) has taken a positive growth trajectory. There has been a steady rise in the crop yield of tea over the past two years from 460 tonnes in 2018/19, to 695 tonnes in the 2019/20 financial year. The projected crop yield of black tea is expected to hit 1,400 tonnes in the 2020/21 harvesting season.

MET has adopted a new business model which is centred around value creation and

addition. Value has been created through the development of intellectual property in the company, and also adding value to the products that are processed at the factory. In this manner new revenue streams will be obtained. Being one of the leaders in the South African tea market over the years, Magwa has embarked on an aggressive path in its marketing approach in order to penetrate various market segments. For the first time, MET procured tea bagging and packaging equipment to ensure that there is sufficient supply of tea bags to its markets.

The agency has developed a masterplan which is intended to be focal point of all development initiatives around the Magwa and Majola Tea Estates for the next 15 years. The development initiatives will diversify the current focus on tea plantation to other high value crops and exploit the tourism potential of the area through the development of an eco-friendly tourism valley. While the primary focus of the plan is to mobilise financial resources for the much-needed infrastructure investment to Magwa and Majola Tea Estates, it is also focused on ensuring the sustainability of the programme through development and revitalisation of the local-economy which is driven by primary agriculture, agro-processing, and eco-tourism. Amajingqi Macadamia Farming

During the year under review, the ECRDA monitored the implementation of the Amajingqi Macadamia Farming project. The Amajingqi Macadamia Farming (AMF), an operating company, is a joint initiative between a private partner and the community of Amajingqi. The Amajingqi Investment Trust holds 51% of the shares on behalf of the community.

The trust is a community enterprise benefiting 12 villages in Willowdale. The other shareholder is the East Cape Macadamia (PTY) Ltd which holds 49%. The Department of Rural Development and Agrarian Reform (DRDAR) is funding the project through transfers via the ECRDA.

The project has planted more than 267 ha of

macadamia nuts. The target is to plant 300 ha at full scale.

During the year under review, harvesting started on one variety of the 89ha which is comprised of three-year-old trees currently bearing the first crop.

The project has made a considerable achievement in creating jobs for the rural people especially the youth. A total of 131 people were employed during the period under review. A total of 49% (64) were males and 51% (67) were females. It is expected that there would be more jobs created once the project operates at full capacity in the coming few years.

### KANGELA CITRUS FARM

The entity continued to work on the resolution of the current impasse at the Kangela Citrus Farm following the Grahamstown court judgement of 2018. During the year under review, there has been little progress made on resolving the Kangela case matter. The project is currently being operated by the Kangela Trust without the involvement of the ECRDA. The ECRDA is still working on verifying the various court orders that were made on the Kangela land purchase transaction which was finalised in court.

The ECRDA has since been in consultation with other legal firms on this matter as well as with the National Deputy Director of Public Prosecutions who previously dealt with the Kangela Citrus Farms legal matter in 2005. The entity is now in the process of obtaining valuable information that will help in resolving the current impasse.

The ECRDA is also busy pursuing the recovery of the outstanding money owed to Kangela Citrus Farm by the South African Fruit Exchange (SAFE) as well as the recovery of the outstanding loan that was advanced to Kangela during the 2017/18 financial year. The outcome of the current legal consultations will determine the course of action by the entity in respect of Kangela.



## Future Outlook

Moving forward, the objective is to consolidate programmes in order to improve efficiencies and impact while past experience will be used to carefully approach the design and introduction of new exciting programmes being added to the ECRDA's portfolio.

## Appreciation

I would like to extend my sincere gratitude to the MEC for Rural Development and Agrarian Reform, the Honourable Nomakhosazana Meth for her enduring support and for championing the ECRDA's programmes. I would also like to register my appreciation of the support the agency received from the administrative leadership of the Department of Rural Development and Agrarian Reform (DRDAR). I also extend my appreciation to the ECRDA Board of Directors for their strategic guidance and diligent exercise of their oversight responsibility.

I also extend a special thanks to the entire ECRDA team for its unceasing determination to effect real and practical change in the communities which we exist to serve. Last but not least, I extend a word of gratitude to the various partners and stakeholders that support the attainment of the ECRDA vision through financial and non-financial means. My gratitude is inclusive of the communities and local entities that are the motive force behind operations on the ground. It is the ECRDA's intention to further consolidate and expand these collaborative relationships as it moves forward in the execution of the agenda which it is mandated to drive in the development and growth of sustainable and viable rural economies.



nhlanganiso dladla  
Chief Executive Officer

**I ALSO EXTEND MY  
APPRECIATION TO  
THE ECRDA BOARD OF  
DIRECTORS FOR THEIR  
STRATEGIC GUIDANCE  
AND DILIGENT EXERCISE  
OF THEIR OVERSIGHT  
RESPONSIBILITY.**





# CHIEF FINANCIAL OFFICER'S REPORT

The ECRDA Group has produced a strong set of results for the year under review despite a challenging operating environment which was characterised by severe financial constraints. This is a result of a constriction in the fiscal environment over the last few years. As such, during the period under review, the Group embarked on a spirited pursuit of its 2020-25 strategy which includes a diversified funding strategy and the leveraging of stakeholder partnerships in the delivery of the agency mandate. The focus remains on the implementation of Catalytic, High Impact Priority Programmes which are premised on sustainable socio-economic redress. The ultimate objective is building a viable and vibrant rural economy which will redraw the rural economic landscape of the vast Eastern Cape province.

As a Schedule 3C listed public entity, the ECRDA is not profit driven. This means it surrenders unspent funds at the end of the financial year to the provincial treasury. This impedes the ECRDA's ability to build reserves in order to reduce government dependency, it affects long-term planning and, to an extent, participation in multi-year projects. This is concerning especially given the developing trend of annual reductions in the Medium-Term Expenditure Framework (MTEF) funding allocations. The entity has had to employ innovative measures in managing its budget and spending. The organisation has been able to do so successfully. As a result, surplus funds surrendered at the end of the financial year amounted to 1% of grants received (8% in 2018/2019).

The ECRDA is dependent on the Eastern Cape Provincial Government funding for its operations and programmes. This was constrained during the review period. The impact of the coronavirus disease 2019 (COVID-19 pandemic) is likely to have a lasting and detrimental effect on the economy with a significant impact on future funding. The South African Government declared a national state of disaster in March 2020 resulting in a national lockdown. In response

to the lockdown, the ECRDA instructed most of its staff to work from home to mitigate the risk of contagion among its employees. The scale and duration of the pandemic is uncertain and continuously changing.

Risks arising as a result, and the measures underway by the ECRDA to mitigate these risks, include:

\*A sudden increase in uncertainty among employees due to pandemic-related regulations and new ways of working. The ECRDA implemented remote working principles which supported sustained operations. Remote working is likely to remain the prominent way of performing business tasks for the foreseeable future thus increasing cyber and information security risks. The ECRDA will focus funding on strengthening ICT controls including cybersecurity measures using various technologies while rolling out remote working capabilities.

\*Misalignment between funding models and budgets and the "new normal" operating environments for South African entities. The ECRDA will continue the principles of Zero-Based Budgeting utilised effectively in the 2019/20 financial year.

The ECRDA Group includes Kangela Citrus (Pty) Ltd (Kangela) which was the operating company of Kangela Citrus Farms. Kangela Citrus Farms removed Kangela through a legal process during the previous financial year, resulting in Kangela losing control over Kangela Farms. The ECRDA Group did not consolidate Kangela on the going concern basis for the financial year under review.

Asset Base Composition	2020	2019	2018	2017
Cash & Equivalents	62 010 879	65 866 708	42 955 041	74 642 220
Trade Receivables	2 816 794	5 403 449	21 265 349	12 667 372
Loan Books	22 310 190	49 184 646	58 959 511	50 932 562
PPE & Investments	24 638 204	22 794 206	25 338 491	26 566 113
Inventories	97 392	81 063	91 118	123 971

The asset base of the ECRDA decreased by R31 million, or 22 per cent, year-on-year. This was influenced by the value of the ECRDA Loan Books, Trade Receivables and Cash Holdings.

The ECRDA loan books consists of four loan portfolios, namely MAFISA loans administered on behalf of the Department of Agriculture, Forestry and Fisheries (DAFF), Uvimba loans from ECRDA's predecessor, the Eastern Cape Rural Finance Corporation (ECRFC), Micro Finance Loans administered on behalf of the Small Projects Foundation and ECRDA loans. The value of the ECRDA loan books amounts to R22 million after impairments.

Part of the ECRDA's 2020-25 strategy is the refit of the provision of rural development finance and aftercare services. Focus areas include ensuring a proper enabling environment for the provision of financial services, the development of efficient, viable financial products and an investment in social and economic infrastructure to improve financial management skills and business services in rural areas. This includes the establishment of an adequate economic base for extremely poor clients and communities.

Cash holdings include R41 million Micro Agricultural Financial Institutions of South Africa (MAFISA) administered fund holdings for the provision of MAFISA loans and R10 million for the implementation of infrastructure projects on behalf of the Provincial Stimulus Fund. The overall financial viability of the ECRDA given its current listing status is good with creditors as a percentage of cash and cash equivalents being 90%.

## Liabilities

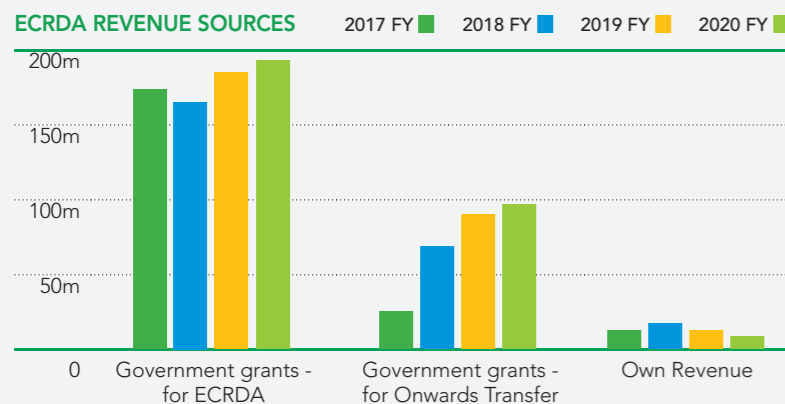
Consistent with the ECRDA's operating model, liabilities are largely short-term in nature and they mainly comprise of trade payables and liabilities and deferred grant income arising from non-exchange transactions. As the stage of implementation of administered projects increases, the administered cash holdings and related liabilities decreases. This is evident in the R8 million year-on-year decrease in Trade Payables which includes the distribution of R3 million due to Provincial Treasury. The ECRDA's liabilities are fully asset-backed.



**The overall financial viability of the ECRDA given its current listing status is good with creditors as a percentage of cash and cash equivalents being 90%.**



Liabilities	2020	2019	2018	2017
<b>Current Liabilities</b>	49 859 376	55 631 881	39 419 437	48 974 589
<i>Including</i>				
Trade Payables	27 710 374	36 410 453	21 796 933	22 402 452
Deferred Income & Liabilities from Non-Exchange Transactions	21 644 983	18 578 596	16 431 379	25 976 630
<b>Non-Current Liabilities</b>	195 661	14 548	563 143	619 484
<b>Total Liabilities</b>	50 055 037	55 646 429	39 982 580	49 594 073



**R15 million (8 per cent) increase to R193 million in provincial government funding**

The funding allocated to the ECRDA by provincial government increased by R15 million (8 per cent) to R193 million in the 2019/20 financial year. Own generated revenue of R16 million decreased by R1 million (8 per cent) year-on-year. The ECRDA will focus on revenue generation strategies to counteract the impact of lower interest rates and COVID-19 on own revenue going forward.

Transfer payments in the amount of R16 million (2019: R33 million) were received in support of the Amajingqi Macadamia Project and R93 million (2019: R57 million) for the turnaround of the Magwa Tea Estates. Project expenditure for the year focused on the development of the Tshabo Red Hub and maintaining support for the four existing RED Hubs at Mqanduli, Ncora, Emalahleni and Mbizana, which focus on grains

and milling. Phase 1 of the Tshabo RED hub is the establishment of a Protea farm and nursery and it is continuing from the previous financial year.

**Capital Investment and Maintenance**  
Capital expenditure (non-project related) during the year comprised mainly of the replacement of fleet vehicles and computer equipment with ongoing expenditure on software and licencing fees. The refurbishment of the Sun Building in King William's Town is currently underway. The ECRDA maintains a fixed asset register which is updated and verified quarterly. During the verification process, assets in need of repair and/or maintenance are identified. The condition of the majority of the ECRDA's assets is good. The internal controls over assets and the fixed asset register are sound considering audit outcomes. There has been no theft or loss of significant assets during the year not covered by insurance.

The ECRDA obtained an unqualified audit opinion which is an indication of the organisation's commitment to a strong internal control environment, whilst the need for continuous improvement is noted.

The ECRDA's results for the year are evidence of management's commitment to utilising funding responsibly. This review should be read in conjunction with the Annual Financial Statements presented on pages 67 to 146.

**Janine Baxter**  
Chief Financial Officer







# PART B

## PERFORMANCE INFORMATION

# AUDITORS REPORT: PREDETERMINED OBJECTIVES

## Introduction and scope

In accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators / measures included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My 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, my findings do not extend to these matters.

I 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 programme 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 — High Impact Priority Projects	40 — 41

I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I 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.

I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:

- High impact priority projects

## Situational Analysis

### SERVICE DELIVERY ENVIRONMENT

The service delivery environment at ECRDA has been fairly stable with no labour unrest registered during the period under review. Whilst the staff engagement environment could have been better during the financial year, a number of steps have been implemented and/or planned for implementation. Regular engagements with organised labour took place and a participatory management style has commenced with the joint development of a terms of reference for the organisation reconfiguration to be implemented following the finalisation of the agency's new Strategic Plan (2020/25) in the new financial year. Going forward, this process will be monitored jointly by the Joint Labour Management Forum of the ECRDA. Further to this, enhanced engagements with management and staff on a monthly and quarterly basis have been planned as well as the establishment of a Transformation Committee.

# Performance Information by Programme

## PRIOR YEAR PERFORMANCE:

The 2019/20 Financial year had 5 strategic objectives that did not have prior year targets, as the financial year was a planning year for the next five-year cycle. The prior five-year cycle performance was indicated in the 2018/19 Annual Report.

### Programme 1: Administration

Strategic Objective 1: Improve and maintain the management of Financial, ICT and Human Resources to enable ECRDA to deliver on its mandate effectively, efficiently and with good clean administration underpinned by planning, monitoring and evaluation.				
Key Performance Indicator	2019/20 Target	Actual Achieved	Deviation	Comments on Deviation
1. Number of Strategic and administrative documents developed, responded to and resolutions actioned by the Office of the CEO.	1.1. 1 SLA between DRDAR & ECRDA.	Target achieved 1 SLA between DRDAR & ECRDA	None	n/a
	1.2. 6 Status update reports to staff on the vision of the ECRDA Strategy 2020 – 2025.	Target achieved 6 Status update reports to staff on the vision of the ECRDA Strategy 2020 – 2025	None	n/a
	1.3. 1 ECRDA Policy Register comprising of approved Policies	Target achieved 1 ECRDA Policy Register comprising of approved Policies	None	n/a
	1.4. 3 Status update reports to the CEO on internal and external stakeholder initiatives.	Target achieved 3 Status update reports to the CEO on internal and external stakeholder's initiatives	None	n/a
	1.5. 1 Corporate Social Responsibility program and 1 guiding policy for board approval.	Target achieved 1 Corporate Social Responsibility program and 1 guiding policy approved by the Board 26 March 2020	None	n/a
	1.6. 3 Status reports on Internal Audit activities submitted to the CEO.	Target achieved 3 Status reports on Internal Audit activities submitted to the CEO.	None	n/a
2. Number of Strategic Compliance documents developed and submitted for consideration aligned with the Shareholders strategic direction and priorities within the legislative timeframes.	2.1. 3 Documents	Target Achieved The following documents were developed and submitted for consideration; • Revised APP 2019/20 • Strategic Plan 2020 – 2025 • 2020/2021 APP	None	n/a
3. Number of Performance reports submitted, aligned with the approved Annual Performance Plan and as per legislative requirements and timeframes.	3.1. 6 Reports	Target Achieved The following reports were submitted; • 4 x Quarterly Reports • 1 x Midyear Report • 1 x 2018/19 Annual Report	None	n/a
4. Number of brand awareness initiatives created within the target market.	4.1. 3 Publications	Target achieved The following publications were made; • AR Results booklet • Inqubela • Staff newsletter (Pulse)	None	n/a
	4.2. 4 Media releases	Target achieved Media releases were picked up by; • Mype • Business Link • Daily Dispatch & Dispatch live • Network24	None	n/a

Strategic Objective 1: Improve and maintain the management of Financial, ICT and Human Resources to enable ECRDA to deliver on its mandate effectively, efficiently and with good clean administration underpinned by planning, monitoring and evaluation.				
Key Performance Indicator	2019/20 Target	Actual Achieved	Deviation	Comments on Deviation
4. Number of brand awareness initiatives created within the target market.	4.3. 1 Media perception survey	Target achieved 1 Media perception survey was done	None	n/a
	4.4. 1 Media training	Target achieved Media training was provided to the executive	None	n/a
	4.5. 1 Media Engagement	Target achieved A media engagement was held at the Berlin November.	None	n/a
	4.6. 6 Website updates	Target achieved Website updates were done	None	n/a
	4.7. 1 Staff Engagement	Target achieved Staff Engagement was held	None	n/a
5. % of requests received from units, responded to by Human Resources, to attend to HR needs within the ECRDA.	5.1. 100% of requests received from units, responded to by HR aligned with the process flow.	Target achieved 100% of requests were responded	None	n/a
	5.2. Develop 1 request register.	Target achieved A request register was developed and is being maintained	None	n/a
	5.3. Develop 1 employee satisfaction index.	Target achieved 1 employee satisfaction index (questionnaire) was developed	None	n/a
6. Number of reports provided on; 1) Access to internet and email services. 2) ICT Support to business units. 3) ICT support on equipment and systems.	6.1. 4 useful and accurate reports.	Target achieved Quarterly reports were received from ICT detailing access to internet and email services, support provided to business units as well as support on equipment and systems.	None	n/a
7. Number of Annual Financial Statements developed and submitted as per legislative requirements and timeframes.	7.1. 1 Annual Financial Statement (AFS)	Target Achieved The Annual Financial Statements were submitted for audit 31 May 2019 and audited financials were published in the 2018/19 Annual Report under Part E.	None	n/a
8. Number of Procurement Plans developed & implemented aligned with SCM policies and procedures and legislative requirements.	8.1. 1 Procurement Plan developed and implemented and reported on quarterly.	Target achieved Procurement plan was developed, implemented and reported on quarterly.	None	n/a
9. % of Audit improvement action plan items implemented.	9.1. 100%	Target not achieved	None	n/a



### 3.2. Programme 2: HIPPs

Strategic Objective 2: Optimise the economic and social benefit to rural communities in the Eastern Cape.				
Key Performance Indicator	2019/20 Target	Actual Achieved	Deviation	Comments on Deviation
10. Number of RED Hubs supported as per project specific operational plan.	10.1. 5 Operational Plans	Target Achieved Operational Plans were developed for the following RED Hubs; 1. Ncora 2. Mbizana 3. Mqanduli 4. Emalahleni 5. Tshabo	None	n/a
	10.2. 5 RED Hubs supported	Target not achieved The ECRDA supported all 5 RED Hubs, however not all activities within the operational plans could be actioned.	4 Demonstration sites could not be planted.  35ha of flora could not be planted	Planting could not take place due to the drought in the areas were demonstration sites were planned. A drought report has been submitted as support.  Planting of the flora was delayed due to 2 service providers cancelling their purchase order, the third purchase order was issued on 3rd February 2020 which did not allow sufficient time for the planting to be finalised.
11. Number of Livestock Feedlots supported with technical and administrative support as per feedlot specific plan.	11.1. 3 Operational Plans	Target Achieved Operational Plans were developed for the following feedlots; 1. Ncora 2. Mqanduli 3. Zigudu	None	n/a
	11.2. 3 Feedlots supported	Target not achieved The ECRDA did support 3 feedlots, however not all the activities within the operational plans could be actioned.	Shed at Mqanduli could not be constructed  Irrigation system instillation at Zigudu was not completed	The stimulus funds transferred were less than requested and the Mqanduli Shed was not funded. As the ECRDA did not have this in their own budget the construction could thus not take place.  The service provider did not deliver all the components before the lockdown commenced and thus instillation could not be completed.
12. Number of Forestry Projects supported with technical and administrative support as per project specific plan	12.1. 5 Operational plans	Target Achieved Operational Plans were developed for the following projects; 1. Sinawo 2. Mkambathi 3. Gqukunqa 4. Sixhotyeni 5. Izinini	None	n/a
	12.2. 5 Forestry Projects supported	Target achieved ECRDA supported 5 forestry projects as per the operational plans developed.	None	n/a

Strategic Objective 2: Optimise the economic and social benefit to rural communities in the Eastern Cape.				
Key Performance Indicator	2019/20 Target	Actual Achieved	Deviation	Comments on Deviation
13. Number of subsidiaries and associated entities supported through transfer payments and oversight.	13.1. 2 Projects supported	Target achieved Magwa and Amajingqi was supported through oversight and transfer payments.	None	n/a

Strategic Objective 3: Creating a platform for experience and knowledge sharing in rural development.				
Key Performance Indicator	2019/20 Target	Actual Achieved	Deviation	Comments on Deviation
14. Number of Rural Development Indabas & Investment conferences facilitated, and investment opportunities presented to investors during the period under review	14.1. 1 Initiative	Target achieved A Rural Development Indaba was hosted by ECRDA in Lusikisiki between 28 and 30 January 2020.	None	n/a

Strategic Objective 4: Mobilise development investment for the Eastern Cape.				
Key Performance Indicator	2019/20 Target	Actual Achieved	Deviation	Comments on Deviation
15. Number of Sectors in which projects are packaged during the period under review to attract investment into the EC.	15.1. 4 Sectors	Target achieved Projects were packaged in; 1. Agro-value chain 2. Aquaculture 3. Forestry 4. Eco-Tourism The projects were presented at the African Agri-Investment Indaba hosted in Cape Town during December 2019.	None	n/a
16. Number of Rural Opportunity Maps (ROM) developed during the period under review	16.1. 1 Map	Target achieved 1 Electronic Map was developed.	None	n/a
17. Number of online marketing platforms designed.	17.1. 1	Target achieved A marketing platform design concept was developed (a mobile app) The design concept will be roll out in the 2020/21 financial year as an innovative pilot program launch	None	n/a

### 3.3. Programme 3: Rural Finance and Support Services

#### Strategic Objective 5: Support communities by providing access to financial and business support and capacity building.

Key Performance Indicator	2019/20 Target	Actual Achieved	Deviation	Comments on Deviation
18. Number of initiatives to empower communities embarked on during the period under review.	18.1. 7 Initiatives	Target not achieved The following initiatives were achieved; <ul style="list-style-type: none"> <li>• Exposure trip for Zigudu feedlot members to an abattoir and commercial feedlot</li> <li>• Mbizana RED Hub leadership was trained on cooperative governance</li> <li>• Mqanduli RED Hub leadership was trained on cooperative governance</li> <li>• Aquaculture project information sharing was done at Mbashe</li> <li>• 10 Drivers licences were facilitated at Tsomo</li> <li>• 10 people were trained in Computer literacy at Tsomo</li> </ul>	A bakery at Iliitha and Ndevana area could not be equipped	The lockdown prevented the delivery of the equipment to the bakery.  Once the lockdown is lifted the delivery will take place.
19. Number of training workshops facilitated to empower the leadership of the feedlots supported by the ECRDA	19.1. 3 Training workshops	Target not achieved Two training workshops was facilitated for feedlots; <ul style="list-style-type: none"> <li>• Mqanduli feedlot was trained on cooperative governance</li> <li>• Ncora feedlot was trained on finance management</li> </ul>	Training on crop production under irrigation and related issues could not take place at Zigudu	Training was scheduled for 27 March 2020, however the presidency announced a lockdown to commence on the 26th.
20. % of approved loans disbursed aligned with the Credit policy during the period under review.	20.1. 100%	Target achieved 100% of approved loans were disbursed aligned with the credit policy.	None	n/a
21. % of ECRDA Portfolio Grade A – E loans assessed, responded to and reported on in accordance to the approved Credit policy during the period under review.	21.1. 100%	Target achieved 100% of ECRDA Portfolio Grade A – E loans were assessed, responded to and reported on.	None	n/a





# PART C

## GOVERNANCE

## 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 the ECRDA's enabling legislation corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the Kings Report on Corporate Governance.

The Eastern Cape Rural Development Agency (ECRDA) is committed to good corporate governance and organisational integrity in the running of all its affairs. As such, the Agency subscribes to the corporate governance principles set out in the PFMA and ECRFC Amendment Act of 2012. It also endorses and implements the Code of Corporate Practices and Conduct, as contained in the King Reports on Corporate Governance. Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

### Portfolio Committee Meetings

ECRDA is a Schedule 3C Provincial Public Entity wholly-owned by the Eastern Cape Department of Rural Development and Agrarian Reform (DRDAR). As such, the Agency submits to the guidance and oversight provided by the Eastern Cape Portfolio Committee on Agriculture, Forestry and Fisheries.

During the period under review the ECRDA attended portfolio committee meetings on the following dates:

- 09 July 2019
- 11 July 2019
- 24 July 2019
- 15 November 2019
- 26 November 2019

### Executive Authority

ECRDA is compliant with all laws and regulations relevant to its areas of operation. As a Provincial Public Entity, it is committed to providing the shareholder with all relevant performance and organisational information to allow for effective monitoring, evaluation and oversight. To this end, it has ensured that all reports due for submission to the shareholder and other authorities have been developed thoroughly and submitted timeously.



## Accounting Authority

ECRDA is governed by a Board of Directors comprising 10 non-executive directors and one (1) shareholder representative who are appointed by the MEC for Rural Development and Agrarian Reform. The Chief Executive Officer serves as an ex officio representative for the duration of his tenure.

As the Accounting Authority of the ECRDA, the Board of Directors plays a vital role in providing effective leadership, strategic direction, ethical governance, competent guidance and oversight and overall accountability.

As the focal point and custodian of corporate governance within the ECRDA, the Board embraces and takes seriously its responsibilities in setting the appropriate example and tone for the rest of the Agency. It is further committed to ensuring that the culture within the agency is aligned to this ethical tone through the implementation of appropriate policies and practices.

To achieve these goals, Board members are called on to discharge their duties with:

- Integrity
- Competence
- Responsibility
- Accountability
- Fairness
- Transparency





The ECRDA Board has adopted a Charter, in line with the recommendations of the King Code, which sets out its responsibilities in terms of:

- Adoption of strategic plans
- Monitoring of operational performance and management
- Determination of policy processes to ensure the integrity of the public entity risk management and internal controls
- Communication policies; and
- Director selection, orientation and evaluation.

## Board Composition

Name	Designation	Date appointed	Date ended	Qualifications
Nare, L	Chairperson	1 April 2019	n/a	<ul style="list-style-type: none"> <li>• Bachelor's Degree Industrial Psychology</li> <li>• Higher Education Diploma</li> </ul>
M Ncwadi	Deputy Chairperson	1 April 2019	n/a	<ul style="list-style-type: none"> <li>• MBA</li> <li>• MPhil: Engineering for Sustainable Development</li> <li>• BS: Civil Engineering</li> <li>• National Diploma: Mine Surveying</li> <li>• Certificates in Environmental Leadership, Global Environment, Managed Grazing Instructor</li> </ul>
Adv P Mayapi	Member	1 April 2019	n/a	<ul style="list-style-type: none"> <li>• B.Juris</li> <li>• LLB</li> <li>• National Management Diploma: Transportation</li> </ul>
S Makunga	Member	1 April 2019	n/a	<ul style="list-style-type: none"> <li>• B.Soc.Sc (Communications)</li> <li>• Certificate: Strategic Media Relations</li> <li>• Certificate: Effective Media Relations</li> <li>• Certificate: Multimedia Management Skills</li> </ul>
M Msoki	Member	1 April 2019	n/a	<ul style="list-style-type: none"> <li>• B Soc Sci (Hons)</li> <li>• Certificate in Executive Leadership : Public and Development Management</li> <li>• Certificate in Leadership Training Course</li> </ul>
N Mbete	Member	1 April 2019	n/a	<ul style="list-style-type: none"> <li>• National Diploma: Cost and Management Accounting</li> <li>• Post Graduate Diploma: Strategic Management and Corporate Governance</li> <li>• Certified Financial Accountant</li> <li>• Certified Cultural Transformative Tools Expert</li> </ul>
Z Thomas	Member and Audit Risk & Compliance Chairperson	1 April 2019	n/a	<ul style="list-style-type: none"> <li>• BA Degree: History and Xhosa</li> <li>• LLB</li> <li>• Higher Education Diploma</li> </ul>
S Faku	Member	1 April 2019	n/a	<ul style="list-style-type: none"> <li>• MSc</li> <li>• Bachelor of Education (Hons)</li> <li>• Bachelor of Arts</li> <li>• Senior Teachers Diploma</li> <li>• HR Programme</li> <li>• Diploma in Company Direction</li> <li>• Real Estate NQF 5</li> </ul>
N Petela-Ngcanga	Member	1 April 2019	n/a	<ul style="list-style-type: none"> <li>• Teachers Diploma</li> <li>• Further Diploma Educational Management</li> <li>• Advanced Governance &amp; Leadership (NQF Level 5)</li> </ul>
Amb M Maqetuka	Member	1 April 2019	n/a	<ul style="list-style-type: none"> <li>• University of Westminster, London, UK – 1990 – 1994</li> <li>• BA (Hons) Contemporary Media Practice</li> <li>• Adcorp Ltd Academy – 1999</li> <li>• In-house training programme in leadership development.</li> <li>• Stellenbosch Business School – 1994 – 1995</li> <li>• Certificate in strategic management</li> <li>• Julius Fucick School of Journalism, Prague, Czechoslovakia – 1984</li> <li>• Course in news agency journalism.</li> </ul>

# BOARD MEETING ATTENDANCE

NAME & DESIGNATION	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED	BOARD COMMITTEE COMPOSITION
 Chairperson <b>L Nare</b>	 <b>Seven (7)</b>	 <b>Seven (7)</b>	 <b>FINANCE, PROJECTS &amp; INVESTMENT COMMITTEE</b> M Ncwadi S Makunga N Mbete S Faku <b>AUDIT &amp; RISK COMMITTEE</b> Adv P Mayaphi N Mbete Z Thomas <b>HUMAN CAPITAL &amp; REMUNERATION COMMITTEE</b> M Msoki S Faku N Petela-Ngcanga Amb. M. Maqetuka <b>SOCIAL &amp; ETHICS COMMITTEE</b> L Nare M Ncwadi S Makunga Z Thomas
Deputy Chairperson <b>M Ncwadi</b>	<b>Seven (7)</b>	<b>Seven (7)</b>	
Board member <b>Adv P Mayaphi</b>	<b>Seven (7)</b>	<b>Seven (7)</b>	
Board member <b>S Makunga</b>	<b>Seven (7)</b>	<b>Seven (7)</b>	
Board member <b>M Msoki</b>	<b>Seven (7)</b>	<b>Seven (7)</b>	
Board member <b>N Mbete</b>	<b>Seven (7)</b>	<b>Seven (7)</b>	
Board member <b>Z Thomas</b>	<b>Seven (7)</b>	<b>Six (6)</b>	
Board member <b>S Faku</b>	<b>Seven (7)</b>	<b>Six (6)</b>	
Board member <b>NN Petela- Ngcanga</b>	<b>Seven (7)</b>	<b>Six (6)</b>	
Board member <b>Amb M Maqetuka</b>	<b>Seven (7)</b>	<b>Seven (7)</b>	

## Board Committees

To maximise its performance and strengthen corporate governance, the ECRDA Board has established four (4) specialist Board committees. Chaired by independent, non-executive directors, these committees streamline and enhance decision-making by providing more detailed attention to matters within their terms of reference.

They also assist the Board in meeting its oversight responsibilities and ensuring the integrity of financial and other controls. Board committees meet before Board meetings to review matters and to take appropriate decisions. Committees meetings are regulated in terms of an approved calendar and deliberations are minuted and implemented once they have been deliberated upon and ratified by the Board.

### BOARD COMMITTEE ATTENDANCE

<b>Finance, Projects &amp; Investment Committee</b>	M Ncwadi	4/4 Meetings attended
	S Makunga	4/4 Meetings attended
	N. Mbete	4/4 Meetings attended
	S Faku	4/4 Meetings attended
<b>Audit &amp; Risk Committee</b>	Adv P Mayapi	4/4 Meetings attended
	N Mbete	4/4 Meetings attended
	Z Thomas	4/4 Meetings attended
<b>Human Capital &amp; Remuneration Committee</b>	M Msoki	4/4 Meetings attended
	S Faku	4/4 Meetings attended
	N Petela-Ngcanga	4/4 Meetings attended
	Amb. M Maqetuka	4/4 Meetings attended
<b>Social &amp; Ethics Committee</b>	L Nare	2/3 Meetings attended
	M Ncwadi	3/3 Meetings attended
	S Makunga	3/3 Meetings attended
	Z Thomas	3/3 Meetings attended

## Functioning of Board Committees and Risk Management

ECRDA endeavours to incorporate an ethos of excellence in its corporate governance. As such, the terms of reference contained in the board charter and in the charters of the various board committees inform the functioning of all board activities when deliberating on matters, including policies approved during the year under review as detailed hereunder:

- Finance Policy
- Fraud Prevention Policy
- Risk Management Policy
- Audit Methodology Policy
- Audit Committee Charter
- Internal Audit Charter
- Credit Policy
- Information Security Management System Policy
- Delegation of authority
- Collections Policy & Process Flow
- Performance Information Policy Framework & Procedure Manual

## Delegation of Authority

The Agency's Delegation of Authority and the Risk Management and Fraud Prevention documentation are in place. The Internal Audit Unit is internally operated.

## Remuneration of the Board

The remuneration of the board members as approved by the Member of Executive Council is benchmarked against fees paid by other public entities in the Eastern Cape Province. The board members are remunerated at a flat rate per meeting and are reimbursed for kilometres travelled in terms of ECRDA's subsistence and travel policy. Board members do not claim for preparation fees and do not receive retention allowances.

**NARE, L**  
Fees: R409,920

**M NCWADI**  
Fees: R383,280

**ADV P MAYAPI**  
Fees: R263,388

**S MAKUNGA**  
Fees: R325,152

**M MSOKI**  
Fees: R263,388

**N MBETE**  
Fees: R325,152

**Z THOMAS**  
Fees: R325,152

**S FAKU**  
Fees: R325,152

**N PETELA-NGCANGA**  
Fees: R263,388

**AMB M MAQETUKA**  
Fees: R269,518



Other allowance & Re-imburements:  
R0 for all board members

## Risk Management

The Board, through its Audit and Risk Committee, ensures that there is an effective risk management process within the Agency. Risk management processes include policy development, facilitation of risk assessments and development of mitigating controls for the risks identified.

The Board is the ultimate Chief Risk Officer of the Agency and this function has been delegated to the Internal Audit and Risk Unit.

The Board-approved Risk Management policy was implemented throughout the financial year to ensure that risk management activities are institutionalised within the agency.

Risk assessments were facilitated by the Internal Audit unit for all business units and regional offices and the risk registers were submitted to Audit & Risk Committee for review and provide input with regards to effective implementation of the Risk Management policy within the agency.

The Audit & Risk Committee plays an independent oversight role which assists management with risk management processes and as such recommends suitable actions for mitigating unacceptable levels of risks identified.

Risk management practices assist the agency to improve its performance and achieve its objectives, and ultimately ensure a positive audit outcome is received from the Auditor-General when external audit is conducted.

## Internal Audit

The entity's internal audit function is performed by an external service provider, 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 function 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, were all in line with the approved annual audit plan and consisted of the following for the 2019/20 financial year:

- 2018/19 Q4 Performance Information Review
- Review of Annual Financial Statements and draft Annual Performance Report 2018/19
- 2019/20 Quarterly review of performance information
- HRM Management review
- Project Management Unit – Agro processing
- Supply Chain Management
- Financial Administration review
- Loan Management review
- Magwa-Majola Tea Review - Management accounts review

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



## Internal Audit and Audit Committee

ECRDA's internal audit function is an independent, objective, assurance and consulting activity designed to add value and improve the organisation's operations. It assists the organisation in accomplishing its objectives by bringing a systematic, disciplined approach to the evaluation and effectiveness of risk management, control and governance processes. Such assurance is based on objective information, in the form of audit opinions, arising from internal audits performed.

The specific objectives of the internal audit are to:

- Provide an independent appraisal function to examine and evaluate Agency's activities as a value-added service;
- Review the adequacy and effectiveness of systems of risk management, control and governance;
- Assist the Agency's employees in the effective discharge of their duties and responsibilities via its reviews, reporting and recommendations;
- Provide analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed; and
- Promote effective control at reasonable cost.

Name	Number of meetings attended
Z Thomas	4
N Mbete	4
Adv P Mayapi	4

### Compliance with laws and regulations

During the period under review, ECRDA's Internal Audit (IA) performed a comprehensive Compliance with Laws and Regulations review. The results of this review have satisfied the IA that the Agency is compliant with all laws and regulations relevant its areas of operation. The only area of concern with regards to laws and regulations is the non-compliance with Treasury Regulation 8.2.3, payments within 30 days.

### Fraud and Corruption

ECRDA has adopted and is enforcing a Fraud Prevention Policy. This policy is augmented by the organisation's Risk Management Plan, which is inclusive of a Fraud Prevention Plan, as required by Treasury Regulations.

Internal Audit continued to facilitate fraud awareness workshops to employees to ensure that they are familiar with the process to reporting fraud. In terms of the Fraud Prevention policy, staff members are required to report fraud to their immediate line managers, Internal Audit and Audit and Risk Committee. Staff members are also required to report fraud to the Office of the Premier via the free National Anti-Corruption Hotline. In all cases staff members are encouraged to remain anonymous to avoid victimisation by perpetrators of fraud. DRDAR currently administers the ECRDA Fraud Reporting Line.

### Minimising Conflict of Interest

ECRDA staff are required to declare their interests in other businesses/organisations on a regular basis. In addition to this declaration, all bid evaluation and adjudication committee members are required to declare any potential conflict of interest at each committee meeting.

Committee members are excluded from participating in procurement decisions where a conflict of interest exists or is perceived to exist. Conflict of interest includes the interest of spouses and close family members. Further, the Agency requires all suppliers registered on its database to declare its shareholders and any conflict of interest upon registration to avoid the inadvertent use of suppliers in an irregular manner. The ECRDA prevents conflict of interest by ensuring adherence to National Treasury's Code of Conduct for supply chain management practices. The Code specifies that an official or other role player involved with supply chain management:

- May not accept any reward, gift, favour, hospitality or other benefit directly, including to any close family member, partner or associate of the person, of a value more than R350;
- Must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any award of a contract by the entity;
- Must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- Must declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest. The above is important to promote and ensure compliance with highest ethical standards in an entity.

### Code of Conduct

The Agency subscribes to its key values of transparency, excellence, honesty and integrity, innovation, commitment to empowerment of the rural poor and Ubuntu.

### Health Safety and Environmental Issues

ECRDA recognises that health and safety is paramount to the well-being of all employees. As such, the Agency conforms to the rules as enshrined in the Occupational Health and Safety Act (Act 85 of 1993). Its Occupational Health and Safety (OHS) Committee, comprising staff in different roles, aims to ensure that no one operates in hazardous situations. In the event that OHS members identify potential hazardous situation, they are encouraged to report these to the principals for swift attendance. There were no potentially hazardous incidents reported or investigated during the period under review.

### Company / Board Secretary

The Company Secretary has a wide range of duties and responsibilities, among which:

Assisting in the proper induction, orientation, ongoing training and education of directors, including assessing the specific training needs of directors and executive management in their fiduciary and other governance responsibilities;

- Providing comprehensive practical support and guidance to directors, with particular emphasis on supporting the chairperson of the Board, the chairpersons of committees and the Audit and Risk Committee;
- Ensuring that the Board and committee charters and terms of reference are kept up to date; Ensuring the proper compilation and timely circulation of Board document and assisting the chairperson of the Board and chairpersons of committees with drafting of yearly work plans;
- The company secretary should have the duty to obtain appropriate responses and feedback to specific agenda items and matters arising from earlier meetings in board and board committee deliberations
- Assisting the Board with yearly evaluation of the Board, its individual directors and senior management;
- Ensuring that minutes of all meetings of the directors, as well as meetings of the Audit and Risk Committee, are properly recorded, in accordance with the Companies Act;
- Following meetings, pursue and manage all follow-up actions and report on matters arising; and
- Ensuring the entity's Annual Financial Statements is sent to every person who is entitled to it.
- During the period under review, the duties and responsibilities of the Company Secretary were discharged within the Eastern Cape Rural Development Agency, and all reports and returns were timely lodged, as required.

### Social Responsibility

As a responsible corporate citizen eager to contribute to the socio-economic development and upliftment of marginalised communities, ECRDA has developed a Corporate Social Responsibility program with a guiding policy that was approved during the 2019/20 financial year.



# PART D

## HUMAN RESOURCE MANAGEMENT

# INTRODUCTION

### Overview of Human Resources (HR) Matters

The Corporate Services Executive (CSE) commenced duty on 2 May 2019. The CSE undertook the immediate task of developing a Performance Management System for the ECRDA, review of some policies as well as the development of a refined total-cost-to-company approach. During the review period, the organisation also introduced the development of a re-configured organisational structure.

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### HR priorities for the year under review and the impact of these priorities

The finalisation of an organisational structure and the new Human Capital Strategy for the ECRDA will drive change and people management to a new way of thinking and doing things. The ECRDA has identified priority developmental initiatives in the areas of self-management, relationship management, team leadership and technical skills in line with job requirements. Each of these areas has specific capacity development focus initiatives (as indicated below) that will impact positively on the capabilities, willingness and maturity levels of the ECRDA's staff.

### Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

The newly-designed Human Capital Strategy includes competency development as well as career advancement and progression. This will guide the ECRDA to attract and retain the required talent.

The following skills focus areas were identified as priority for the 2020/21 financial year:

- Communication emerges as one of the biggest challenges. This includes both internal and external verbal and written communication.
- Capacity redistribution to the regional offices, including small business support and coaching.
- Project management and monitoring and evaluation skills in line with new focus areas introduced to the agency in the new strategy.
- Emotional intelligence to shift the focus from blaming to taking responsibility for solutions.
- Public Finance Management Act training for all staff in the agency.
- Job specific training as identified through skills analysis in teams - this includes minimum requirements for each job.
- Capacity-building focussed on management functions – planning, organisation, delegation, measurement and monitoring, as well as change and people management.

### Employee performance management framework

A new performance management system was developed and a manual process tested. An Automated Performance Management System was then developed for implementation during the first quarter of the new financial year.



## Employee wellness programmes

A number of employee wellness initiatives were undertaken during the period under review. A major initiative was a Wellness Day, where all staff were exposed to wellness initiatives, the new performance management thinking of the ECRDA, as well as a consultative process on strategy development. Employee wellness assistance was provided to a number of employees.

## Policy development

The development of a performance management policy has been completed and approved by the ECRDA Board in January 2020. Learning and development as well as remuneration policies were developed in consultation with organised labour during the period under review. The said policies will be tabled to the Human Capital and Remuneration Committee during the first quarter of the new financial year. In addition, a Corporate Social Responsibility Policy was developed and approved by the Board in March 2020.

## Highlight achievements

- A Performance Management System, which was developed based on inputs from all staff and organised labour and which is aligned to the new Annual Performance Plans
- The finalisation of a 3-year Remuneration Agreement between management and organised labour, which includes a suite of employee benefits that will contribute to attraction and retention of staff.
- The development of a Human Capital Strategy which will set the direction for improved people and change management.

## Challenges in HR

The HR function needs to be positioned in such a way that it becomes an enabler and strategic partner to all its clients. Focused capacity development initiatives and coaching will be put in place to address this particular challenge during the next financial year.

## Future HR Plans / goals

The review of all HR policies is meant to find alignment with the new Human Capital Strategy which will be a focus area in the new financial year. This should coincide with focused human capacity development programmes as indicated above. In addition, the re-design of the HR function to provide enabling support to our core functions will also be a key focus during the new financial year.





# Human Resource Oversight Statistics

## Personnel Cost by Programme



### ADMINISTRATION



Total expenditure  
**R82 589 321**

Personnel Expenditure  
**R43 092 496**

No of employees  
**63**

Average personnel cost per employee  
**R678 688.27**

### HIPPS



Total expenditure  
**R180 203 810**

Personnel Expenditure  
**R23 770 510**

No of employees  
**21**

Average personnel cost per employee  
**R906 921.16**

### RURAL FINANCE & SUPPORT SERVICES



Total expenditure  
**R69 359 192**

Personnel Expenditure  
**R31 159 857**

No of employees  
**73**

Average personnel cost per employee  
**R462 791.26**

### TOTAL OF ALL THREE PROGRAMMES



Total expenditure  
**R332 152 323**

Personnel Expenditure  
**R98 022 863**

No of employees  
**157**

Average personnel cost per employee  
**R608 831**

### Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel expenditure to total personnel cost	No of employees	Average personnel cost per employee (R'000)
Top Management	7 721 592,59	8%	4	1 930 398.15
Senior Management	28 288 136,92	30%	25	1 131 525.48
Professional qualified	5 704 010,42	6%	5	1 140 802.08
Skilled	25 502 243,35	27%	38	617 111.67
Semi-Skilled	24 103 197,88	25%	66	365 199.97
Unskilled	4 267 286,25	4%	19	224 594.01
<b>Total</b>	<b>95 586 467,41</b>	<b>100%</b>	<b>157</b>	<b>5 409 631.36</b>

Total employees  
**157**

Skilled



### Performance Rewards

Level	Performance Rewards (R'000)	Personnel Expenditure (R'000)	Terminations	% of performance rewards to total personnel cost
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	0	0	0
Semi-Skilled	0	0	0	0
Unskilled	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Terminations  
**0**

Skilled



# Training Costs

## Personnel Cost by Programme



### ADMINISTRATION

Training Expenditure as a % of Personnel cost



Personnel Expenditure  
**42 757 361.20**

Training Expenditure  
**140 353.58**

No of employees trained  
**17**

Average training cost per employee  
**8 256.09**

### HIPPS

Training Expenditure as a % of Personnel cost



Personnel Expenditure  
**19 045 344.42**

Training Expenditure  
**19 492.70**

No of employees trained  
**2**

Average training cost per employee  
**9 746.35**

### RURAL FINANCE & SUPPORT SERVICES

Training Expenditure as a % of Personnel cost



Personnel Expenditure  
**33 783 761.79**

Training Expenditure  
**54 093.85**

No of employees trained  
**3**

Average training cost per employee  
**18 031.28**

### TOTAL OF ALL THREE PROGRAMMES



Personnel Expenditure  
**R95 586 467.30**

Training Expenditure  
**R213 940.13**

No of employees trained  
**22**

Average training cost per employee  
**R36 033.72**

Training expenditure does not include expenses related to prior year studies that were passed and paid.

#### Employment and vacancies

Level	2018/19 No of employees	2019/20 approved posts	2019/20 No of employees	2019/20 Vacancies	% of vacancies
Administration	55	86	63	23	27%
HIPPS	21	29	21	8	28%
Rural Finance & Support Services	72	82	73	9	11%

Approved posts

**197**

Vacancies

**40**

% Vacancies



#### Employment and vacancies (continued)

Level	2018/19 No of employees	2019/20 approved posts	2019/20 No of employees	2019/20 Vacancies	% of vacancies
Top Management	5	9	5	4	44%
Senior Management	24	28	24	4	14%
Professional qualified	3	6	5	1	17%
Skilled	37	51	38	13	25%
Semi-Skilled	60	82	66	16	19,5%
Unskilled	19	21	19	2	9,5%
<b>Total</b>	<b>148</b>	<b>197</b>	<b>157</b>	<b>40</b>	<b>20.3%</b>

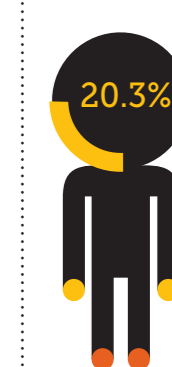
Approved Skilled Posts

**51**

Approved skills

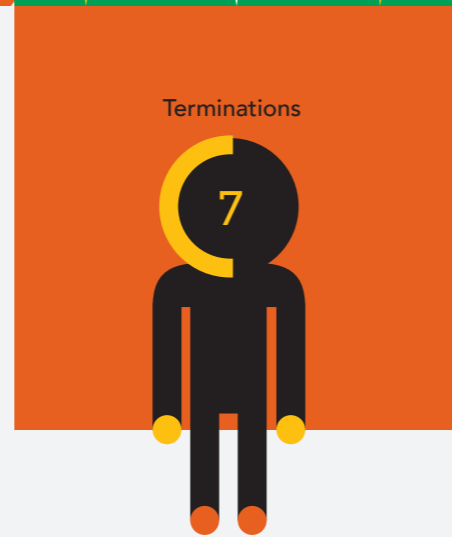
**13**

Total % Vacancies



### Employment Changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top Management	4	2	1	5
Senior Management	25	1	2	24
Professional qualified	3	2	0	5
Skilled	37	2	1	38
Semi-Skilled	61	8	3	66
Unskilled	19	0	0	19
<b>Total</b>	<b>149</b>	<b>15</b>	<b>7</b>	<b>157</b>



### Reasons for staff leaving

Level	Number	% of total number of staff leaving
Death	2	1.3%
Resignation	-	-
Dismissal	1	0,6%
Retirement	-	-
Ill Health	-	-
Expiry of contract	1	0,6%
<b>Other</b>	<b>2</b>	<b>1.3%</b>
<b>Total</b>	<b>6</b>	<b>3,8%</b>

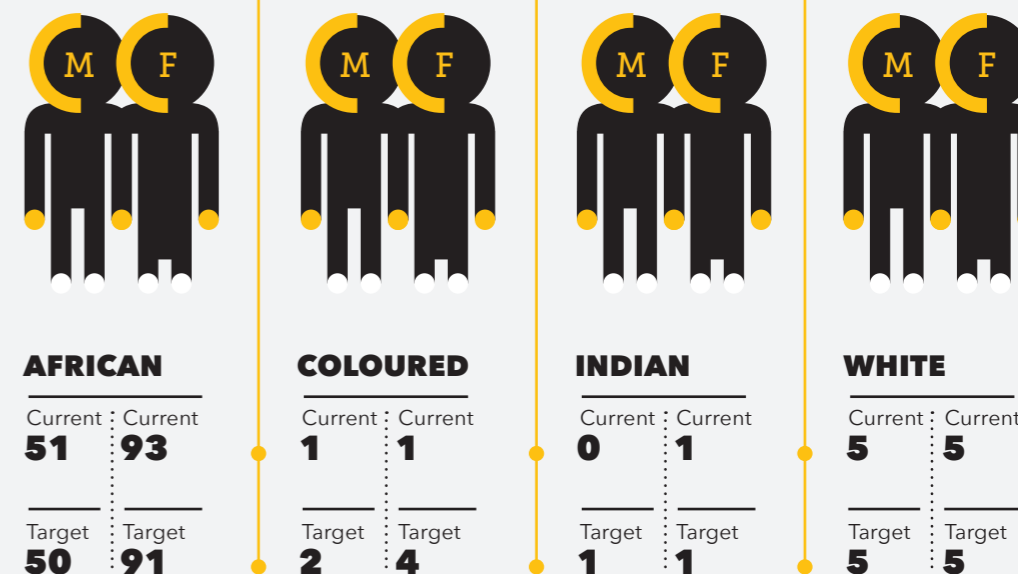
Staff % who left



### Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	1
Final Written Warning	0
Dismissal	1

### EQUITY TARGET AND EMPLOYMENT EQUITY STATUS





**Equity Target and Employment Equity Status**

Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	2	1	1	0	0	0	0
Senior Management	12	11	0	0	0	0	3	3
Professional Qualified	4	4	0	1	0	1	0	0
Skilled	9	9	0	0	0	0	1	1
Semi-Skilled	21	21	0	0	0	0	1	1
Unskilled	3	3	0	0	0	0	0	0
<b>Total</b>	<b>51</b>	<b>50</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>5</b>	<b>5</b>



**Equity Target and Employment Equity Status**

Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	1	1
Senior Management	8	8	0	0	0	0	2	2
Professional Qualified	0	0	0	0	0	0	1	1
Skilled	25	25	1	2	1	1	1	1
Semi-Skilled	44	42	0	2	0	0	0	0
Unskilled	16	16	0	0	0	0	0	0
<b>Total</b>	<b>93</b>	<b>91</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>5</b>







# PART E FINANCIAL STATEMENTS

## EASTERN CAPE RURAL DEVELOPMENT AGENCY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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# Statement of Board members' responsibility for financial reporting for the year ended 31 March 2020

The Board members are required by the Public Finance Management Act, Act No. 1 of 1999, (as amended by Act No. 29 of 1999) and the Eastern Cape Rural Finance Corporation Amendment Act, Act No. 1 of 2012 to maintain adequate accounting records, while they are responsible for the content and integrity of the consolidated annual financial statements and the related financial information in this report.

It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the Agency and Group as at the end of the financial year and the results of their operations and cash flows for the year then ended, in conformity with the prescribed Standards of Generally Recognised Accounting Practice.

The consolidated annual financial statements are prepared in accordance with prescribed Standards of Generally Recognised Accounting Practice and are based upon appropriate accounting policies - consistently applied and supported by reasonable and prudent judgments and estimates. The Auditor-General was appointed in terms of the Public Audit Act, 2004, to express an independent opinion on the consolidated annual financial statements.

The Board members acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the Board members to meet these responsibilities, the Board members set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain

the highest ethical standards in ensuring that business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Board members have reviewed the Group's cash flow forecast for the year ended 31 March 2020 and for the 2020 financial year and, in the light of this review and the current financial position, are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future. The Board members acknowledge that the Group is dependent on the continued financial support from the Eastern Cape Provincial Government.

The Group has accumulated a loss for the year and the Eastern Cape Provincial Government has confirmed funding for the Eastern Cape Rural Development Agency for the 2020/21 financial year.

The consolidated annual financial statements set out on pages 76 to 146, which have been prepared on the going concern basis, were approved by the board members on 31 May 2020 and were signed on its behalf by:



Zulama Nare  
Chairperson of the board

# Report of the Audit Committee for the year ended 31 March 2020

Report by the Audit Committee in terms of the Treasury Regulations 27(1)(10)(b) and (c) to the Public Finance Management Act of 1999 (as amended).

In execution of its duties during the past financial year, the Audit Committee has:

- Ensured compliance with its terms of reference and the provisions of the audit committee charter during the year under review;
- Reviewed the procedures for identifying business risks and managing their impact on the Eastern Cape Rural Development Agency (ECRDA) including the risk management functions;
- Reviewed the agency's policies and procedures for detecting and preventing fraud;
- Reviewed the operational effectiveness of the agency's policies, systems and procedures;
- Reviewed the effectiveness and adequacy of the internal audit services and adequacy of its annual work plan;
- Considered whether the independence, objectives, organisation, staffing plans, financial budget, audit plans and standing of the internal audit function provide adequate support to enable the committee to meet its objectives;
- Reviewed the results of the work performed by the internal audit services in relation to financial reporting, corporate governance, risk areas, internal control and any significant investigations and management response;
- Reviewed the coordination between the internal audit function and the external auditors;
- Reviewed the agency's compliance with significant regulatory provisions;
- Reviewed such significant transactions as the committee deemed appropriate;
- Reviewed the controls over significant financial and operational risks;
- Reviewed the adequacy, reliability and accuracy of financial information provided by management and other users of such information;
- Reviewed the accounting and auditing concerns identified by internal and external auditors;
- Reviewed the annual report and the consolidated annual financial statements, taken as a whole, to ensure they present a balanced and understand-

able assessment of the positions, performance and prospects of the agency;

- Reviewed the independence and objectivity of the external auditors.

The Audit Committee is of the opinion that the internal controls of Eastern Cape Rural Development Agency have operated effectively throughout the year under review and, where internal controls did not operate effectively, compensating controls have ensured that the agency's assets have been safeguarded, proper accounting records have been maintained and resources have been utilised efficiently in all significant respects. This opinion is based on the information and explanations given by management, the internal audit services and discussion with the independent external auditors on the results of their audits.

Following our review of the consolidated annual financial statements for the year ended 31 March 2020, we are of the opinion that they substantially comply with the relevant provisions of the Public Finance Management Act, Act No. 1 of 1999 (as amended by Act 29 of 1999).

The consolidated annual financial statements comply, in all material respects, with the Statements of Generally Recognised Accounting Practice (GRAP). The audit committee concurs that the adoption of the going concern premise in framing the consolidated annual financial statements is appropriate. The Audit Committee has therefore recommended the adoption of the consolidated annual financial statements by the Board members.



Ms. Thomas  
Board member and Chairperson  
of the Audit Committee



## Report on the audit of the consolidated and separate financial statements

### Opinion

1. I have audited the consolidated and separate financial statements of the Eastern Cape Rural Development Agency and its subsidiaries set out on pages 76 to 146, which comprise the consolidated and separate statement of financial position as at 31 March 2020, consolidated and separate statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Eastern Cape Rural Development Agency as at 31 March 2020, and the group's financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practise (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.
4. I am independent of the entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matters

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

#### Material impairments

7. As disclosed in notes 7 and 8 to the consolidated financial statements, impairment of R153 million and R2.3 million respectively were provided for loans and advances to customers and rental debtors as a result of loans and advances which are deemed uncollectible and rental debtors considered past due. The significant impairment of loans and advances to customers is due to ineffective collection practices.

#### Irregular expenditure

8. Irregular expenditure of R14.2 million (2019: R0.19 million) disclosed in note 26 to the consolidated financial statements was incurred due to non-compliance with SCM legislation.



### Other matters

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

#### Unaudited supplementary schedules

10. The supplementary information set out on pages 144 to 146 do not form part of the financial statements and is presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

### Responsibilities of accounting authority for the financial statements

11. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error

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

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

13. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

14. A further description of my responsibilities for the audit of the consolidated and separate 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 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

16. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators / measures included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My 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, my findings do not extend to these matters.

17. I 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 programme 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 — High Impact Priority Projects	40 — 41

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I 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. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:

- High impact priority projects

### Other matters

20. I draw attention to the matter below.

#### Achievement of planned targets

21. Refer to the annual performance report on pages 38 to 42 for information on the achievement of planned targets for the year and explanations provided for the under-achievement of a number of targets.

## 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, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.



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

#### Procurement and contract management

24. Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with the policies of the entity, as required by treasury regulations 16A6.2 (a), (b) and (c).

25. Some of the contracts were extended or modified without the approval of a properly delegated official as required by section 44 of the PFMA and treasury regulations 8.1 and 8.2.

#### Other information

26. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the audit committee's report. The other information does not include the consolidated and separate 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.

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

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

29. I have not yet received the annual report. When I do receive this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected I may have to re-issue my auditor's report amended as appropriate.

#### Internal control deficiencies

30. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

31. Compliance with laws and regulations is not always monitored and this has led to the findings reported on procurement and contract management.

Auditor General  
East London  
02 September 2020



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

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected programme and on the entity's compliance with respect to the selected subject matters.

#### Financial statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Eastern Cape Rural Development Agency to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

#### Communication with those charged with governance

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

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



		Agency 2020	Agency 2019	Group 2020	Group 2019
		R	R	R	R
<b>ASSETS</b>	<b>Notes</b>				
<b>Current Assets</b>					
Cash and cash equivalents	6	62 010 879	65 866 708	64 609 268	72 837 950
Trade and other receivables: Exchange	8	2 816 794	5 403 449	33 615 435	37 620 352
Trade and other receivables: Non-exchange	8	-	-	-	-
Inventories	9	97 392	81 063	97 392	81 063
Loans and advances to customers	7	22 310 190	49 184 646	22 310 190	35 475 331
		<b>87 235 255</b>	<b>120 535 865</b>	<b>120 632 284</b>	<b>146 014 696</b>
<b>Non-current assets</b>					
Deferred tax	23	-	-	-	1 674 677
Investment under contingency policy	12	11 096 939	10 460 630	11 096 939	10 460 630
Investment property	13.1	1 649 065	1 687 282	1 649 065	1 687 282
Property, plant and equipment	13.2	11 232 367	10 430 754	11 232 368	10 430 754
Intangible assets	13.3	659 834	215 540	659 834	215 540
		<b>24 638 205</b>	<b>22 794 206</b>	<b>24 638 205</b>	<b>24 468 883</b>
<b>Total assets</b>		<b>111 873 460</b>	<b>143 330 071</b>	<b>145 270 489</b>	<b>170 483 579</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Finance lease obligations	19	504 019	642 832	504 019	642 832
Deferred grant income arising from non-exchange transactions	15	21 099 934	18 145 138	21 099 934	18 145 138
Trade and other payables	14	27 710 374	36 410 453	28 263 886	36 991 568
Loan from South African Fruit Exporters	17	-	-	21 980 575	21 980 575
Liabilities arising from non-exchange transactions	18	545 049	433 458	545 049	433 458
		<b>49 859 376</b>	<b>55 631 881</b>	<b>72 393 463</b>	<b>78 193 571</b>
<b>Non-current liabilities</b>					
Finance lease obligations	19	195 661	14 548	195 661	14 548
Deferred tax	23	-	-	-	767 841
		<b>195 661</b>	<b>14 548</b>	<b>195 661</b>	<b>782 389</b>
<b>Total liabilities</b>		<b>50 055 037</b>	<b>55 646 429</b>	<b>72 589 124</b>	<b>78 975 960</b>
<b>Total assets less total liabilities</b>		<b>61 818 422</b>	<b>87 683 642</b>	<b>72 681 366</b>	<b>91 507 619</b>
<b>NET ASSETS</b>					
Capital contributed	20	41 989 046	41 989 046	41 989 046	41 989 046
Accumulated surplus		19 829 376	45 694 596	30 692 320	49 518 573
Attributable to the minority shareholders		-	-	(806 723)	(1 873 709)
Attributable to net asset holder of the agency		61 818 422	87 683 642	73 488 089	93 381 328
<b>Total net assets</b>		<b>61 818 422</b>	<b>87 683 642</b>	<b>72 681 366</b>	<b>91 507 619</b>

		Attributable to the ECRDA (51%)	Attributable to the minority share (49%)	Total of the ECRDA group (exc Minority)	Total of the ECRDA group (inc Minority)
<b>Total of Kangela Citrus (Pty) Ltd ('R)</b>					
Total assets		33 397 030	17 032 485	128 905 945	145 270 489
Total liabilities		(31 750 657)	(16 192 835)	(57 031 302)	(72 589 124)
Total net assets		(1 646 373)	(839 650)	(71 874 643)	(72 681 366)

The segments of the agency are detailed and reconciled to the consolidated statement of financial position as follows:

	2020					Statement of financial position	2019					Statement of financial position
	Head Office - Admin (non-seg-ment)	East London Head Office - Project management	Branches Rural Finance	Segments total	Subsidiaries Kangela Citrus		Head Office - Admin (non-seg-ment)	East London Head Office - Project management	Branches Rural Finance	Segments total	Subsidiaries Kangela Citrus	
	R	R	R	R	R	R	R	R	R	R	R	R
<b>ASSETS</b>												
<b>Current Assets</b>												
Cash and cash equivalents	27 245 951	-	34 764 928	34 764 928	2 598 389	64 609 268	31 512 129	2 028 561	32 326 018	34 354 578	6 971 243	72 837 950
Trade and other receivables	2 728 292	-	88 502	88 502	30 798 641	33 615 435	5 309 437	-	94 011	94 011	32 216 903	37 620 352
Inventories	97 392	-	-	-	-	97 392	81 063	-	-	-	-	81 063
Loans and advances to customers	-	-	175 175 460	175 175 460	(9 266 352)	165 909 108	-	-	186 549 838	186 549 838	(13 709 315)	172 840 523
Less: Credit impairments on loans	-	-	(152 865 270)	(152 865 270)	9 266 352	(143 598 918)	-	-	(137 365 193)	(137 365 193)	-	(137 365 192)
Net loans and advances to customers	-	-	22 310 190	22 310 190	-	22 310 190	-	-	49 184 646	49 184 646	(13 709 315)	35 475 331
	30 071 635	-	57 163 620	57 163 620	33 397 029	120 632 284	36 902 630	2 028 561	81 604 675	83 633 235	25 478 831	146 014 696
<b>Non-current assets</b>												
Deferred tax	-	-	-	-	-	-	-	-	-	-	1 674 677	1 674 677
Investment under contingency policy	11 096 939	-	-	-	-	11 096 939	10 460 630	-	-	-	-	10 460 630
Investment property	-	-	1 649 065	1 649 065	-	1 649 065	-	-	1 687 282	1 687 282	-	1 687 282
Property, plant and equipment	6 593 984	-	4 638 383	4 638 383	1	11 232 368	3 870 611	-	6 560 144	6 560 144	-	10 430 754
Intangible assets	659 834	-	-	-	-	659 834	215 540	-	-	-	-	215 540
	18 350 756	-	6 287 448	6 287 448	1	24 638 205	14 546 781	-	8 247 425	8 247 425	1 674 677	24 468 883
<b>Total assets</b>	48 422 391	-	63 451 068	63 451 068	33 397 031	145 270 489	51 449 412	2 028 561	89 852 099	91 880 660	27 153 507	170 483 578
<b>LIABILITIES</b>												
<b>Current liabilities</b>												
Finance lease obligations	504 019	-	-	-	-	504 019	470 660	-	172 172	172 172	-	642 832
Deferred grant income arising from non-exchange transactions	-	-	21 099 934	21 099 934	-	21 099 934	-	-	18 145 138	18 145 138	-	18 145 138
Trade and other payables	27 710 374	-	-	-	553 511	28 263 886	36 410 454	-	-	-	581 114	36 991 568
Loan from South African Fruit Exporters	-	-	-	-	21 980 575	21 980 575	-	-	-	-	21 980 575	21 980 575
Liabilities arising from non-exchange transactions	-	545 049	-	545 049	-	545 049	-	(146 486)	579 943	433 458	-	433 458
	28 214 393	545 049	21 099 934	21 644 983	22 534 086	72 393 463	36 881 114	(146 486)	18 897 254	18 750 769	22 561 689	78 193 571
<b>Non-current liabilities</b>												
Finance lease obligations	195 661	-	-	-	-	195 661	14 548	-	-	-	-	14 548
Deferred tax	-	-	-	-	-	-	-	-	-	-	767 841	767 841
	195 661	-	-	-	-	195 661	14 548	-	-	-	767 841	782 389
<b>Total liabilities</b>	28 410 054	545 049	21 099 934	21 644 983	22 534 086	72 589 124	36 895 662	(146 486)	18 897 254	18 750 769	23 329 531	78 975 960
<b>Total assets less total liabilities</b>	20 012 337	(545 049)	42 351 133	41 806 084	10 862 944	72 681 366	14 553 749	2 175 046	70 954 844	73 129 891	3 823 976	91 507 619
<b>NET ASSETS</b>												
Capital contributed	41 989 046	-	-	-	-	41 989 046	41 989 046	-	-	-	-	41 989 046
Accumulated surplus	19 829 376	-	-	-	10 862 944	30 692 320	45 694 596	-	-	-	3 823 977	49 518 573
Attributable to net asset holder	61 818 422	-	-	-	10 862 944	72 681 366	87 683 642	-	-	-	3 823 977	91 507 619
<b>Total net assets</b>	61 818 422	-	-	-	10 862 944	72 681 366	87 683 642	-	-	-	3 823 977	91 507 619

The segments of the agency are detailed and reconciled to the consolidated statement of financial position as follows:

	2020						2019					
	Rural Finance Segment Breakdown						Rural Finance Segment Breakdown					
	King Williams Town & Butterworth	Port Elizabeth	Cradock	Mthatha & Lusikisiki	Queenstown & Engcobo	Kokstad	King Williams Town & Butterworth	Port Elizabeth	Cradock	Mthatha & Lusikisiki	Queenstown & Engcobo	Kokstad
Amathole	Nelson Mandela Metro	Karoo	OR Tambo	Chris Hani	Alfred Nzo	Amathole	Nelson Mandela Metro	Karoo	OR Tambo	Chris Hani	Alfred Nzo	
	R	R	R	R	R	R	R	R	R	R	R	
<b>ASSETS</b>												
<b>Current Assets</b>												
Cash and cash equivalents	11 734 994	4 182 524	146 816	5 193 159	6 558 834	6 948 602	10 812 256	4 616 290	10 081	4 873 463	5 799 212	6 214 716
Trade and other receivables	-	-	-	88 502	-	-	-	-	-	94 011	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers	59 130 943	21 075 135	739 787	26 167 577	33 049 017	35 013 001	62 396 321	26 640 093	58 175	28 124 208	33 466 607	35 864 434
Less: Credit impairments on loans	(51 600 079)	(18 391 025)	(645 568)	(22 834 898)	(28 839 923)	(30 553 777)	(45 945 270)	(19 616 321)	(42 837)	(20 709 143)	(24 642 996)	(26 408 626)
Net loans and advances to customers	7 530 864	2 684 110	94 219	3 332 679	4 209 093	4 459 225	16 451 051	7 023 772	15 338	7 415 065	8 823 611	9 455 808
	19 265 858	6 866 634	241 035	8 614 340	10 767 927	11 407 826	27 263 307	11 640 062	25 419	12 382 539	14 622 823	15 670 524
<b>Non-current assets</b>												
Deferred tax	-	-	-	-	-	-	-	-	-	-	-	-
Investment under contingency policy	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	1 649 065	-	-	-	-	-	1 687 282	-	-
Property, plant and equipment	2 984 724	160 685	693 365	177 273	70 899	551 438	3 027 556	187 651	804 309	2 026 007	109 581	405 040
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
	2 984 724	160 685	693 365	1 826 338	70 899	551 438	3 027 556	187 651	804 309	3 713 288	109 581	405 040
<b>Total assets</b>	22 250 582	7 027 319	934 400	10 440 677	10 838 825	11 959 264	30 290 863	11 827 713	829 727	16 095 827	14 732 405	16 075 564
<b>LIABILITIES</b>												
<b>Current liabilities</b>												
Finance lease obligations	-	-	-	-	-	-	42 057	31 515	50 688	36 838	5 537	5 537
Deferred grant income arising from non-exchange transactions	7 122 339	2 538 506	89 108	3 151 892	3 980 763	4 217 326	6 118 996	2 580 495	5 635	2 724 254	3 241 746	3 474 012
Trade and other payables	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities arising from non-exchange transactions	-	-	-	-	-	-	579 943	-	-	-	-	-
	7 122 339	2 538 506	89 108	3 151 892	3 980 763	4 217 326	6 740 996	2 612 010	56 323	2 761 092	3 247 283	3 479 549
<b>Non-current liabilities</b>												
Finance lease obligations	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	7 122 339	2 538 506	89 108	3 151 892	3 980 763	4 217 326	6 740 996	2 612 010	56 323	2 761 092	3 247 283	3 479 549
<b>Total assets less total liabilities</b>	15 128 243	4 488 813	845 293	7 288 785	6 858 062	7 741 938	23 549 866	9 215 702	773 404	13 334 735	11 485 121	12 596 015
<b>NET ASSETS</b>												
Capital contributed	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated surplus	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to net asset holder	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total net assets</b>	-	-	-	-	-	-	-	-	-	-	-	-



	Agency 2020	Agency 2019	Group 2020	Group 2019
Notes	R	R	R	R
<b>INCOME</b>	<b>306 287 103</b>	<b>287 911 197</b>	<b>305 765 901</b>	<b>304 891 919</b>
<b>Revenue from non-exchange transactions</b>	<b>291 183 410</b>	<b>271 315 111</b>	<b>291 183 410</b>	<b>271 328 051</b>
Government grant from the Eastern Cape Department of Rural Development and Agrarian Reform - operational	192 564 000	177 975 000	192 564 000	177 975 000
Government funding for additional specified transfers and payments	98 015 000	92 953 000	98 015 000	92 953 000
National Skills Fund	187 793	198 559	187 793	198 559
Other income	416 618	188 552	416 618	201 492
	22.1			
<b>Revenue from exchange transactions</b>	<b>15 103 693</b>	<b>16 596 086</b>	<b>14 582 491</b>	<b>33 563 868</b>
Interest income on cash and investments	2 594 918	2 183 773	2 609 342	2 204 246
Interest income on loans and advances	6 173 174	5 894 743	5 373 245	4 818 028
Interest income on concessionary loans	348 401	1 483 177	348 401	1 483 177
Commission fees for managing projects	4 072 703	4 092 261	4 072 703	4 092 261
Fair value adjustments	90 314	1 096 890	90 314	1 189 595
Gain on disposal of property, plant and equipment	9 103	267 628	9 103	267 628
Loan initiation fees	80 826	106 550	80 826	106 550
Rental income from investment property	1 734 253	1 471 065	1 734 253	1 471 065
Sale of goods - produce	-	-	264 303	17 931 319
<b>EXPENSES</b>	<b>332 152 323</b>	<b>308 854 486</b>	<b>323 610 570</b>	<b>339 829 605</b>
Administrative expenses	14 123 284	10 311 124	14 521 177	10 365 832
Audit fees	4 073 982	3 920 444	4 232 147	4 169 032
Cost of sales	-	-	19 268	13 664 364
Depreciation and amortisation	3 491 337	3 953 363	3 491 337	4 526 123
Fee - MAFISA Scheme	452 954	450 473	452 954	450 473
Finance costs	29 945	13 855	29 945	25 708
Marketing and social facilitation	587 992	1 052 282	587 992	1 052 282
Other operating expenses	65 708 936	74 536 664	56 591 858	91 082 442
Project expenses	23 521 975	27 268 482	23 521 975	26 983 694
Skills levy	900 458	909 800	900 458	909 800
Staff costs	98 022 863	96 094 034	98 022 863	96 255 890
Transfer payments	108 936 000	89 453 000	108 936 000	89 453 000
- Amagingqi	16 360 000	32 640 000	16 360 000	32 640 000
- Magwa Tea	92 576 000	56 813 000	92 576 000	56 813 000
Social benefit from concessionary loans	566 921	887 375	566 921	887 375
Write off of irrecoverable debts	11 735 677	3 591	11 735 677	3 591
	7			
<b>NET SURPLUS/(DEFICIT)</b>	<b>(25 865 220)</b>	<b>(20 943 289)</b>	<b>(17 844 669)</b>	<b>(34 937 685)</b>

	Agency 2020	Agency 2019	Group 2020	Group 2019
Notes	R	R	R	R
Sale and scrapping of property, plant and equipment	-	-	-	-
<b>SURPLUS/(DEFICIT) BEFORE TAXATION</b>	<b>(25 865 220)</b>	<b>(20 943 289)</b>	<b>(17 844 669)</b>	<b>(34 937 685)</b>
Taxation	-	-	(981 504)	(7 075 534)
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(25 865 220)</b>	<b>(20 943 289)</b>	<b>(18 826 173)</b>	<b>(42 013 219)</b>
Profit/(Loss) of subsidiary attributable to:				
ECRDA (51%)	(25 865 220)	(20 943 289)	(727 962)	(10 745 664)
Minority Share (49%)	-	-	(699 414)	(10 324 266)



The segments of the agency are detailed and reconciled to the consolidated statement of financial performance as follows:

	2020						2019					
	Head Office - Admin (non-segment)	East London	Branches	Segments total	Subsidiaries	Statement of financial performance	Head Office - Admin (non-segment)	East London	Branches	Segments total	Subsidiaries	Statement of financial performance
	R	R	R	R	R	R	R	R	R	R	R	R
<b>INCOME</b>	237 767 350	59 809 703	8 710 049	<b>68 519 753</b>	(521 202)	<b>305 765 901</b>	180 953 080	97 201 085	9 757 032	<b>106 958 117</b>	16 980 722	<b>304 891 919</b>
<b>Revenue from non-exchange transactions</b>	235 067 964	55 737 000	378 446	<b>56 115 446</b>	-	<b>291 183 410</b>	178 215 057	93 015 757	84 298	<b>93 100 054</b>	12 940	<b>271 328 051</b>
Government funding	234 842 000	55 737 000	-	<b>55 737 000</b>	-	<b>290 579 000</b>	177 975 000	92 953 000	-	<b>92 953 000</b>	-	<b>270 928 000</b>
National Skills Fund	187 793	-	-	-	-	<b>187 793</b>	198 559	-	-	-	-	<b>198 559</b>
Other income	38 171	-	378 446	<b>378 446</b>	-	<b>416 618</b>	41 498	62 757	84 298	<b>147 054</b>	12 940	<b>201 492</b>
<b>Revenue from exchange transactions</b>	2 699 386	4 072 703	8 331 603	<b>12 404 306</b>	(521 202)	<b>14 582 491</b>	2 738 023	4 185 328	9 672 735	<b>13 858 063</b>	16 967 782	<b>33 563 868</b>
Interest income on cash and investments	1 820 412	-	774 506	<b>774 506</b>	14 423	<b>2 609 342</b>	1 334 753	93 066	755 954	<b>849 020</b>	20 473	<b>2 204 246</b>
Interest income on loans and advances	776 806	-	5 396 367	<b>5 396 367</b>	(799 929)	<b>5 373 245</b>	38 003	-	5 856 740	<b>5 856 740</b>	(1 076 715)	<b>4 818 028</b>
Interest income on concessionary loans	-	-	348 401	<b>348 401</b>	-	<b>348 401</b>	-	-	1 483 177	<b>1 483 177</b>	-	<b>1 483 177</b>
Commission fees for managing projects	-	4 072 703	-	<b>4 072 703</b>	-	<b>4 072 703</b>	-	4 092 261	-	<b>4 092 261</b>	-	<b>4 092 261</b>
Fair value adjustments	90 314	-	-	-	-	<b>90 314</b>	1 096 889	-	-	-	92 705	<b>1 189 595</b>
Loan initiation fees	2 750	-	78 076	<b>78 076</b>	-	<b>80 826</b>	750	-	105 800	<b>105 800</b>	-	<b>106 550</b>
Rental income from investment property	-	-	1 734 253	<b>1 734 253</b>	-	<b>1 734 253</b>	-	-	1 471 065	<b>1 471 065</b>	-	<b>1 471 065</b>
Gain on disposal of property, plant and equipment	9 103	-	-	-	-	<b>9 103</b>	267 628	-	-	-	-	<b>267 628</b>
Sale of goods - produce	-	-	-	-	264 303	<b>264 303</b>	-	-	-	-	17 931 319	<b>17 931 319</b>
<b>EXPENSES</b>	82 589 321	180 203 810	69 359 192	<b>249 563 001</b>	(8 541 753)	<b>323 610 570</b>	103 597 591	148 784 393	57 045 262	<b>205 829 657</b>	30 402 359	<b>339 829 605</b>
Administrative expenses	12 772 645	371 301	979 338	<b>1 350 639</b>	397 893	<b>14 521 177</b>	9 110 407	455 387	745 330	<b>1 200 717</b>	54 707	<b>10 365 832</b>
Audit fees	2 539 669	450 790	1 083 524	<b>1 534 314</b>	158 164	<b>4 232 147</b>	2 377 352	448 899	1 094 192	<b>1 543 092</b>	248 588	<b>4 169 032</b>
Cost of sales	-	-	-	-	19 268	<b>19 268</b>	-	-	-	-	13 664 364	<b>13 664 364</b>
Fee - MAFISA Scheme	-	-	452 954	<b>452 954</b>	-	<b>452 954</b>	-	-	450 473	<b>450 473</b>	-	<b>450 473</b>
Finance costs	20 077	669	9 199	<b>9 868</b>	-	<b>29 945</b>	12 663	328	863	<b>1 191</b>	11 853	<b>25 708</b>
Marketing and social facilitation	583 874	-	4 118	<b>4 118</b>	-	<b>587 992</b>	1 001 646	-	50 637	<b>50 637</b>	-	<b>1 052 282</b>
Other operating expenses	22 680 103	23 152 566	23 367 604	<b>46 520 170</b>	(9 117 078)	<b>60 083 195</b>	49 078 843	7 558 611	22 425 332	<b>29 983 943</b>	16 545 778	<b>95 608 565</b>
Project expenses	-	23 521 975	-	<b>23 521 975</b>	-	<b>23 521 975</b>	-	27 268 482	-	<b>27 268 482</b>	(284 788)	<b>26 983 694</b>
Skills levy	900 458	-	-	-	-	<b>900 458</b>	909 800	-	-	-	-	<b>909 800</b>
Staff costs	43 092 496	23 770 510	31 159 857	<b>54 930 367</b>	-	<b>98 022 863</b>	41 106 879	23 599 687	31 387 469	<b>54 987 156</b>	161 855	<b>96 255 890</b>
Subsidiaries and transfer payments	-	108 936 000	-	<b>108 936 000</b>	-	<b>108 936 000</b>	-	89 453 000	-	<b>89 453 000</b>	-	<b>89 453 000</b>
Social benefit from concessionary loans	-	-	566 921	<b>566 921</b>	-	<b>566 921</b>	-	-	887 375	<b>887 375</b>	-	<b>887 375</b>
Write off of irrecoverable debts	-	-	11 735 677	<b>11 735 677</b>	-	<b>11 735 677</b>	-	-	3 591	<b>3 591</b>	-	<b>3 591</b>
<b>NET (DEFICIT)/SURPLUS</b>	155 178 029	(120 394 106)	(60 649 142)	<b>(181 043 249)</b>	8 020 551	<b>(17 844 669)</b>	77 355 489	(51 583 309)	(47 288 230)	<b>(98 871 539)</b>	(13 421 636)	<b>(34 937 685)</b>
Sale and scrapping of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-
<b>(DEFICIT)/SURPLUS BEFORE TAXATION</b>	155 178 029	(120 394 106)	(60 649 142)	<b>(181 043 249)</b>	8 020 551	<b>(17 844 669)</b>	77 355 489	(51 583 309)	(47 288 230)	<b>(98 871 539)</b>	(13 421 636)	<b>(34 937 685)</b>
Taxation	-	-	-	-	(981 504)	<b>(981 504)</b>	-	-	-	-	(7 075 534)	<b>(7 075 534)</b>
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>	155 178 029	(120 394 106)	(60 649 142)	<b>(181 043 249)</b>	7 039 047	<b>(18 826 173)</b>	77 355 489	(51 583 309)	(47 288 230)	<b>(98 871 539)</b>	(20 497 170)	<b>(42 013 219)</b>

The segments of the agency are detailed and reconciled to the consolidated statement of financial performance as follows:

	2020					
	Rural Finance Segment Breakdown					
	King Williams Town & Butterworth Amathole	Port Elizabeth Nelson Mandela Metro	Cradock Karoo	Mthatha & Lusikisiki OR Tambo	Queenstown & Engcobo Chris Hani	Kokstad Alfred Nzo
	R	R	R	R	R	R
<b>INCOME</b>	2 295 274	904 342	396 877	2 688 307	1 404 155	1 021 094
<b>Revenue from non-exchange transactions</b>	218 067	-	-	2 500	12 920	144 960
Other income	218 067	-	-	2 500	12 920	144 960
<b>Revenue from exchange transactions</b>	2 077 207	904 342	396 877	2 685 807	1 391 235	876 134
Interest income on cash and investments	774 506	-	-	-	-	-
Interest income on loans and advances	876 224	904 342	396 877	951 555	1 391 235	876 134
Interest income on concessionary loans	348 401	-	-	-	-	-
Commission fees for managing projects	-	-	-	-	-	-
Loan initiation fees	78 076	-	-	-	-	-
Rental income from investment property	-	-	-	1 734 253	-	-
<b>EXPENSES</b>	32 123 425	6 951 928	5 961 506	6 783 885	9 483 245	8 055 204
Administrative expenses	517 675	112 736	40 311	52 379	93 159	163 077
Audit fees	329 643	138 817	208 040	156 030	202 178	48 817
Fee - MAFISA Scheme	452 954	-	-	-	-	-
Finance costs	963	-	244	7 766	227	-
Marketing and social facilitation	4 118	-	-	-	-	-
Other operating expenses	17 541 821	1 160 275	684 293	1 379 544	1 374 916	1 226 756
Project expenses	-	-	-	-	-	-
Skills levy	-	-	-	-	-	-
Staff costs	9 046 521	3 902 507	4 546 602	3 657 196	4 822 179	5 184 853
Social benefit from concessionary loans	566 921	-	-	-	-	-
Write off of irrecoverable debts	3 662 810	1 637 594	482 015	1 530 971	2 990 585	1 431 702
<b>NET (DEFICIT)/SURPLUS</b>	(29 828 151)	(6 047 586)	(5 564 628)	(4 095 577)	(8 079 090)	(7 034 110)
Sale and scrapping of property, plant and equipment	-	-	-	-	-	-
<b>(DEFICIT)/SURPLUS BEFORE TAXATION</b>	(29 828 151)	(6 047 586)	(5 564 628)	(4 095 577)	(8 079 090)	(7 034 110)
Taxation	-	-	-	-	-	-
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>	(29 828 151)	(6 047 586)	(5 564 628)	(4 095 577)	(8 079 090)	(7 034 110)

	2019					
	Rural Finance Segment Breakdown					
	King Williams Town & Butterworth Amathole	Port Elizabeth Nelson Mandela Metro	Cradock Karoo	Mthatha & Lusikisiki OR Tambo	Queenstown & Engcobo Chris Hani	Kokstad Alfred Nzo
	R	R	R	R	R	R
<b>INCOME</b>	3 408 192	1 207 972	251 899	2 444 873	1 572 886	871 210
<b>Revenue from non-exchange transactions</b>	79 498	-	-	1 800	-	3 000
Other income	79 498	-	-	1 800	-	3 000
<b>Revenue from exchange transactions</b>	3 328 695	1 207 972	251 899	2 443 073	1 572 886	868 210
Interest income on cash and investments	755 954	-	-	-	-	-
Interest income on loans and advances	984 514	1 207 972	251 899	972 008	1 572 886	867 460
Interest income on concessionary loans	1 483 177	-	-	-	-	-
Commission fees for managing projects	-	-	-	-	-	-
Loan initiation fees	105 050	-	-	-	-	750
Rental income from investment property	-	-	-	1 471 065	-	-
<b>EXPENSES</b>	27 847 669	5 145 759	5 616 469	5 722 867	6 781 597	5 930 902
Administrative expenses	492 637	23 701	26 779	106 371	50 971	44 870
Audit fees	336 675	140 281	224 450	168 337	224 450	-
Fee - MAFISA Scheme	450 473	-	-	-	-	-
Finance costs	16	-	168	612	67	-
Marketing and social facilitation	46 805	-	-	3 832	-	-
Other operating expenses	16 302 999	1 127 698	798 263	1 755 873	1 309 361	1 131 138
Project expenses	-	-	-	-	-	-
Skills levy	-	-	-	-	-	-
Staff costs	9 330 690	3 854 078	4 566 810	3 684 250	5 196 748	4 754 893
Social benefit from concessionary loans	887 375	-	-	-	-	-
Write off of irrecoverable debts	-	-	-	3 591	-	-
<b>NET (DEFICIT)/SURPLUS</b>	(24 439 477)	(3 937 787)	(5 364 570)	(3 277 994)	(5 208 710)	(5 059 691)
Sale and scrapping of property, plant and equipment	-	-	-	-	-	-
<b>(DEFICIT)/SURPLUS BEFORE TAXATION</b>	(24 439 477)	(3 937 787)	(5 364 570)	(3 277 994)	(5 208 710)	(5 059 691)
Taxation	-	-	-	-	-	-
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>	(24 439 477)	(3 937 787)	(5 364 570)	(3 277 994)	(5 208 710)	(5 059 691)



	Agency		
	Attributable to net asset holder of the agency		
	Capital contributed R	Accumulated surplus R	Total R
<b>Balance as at 31 March 2018</b>	41 989 046	66 637 885	108 626 930
Surplus/(deficit) for the year	-	(20 943 289)	(20 943 289)
<b>Balance as at 31 March 2019</b>	41 989 046	45 694 596	87 683 641
Surplus/(deficit) for the year	-	(25 865 220)	(25 865 220)
<b>Balance as at 31 March 2020</b>	<b>41 989 046</b>	<b>19 829 376</b>	<b>61 818 421</b>

	Group		
	Attributable to net asset holder of the agency		
	Capital contributed R	Accumulated surplus R	Total R
<b>Restated balance as at 31 March 2018</b>	41 989 046	95 902 797	137 891 844
Surplus/(deficit) for the year	-	(42 013 219)	(42 013 219)
Deferred tax on impairment of assets	-	1 664 040	1 664 040
Discontinued operations	-	(6 035 046)	(6 035 046)
<b>Balance as at 31 March 2019</b>	41 989 046	49 518 573	91 507 620
Kangela Citrus (Pty)Ltd *	-	(80)	(80)
Surplus/(deficit) for the year	-	(18 826 173)	(18 826 173)
<b>Balance as at 31 March 2020</b>	<b>41 989 046</b>	<b>30 692 320</b>	<b>72 681 367</b>

\*immaterial correction on the revaluation due to tax assessment concluded in the 2020 financial year.

The Eastern Cape Rural Development Agency (ECRDA) publicly disclosed budget is prepared on the cash basis whilst the financial statements is prepared on the accrual basis. The budget is classified per strategic goal regardless of the underlying operating expenditure items whereas the ECRDA consolidated annual financial statements is based per income and expenditure line items. Both the financial statements and the budget covers the period 1 April 2019 to 31 March 2020. The comparison of budget and actual amounts are based on the MTEF Budget narrative as presented to the Department of Rural Development and Agrarian Reform (DRDAR) and the Eastern Cape Provincial Treasury, thus budgets that are publicly available.

	Actual 2018/19	Actual 2019/20	Budget 2019/20	Over / (Under) Budget
<b>Revenue</b>	<b>274 887 450</b>	<b>295 135 134</b>	<b>197 254 000</b>	<b>97 881 134</b>
Interest, dividends and rentals (a)	3 654 837	4 329 170	3 673 000	656 170
Other non-tax revenue (b)	304 613	226 963	1 017 000	(790 037)
Government Grants (c)	177 975 000	192 564 000	192 564 000	-
Government Transfers & Payments received (d)	92 953 000	98 015 000	-	98 015 000

	Actual 2018/19	Actual 2019/20	Budget 2019/20	Over / (Under) Budget
<b>Expenses</b>	<b>255 546 966</b>	<b>275 312 298</b>	<b>200 383 000</b>	<b>74 929 298</b>
Compensation of employees (e)	96 094 033	98 022 863	99 809 000	(1 786 137)
Goods and services (f)	62 290 567	61 154 763	67 980 969	(6 826 206)
Interest, dividends and rentals (g)	7 709 365	7 198 672	8 595 031	(1 396 359)
Transfer Payments Made (h)	89 453 000	108 936 000	23 998 000	84 938 000

	Actual 2018/19	Actual 2019/20	Budget 2019/20	Over / (Under) Budget
<b>Surplus / (Deficit) Excluding Items of Capital Nature &amp; Results from Lending Activities</b>	<b>19 340 485</b>	<b>19 822 836</b>	<b>(3 129 000)</b>	<b>22 951 836</b>

	Actual 2018/19	Actual 2019/20	Budget 2019/20	Over / (Under) Budget
<b>Budgeted Items of a Statement of Financial Position Nature</b>	<b>9 268 446</b>	<b>10 543 940</b>	<b>9 940 000</b>	<b>603 940</b>
Items of Capital Nature				
Capital Expenditure, including intangibles (i)	4 249 982	5 414 402	4 718 000	696 402
Loans Disbursed (j)	5 018 464	5 129 538	5 222 000	(92 462)

**Reason(s) for material variances**

For the purpose of the annual financial statements, the agency classifies commissions earned, project implementation fees and agency fees as other non tax revenue.

- (a) Interest earned on cash holdings were above the income estimates due as additional transfers received by ECRDA which was earmarked for on-wards transfer to Magwa Tea Estate in smaller tranches over a longer period of time.
- (b) Other non-tax revenue were below budget expectations as the ECRDA did not secure additional funds for implementation of new projects over and above the voted funds for the year.
- (c) Transfers received were in line with voted funds for the financial year.
- (d) Government transfers and payments not originally included in the MTEF budget included project implementation funding from the Office of the Premier (OTP) (R2m) and additional funding from DRDAR for Magwa Tea Estate (R84.9m) and the Stimulus Fund (R18.7m)
- (e) Compensation of employees (COE) were below than the original budget for the year. No annual increments were paid to senior management during the year under review
- (f) The expenditure on goods and services were less than what was budgeted for, resulting mainly from the delayed implementation of the renovations of King Williams' Town offices and the impact of COVID -19 level 5 lockdown which delayed delivery of goods and machinery at the end of March 2020
- (g) The expenditure on rentals was below the original budget. ECRDA moved its East London offices in September 2019, resulting in montly rental savings

- (h) Transfers payments made include the transfers paid to Magwa Tea Estates which are under business rescue (R84,9m), the Amajingqi Macadamia project (R16.4m). The ECRDA allocates expenditure on OTP project and programme implementation as goods and services and not as transfer payments paid out to other companies as per the National Treasury Circular 21 of 2018
- (i) Capital expenditure to support ECRDA's own operations are included. ECRDA invested in its information technology infrastructure to enable employees to work from home resulting from the COVID-19 lockdown regulations
- (j) Loans disbursed aligned to the annual allocation for the year. Disbursement of loans are dependent on sufficient quality applications received by branches and the demand for loans by qualifying clients.

Reconciliation between the detailed income statement and the budget versus actual comparison:

	Actual 2019/20	Actual 2018/19
<b>Total Income as per Income Statement</b>	294 551 426	287 907 606
Results from Lending activities	4 755 830	(7 563 376)
Fair value adjustments and Reversal of impairments and provisions	-	(1 096 890)
Commission fees for managing projects (accrued)	(4 072 703)	(4 092 261)
Gain on disposal of assets	(9 103)	(267 628)
<b>Total Income for comparison of budget and actual income</b>	<b>295 225 448</b>	<b>274 887 451</b>
<b>Total Expenses as per Income Statement</b>	320 416 646	308 850 894
Add:		
Depreciation	(3 491 337)	(3 953 363)
Bad debts - Loans	(15 500 078)	(13 909 978)
Surrender of Funds to Provincial Treasury	(3 134 876)	(21 375 241)
Fee - MAFISA Scheme	(452 954)	(450 473)
Impairment loss	(1 123 204)	(9 224 707)
Fair value adjustments and impairments	(2 586)	(557)
Scrapping of obsolete property, plant and equipment	-	-
Minor assets expensed	(27 079)	(2 235)
Project implemented on behalf of funders	(20 715 000)	(3 500 000)
Social benefit from concessionary loans	(566 921)	(887 374)
<b>Total Expenses for comparison of budget and actual income</b>	<b>275 402 612</b>	<b>255 546 967</b>
<b>Net result</b>	<b>19 822 836</b>	<b>19 340 485</b>

CASH FLOWS FROM OPERATING ACTIVITIES

	Agency 2020 R	Agency 2019 R	Group 2020 R	Group 2019 R
Receipts	324 895 873	283 401 363	325 713 634	282 358 063
Grants received	192 564 000	177 975 000	192 564 000	177 975 000
Interest received on cash and cash equivalents and loans and advances	8 768 092	8 078 515	7 982 587	7 022 274
Non-exchange transfers arising from administered funds	105 945 020	94 946 920	105 945 020	94 946 920
Tax refund	-	-	1 338 963	-
Net movement in loans and advances to customers before credit impairments	11 207 394	(3 554 479)	11 207 394	(3 554 479)
Other receipts from commission and fees	6 411 366	5 955 407	6 675 669	5 968 347
<b>Less: Payments</b>	<b>323 091 667</b>	<b>257 942 654</b>	<b>323 282 282</b>	<b>263 663 466</b>
Employee costs	98 022 863	96 094 034	98 022 863	96 255 890
Disbursements of non-exchange transactions from administered funds	108 888 710	94 681 360	108 888 710	94 681 360
Payments to suppliers	116 180 094	67 167 260	116 370 709	72 726 216
Cash (outflows) / inflows from operating activities	A 1 804 206	25 458 709	2 431 352	18 694 598

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition and transfer of property, plant and equipment	(4 526 648)	(1 080 187)	(4 526 648)	(1 080 187)
Proceeds on disposal of property, plant and equipment and intangible assets	9 103	267 628	9 103	267 628
Acquisition of intangible assets	(548 480)	-	(548 480)	-
Cash invested under contingency policy and related admin fees on policy	(636 309)	(620 828)	(636 309)	(620 828)
Cash (outflows) / inflows from investing activities	(5 702 334)	(1 433 387)	(5 702 334)	(1 433 387)

CASH FLOWS FROM FINANCING ACTIVITIES

Decrease in finance lease obligations	42 300	(1 096 889)	42 300	(1 096 889)
Loan repayment	-	-	(5 242 145)	-
Loan repayment non-cash	-	-	242 145	-
Finance costs	-	(13 855)	-	(25 708)
Penalties and Fines	-	(2 913)	-	(2 913)
Cash (outflows) / inflows from financing activities	42 300	(1 113 656)	(4 957 700)	(1 125 510)

<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(3 855 829)</b>	<b>22 911 666</b>	<b>(8 228 682)</b>	<b>16 135 701</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>65 866 708</b>	<b>42 955 041</b>	<b>72 837 950</b>	<b>56 702 249</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>62 010 879</b>	<b>65 866 708</b>	<b>64 609 268</b>	<b>72 837 950</b>

The cash and cash equivalents at reporting date do not constitute available resources for the entity to fund operations. A detailed analysis of the cash held at reporting date is presented in note 6.

**A. Reconciliation of net cash flows from operating activities to surplus before taxation**

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
Surplus (Deficit) before taxation	(25 865 220)	(20 943 289)	(17 844 669)	(34 937 685)
<i>Non cash flow items in surplus / (deficit) before taxation</i>				
Depreciation of investment property and property, plant and equipment	3 491 337	3 953 363	3 491 337	4 526 123
Administration fee: Guardrisk (non-cash)	45 000	-	45 000	-
Sale of goods (cession/non-cash)	-	-	(264 303)	-
Tax result in respect of prior year assessments	-	-	53 571	-
Project expenditure as a result of motor vehicle transfer	236 554	-	236 554	-
Scrapping of property, plant and equipment	-	9 939	-	9 939
Fair value adjustments and impairments	1 065 162	8 138 881	1 065 162	23 993 176
Increase/(decrease) in credit impairments	15 500 078	13 909 978	7 033 655	13 909 978
Irrecoverable debts written off	11 735 677	3 591	11 735 677	3 591
Social benefit from concessionary loans (Subsidy cost fair value adjustment)	566 921	887 375	566 921	887 375
Unwinding of subsidy cost / Concessionary loans interest	(348 401)	(1 483 177)	(348 401)	(1 483 177)
Interest received on loan book and staff debtors	(6 173 174)	(5 894 743)	(5 373 245)	(4 818 028)
New Mafisa commission	-	(793 089)	-	(793 089)
Net of interest capitalised and expenses / fees on investment under contingency policy (non-cash)	(636 309)	(620 828)	(636 309)	(620 828)
Penalties and fines	29 576	2 913	29 576	2 913
Interest expense	29 945	13 855	29 945	25 708
<b>Adjusted operating cash flow</b>	<b>(322 856)</b>	<b>(2 815 233)</b>	<b>(179 532)</b>	<b>705 996</b>

**Working capital changes**

Increase / (decrease) in deferred grant income	2 954 796	2 779 266	2 954 796	2 779 266
Change in deferred taxes	-	-	(906 836)	1 216 671
Increase / (Decrease) in payables	(8 437 378)	14 651 626	(8 464 981)	12 761 400
Decrease in Property, Plant and Equipment: scrapping (leasehold)	(3 489 554)	-	(3 489 554)	-
Increase / (Decrease) in administered fund liabilities from non-exchange transfers	126 872	(631 584)	126 872	(315 758)
(Increase) / Decrease in trade and other receivables	2 586 655	5 323 629	4 004 917	(4 061 641)
Increase / (Decrease) in loans with credit balances	(262 701)	(38 106)	(262 701)	(38 106)
(Increase) / Decrease in inventories	(16 328)	10 054	(16 328)	10 054
<b>Working capital changes</b>	<b>(6 537 638)</b>	<b>22 094 885</b>	<b>(6 053 815)</b>	<b>12 351 886</b>
<b>Operating cash flow adjusted for working capital changes</b>	<b>(6 860 494)</b>	<b>19 279 653</b>	<b>(6 233 347)</b>	<b>13 057 882</b>

**Lending cash flow movements**

New loans granted during the year	(5 129 538)	(5 018 464)	(5 129 538)	(5 018 464)
Loans repaid by customers	13 794 237	11 197 519	13 794 237	10 655 179
<b>Net lending movements</b>	<b>8 664 699</b>	<b>6 179 055</b>	<b>8 664 699</b>	<b>5 636 715</b>
<b>Cash (outflows) / inflows from operating activities</b>	<b>1 804 205</b>	<b>25 458 709</b>	<b>2 431 352</b>	<b>18 694 598</b>

**B. Non-cash transactions**

Aside from:  
- the acquisition of property, plant and equipment on finance lease arrangements (per note 13)

**NATURE OF BUSINESS AND OPERATIONS**

The Eastern Cape Rural Development Agency and its subsidiaries forms the reporting group. The agency was established by the Eastern Cape Rural Finance Corporation Amendment Act, Act 1 of 2012. The agency's objective is to promote, support and facilitate rural development in the Eastern Cape. This is achieved through the formulation, promotion and implementation of a rural development strategy and supporting programmes.

The agency's administrative office is in East London and it operates from branches in the Eastern Cape Province, Republic of South Africa. The sole equity holder of the agency is the Eastern Cape Provincial Government (through the Eastern Cape Department of Rural Development and Agrarian Transformation). The agency is a Schedule 3C Provincial Public Entity and is required to comply with the Public Finance Management Act, Act No.1 of 1999 (as amended by Act 29 of 1999).

**1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

The consolidated annual financial statements are presented in the South African currency unit, the Rand (R), as it is the currency in which the group's transactions are denominated. All amounts in the consolidated annual financial statements are rounded to the nearest Rand.

**2. ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board, in accordance with Section 55 of the Public Finance Management Act, Act no. 29 of 1999 (amended Act). The consolidated annual financial statements have been prepared on an accrual basis of accounting as required by GRAP and incorporate the principal accounting policies set out below.

Accounting policies for material transactions, events or conditions not covered by the Standards of Generally Recognised Accounting Practice have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board. A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

Assets, liabilities, revenues and expenses have not been offset except where offsetting is required or permitted by a Standard of Generally Recognised Accounting Practice.

The accounting policies are consistent with the previous period, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**2.2 Basis of consolidation**

The consolidated annual financial statements incorporate the annual financial statements of the agency and its subsidiaries. Control is achieved where the agency has the power to govern the financial and operating policies of an entity in order to obtain economic benefits from its activities. The operating results of the subsidiaries are included from the effective dates that control is acquired and up to the effective dates of disposal or when control ceases. Business combinations are accounted for in accordance with the purchase method. All intra-group transactions, balances, income and expenses are eliminated on consolidation. On acquisition, the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held for sale, which is recognised at fair value less costs to sell. Premiums or discounts arising on the acquisition of subsidiaries are treated in terms of the group's accounting policy for goodwill. Where necessary, adjustments are made to the annual financial statements of a subsidiary to align its accounting policy with those of the controlling entity.

Common control transactions are business combinations in which the combining entities are ultimately controlled by the same entity, both before and after the transaction. In previous years the group has accounted for acquisitions and disposals of business under common control on the acquisition method (i.e. applying IFRS 3 Business Combinations). During the 2012 financial year the group adopted GRAP 105 to account for the transfer of functions between entities under common control. The group applies a policy of treating transactions with minority interests as transactions with equity owners of the group.

The consolidated annual financial statements of the agency and the subsidiaries used in the preparation of the consolidated annual financial statements are prepared at the same reporting date. Where the reporting dates of the agency and a subsidiary are different, the subsidiary prepares for consolidation purposes, additional financial information to align to the reporting date of the agency. This adjustment requires that the subsidiary adjusts the financial information to account for transactions or events that occur between that date and the date of the agency's consolidated annual financial statements. The difference between the reporting date of the agency and the subsidiaries shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the financial statements of the subsidiaries to bring their accounting policies in line with the GRAP reporting applied by the agency.

All intra group transactions, balances, revenues and expenses are eliminated in full on consolidation.



### 2.3 Investment in subsidiaries

In the agency's consolidated annual financial statements, investment in subsidiaries is accounted for at cost. The carrying amounts of these investments are reviewed annually and written down for impairment where considered necessary.

### 2.4 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary and is recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is assessed, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

Negative goodwill, which represents the excess of the group's interest in the fair value of the identifiable assets and liabilities acquired over the cost of acquisition, is recognised immediately in the statement of financial performance.

### 2.5 Taxation

The Income Tax expense represents the sum of the current and deferred tax. The tax charge is based on taxable income for the year. Taxable income differs from the surplus reported in the consolidated statement of financial performance as it excludes items of income or expense that are taxable or deductible in other reporting periods and items that are never subject to tax.

Deferred tax is expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated annual financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised when the temporary differences arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the surplus for the year.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the statement of financial performance, except when it relates to items credited or charged directly to net assets, in which case the deferred tax is recorded in net assets. Deferred tax assets and liabilities are offset when they relate

to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

### 2.6 Revenue

Income is recognised to the extent that the economic benefits will flow to the group and the income can be reliably measured. Income is measured at the transaction value, equating the fair value of the consideration received or receivable.

#### 2.6.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the agency directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates. Interest is recognised, in surplus or deficit, using the effective interest rate method.

#### Sale of goods

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

- The agency has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The agency 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 agency; and
- The costs incurred, or to be incurred, in respect of the transaction can be measured reliably. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

#### Rendering of services

The outcome of a transaction involving the rendering of services can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the agency;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred on the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

### 2.6.2 Interest Income

Interest income is recognised in the statement of financial performance as it accrues, using the effective interest rate method. In terms of GRAP 104, interest is also accrued in respect of impaired loans and advances, based on the original effective interest rate used to determine the recoverable amount. In instances where a loan has been impaired in full, the accrual of interest from that date is suspended and not recognised in the statement of financial performance.

### 2.6.3 Loan initiation fees

These fees are charged upfront, and where significant are capitalised into the loan, and are primarily based on the cost of granting the loan to the customer. In accordance with GRAP 9, Revenue from exchange transactions, these origination fees are considered an integral part of the loan agreement and therefore recognised as an integral part of the effective interest rate and are accounted for over the shorter of the original contractual term and the actual term of the loan using the effective interest rate method. The deferred portion of the fees is recorded in the statement of financial position as a provision for deferred administration fees. The group does not defer any related operating costs, as these are all internal costs which are not directly attributable to individual transactions and as such are primarily absorbed infrastructure costs.

### 2.6.4 Commission income

Commission income is recognised on an accrual basis over the life of the underlying contracts.

### 2.6.5 Rental income

Rental income arising from investment properties is accounted for on a straight-line basis over the lease term and is recorded in the statement of financial performance.

### 2.6.6 Fees from administered funds

The group is entitled to fees for administering certain of the funds under administration. Such fees are recognised in terms of the underlying contracts which most often are based on the stage of completion of the administered fund. The stage of completion is determined by reference to an assessment of work performed to date.

### 2.6.7 Sale of goods

Sale of goods is recognised on the date of sale when significant risks and rewards of ownership have been transferred to the buyer. Sale of goods is measured at the fair value of the consideration received or receivable.

### 2.6.8 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (policy holder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the pol-

icyholder. The agency issues insurance contracts on its borrowers against the payment of an insurance premium (the insured event) adversely affect the policyholder. The agency issues insurance contracts on its borrowers against the payment of insurance premium to cover death, insolvency and certain other risks. Given the market that the agency services, the only insurance event that triggers performance by the agency is the death of the insured.

There is no cover to the extent that the loan is in arrears. In order to build up a reserve to fund future commitments, the group entered into a contingency policy through Guard Risk Insurance Company Limited (a member of the Alexander Forbes Group). This policy is treated as an investment. The risks under the contract remain with the group and the group may utilise funds in the contingency policy account to the extent available to settle its obligations under the insurance contracts.

#### Premiums

The group recognises insurance premiums in the statement of financial performance when they are due in terms of the insurance contracts.

#### Benefits and claims

Insurance benefits and claims incurred under insurance contracts are recognised in the statement of financial performance. Claims are recognised when notified. The estimate of the expected settlement value of claims that are notified, if any, but not paid before the reporting date is included in payables.

#### Movement in the provision for insurance contracts

The agency carries a provision for insurance contracts where such need arise, and the movement in the provision at each reporting date is recognised in the statement of financial performance reporting date is recognised in the statement of financial performance.

### 2.7 Investment property

#### Initial Recognition

An investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than to meet service delivery objectives; the production or supply of goods or services; or the sale of an asset in the ordinary course of operations. Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the agency, and the cost or fair value of the investment property can be measured reliably.

At initial recognition, investment property is measured at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

**Subsequent measurement**

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the depreciable amount (after taking residual value into account), 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 annual depreciation rates are based on the estimate useful lives for each asset and component. In the case of buildings classified as investment properties, the estimated average asset life is 30 to 50 years. Land is not depreciated.

The fair value of the investment property on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued is performed every three years for disclosure and insurance purposes only.

**2.8 Property, plant and equipment**

**Initial Recognition**

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.

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

- It is probable that future economic benefits or service potential associated with the item will flow to the agency; and
- The cost 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. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the agency. Trade discounts and rebates are deducted in arriving at the cost.

If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it

is located are also included in the cost of property, plant and equipment, where the agency is obliged to incur such expenses and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

**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.

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

Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**Depreciation and Impairment**

Property, plant and equipment are depreciated on the straight-line method over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the total carrying amount of another asset. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The annual depreciation rates for each category of property, plant and equipment are based on the following estimated average asset lives:

<b>Item</b> / Useful life	.....
<b>Buildings</b> / 30 - 50 Years	
<b>Computer equipment</b> / 5 - 9 Years	
<b>Office furniture and fittings</b> / 10 - 12 Years	
<b>Leasehold improvements</b> / 2 - 5 Years (period of the lease)	
<b>Vehicles</b> / 4 - 5 Years	
<b>Plant and equipment</b> / 5 - 10 Years	
<b>Equipment under finance lease</b> / Period of the lease term	

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the statement of financial performance. Reviewing the useful life of an asset on an annual basis requires the agency to amend the previous estimate applied.

In assessing whether there is any indication that the expected useful life of an asset has changed, the ECRDA considers the following indications:

- (a) Whether the composition of the asset changed during the reporting period, i.e. the significant components of the assets changed.
- (b) Whether the use of the asset has changed, because of the following:
  - (i) The entity has changed the manner in which the asset is used.
  - (ii) The entity has changed the utilisation rate of the asset.
  - (iii) The entity has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
  - (iv) Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
  - (v) Legal or similar limits placed on the use of the asset have changed.
  - (vi) The asset was idle or retired from use during the reporting period.
- (c) Whether the asset is approaching the end of its previously expected useful life.
- (d) Whether planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components is either being undertaken or delayed.
- (e) Whether environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution exist.
- (f) Whether there is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- (g) Whether the asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of cash-generating assets and impairment of non-cash generating assets.

The useful life of an asset is defined in terms of the asset's expected utility to the entity. The asset management policy of the entity may involve the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits or service potential embodied in the asset. Therefore, the useful life of an asset may be shorter than its economic life.

The estimation of the useful life of the asset is a matter of judgement based on the experience of the entity with similar assets. An entity considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and

other factors. Depreciation is recognised even if the fair value of the asset exceeds its carrying amount, as long as the asset's residual value does not exceed its carrying amount. Repairs and maintenance of an asset do not negate the need to depreciate it. The depreciable amount of an assets is determined after deducting its residual value. In practice, the residual value of an asset is often insignificant and therefore immaterial in the calculation of the depreciable amount.

The residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. However, under usage methods of depreciation the depreciation charge can be zero while there is no production.

Land and buildings are separable assets and are accounted separately, even when they are acquired together. With some exceptions, such as quarries and sites used for landfill, land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building.

If the cost of land includes the cost of site dismantlement, removal and restoration, the portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs. In some cases, the land itself may have a limited useful life, in which case it is depreciated in a manner that reflects the benefits or service potential to be derived from it.

The agency 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 recognised in the statement of financial performance.

**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 from 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. The gain or loss is included in the surplus or deficit when the asset is derecognised.

**2.9 Property, plant and equipment - Fruit Trees**

**Initial recognition**

The agency recognise an asset (tree) only when:

- The agency controls the asset as a result of past events;
- It is probable that future economic benefits or service potential associated with the asset will flow to the agency; and
- The fair value or cost of the asset can be measured reliably.

**Subsequent measurement**

Assets are measured at their fair value less estimated point-of-sale costs. A gain or loss arising on initial recognition of the asset at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises. Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value. Where fair value cannot be measured reliably, assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

An asset is derecognised when the asset is disposed of or when there is no further economic benefits or service potential expected from the use thereof. The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying value and is included in surplus or deficit when the item is derecognised.

**2.10 Intangible assets**

**Initial recognition**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. An asset is recognised as an intangible asset when it:

- Is capable of being separated or divided from an agency and sold, transferred, licensed, rented or exchanged either individually or together with a related contract, asset or liability; or
- Arises from contractual rights to other legal rights, regardless whether those rights are transferable or separate from the agency or from other rights and obligations.

An intangible asset is recognised in the 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 agency and the cost or fair value of the asset can be measured

reliably. Intangible assets are initially recognised at cost.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits or service potential;
- There are available technical, financial and other resources to complete the development and to use/sell the asset; and
- The expenditure attributable to the asset during its development can be measured reliably.

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

**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. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**Amortisation and impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The amortisation period and the amortisation method for intangible assets are reviewed annually. The annual amortisation rates are based on the following estimated average asset lives:

<b>Item / Useful life</b>	.....
<b>Computer software / 3 years or purchased licencing term</b>	

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 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.

**Derecognition**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use thereof. 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.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the statement of financial performance. The agency tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired.

**2.11 Inventories**

**Initial recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overhead used during the manufacturing process. Where inventory is acquired by the agency for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**Subsequent measurement**

Inventories, consisting of consumable stores and raw materials, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way.

Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. In general, the basis of allocating cost to inventory items is the first-in-first-out method.

**2.12 Provisions**

Provisions are recognised when the agency has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required

to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability. A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

**2.13 Revenue from non-exchange transactions (taxes and transfers)**

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction an agency either receives value from another agency without directly giving approximately equal value in exchange, or gives value to another agency without directly receiving approximately equal value in exchange. Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Public Finance Management Act (Act n. 29 of 1999) and is recognised when the recovery thereof from the responsible board members or official is virtually certain.

Government grants and receipts from other parties that arise from non-exchange transactions are recognised in the statement of financial position once official confirmation has been received and the grant can be measured reliably and it is likely that the grant will be received.

**Present obligations arising from non-exchange transactions**

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the settlement amount. A non-exchange transfer receipt that has conditions attached to it, which has not been fulfilled at the reporting date, and the group is obliged to return the unspent funds if the conditions are not met, gives rise to a liability.



The group receives the following types of non-exchange transactions:

- Voted transfer payments from the Government for operations (recognised fully in income);
- Conditional non-transfer funding from Government for specific projects (recognised in income when the conditions are met, see above);
- Conditional non-transfer receipts from other Government organisations for specific projects (recognised in income when the conditions are met). Conditional grants may comprise both transfer payments voted by the Government (e.g. Eastern Cape Provincial Legislator) and specific grants initiated by a Government Department (e.g. Eastern Cape Provincial Department of Agriculture and Rural Development). Contributions from the controlling shareholder are recognised directly in net assets.

#### **Transfer of assets from non-exchange transactions**

An inflow of resources from non-exchange transactions, other than services in kind, that meet all the definitions of an asset (other than business combinations) is recognised as an asset when it is probable that it will result in an inflow of economic benefits and the fair value of the asset can be measured reliably. An inflow of resources from a non-exchange transaction (recognised as an asset) is recognised as revenue, except to the extent that a liability is recognised for the same inflow. As the group satisfies a present obligation recognised as a liability in respect of an inflow of resources from non-exchange transactions recognised as an asset, it will simultaneously reduce the carrying amount of the liability recognised and recognise an amount equal to that reduction. On initial recognition, the non-exchange receipt is recognised at its fair value, which is taken as the monetary amount, unless the grant on initial recognition has extended payment terms, in which case the monetary amounts is discounted. Delay in receipt of the non-exchange transfer does not result in it being discounted, but does result in the grant being checked for impairment.

#### **2.14 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### **Finance leases: Lessee**

Assets held under finance leases are recognised as assets of the group at their fair value, or if lower at the present value of the minimum lease payments - each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance charges, which represent the difference between the total lease commitments and the fair value of the asset acquired, are charged to the statement of financial performance over the term of the lease so as to produce a constant periodic rate of interest on the remaining balance of the obligations at each reporting period.

#### **Operating leases**

The group as lessor – Rental income from operating leases is rec-

ognised on a straight-line basis over the term of the relevant lease. Income for leases is disclosed under revenue in the statement of financial performance.

The group as lessee – Operating lease payments are recognised as an expense on a straight-line basis over the term of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability in the statement of financial position.

#### **2.15 Financial instruments**

Financial instruments are accounted for under GRAP 104. The agency only recognises a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. A contract or contractual agreement refer to an agreement between two or more parties that has clear economic consequences that the parties have little, if any, discretion to avoid.

#### **Initial recognition and measurement of financial assets and financial liabilities**

The issuer of a financial instrument classifies the instrument on initial recognition as a financial liability; a financial asset or residual interest in accordance with the substance of the contractual arrangement. An instrument is only a residual interest if the instrument includes no contractual obligation to deliver cash or another financial asset or to exchange financial assets or liabilities with another entity. A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. The residual interest includes owner contributions.

A financial asset or liability is initially recognised at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. It is an incremental cost that would not have been incurred if the agency had not acquired, issued or disposed the financial instrument.

#### **Subsequent measurement of financial assets and financial liabilities**

On subsequent measurement the agency measures all financial instruments as either –

- (a) Financial instruments at fair value; or
- (b) Financial instruments at amortised cost; or \*
- (c) Financial instruments at cost. \*

\* Financial assets that are measured at amortised cost or cost are subject to annual impairment reviews.

A gain or loss arising from a change in the fair value of a financial instrument is recognised in the surplus or deficit for the period. Identified gains or losses on financial instruments held at amortised cost or cost is recognised in surplus or deficit when the financial instrument is derecognised, impaired or amortised.

#### **Financial assets**

A financial asset is either cash; a residual interest of another agency or a contractual right to (i) receive cash or another financial asset from another agency; or (ii) exchange financial assets or financial liabilities with another agency under conditions that are potentially favourable to the agency.

Financial assets are initially recognised by applying trade date accounting.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, in bank, on deposit and other short term highly liquid investments that are readily convertible to known amounts of cash and are held for the purpose of meeting short term cash commitments rather than for investment purposes. Cash and cash equivalents are initially and subsequently recorded at cost.

#### **Receivables from exchange transactions**

Trade and other receivables are measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the agency provides money, goods or services directly to a debtor with no intention to trade the receivable. In the case of the agency, all loans and advances are in the form of secured, partially secured or unsecured loans that are paid back in fixed equal instalments.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expense in surplus or deficit.

#### **Loans to subsidiaries**

The loans to subsidiaries are recognised initially at fair value plus transaction cost. Such financial instruments are measured at amortised cost.

#### **Loans to customers**

Advances are classified as loans and receivables and are measured at amortised cost using the effective interest rate method, less any

impairment losses through the use of an allowance account whereby the amount of the losses are recognised in the statement of financial performance. Origination fees that are integral to the effective interest rate are capitalised to the value of the loan and amortised to the statement of financial performance over the contractual life of the loan using the effective interest rate method. Given the developmental mandate of the agency, the differences between the fair value and the transaction amount represents a subsidy granted on a concessionary loan in the execution of public policy and is recognised as an expense on initial recognition.

The prime overdraft rate is used as the fair market rate when determining concessionary loans. Advances, which are deemed uncollectible, are written off either fully or partially against the impairment allowance for non-performing loans. Cash collected on loans, which have previously been written off is recognised in the statement of financial performance as bad debts recovered as and when the cash is received. Loans and advances are disclosed net of deferred administration fees (consisting of origination fees), impairment provisions and fair value adjustments arising from concessionary loans. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees receivable that form an integral part of the effective interest rate) through the expected life of the financial asset or liability or, where appropriate a shorter period.

The investment under contingency policy is initially and subsequently recorded at fair value. Other investments, which are classified as available for sale, are initially and subsequently recorded at fair value.

#### **Financial Liabilities**

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another agency or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable for the agency.

#### **Payables from exchange transactions**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Trade and other payables are categorised as financial liabilities held at amortised cost.

#### **Loans from subsidiaries**

The loans from subsidiaries are recognised initially at fair value plus transaction costs. These financial instruments are classified as financial liabilities measured at amortised cost.

#### **Net Assets**

Amounts contributed by the Eastern Cape Provincial Government toward the capital of the group are recognised as net assets. Such contributions are recognised at the fair value of the net assets acquired. Accumulated surplus/deficit is the surplus/deficit for the year plus the carried forward surplus/deficits

#### Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received. Transaction costs that are directly attributable are included in the initial fair value of financial assets and financial liabilities.

Subsequent to initial recognition, the fair values of financial assets and liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is an unlisted instrument, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants. Where the fair value is not stated in the notes to these consolidated annual financial statements, the carrying amount is approximately equal to the fair value.

#### De-recognition of financial instruments

The group derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial asset) when:

- The contractual rights to the cash flows arising from the financial asset have expired, are settled or waived; or
- The group transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- Transfers the contractual rights to receive the cash flows from the financial asset;
- It retains the contractual rights to receive the cash flows of the financial asset, but assumes a corresponding contractual obligation to pay the cash flows to one or more recipients, and consequently transfers substantially all the risks and benefits associated with the asset; or
- No future economic benefits are expected.

A financial liability (or group of financial liabilities) or a part of a financial liability (or part of a group of financial liabilities) is derecognised when, and only when, the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss for the period.

#### Offsetting

Financial assets and liabilities are offset and the net amount reported on the statement of financial position where there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position.

#### 2.16 Impairment of assets

Cash-generating assets are those assets used by the agency with the primary objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return. The Acczone loan system and the investment property of the ECRDA are cash-generating assets.

Cost of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expenses. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation or amortisation. An impairment loss of a non-cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation/amortisation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

#### Cash-generating assets

The agency assesses annually whether there are any indications that the cash-generating assets may be impaired. External sources and internal sources of information are considered to identify possible impairment indicators. In the event that cash-generating assets should be impaired the recoverable amount of the asset is estimated. If the recoverable value of the asset is less than the carrying value, the carrying value is reduced to the recoverable amount. The reduction is recorded in the surplus or deficit for the period as an impairment loss. After recognition of impairment losses the depreciation/amortisation charges of the asset are adjusted in future periods to allocate the asset's revised carrying amount, less residual values, on a systematic basis over the remaining useful life of the asset.

If any impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the statement of financial performance.

#### Non-cash-generating assets

Non-cash generating assets are all assets other than cash-generating assets, thus all assets other than the investment property and the loan system. Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Value in use of a non-cash generating asset is the present value of the asset's remaining service potential.

The agency assesses annually whether there are any indications that an asset may be impaired. After considering the internal and external impairment indicators and when such indication exists, the recoverable service amount of the asset is estimated. A non-cash generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. If the recoverable amount of the asset is less than the carrying amount thereof, the carrying amount of the asset is reduced to the recoverable amount. The reduction is recognised in the period that it occurs in surplus or deficit. This reduction is classified as an impairment loss.

If any impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the statement of financial performance.

#### 2.17 Retirement benefits

A defined contribution plan is a post-employment benefit plan under which an agency pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution retirement plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The agency's employees select to which funds they wish to belong.

#### 2.18 Administered funds

Amounts received under service level agreements (i.e. from government departments or agencies) are recognised as a liability to the extent that the funds have not been disbursed.

#### 2.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost

of that asset unless it is inappropriate to do so. The agency ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense when incurred.

#### 2.20 Related parties

The group operates in an economic environment, together with other entities directly or indirectly owned by the South African Government. As a result of the constitutional independence of all three spheres of government in South Africa, mainly parties within the Eastern Cape provincial sphere of Government will be considered to be related parties.

Senior (executive) management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the group. All individuals from the level of executive management up to the board of directors are regarded as key management per the definition of the standard. Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management individuals in their dealings with the group. Other related party transactions are also disclosed in terms of the requirements of the standard.

#### 2.21 Contingent liabilities and commitments

##### Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. Contingent liabilities are not recognised and only disclosed in the notes to the financial statements.

##### Commitments

Items are classified as commitments where the group has committed itself to future transactions. Commitments arise when orders have been issued by the agency to suppliers and a commitment was raised to pay the supplier once the service/goods is rendered/delivered.

#### 2.22 Contingent assets

Contingent assets are items which will result in future economic benefit to the organisation however the value of which cannot be measured with any degree of reliability. Contingent assets are not recognised in the records of the organisation but are detailed in the notes to the financial statements.

### 2.23 Transfer of Functions between entities under common control

A transfer of functions is the reorganisation and/or the reallocation of functions between agencies by transferring functions between agencies or into another agency. For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between agencies within the same sphere of government or between agencies that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity. The agency accounts for the transfer of functions between entities under common control in accordance with GRAP 105, as follows:

#### When the agency is the acquirer:

As of the transfer date, the agency recognises the purchase consideration paid (if any) to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts per the transferor's accounting records. The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid (if any) to the transferor is recognised in accumulated surplus or accumulated deficit. Costs that the agency incurs to affect the transfer of function, including advisory, legal, accounting and other professional or consulting fees and general administrative expenses, are accounted for as expenses in the period in which the costs are incurred and the services are received.

#### When the agency is the transferor:

As of the transfer date, the agency derecognises from its consolidated annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received (if any) from the acquirer is recognised in accumulated surplus or accumulated deficit.

### 2.24 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.

### 2.25 Irregular expenditure

Irregular expenditure is recorded in the notes to the consolidated annual financial statements when confirmed. The amount recorded is equal to the total value of the irregularity unless it is impracticable to determine in which case reasons therefore is provided in the note. Irregular expenditure is removed from the note when it is either condoned by the relevant authority or transferred to receivables for recovery. Irregular expenditure is expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with applicable legislation which is not yet condoned or regularised by management. 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.

### 2.26 Comparative information

When the presentation or classification of items in the consolidated annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors 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 retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 2.27 Statement of compliance

Given the basis of preparation set out above the consolidated annual financial statements have been prepared in full compliance with Generally Recognised Accounting Practice.

### 2.28 Cash flow Statement

As required by GRAP 102, the cash flow statement has been prepared on the direct basis whereby the gross cash flow to and from the organisation, including cash flows which arise from administered funds, are disclosed.

### 2.29 Budget Information

Comparison of budget and actual amounts are presented in a separate additional annual financial statement: Statement of comparison of budget and actual amounts. The agency only presents the final budget amounts. Differences (variances) between the actual amounts and budget amounts are also presented. The annual financial statements and budget are not presented on the same basis as the consolidated annual financial statements are prepared on the accrual basis and the budget on the modified accrual basis of accounting. A reconciliation between the surplus/(deficit) for the period as per the Statement of Financial Performance and budgeted surplus/(deficit) is included in the Statement of comparison of budget and actual amounts.

### 2.30 Segment reporting

The agency regards the geographical offices, where loans are initiated to customers, the projects unit and the subsidiaries as the reportable segments to the consolidated financial statements. These segments generates economic benefits for the ECRDA group and such results are monitored and reviewed by management. The segments per geographical area allows the users to comprehend the loans disbursed and the clients serviced at the branches. The projects department and the activities of the subsidiaries are disclosed as separate segments as per the operational requirements of the group. Segment reporting is included in the consolidated financial statements of the group as entities are required to use allocated resources efficiently and effectively to achieve the entity's objectives.

As the consolidated financial statements provides an overview of the assets controlled and the liabilities incurred, the cost of the services provided and the budget allocations and cost recoveries generated to fund the provision of those services, such aggregate reporting may not provide information about the specific operational objectives and major activities devoted to and the costs of those objectives and activities.

As the activities of the entity are broad and undertaken in a wide range of geographical areas, the information was disaggregated to report on each geographical segment of the entity. The administrative Head Office is not regarded as a segment as it does not undertake activities that generates economical benefit or service potential for the group. In order to reconcile the generated income and expenditure per segment to the overall results of the group, the administrative unit was detailed as a reconciling unit. The geographical spread of the offices of the ECRDA forms the basis of segment reporting on the loans division of the agency. The projects unit of the agency was identified as the other reportable segment due to the economic benefits the department derives for the agency. The subsidiaries of the ECRDA are reported separately due to their mandated functions. Segments have not been aggregated in the financial statements.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated annual financial statements in conformity with the basis of preparation requires management to make certain estimates, assumptions and judgements that affects the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. Actual results could differ from such estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant judgements and estimates are summarised below:

### Critical accounting judgements

#### Going concern basis of preparation

As is evident from these consolidated annual financial statements, the group and the agency receive an annual Government grant from the Eastern Cape Department Rural Development and Agrarian Reform. The group and the agency budget on the basis of such grant. The group and the agency are not able to generate cash flows from its core business of development finance sufficient to cover its annual total cash requirements. As such the group and the agency are dependent for its continued operation in the foreseeable future on continued Government financial support. The group is unable to fund the operations of the subsidiary companies that have been transferred and that will be transferred to it, acquisition through business combination without Government support. The Board of Directors have determined that such support is reasonably expected to continue and therefore have prepared these consolidated annual financial statements on the going concern basis.

The financial statements of the Kangela Citrus Farms (Pty) Ltd have however not been prepared on the going concern basis as operations ceased on 3 October 2018.

#### Accounting treatment of fair value adjustments on concessionary loans

The agency has determined that the fair value of loans and advances that have been granted at concessionary rates on initial recognition should be determined based on the ruling Prime Overdraft Rate. The difference is a subsidy expense recognised on initial recognition in the statement of financial performance. The agency has used the Prime Overdraft Rate as the fair market rate, as this is the reference rate in the market and would approximate the average market rate for similar loans to customers with similar credit profiles.

### Key sources of estimation uncertainty

#### Impairment losses on loans and advances

The group reviews its loans portfolios to assess impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of financial performance, the group makes judgements as to whether there is any observable date indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### Provision for insurance contracts

Management base the measurement of the provision for insurance contracts (when required) on mortality rates, persistency assumptions and claims experience from prior years to determine the expected cash outflow for insurance contracts. Actual outcomes could differ from these estimates.

#### Depreciation rates, methods and residual values

Depreciation rates, depreciation methods adopted and residual values of assets requires judgements and estimates to be made. Changes in estimates are disclosed in the relevant notes where applicable.

#### Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

## 4. CHANGES IN PRESENTATION

Changes to prior year information are disclosed in the notes to the consolidated annual financial statements as and when they occur.



**5. GRAP STANDARDS**

Accounting Standards which have been approved and are effective:

- GRAP 1: Presentation of financial statements
- GRAP 2: Cash flow statements
- GRAP 3: Accounting policies, changes in accounting estimates and errors
- GRAP 4: The effects of changes in foreign exchange rates
- GRAP 5: Borrowing costs
- GRAP 6: Consolidated and separate financial statements
- GRAP 7: Investments in associates
- GRAP 8: Interest in joint ventures
- GRAP 9: Revenue from exchange transactions
- GRAP 10: Financial reporting in hyperinflationary economies
- GRAP 11: Construction contracts
- GRAP 12: Inventories
- GRAP 13: Leases
- GRAP 14: Events after the reporting date
- GRAP 16: Investment property
- GRAP 17: Property, plant and equipment
- GRAP 18: Segment reporting
- GRAP 19: Provisions, contingent liabilities and contingent assets
- GRAP 20: Related party disclosures
- GRAP 21: Impairment of non-cash generating assets
- GRAP 23: Revenue from non-exchange transactions
- GRAP 24: Presentation of budget information in financial statements
- GRAP 25: Employee benefits
- GRAP 26: Impairment of cash-generating assets
- GRAP 27: Agriculture
- GRAP 31: Intangible assets
- GRAP 32: Service concession arrangements: Grantor
- GRAP 34: Separate financial statements
- GRAP 35: Consolidated financial statements
- GRAP 36: Investments in associates and joint ventures
- GRAP 37: Joint arrangements
- GRAP 38: Disclosure of interests in other entities
- GRAP 100: Discontinued operations
- GRAP 103: Heritage assets
- GRAP 104: Financial instruments
- GRAP 105: Transfer of functions between entities under common control
- GRAP 106: Transfer of functions between entities not under common control
- GRAP 107: Mergers
- GRAP 108: Statutory receivables
- GRAP 109: Accounting by principles and agents
- GRAP 110: Living and non-living resources

IAS 12 Income Tax

Directives issued and effective:

- Directive 1: Repeal of existing transitional provisions
- Directive 2-4: Transitional Provisions for the adoption of Standards of GRAP
- Directive 5: GRAP reporting framework
- Directive 7: The application of deemed cost
- Directive 12: The selection of an appropriate reporting framework by Public Entities
- Directive 14: Application of standards of GRAP by Public Entities

**6. CASH AND CASH EQUIVALENTS**

- Cash on call and deposits at commercial banks
- Cash on current accounts at commercial banks
- Cash on hand

Agency 2020	Agency 2019	Group 2020	Group 2019
R	R	R	R
<b>38 604 473</b>	39 142 667	<b>38 604 473</b>	39 142 667
<b>23 398 313</b>	26 711 980	<b>25 996 702</b>	33 683 222
<b>8 092</b>	12 060	<b>8 092</b>	12 060
<b>62 010 879</b>	65 866 708	<b>64 609 268</b>	72 837 950

The agency mainly places cash at the following commercial banks: Standard Bank and First National Bank. Liquidity is managed to ensure that funds are readily in place to both fund the agency's loan book and to meet administered funds' contractual commitments. This often necessitates holding large cash balances in current accounts or in call accounts (see below for rates of interest).

Rates of interest at 31 March 2020 were 4,25% (2019: 5,1%) for funds on call and 3,65% (2019: 3,7%) for funds on deposit. Kangela Citrus Farms (Pty) Ltd has limited cash resources.

**Composition of cash and cash equivalents:**

Liabilities arising from non-exchange transactions (note 18)	<b>545 049</b>	433 458	<b>545 049</b>	433 458
Deferred grant income arising from non-exchange transactions (note 15)	<b>21 099 934</b>	18 145 138	<b>21 099 934</b>	18 145 138
Funds at commercial banks - own and funder	<b>40 365 896</b>	47 288 112	<b>42 964 285</b>	54 259 353
	<b>62 010 879</b>	65 866 708	<b>64 609 268</b>	72 837 950

**Detailed analysis of cash balances at reporting date:**

MAFISA funding (DAFF)	<b>40 640 294</b>	34 870 374	<b>40 640 294</b>	34 870 374
Oxfam/SPF funding	<b>734 874</b>	703 032	<b>734 874</b>	703 032
Office of the Premier Youth Funds	<b>425 137</b>	1 325 528	<b>425 137</b>	1 325 528
Stimulus fund (DEDEAT)	<b>10 806 795</b>	-	<b>10 806 795</b>	-
Kangela Citrus Farms (Pty) Ltd	-	-	<b>2 598 389</b>	6 971 242
ECRDA own funds	<b>9 403 778</b>	28 967 774	<b>9 403 778</b>	28 967 774
	<b>62 010 879</b>	65 866 708	<b>64 609 268</b>	72 837 950

No cash and cash equivalents (or portions thereof) was pledged as security for any financial liability.

Management considers that all the above cash and cash equivalent categories are of good quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of cash and cash equivalent mentioned above.

The group does not have any overdraft or other loan facilities with any bank or other financial institution.

The amount of cash and cash equivalents (and the corresponding unspent administered funds balances) varies significantly from month to month and is dependent on the level of administered funds mandated to the group, receipt of governmental tranches and cash flow requirements of projects.

7. LOANS AND ADVANCES TO CUSTOMERS

	Agency and Group 2020	Agency and Group 2019
	R	R
Loans and advances to customers	174 603 510	185 548 203
Customers with credit balances	2 341 336	2 604 037
Gross loans and advances to customers	<b>176 944 846</b>	188 152 240
Less: Fair value adjustments arising on concessionary loans	(1 523 242)	(1 304 723)
Less: Specific credit impairments	(152 865 270)	(137 365 192)
	<b>22 556 333</b>	49 482 325
Less: Unallocated loan repayments	(246 143)	(297 680)
<b>Net carrying amount for ECRDA</b>	<b>* 22 310 190</b>	49 184 646
Less: Group loan	(9 266 352)	(13 709 315)
Add: Impairment of Group loan	9 266 352	-
<b>Net carrying amount for the ECRDA Group</b>	<b>22 310 190</b>	35 475 331
	<b>* As % of loanbook 13%</b>	26%

Detailed loans and advances granted to customers per type of loan

	ECRDA	Asgisa	Mafisa	Uvimba
Loans granted at 31 March 2019	41 927 332	12 903 241	70 719 848	62 601 819
Less: Fair value adjustments arising on concessionary loans	(136 512)	(2 525)	-	(1 165 686)
Less: Specific credit impairments	(20 993 294)	(12 339 233)	(70 413 931)	(33 618 734)
Less: Unallocated loan repayments	(89 579)	-	(47 597)	(160 503)
Net granted balance at 31 March 2019	<b>20 707 946</b>	<b>561 483</b>	<b>258 320</b>	<b>27 656 896</b>
As % of loans granted	49%	4%	0%	44%
Loans granted at 31 March 2020	38 216 340	13 959 385	74 525 390	50 243 730
Less: Fair value adjustments arising on concessionary loans	(530 241)	(846)	-	(992 155)
Less: Specific credit impairments	(32 742 967)	(13 609 320)	(74 525 388)	(31 987 595)
Less: Unallocated loan repayments	(28 800)	-	(47 597)	(169 746)
Net granted balance at 31 March 2020	<b>4 914 332</b>	<b>349 220</b>	<b>(47 595)</b>	<b>17 094 234</b>
As % of loans granted	13%	3%	0%	34%

Movement in specific credit impairments:

Balance at the beginning of the year	137 365 192	123 455 214
New impairments created	15 500 078	13 909 978
Balance at the end of the year	<b>152 865 270</b>	137 365 192
Balance at the end of the year expressed as a percentage of gross loans and advances to customers	86%	73%

The loss of income and employment on the economy as a result of Covid 19 could decrease loan repayments - necessitating further impairments.

7. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Contractual maturity analysis:

	Agency and Group 2020	Agency and Group 2019
	R	R
Repayable within 1 year and overdue	<b>144 926 997</b>	152 463 203
Repayable later than 1 year	<b>32 017 849</b>	35 689 037
	<b>176 944 846</b>	188 152 240

In terms of GRAP1.67, even though the repayments are not all expected to be realized within twelve months of the reporting date, the loan balances are classified as current assets on the statement of financial position.

The maturity analysis is based on the remaining period from the reporting date to contractual maturity.

Sectoral analysis:

Agricultural	<b>153 718 169</b>	159 222 944
Non-agricultural	<b>23 226 677</b>	28 929 295
	<b>176 944 846</b>	188 152 240

Exposure to credit risk (A):

Loans and advances neither past due nor impaired	<b>* 8 051 198</b>	21 947 846
Loans and advances past due but not impaired	<b>10</b>	8 822
Loans and advances individually assessed as impaired	<b>168 893 638</b>	166 195 572
	<b>176 944 846</b>	188 152 240
	<b>* As % of loanbook 5%</b>	12%

A financial asset is past due when a counterparty has failed to make a payment when contractually due. There are no loans and advances that have been renegotiated that would otherwise have been past due and impaired. Loans and advances that are past due but not impaired arise where the discounted collateral exceeds the carrying amount.

The livestock loans issued by the former AsgiSA-EC, and recorded on the financial statements as receivables have been recorded on the loans system and is included in the balance of loans advanced to customers. The contractual repayment terms are currently renegotiated with the debtors as these loans are all past due.

Collateral held against loans and advances (limited to customer balance outstanding) (B):

	Group 2020	Agency and Group 2019
	R	R
Loans and advances neither past due nor impaired	<b>3 957 757</b>	8 420 600
Loans and advances past due but not impaired	-	-
Loans and advances individually assessed as impaired	<b>23 584 625</b>	31 314 432
	<b>27 542 382</b>	39 735 032
Expressed as a percentage of the loan book	<b>(B/A) 15,57%</b>	21,12%

The collateral can be applied as stipulated in the individual loan agreements entered into with the customers. The agency does not hold any bought in collateral for the year ended 31 March 2020 (2019: Nil).

7. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Net exposure to credit risk after deducting collateral held (A - B):

	Group 2020	Agency and Group 2019
	R	R
Loans and advances neither past due nor impaired	4 093 441	13 527 246
Loans and advances past due but not impaired	10	8 822
Loans and advances individually assessed as impaired	145 309 012	134 881 140
	<b>149 402 463</b>	<b>148 417 208</b>

Net exposure after specific impairments:

Loans and advances neither past due nor impaired	8 051 198	21 947 846
Loans and advances past due but not impaired	10	8 822
Loans and advances individually assessed as impaired	-	-
	<b>8 051 208</b>	<b>21 956 668</b>

Loans to customers are impaired when the loan terms have not been met (defaulted payments) and/or when the loan has expired. Individual loan assessments are performed to evaluate the repayments, the arrears outstanding, the repayment period and the interest rate of the loan to calculate the impairment. Specific loan impairment was done on all loans in 2020 and 2019 due to the default rate.

All loans and advances are of one type of product, being loans, but with different repayment periods, collateral, interest rates and other terms. None of the loans and advances carry a credit rating from an external credit rating agency. There are no renegotiated loans and advances. The group does not have a credit quality grading system. The payment status is used as the grading indicator. The group's maximum credit exposure is the gross advances stated above, before taking into account the credit impairments and value of collateral held against such exposures. Included in loans and advances are revolving loans to staff of R2 149 (2019: R5 134).

Fair value adjustments arising on concessionary loans:

Loans at concessionary interest rates are regularly granted to encourage rural development and agrarian transformation as part of the agency's developmental mandate. The difference between the present value and the nominal value of the loan represents a social benefit granted in the execution of public policy and is recognised as an expense in the reporting period that the loan is granted.

The Prime Overdraft Rate is used as the fair market rate when determining whether a loan is concessionary, and is also used to determine the present value of the loan. The present value of a concessionary loan is

calculated at the end of the reporting period during which the loan was granted using the contractual cash flows. The difference between the nominal and the present value of the loan is unwound over the contractual period of the loan on a straight-line basis. The balance described as "Fair value adjustments arising on concessionary loans" represents the cumulative fair value adjustments (since incorporation) which have not yet unwound.

Specific credit impairments

Loans and advances, which are deemed uncollectible, are written off either fully or partially and represent a reduction in the value of loans and advances. The agency reviews its loan portfolios to assess impairment at each reporting date. Collateral is considered when estimating the impairment loss. The present value of collateral is determined using the Prime Overdraft Rate, and is calculated on the assumption that it will take one year to foreclose against the collateral and receive the cash.

In some instances it may take longer than one year to recover the value of the collateral. The agency has a developmental mandate and plays a role in the land redistribution, job creation and food security initiatives of the government. Accordingly, the agency attempts to explore all avenues to try and recover the debt from the other role-players before foreclosing against collateral. Costs to foreclose against collateral are not taken into account when determining the present value of the collateral. These are not considered material and are recognised when they occur.

During the 2020 financial year, irrecoverable and non-performing loans to the value of R11 735 677 (2019: R3 591) was written off. The Board duly approved this write-off.

Group 2020	Agency and Group 2019
R	R
4 093 441	13 527 246
10	8 822
145 309 012	134 881 140
<b>149 402 463</b>	<b>148 417 208</b>
8 051 198	21 947 846
10	8 822
-	-
<b>8 051 208</b>	<b>21 956 668</b>

8. TRADE AND OTHER RECEIVABLES

Non-exchange transactions

Department of Rural Development and Agrarian Reform - shortpayment of grant	-	-	-	-
Fair value adjustment - present value	-	-	-	-
Receivable from non-exchange transactions	-	-	-	-

Exchange transactions

Interest accrued	213 074	264 124	213 074	264 124
Deposits	353 767	104 078	353 767	104 078
Trade and other receivables	-	-	16 093	1 434 355
Staff and other debtors	1 273 697	1 771 438	1 273 697	1 771 438
Farm sales receivable from SAFE	-	-	24 785 607	24 785 607
Kangela Empowerment Trust (note 10)	-	-	5 996 941	5 996 941
Prepaid expenses	887 754	3 169 795	887 754	3 169 795
Rent receivable	88 502	94 011	88 502	94 011
- Rental debtors	2 418 657	1 300 963	2 418 657	1 300 963
- Less: impairment of rent	(2 330 155)	(1 206 951)	(2 330 155)	(1 206 951)
Receivables from exchange transactions	2 816 794	5 403 449	33 615 435	37 620 352

Total Trade and other receivables

Agency 2020	Agency 2019	Group 2020	Group 2019
R	R	R	R
-	-	-	-
-	-	-	-
-	-	-	-
213 074	264 124	213 074	264 124
353 767	104 078	353 767	104 078
-	-	16 093	1 434 355
1 273 697	1 771 438	1 273 697	1 771 438
-	-	24 785 607	24 785 607
-	-	5 996 941	5 996 941
887 754	3 169 795	887 754	3 169 795
88 502	94 011	88 502	94 011
2 418 657	1 300 963	2 418 657	1 300 963
(2 330 155)	(1 206 951)	(2 330 155)	(1 206 951)
2 816 794	5 403 449	33 615 435	37 620 352
2 816 794	5 403 449	33 615 435	37 620 352

Not any of the terms and conditions attached to the financial assets were re-negotiated during the period under review. There have been no consultations with tenants for payment holidays or rebates on anticipated economic losses due to Covid 19.

The agency's management considers that all the above trade and other receivables, that are not past due or impaired for each of the agency's reporting dates under review, to be of a good credit quality.

	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Total
	R	R	R	R	R
Rent receivable is aged as follows:					
Agency - 2020	107 752	87 044	71 702	2 152 159	2 418 657
Agency - 2019	94 011	55 905	46 121	1 104 925	1 300 962
Impairment of rent receivable					
Agency - 2020					(2 330 155)
Agency - 2019					(1 206 951)

0 - 30 days is considered not past due and over 30 days is considered past due. A specific impairment is carried against the latter (refer above).



## 9. INVENTORIES

Inventories comprise:  
Consumables and stationery

Agency 2020	Agency 2019	Group 2020	Group 2019
R	R	R	R
97 392	81 063	97 392	81 063
<b>97 392</b>	<b>81 063</b>	<b>97 392</b>	<b>81 063</b>

Inventory consist of consumables which will be utilised by the group in its daily business operations. The inventory is held at the lower of cost or net replacement value (NRV). Inventory has not been pledged as security for any liabilities.

### Reconciliation of inventory

Total carrying value of inventory valued at the lower of cost or NRV

Opening balance of consumable inventory

Inventory recognised as an expense during the financial year

Fair value of harvested crop

Sale of harvested crop

Inventory purchased during the financial year

Agency 2020	Agency 2019	Group 2020	Group 2019
R	R	R	R
97 392	81 063	97 392	81 063
81 063	91 118	81 063	91 118
722 831	597 658	722 831	599 893
-	-	-	-
-	-	-	-
(706 502)	(607 712)	(706 502)	(609 947)

## 10. DISCONTINUED OPERATIONS

On 3 October 2018, the Eastern Cape Rural Development Agency received a court instruction to halt all operational and administrative functions performed on behalf of Kangela Citrus Farms (Pty) Ltd. Subsequently, the agency no longer has control, management or access to the assets as of the date on which the Kangela Empowerment Trust took control over the land owned by them.

As a result, the property, plant and equipment, have been taken over by the Trust. The receivable is included in note 8.

The fruit trees, valued at R21 890 000, planted on the land cannot be detached from the land. The asset no longer bears any future economic benefit for the Kangela Citrus Farms (Pty) Ltd and has been impaired in full.

Included in the derecognition reconciliations in note 13, the following assets have been derecognised in the 2019 financial year - with no changes to the balances or the receivable in the 2020 financial year:

Property, plant and equipment	Opening balance 1 April 2018	Depreciation recognised for the year	Classified as held for sale	Reverse revaluation	Impairment	Book value 31 March 2019
Leasehold improvements	971 229	(14 850)	(956 379)	-	-	-
Buildings	-	-	-	-	-	-
Plant and machinery	1 234 439	(163 059)	(1 071 380)	-	-	-
Motor vehicles	4 257 295	(391 276)	(3 866 019)	-	-	-
Computer equipment	20 282	(3 575)	(16 707)	-	-	-
Trees	21 890 000	-	-	(5 943 000)	(15 947 000)	-
	<b>28 373 245</b>	<b>(572 760)</b>	<b>(5 910 485)</b>	<b>(5 943 000)</b>	<b>(15 947 000)</b>	<b>-</b>
<b>Intangible assets</b>						
Packing rights	178 500	-	(178 500)	-	-	-
	<b>178 500</b>	<b>-</b>	<b>(178 500)</b>	<b>-</b>	<b>-</b>	<b>-</b>

Assets taken over in sale

Revaluation reserve utilised

Discontinued operations

Revaluation reserve fair value adjustment

Total receivable at reporting date (note 8)

6 088 985

(53 940)

6 035 045

(92 044)

**5 996 941**

There has been no change to the receivable reported on 31 March 2019 as the Empowerment Trust have not settled the dues. The balance due to the agency as at 31 March 2020 therefore amounts to R5 996 941.

## 11. INVESTMENTS IN SUBSIDIARIES

### Subsidiaries of the Eastern Cape Rural Development Agency

The following are the subsidiary companies of the group at the reporting date and the groups effective holding therein.

	2020 %	2019 %
Kangela Citrus Farms (Proprietary) Limited	51	51

### 11.1 Kangela Citrus Farms (Proprietary) Limited

On 29 May 2009 the Eastern Cape Department of Rural Development and Agrarian Reform transferred its 51% interest in Kangela Citrus Farms (Proprietary) Limited to the agency. The balance of the shares are held by a workers' empowerment trust, which also owns the land on which the subsidiary company operates. This company is the farming operator of the citrus orchards and vegetable plantations. This transfer is a common control transaction. The company has outsourced the management of the business to South African Fruit Exporters (SAFE) until October 2017 where after the ECRDA took over the management functions. The Trust evicted the Kangela Citrus Farms (Pty) Ltd from the farm with effect from 3 October 2018, resulting in ceased operations.

The company is incorporated under registration number 2003/030011/07 in the Republic of South Africa and is based in the Eastern Cape Province. The company has a March year end.

A fair value of Rnil has been placed on this investment at acquisition, given that the liabilities exceeded the assets of the company and the company had sustained losses for years.

### 12. INVESTMENT UNDER CONTINGENCY POLICY

This represents accumulated amounts paid to Guard Risk Insurance Company Limited under a contingency policy. The investment earns interest at wholesale money market rates of 5,61% as at March 2020 (8,28% at 31 March 2019). In terms of the policy, while in force, the agency may only access the funds through lodging claims incurred under its contracts of insurance. The agency has not claimed against this fund as it has been settling any obligations to date out of its own cash resources, given that it intends building this fund to an acceptable level to meet future obligations for performance under its contracts of insurance. The carrying amount of the investment at 31 March 2020 was R11 096 939 (2019: R10 460 630).

As the investment policy is depended on money market rates, the Covid 19 crisis may have a negative impact on the growth of this policy. Especially as both the prime interest rate and the economical grading of the country might negatively impact on the growth on the portfolio.

Agency and Group 2020	Agency and Group 2019
R	R
11 096 939	10 460 630
11 096 939	10 460 630

Investment under contingency policy

### 13. INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

#### 13.1 Investment property

##### Carrying amount at beginning of the year

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
Cost	2 388 564	2 388 564	2 388 564	2 388 564
Accumulated depreciation	( 701 282)	( 663 065)	( 701 282)	( 663 065)
Depreciation charge	( 38 217)	( 38 217)	( 38 217)	( 38 217)
<b>Carrying amount at end of the year</b>	<b>1 649 065</b>	<b>1 687 282</b>	<b>1 649 065</b>	<b>1 687 282</b>
Cost	2 388 564	2 388 564	2 388 564	2 388 564
Accumulated depreciation	( 739 499)	( 701 282)	( 739 499)	( 701 282)
Accumulated impairment	-	-	-	-

Investment property consists of:

The commercial office building (situated at 52 Sprigg Street, Erf 1997 Mthatha Magisterial District) was acquired on 25 October 2000 for R2 388 564. Title to the property was transferred to the agency on 22 August 2001.

The Eastern Cape Rural Development Agency (ECRDA) applies the cost model to measure and report on the Investment Property.

The Investment Property is distinguished from the other assets (Property, Plant and Equipment) held by the ECRDA as:

- The most significant use and main purpose of the property is to earn rentals from the tenants who entered into operating leases with the ECRDA;
- The renting of the office space is not incidental to the use of the building but planned as the building is held for the operational requirements of a branch/district office, where the intention is to provide office space to external parties;
- An insignificant portion of the building is used for administrative purposes by the OR Tambo Branch of the ECRDA;
- The rented space and the office space occupied for administrative purposes cannot be sold separately as there is one title deed to the building and it is regarded as one property/asset.

The latest valuation was performed in March 2018 by P. Lindstrom, a registered valuator holding a recognised and relevant professional qualification, who valued the investment property at R13 750 000 (March 2015: R11 900 000), using the discounted cash flow method on potential rent based on her experience in the location and category of similar investment properties. The property earns income from renting out office space.

Included in the profit for the year is operating expenditure, inclusive of repairs and maintenance of R67 761 (2019: R307 713) which arose from investment property that generated rental revenue of R1 734 253 (2019: R1 471 065) during the period. The direct operating expenditure incurred on the Investment Property did not directly generate rental revenue during the financial period. No expenses that directly generated rental revenues were incurred.

**Pledged as security:** No assets are pledged as security.

**Restrictions:** There are no restrictions of Investment Properties on the remittance of revenue and proceeds of disposals.

**Contractual obligations:** There are no contractual obligations to purchase, construct or develop the Investment Property or for repairs, maintenance or enhancement.

#### 13.2 Property, plant and equipment

##### 13.2.1 Land

##### Carrying amount at beginning of the year

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
Cost	715 000	715 000	715 000	715 000
Additions/Merger	-	-	-	-
Disposal	-	-	-	-
<b>Carrying amount at end of the year</b>	<b>715 000</b>	<b>715 000</b>	<b>715 000</b>	<b>715 000</b>
Cost	715 000	715 000	715 000	715 000

Land consists of the cost of erven in King William's Town and Cradock.

**Restrictions on the title of the land:** None

**Land pledged as security:** None

**Contractual commitments for the acquisition of land:** None

**Compensation** from third parties for land that was impaired, lost or given up that is included in the surplus/deficit: None

13.2 Property, plant and equipment (continued)

13.2.2 Buildings

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
<b>Carrying amount at beginning of the year</b>	<b>2 691 791</b>	2 767 519	<b>2 691 791</b>	3 206 621
Cost	<b>3 786 375</b>	3 786 375	<b>3 812 079</b>	4 251 181
Accumulated depreciation	<b>(1 094 583)</b>	(1 018 856)	<b>(1 120 288)</b>	(1 044 560)
Accumulated impairment	-	-	-	-
Derecognise subsidiary impact	-	-	-	-
Disposal	-	-	-	(439 103)
Depreciation charge	<b>(75 727)</b>	(75 727)	<b>(75 727)</b>	(75 727)
Impairment (recognised)/reversed	-	-	-	-
<b>Carrying amount at end of the year</b>	<b>2 616 064</b>	2 691 791	<b>2 616 064</b>	2 691 790
Cost	<b>3 786 375</b>	3 786 375	<b>3 786 375</b>	3 812 078
Accumulated depreciation	<b>(1 170 311)</b>	(1 094 583)	<b>(1 170 311)</b>	(1 120 288)
Accumulated impairment	-	-	-	-

Land and buildings consist of:

1. An office building situated at 128 Alexandra Road, Erf 893 King William's Town was acquired on 30 July 2004 at a cost of R3 761 375 (allocated to land of R555 000 and buildings of R3 206 375).

2. Property on Erf 327 and Erf 328 situated in the Cradock magisterial district, purchased on 23 June 2004. The property was transferred to the ECRDA in the merger on 1 April 2015 (representing land of R160 000 and buildings of R580 000).

**Restrictions** on the title of the buildings: None

**Buildings pledged** as security: None

**Contractual commitments** for the acquisition of buildings: None

**Compensation** from third parties for computer equipment that were impaired, lost or given up that is included in the surplus/deficit: None

13.2.3 Plant and equipment

	R	R	R	R
<b>Carrying amount at beginning of the year</b>	<b>516 537</b>	503 524	<b>516 537</b>	1 737 962
Cost	<b>2 517 612</b>	2 248 537	<b>5 155 455</b>	5 957 759
Accumulated depreciation	<b>(2 001 075)</b>	(1 745 013)	<b>(4 638 918)</b>	(4 219 797)
Additions and Merger	<b>136 514</b>	291 450	<b>136 514</b>	291 450
Derecognise subsidiary impact	-	-	-	-
Disposal/Scrapping - cost	<b>(26 501)</b>	(22 375)	<b>(26 501)</b>	(1 093 754)
Depreciation charge	<b>(206 188)</b>	(264 684)	<b>(206 188)</b>	(427 743)
Accumulated depreciation on disposal/transfer	<b>26 323</b>	8 622	<b>26 323</b>	8 622
<b>Carrying amount at end of the year</b>	<b>446 684</b>	516 537	<b>446 684</b>	516 537
Cost	<b>2 627 635</b>	2 517 612	<b>2 627 635</b>	5 155 455
Accumulated depreciation	<b>(2 180 951)</b>	(2 001 075)	<b>(2 180 951)</b>	(4 638 918)

**Restrictions** on the title of the plant and equipment: None

**Plant and equipment pledged** as security: None

**Contractual commitments** for the acquisition of plant and equipment: None

**Compensation** from third parties for plant and equipment that were impaired, lost or given up that is included in the surplus/deficit: None

13.2 Property, plant and equipment (continued)

13.2.4 Equipment under finance leases

<b>Carrying amount at beginning of the year</b>	<b>449 329</b>	1 395 052	<b>449 329</b>	1 395 052
Cost	<b>1 940 851</b>	1 940 851	<b>1 940 851</b>	1 940 851
Accumulated depreciation	<b>(1 491 522)</b>	(545 799)	<b>(1 491 522)</b>	(545 799)
Additions	<b>753 767</b>	-	<b>753 767</b>	-
Write-off/scrapping of obsolete assets	<b>(1 617 138)</b>	-	<b>(1 617 138)</b>	-
Depreciation charge	<b>(573 485)</b>	(945 723)	<b>(573 485)</b>	(945 723)
Accumulated depreciation on disposal/transfer	<b>1 617 133</b>	-	<b>1 617 133</b>	-
<b>Carrying amount at end of the year</b>	<b>629 606</b>	449 329	<b>629 606</b>	449 329
Cost	<b>1 077 480</b>	1 940 851	<b>1 077 480</b>	1 940 851
Accumulated depreciation	<b>(447 874)</b>	(1 491 522)	<b>(447 874)</b>	(1 491 522)
Accumulated impairment	-	-	-	-

The agency's obligations under the finance leases are secured by the lessors' title over the leased equipment.

**Restrictions** on the title of the equipment under finance lease: None

**Equipment under finance lease pledged** as security: None

**Contractual commitments** for the acquisition of equipment under finance lease: None

**Compensation** from third parties for equipment under finance lease that were impaired, lost or given up that is included in the surplus/deficit: None

13.2.5 Vehicles

Carrying amount at beginning of the year

	R	R	R	R
<b>Carrying amount at beginning of the year</b>	<b>1 810 121</b>	2 310 373	<b>1 810 121</b>	6 567 667
Cost	<b>4 851 378</b>	5 575 108	<b>9 081 266</b>	13 671 014
Accumulated depreciation	<b>(3 041 257)</b>	(3 264 735)	<b>(7 271 145)</b>	(7 103 347)
Additions and merger	<b>2 500 284</b>	236 554	<b>2 500 284</b>	236 554
Derecognise subsidiary impact	-	-	-	-
Disposal - cost	<b>(236 554)</b>	(960 284)	<b>(236 554)</b>	(4 826 302)
Depreciation charge	<b>(1 043 193)</b>	(630 892)	<b>(1 043 193)</b>	(1 022 168)
Accumulated depreciation on disposal/transfer	<b>43 609</b>	854 370	<b>43 609</b>	854 370
<b>Carrying amount at end of the year</b>	<b>3 074 267</b>	1 810 121	<b>3 074 267</b>	1 810 121
Cost	<b>7 115 108</b>	4 851 378	<b>7 115 108</b>	9 081 266
Accumulated depreciation	<b>(4 040 841)</b>	(3 041 257)	<b>(4 040 841)</b>	(7 271 145)

**Restrictions** on the title of the vehicles: None

**Vehicles pledged** as security: None

**Contractual commitments** for the acquisition of vehicles: None

**Compensation** from third parties for computer equipment that were impaired, lost or given up that is included in the surplus/deficit: None



13.2 Property, plant and equipment (continued)

13.2.6 Computer equipment

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
<b>Carrying amount at beginning of the year</b>	<b>1 559 944</b>	2 095 561	<b>1 559 944</b>	2 115 843
Cost	<b>5 911 256</b>	6 213 198	<b>5 917 428</b>	6 236 077
Accumulated depreciation	<b>(4 351 312)</b>	(4 117 637)	<b>(4 357 484)</b>	(4 120 234)
Additions/merger	<b>1 083 298</b>	546 803	<b>1 083 298</b>	546 803
Derecognise subsidiary impact	-	-	-	-
Write -off/scraping of obsolete assets	<b>( 322 612)</b>	( 848 745)	<b>( 322 612)</b>	( 865 452)
Depreciation charge	<b>( 717 715)</b>	( 910 592)	<b>( 717 715)</b>	( 914 167)
Accumulated depreciation on disposal/transfer	<b>137 563</b>	676 917	<b>137 563</b>	676 917
<b>Carrying amount at end of the year</b>	<b>1 740 479</b>	1 559 944	<b>1 740 479</b>	1 559 944
Cost	<b>6 708 611</b>	5 911 256	<b>6 708 611</b>	5 917 428
Accumulated depreciation	<b>(4 968 132)</b>	(4 351 312)	<b>(4 968 132)</b>	(4 357 484)

Restrictions on the title of the computer equipment: None

Computer equipment pledged as security: None

Contractual commitments for the acquisition of computer equipment: None

Compensation from third parties for computer equipment that were impaired, lost or given up that is included in the surplus/deficit: None

13.2.7 Office furniture and fittings

	R	R	R	R
<b>Carrying amount at beginning of the year</b>	<b>2 463 717</b>	2 991 444	<b>2 463 716</b>	2 991 444
Cost	<b>5 882 257</b>	5 893 527	<b>5 994 428</b>	6 005 699
Accumulated depreciation	<b>(3 418 540)</b>	(2 902 083)	<b>(3 530 712)</b>	(3 014 255)
Additions and merger	<b>52 785</b>	5 380	<b>52 785</b>	5 380
Derecognise subsidiary impact	<b>( 1)</b>	-	<b>( 1)</b>	-
Write -off/scraping of obsolete assets	<b>( 5 335)</b>	( 16 651)	<b>( 5 335)</b>	( 16 651)
Depreciation charge	<b>( 506 228)</b>	( 496 990)	<b>( 506 228)</b>	( 496 990)
Accumulated depreciation on disposal/scrap	<b>5 328</b>	( 19 467)	<b>5 328</b>	( 19 467)
<b>Carrying amount at end of the year</b>	<b>2 010 266</b>	2 463 717	<b>2 010 266</b>	2 463 716
Cost	<b>5 929 704</b>	5 882 257	<b>5 929 704</b>	5 994 428
Accumulated depreciation	<b>(3 919 438)</b>	(3 418 540)	<b>(3 919 438)</b>	(3 530 712)

Restrictions on the title of the office furniture and fittings: None

Office furniture and fittings pledged as security: None

Contractual commitments for the acquisition of office furniture and fittings: None

Compensation from third parties for office furniture and fittings that were impaired, lost or given up that is included in the surplus/deficit: None

13.2 Property, plant and equipment (continued)

13.2.8 Leasehold

Carrying amount at beginning of the year

Cost	<b>1 872 416</b>	1 872 415	<b>1 949 141</b>	2 466 415
Accumulated depreciation	<b>(1 648 101)</b>	(1 299 885)	<b>(1 724 826)</b>	(1 361 760)
Additions	-	-	-	-
Write -off/scraping of obsolete assets	<b>(1 872 415)</b>	-	<b>(1 872 415)</b>	( 517 274)
Derecognise subsidiary impact	( )	-	( )	-
Depreciation charge	<b>( 224 312)</b>	( 348 216)	<b>( 224 312)</b>	( 363 066)
Accumulated depreciation on disposal/transfer	<b>1 872 413</b>	-	<b>1 872 413</b>	-
<b>Carrying amount at end of the year</b>	<b>1</b>	224 315	<b>1</b>	224 315
Cost	<b>1</b>	1 872 416	<b>1</b>	1 949 141
Accumulated depreciation	-	(1 648 101)	-	(1 724 826)

Restrictions on the title of the leasehold assets: None

Leasehold assets pledged as security: None

Contractual commitments for the acquisition of leasehold assets: None

Compensation from third parties for leasehold assets that were impaired, lost or given up that is included in the surplus/deficit: None

13.2.9 Trees

Carrying amount at beginning of the year

Cost	-	-	-	21 890 000
Revaluation	-	-	-	-
Impairment	-	-	-	(15 947 000)
Devaluation (apply revaluation reserve)	-	-	-	(5 943 000)
<b>Carrying amount at end of the year</b>	-	-	-	-
Cost	-	-	-	-

Citrus trees at the Kangela Estate have been valued by M. Swart, Agricultural Valuer (Professional Associate Valuer #4915 M. Agric, Nat Dip Property Valuation Registered Associate Valuer in terms of Act 47/2000), during April 2018 and has been carried at this value in the consolidated annual financial statements. The citrus trees are not insured. Management have not identified any change in legislation, market related demands, disasters or an improvement or deterioration of the trees to indicate a change in the fair value of the trees.

The land on which the trees are planted belongs to the Kangela Trust. As the Kangela Citrus Farms (Pty) Ltd has been evicted from the land, the trees had to be impaired as the company cannot uproot the trees.

13.2 Property, plant and equipment (continued)

13.2.10 Total property, plant and equipment

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
<b>Carrying amount at beginning of the year</b>	<b>10 430 754</b>	13 351 003	<b>10 430 753</b>	41 724 244
Cost	<b>27 477 145</b>	28 245 011	<b>34 565 648</b>	63 133 996
Accumulated depreciation	<b>(17 046 391)</b>	(14 894 008)	<b>(24 134 895)</b>	(21 409 752)
Accumulated impairment	-	-	-	-
Additions	<b>4 526 648</b>	1 080 187	<b>4 526 648</b>	1 080 187
Write -off/scraping of obsolete assets	<b>(3 817 500)</b>	( 865 396)	<b>(3 817 500)</b>	(1 399 377)
Derecognise subsidiary impact	( )	-	( )	-
Disposal - cost	<b>( 263 055)</b>	( 982 658)	<b>( 263 055)</b>	(6 359 159)
Revaluation	-	-	-	-
Impairment	-	-	-	(15 947 000)
Devaluation (apply revaluation reserve)	-	-	-	(5 943 000)
Depreciation charge	<b>(3 346 848)</b>	(3 672 825)	<b>(3 346 847)</b>	(4 245 585)
Accumulated depreciation on merger	-	-	-	-
Accumulated depreciation on disposal/transfer	<b>3 702 369</b>	1 520 442	<b>3 702 369</b>	1 520 443
<b>Carrying amount at end of the year</b>	<b>11 232 367</b>	10 430 754	<b>11 232 368</b>	10 430 754
Cost	<b>27 959 915</b>	27 477 146	<b>27 959 915</b>	34 565 648
Accumulated depreciation	<b>(16 727 548)</b>	(17 046 392)	<b>(16 727 547)</b>	(24 134 894)

No estimated useful lives were changed during the financial year (2019: None).

The cost of agency owned property, plant and equipment that has been fully depreciated, but is still in use (i.e. excluding scrapped items) at 31 March 2020 is R9 578 630 (2019: R3 673 310). All property, plant and equipment acquired during the year was purchased out of the group's own funds (excluding the transfer payments for operations) or through finance lease arrangements, not from a specific asset grant. Fully depreciated assets still in use by the subsidiaries amounts to Rnil.

Refer to note 18 for details of a property (Shortland's farm) to which the agency has legal title. The Eastern Cape Rural Development Agency does not derive economic benefit from it and it has not been recognised as property, plant and equipment in these consolidated annual financial statements.

**Pledged as security:** No assets are pledged as security and there are no contractual commitments on these assets.

Expenses was incurred to repair and maintain the property, plant and equipment of the ECRDA. Repairs and maintenance includes amounts paid to service providers and monies spent on materials. Time spent by employees in repairing and maintaining the assets are not regarded as such costs as it is reported as staff costs in note 22.

Investment property (Mthatha Building)

Buildings (Cradock and King Williams Town)  
Plant and machinery and Office equipment  
Vehicles  
Computer equipment  
Office furniture and fittings

**Total asset repairs**

Repairs/expenses on leased property (Operating leases)

**Total repairs and maintenance**

	Agency 2020	Agency 2019
Investment property (Mthatha Building)	67 761	307 713
<b>67 761</b>	<b>307 713</b>	
Buildings (Cradock and King Williams Town)	13 480	95 744
Plant and machinery and Office equipment	2 693	2 479
Vehicles	184 460	264 352
Computer equipment	4 960	28 667
Office furniture and fittings	845	2 908
<b>206 438</b>	<b>394 150</b>	
<b>274 199</b>	<b>701 863</b>	
Repairs/expenses on leased property (Operating leases)	27 284	291 279
<b>301 483</b>	<b>993 142</b>	

13.3 Intangible assets

**Computer software**

**Carrying amount at beginning of the year**

Cost  
Accumulated depreciation  
Additions  
Derecognise subsidiary impact  
Write -off/scraping of obsolete assets  
Depreciation charge  
Accumulated depreciation on disposal/transfer

**Carrying amount at end of the year**

Cost  
Accumulated depreciation

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
<b>Carrying amount at beginning of the year</b>	<b>215 540</b>	422 188	<b>215 540</b>	600 688
Cost	<b>4 272 453</b>	4 272 453	<b>4 582 121</b>	4 760 621
Accumulated depreciation	<b>(4 056 913)</b>	(3 850 265)	<b>(4 366 581)</b>	(4 159 933)
Additions	<b>548 480</b>	-	<b>548 480</b>	-
Derecognise subsidiary impact	-	-	-	-
Write -off/scraping of obsolete assets	<b>( 245 100)</b>	-	<b>( 245 100)</b>	( 178 500)
Depreciation charge	<b>( 104 186)</b>	( 206 648)	<b>( 104 186)</b>	( 206 648)
Accumulated depreciation on disposal/transfer	<b>245 099</b>	-	<b>245 099</b>	-
<b>659 834</b>	215 540	<b>659 834</b>	215 540	
Cost	<b>4 575 833</b>	4 272 453	<b>4 575 833</b>	4 582 121
Accumulated depreciation	<b>(3 916 000)</b>	(4 056 913)	<b>(3 916 000)</b>	(4 366 581)

The intangible asset of R178 500 disposed in 2019 by the subsidiary, Kangela Citrus Farms (Pty) Ltd relates to packaging rights. This asset is considered by the company to have an indefinite useful life as it is not bound to any expiry period and there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the company.

The intangible assets held by the Eastern Cape Rural Development Agency have not been considered to be assets held with an indefinite life.

14. TRADE AND OTHER PAYABLES

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
Amounts due to customers with credit balances	2 341 336	2 604 037	2 341 336	2 604 037
Funds payable to Treasury (surrender)	8 226 795	22 700 769	8 226 795	22 700 769
Rent received in advance	67 601	125 084	67 601	125 084
Other payables	8 531 740	3 019 293	9 085 251	3 600 408
Accruals	4 962	101 333	4 962	101 333
Leave Pay Accrual	6 752 464	5 991 928	6 752 464	5 991 928
Bonus Accrual	1 583 801	1 577 429	1 583 801	1 577 429
Operating lease straight line adjustments	201 676	290 579	201 676	290 579
	<b>27 710 374</b>	<b>36 410 453</b>	<b>28 263 886</b>	<b>36 991 568</b>

There are no trade and other payables with extended payment terms at 31 March 2020 (2019: Nil).  
None of the repayment terms attached to contracts have been renegotiated in the last year.  
Refer to note 18 for liabilities on the administered funds.

**Request to retain unspent funds i.t.o. National Treasury Regulation 6.4**

In line with the National Treasury Regulations 6.4 requiring that "funds appropriated but not spent in a particular financial year may be rolled over to a subsequent year subject to approval of the relevant provincial treasury", the ECRDA submitted a roll-over request through the controlling department, DRDAR, to retain the unspent funds as at year-end. A payable of R8 226 795 (2019: R22 700 769) was raised after consideration of the retention of the MAFISA and Oxfam funding.

	Balance at 31 March 2020	Balance at 31 March 2019
Small Projects Foundation (OXFAM)	734 874	703 032
Office of the Premier project	425 137	1 325 528
MAFISA	40 640 294	34 870 374
Stimulus (DEDEAT)	4 666 782	-
ECRDA funds	3 134 876	21 375 241
Payables	12 408 916	7 592 533
- Customers with credit balances	2 341 336	2 604 037
- Rent received in advance	67 601	125 084
- Payables*	8 416 178	3 285 982
- Salary savings by employees	1 583 801	1 577 429
	<b>62 010 879</b>	<b>65 866 708</b>

\* Information in calculation at request date

15. DEFERRED GRANT INCOME ARISING FROM NON-EXCHANGE TRANSACTIONS

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
MAFISA grant	21 099 934	18 145 138	21 099 934	18 145 138
Liability for an equitable share in interest earned on MAFISA loans	4 565 418	4 112 464	4 565 418	4 112 464
Liability arising from interest earned on cash deposits on unspent funds	16 534 516	14 032 674	16 534 516	14 032 674
	<b>21 099 934</b>	<b>18 145 138</b>	<b>21 099 934</b>	<b>18 145 138</b>
Comprised of the following assets:				
Cash and cash equivalents (Refer to note 6)	21 099 934	18 145 138	21 099 934	18 145 138
	<b>21 099 934</b>	<b>18 145 138</b>	<b>21 099 934</b>	<b>18 145 138</b>

The unspent grants may only be used for expenditure under the conditions of grant and must be returned to the grantor if not utilised. The cash balances for onlending are subjected to the same conditions.

16. COMMITMENTS AND CONTINGENCIES

**Commitments**

At the reporting date the agency and group had commitments amounting to R4 531 038 (2019: R282 561) relating to projects implementation where orders have been issued. ECRDA's operational commitments of R3 112 758 (2019: R2 520 677) existed at 31 March 2020. Kangela Citrus Farms Proprietary Limited had commitments of R59 004 (2019: R5 172 721) at the reporting date.

**Contingent liabilities**

ECRDA has dealt with numerous legal matters instituted by and in defence of claims brought against the organisation.

	2020	2019
ECRDA/SLABBERT BOERDERY [claim]	874 506	874 506
ECRDA/SLABBERT BOERDERY [legal cost]	250 000	unknown
ECRDA/EC BEEF FUND [legal cost]	500 000	450 000
EC BEEF FUND/ECRDA [claim defended]	14 203 118	14 203 118
EC BEEF FUND/ECRDA [legal fees for defence]	1 000 000	600 000
SKG AFRICA (PTY)LTD/ECRDA & ANOTHER [costs reserved]	unknown	-
SKG AFRICA (PTY)LTD/ECRDA & OTHERS [legal cost]	1 500 000	-
EMPLOYEE/ECRDA	40 000	-
MOTOR VEHICLE DAMAGES	unknown	70 000
OTHER STAFF - CCMA [legal cost]	< R30 000	-



16. COMMITMENTS AND CONTINGENCIES (Continued)

Contingent liabilities (continued)

Claims instituted by ECRDA:

ECRDA/SLABBERT BOERDERY: a claim by ARDA was inherited by ECRDA in the matter of Slabbert Boerdery, where payment in the amount of R437 253 (plus interest) was originally claimed for sale and delivery of lucerne. The total amount has escalated to R874 506. Matter has been set down for trial on 10 June 2020. The legal cost estimate at reporting date for the matter amounts to R250 000 per the ECRDA's attorneys. The timing and outcome of the matter can however not be determined at reporting date. Reasonable prospects of success.

ECRDA/EC BEEF FUND: an application to the High Court to set aside the contract whereby livestock was delivered to Berlin Beef without proper procurement processes being followed in terms of the PFMA. The matter was heard on 05 December 2019 and judgement has been reserved. The attorneys estimated the legal cost to be R500 000 at reporting date. In 2019 the attorneys had estimated the costs to be between R150 000 -R450 000, depending on the success of the matter. The timing and outcome of the awaited judgement are not known at reporting date [also see EC BEEF FUND/ECRDA defended].

Claims defended by ECRDA:

EC BEEF FUND/ECRDA: a claim has been instituted against ECRDA for an amount of R14 203 118 for livestock allegedly delivered by the claimant to ECRDA. The matter is being defended by ECRDA, the outcome of which is dependent on the finalization of the claim instituted by ECRDA to set aside the contract [see ECRDA/EC BEEF FUND initiated by the ECRDA]. The legal cost estimate at reporting date amounts to R1 000 000. In the 2019 report, the costs were estimated at between R300 000 - R600 000. The increase in the amount was due to additional litigation work having to be prepared necessitated by the further litigation initiated by EC Beef Fund. The prospects of succeeding are reasonable even though the timing and outcome remains unknown.

SKG AFRICA (PTY)LTD/ECRDA & ANOTHER: An interdict was served on ECRDA to stop the move from the Beacon Bay Crossing premises to the new leased premises, as well as an interdict to stop the implementation of the awarding of a tender for leased premises and further for the court to consider the review of the tender awarded. The court ordered in favour of ECRDA with regard to the interdict application however costs in the matter were reserved for the main review application to be instituted by SKG Africa. The ECRDA's legal costs for the interdict matter was R1 000 000. The interdict application was resolved with no resolution as to legal costs in the matter. This is to be addressed in the review application which is yet to be heard.

SKG AFRICA (PTY)LTD/ECRDA & OTHERS: A new review application was brought against ECRDA to review a tender awarded for leased premises and to set aside the BEE Level 1 qualification and Regulation 4(1) applied, as unconstitutional. Matter was set down for hearing on 20 April 2020, however matter is to be postponed per agreement between the parties after the National Lockdown period. Costs to be cost in the course. ECRDA's legal costs thus far have been estimated at R1 500 000 at reporting date. The timing and outcome of this matter is unknown at reporting date. There are reasonable prospects of success.

EMPLOYEE/ECRDA: A new matter was referred by an employee to the CCMA for unfair labour practice in terms of Section 186 of the Labour Relations Act. The matter has been set down for arbitration on 14 April 2020 and is awaiting a new date as a result of the National Lockdown. The attorneys estimated the legal cost to be R40 000. The timing and outcome of this matter is unknown at reporting date.

In the previous Annual Financial Statements, it was reported that the ECRDA was sued two years prior 2019, in the Mthatha Magistrate Court for an amount of R30 234 being for a motor vehicle damages claim due to an accident that occurred between the plaintiff's vehicle and that driven by an employee of the ECRDA. Previously, the attorneys estimated the ECRDA's exposure to be R70 000. To date no correspondence or summons has been received in regard to this matter. The status of this claim is unknown.

OTHER MATTERS: Four other CCMA matters have been instituted against ECRDA and are being defended through internal legal management. Legal costs are currently less than R30 000.

Contingent Asset

	2020	2019
CRADOCK BIOFUEL - ARENGO 316 INVESTMENTS	12 530 043	12 530 043

Upon the implementation of the Cradock Biofuel Plant by Arengo 316 Investments (Pty) Ltd and the conclusion of the IDC's verification of the R12 530 043 incurred on the grant for the furtherance of biofuel received from the Department of Rural Development and Agrarian Reform (by the former ARDA), a receivable can be recognised. The receivable is dependent on the occurrence of factors not within the control of the ECRDA.

17. LOANS

Loan from South African Fruit Exporters (SAFE)

The loan from South African Fruit Exporters (SAFE) is interest free, unsecured and operated on a current account basis. South African Fruit Exporters was the managing agent of the Kangela Citrus estate and has been funding the operations of the estate pending seasonal harvesting. South African Fruit Exporters used to take cession of the produce once harvested. The loan is repayable by Kangela Citrus Farms (Pty) Ltd as the management contract with SAFE ended during the 2017/2018 financial year and legal action was initiated to recover the dues.

	Group 2020	Group 2019
	R	R
South African Fruit Exporters (SAFE)	21 980 575	21 980 575

18. LIABILITIES ARISING FROM NON-EXCHANGE TRANSACTIONS

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
Total funds under administration and cash and cash equivalents belonging to administered funds	545 049	433 458	545 049	433 458

Reconciliation of total funds under administration:

Balance at beginning of the year	433 458	1 065 507	433 458	1 065 507
Transfers/Receipts received in the year	129 943 020	94 946 920	129 943 020	94 946 920
Surrender of Administered Funds to Treasury	(5 091 919)	(1 325 528)	(5 091 919)	(1 325 528)
Interest capitalised on administered funds	509 266	427 919	509 266	427 919
Funds disbursed	(125 248 776)	(94 681 360)	(125 248 776)	(94 681 360)
Total administered funds	545 049	433 458	545 049	433 458

Comprising:

Job's Fund	-	66	-	66
Oxfam	589 351	579 943	589 351	579 943
Youth Project (OTP)	-	(146 551)	-	(146 551)
Stimulus (DEDEAT)	30	-	30	-
Magwa Tea	(44 332)	-	(44 332)	-
Amajingqi (Land Bank)	-	-	-	-
Kangela Citrus Farms (Pty)Ltd	-	-	-	-
	545 049	433 458	545 049	433 458

18. LIABILITIES ARISING FROM NON-EXCHANGE TRANSACTIONS (Continued)

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
	<b>Youth Project (OTP)</b>	<b>Stimulus Fund (DEDEAT)</b>	<b>Amajingqi (Land Bank)</b>	<b>Total</b>
Balance of administered fund at 31 March 2018	3 100 941	-	-	3 100 941
Transfers received in the year	3 500 000	-	32 640 000	36 140 000
Disbursements for the year	(2 387 913)	-	(32 640 000)	(35 027 913)
Interest earned on ring-fenced funds	102 948	-	-	102 948
Surrender to Treasury (accrued)	(1 325 528)	-	-	(1 325 528)
Surrender to Treasury (paid)	(3 137 000)	-	-	(3 137 000)
Balance of administered fund at 31 March 2019	<b>(146 551)</b>	-	-	<b>(146 551)</b>
Transfers received in the year	2 000 000	18 715 000	16 360 000	37 075 000
Disbursements for the year	(1 514 246)	(14 271 083)	(16 360 000)	(32 145 329)
Interest earned on ring-fenced funds	85 935	222 895	-	308 830
Surrender to Treasury	(425 137)	(4 666 782)	-	(5 091 919)
Balance of administered fund at 31 March 2020	<b>-</b>	<b>30</b>	<b>-</b>	<b>30</b>

	Magwa Tea	Oxfam	Kangela Citrus Farms	Total
Balance of administered fund at 31 March 2018	-	565 400	(9 205 842)	(8 640 442)
Transfers/Receipts received in the year	56 813 000	102 860	21 606 555	78 522 415
ECRDA contributions	25 000	-	-	25 000
Disbursements for the year	(57 059 805)	(98 200)	(12 400 713)	(69 558 717)
Interest earned on ring-fenced funds	221 805	9 883	-	231 688
Surrender to Treasury (accrued)	-	-	-	-
Surrender to Treasury (paid)	-	-	-	-
Balance of administered fund at 31 March 2019	-	<b>579 943</b>	-	<b>579 943</b>
Transfers/Receipts received in the year	92 576 000	49 875	242 145	92 868 020
Disbursements for the year	(92 801 952)	(59 283)	(242 145)	(93 103 381)
Interest earned on ring-fenced funds	181 620	18 816	-	200 436
Surrender to Treasury	-	-	-	-
Balance of administered fund at 31 March 2020	<b>(44 332)</b>	<b>589 351</b>	<b>-</b>	<b>545 019</b>

18. LIABILITIES ARISING FROM NON-EXCHANGE TRANSACTIONS (Continued)

Job's Fund programme

	Forestry	Agro Processing	Total
Balance of administered fund at 31 March 2018	941 667	69 019	1 010 687
Other income	70 322	-	70 322
Disbursements for the year	(1 034 294)	(73 982)	(1 108 277)
Interest earned on ring-fenced funds	22 371	4 963	27 334
Balance of administered fund at 31 March 2019	<b>66</b>	<b>-</b>	<b>66</b>
Disbursements for the year	(66)	-	(66)
Balance of administered fund at 31 March 2020	<b>-</b>	<b>-</b>	<b>-</b>

Oxfam and the Small Projects Foundation (SPF)

A pilot project was launched where Oxfam Italia transferred R627 516 to the ECRDA in September 2014. The funds are ring-fenced and used to disburse micro loans to beneficiaries, based on conditions and qualifying criteria determined by Oxfam and SPF. The loans are included in the total loans advanced per note 7. At 31 March 2020 the administered fund amounted to R589 351 (2019: R579 943).

Other liabilities arising from non-exchange transactions

The agency acted as a warehousing agent for the Eastern Cape Department of Rural Development and Agrarian Reform in respect of a farming project known as Shortland's Farm. The Eastern Cape Department of Rural Development and Agrarian Reform identified a farm to be purchased for a local community, who approached the government for support in acquiring a farm to further develop in the Grahams-town area. In order to do this, an entity was established to own and operate the farm for the community. As at the date of sale of the farm from the vendor, this entity was not appropriately established and the Eastern Cape Department of Rural Development and Agrarian Reform instructed the Eastern Cape Rural Development Agency to take transfer pending final transfer to the entity. This was done to accommodate the strict timeframes for the implementation of the project. The farm has since transfer, been under the control of the ultimate beneficiary community who have the risks and rewards of ownership. The R3.2 million purchase price was funded by the Eastern Cape Department of Rural Development and Agrarian Reform. The purchase agreement was dated 27 September 2007.

At 31 March 2020 (since 31 March 2009), the transfer of the farm to the entity is in progress, but not complete. The agency has accounted for this transaction as an administered fund and has not recognised the farm in its statement of financial position, as it does not have legal ownership of, any rights or obligations to the land and derive no benefit from the use or the existence of the land. No future economic benefits or service potential will, or ever has, accrued to the ECRDA.

## 19. FINANCE LEASE OBLIGATIONS

### Finance lease liabilities

Capitalised finance lease liability
Less: Current portion
Non-current portion

Agency 2020	Agency 2019	Group 2020	Group 2019
R	R	R	R
699 680	657 380	699 680	657 380
(504 019)	(642 832)	(504 019)	(642 832)
<b>195 661</b>	<b>14 548</b>	<b>195 661</b>	<b>14 548</b>

### Reconciliation of future minimum lease payments to their present value

	Agency			
	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	2020	2019
	R	R	R	R
No later than 1 year	504 019	642 832	504 019	642 832
Later than 1 year and not later than 5 years	195 661	14 548	195 661	14 548
	<b>699 680</b>	<b>657 380</b>	<b>699 680</b>	<b>657 380</b>
Less: future finance charges	(67 883)	(130 947)		
Present value of minimum lease payments	<b>631 797</b>	<b>526 433</b>		

### Reconciliation of future minimum lease payments to their present value

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	2020	2019
	R	R	R	R
No later than 1 year	504 019	642 832	504 019	642 832
Later than 1 year and not later than 5 years	195 661	14 548	195 661	14 548
	<b>699 680</b>	<b>657 380</b>	<b>699 680</b>	<b>657 380</b>
Less: future finance charges	(67 883)	(130 947)		
Present value of minimum lease payments	<b>631 797</b>	<b>526 433</b>		

### Fair value

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

### Security

The agency's obligations under finance leases are secured by the lessor's title to the leased assets.

### Terms

The agency recognises finance leases where, at the inception of a lease, the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset. The typical lease period is between 2 - 5 years for equipment and 2 years for Vodacom contracts. Such arrangements are summarised below.

### Finance lease agreements

At reporting date, the approximate aggregate monthly instalment on finance leases is Rnil (2019: R26 572) for the Konica Minolta equipment contracts covering a period of 2 years. While the contracts have expired, the agency's procurement procedures were interrupted by the National lockdown due to Covid 19 in March 2020.

The Vodacom contracts are capitalised for a period of 2 years and the aggregate monthly instalment on the finance leases is R68 734 (2019: R55 942).

### Communication equipment other than above (i.e. PABX and mobile technology)

The agency has capitalised arrangements at the ruling Prime Overdraft Rate at inception of each lease with Telkom. The contracts were to be renewed in the current financial year - with the procurement process interrupted by the National lockdown. The approximate contractual aggregate monthly instalment is Rnil (2019: R29 273) at reporting date. The new Telkom contracts covers a period of 5 years.

## 20. CAPITAL CONTRIBUTED

Capital consists of the value of the net of assets taken over from the Agricultural Bank of Transkei and the Ciskeian Agricultural Bank on 1 July 2000.

The equity contribution relates to the funds received from the Eastern Cape Department of Rural Development and Agrarian Reform utilised to fund the advance to Kangela Citrus Farms (Proprietary) Limited.

This contribution was acquired prior to the formal establishment of the corporation and relates to an amount transferred from trade payables previously owing to the Department of Internal Affairs for farms purchased by clients of the former Ciskeian Agricultural Bank approximately 18 years before date of establishment.

Agency 2020	Agency 2019
R	R
25 232 691	25 232 691
15 680 000	15 680 000
1 076 355	1 076 355
<b>41 989 046</b>	<b>41 989 046</b>

In terms of the former Eastern Cape Rural Finance Corporation Act, Act No. 9 of 1999, the corporation is established with an initial authorised share capital of R10 million (comprising one thousand ordinary shares with a par value of ten thousand Rand each). In these consolidated annual financial statements, the amount contributed through the Eastern Cape Provincial Government by the assets taken over (see above) is treated as a capital contribution. The agency has not registered its share capital and does not have a share register as it has not issued any shares.

### Restriction on distributions

In terms of the above Act, whilst the government is the sole shareholder, the agency may not distribute any of its profits or gains to any other person and must use its funds solely for the furtherance of its objectives.

No distributions were made during the financial year ending 31 March 2020 (2019: nil).

## 21. RISK MANAGEMENT

### 21.1 Capital risk management

The group is currently dependent on the Eastern Cape Provincial Government, its sole equity holder, for subsidies to fund loan advances and to cover operating expenses. The size and quality of the loan book is not sufficient to finance the increased demand for agricultural loans and to generate income sufficient to defray operating costs.



The agency is not in a position to fund the operations of the subsidiary companies that have been transferred to it by the Eastern Cape Department of Rural Development and Agrarian Reform and is therefore dependent upon financial support from the Provincial Government for the ongoing support of these subsidiaries. The share-takeover of Magwa Majola Tea Estates during the 2020 financial year and the National impact of the Covid 19 epidemic on scarce Government resources will place further strain on available resources for the agency.

The above is evidence of the under capitalisation of the group.

### 21.2 Credit risk

Credit risk is the risk that the counterparties will not repay obligations on time and in full as expected or contracted, resulting in a financial loss to the group. The agency manages credit risk through a credit committee and credit policy.

The core business of the agency is to support rural development within the Eastern Cape. The target market is at the upper end of credit risk fragility in the agricultural sector and small business sectors with high sensitivity to climatic conditions and unpredictable agricultural commodity prices.

The lending activities of the group are regulated by the National Credit Regulator.

The default rate on loan obligations is higher in this industry and, to mitigate this, the group encourages mentorship programmes to assist farmers in managing their crops and markets for their harvests and finances.

The group uses various techniques to reduce credit risk. The most fundamental is performing an assessment on the borrower's ability to service the amount advanced and obtaining collateral (i.e. security based lending).

In line with its mandate, the group has a concentration risk in its credit profile, given that its loan book is in the Eastern Cape only and largely in the agricultural sector.

### 21.3 Financial guarantee contracts

Apart from the provision of credit facilities -in the normal course of business- which have been granted, but not to date been disbursed, the group does not issue any guarantees or commitments neither in relation to its lending activities nor in any other capacity, save for the insurance contracts set out in the accounting policies and save for the cession of deposits. The agency monitors the level of security exposure. Such exposure is typically limited given that cover falls away when the borrower's account is in arrear.

### 21.4 Market risk

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

The group does not have exposure to currency risk or other price risk.

The group has little exposure to market risk, other than interest rate risk, but to a limited extent. Agricultural loans are largely advanced on fixed interest rates. For this reason, the group is not significantly exposed to interest rate risk.

Refer to note 7 for certain sensitivity analyses.

### 21.5 Liquidity risk

Liquidity risk is the risk that an agency will encounter difficulty in meeting obligations associated with financial liabilities.

As a result of a significant increase in loans and advances to customers over the past few years and an increase in overhead expenses, the group has been placed under heavy liquidity strain. Repayment of agricultural loans tend to follow a seasonal trend rather than scheduled dates, hampering reliance on repayments to fund further advances. The majority of the loans are prescribed. The impact of Covid 19 on the economy and the decrease in the prime rate may further impact the liquidity of the ECRDA.

As at 31 March 2020, approximately 76% (2019: 67%) of the agency's cash and cash equivalents was deposited at The Standard Bank of South Africa Limited. Standard Bank's local currency deposit ratings at 31 March 2020 were: Moody's Ba1 and Fitch BB, both with negative investors outlook (2019: Moody's Baa3/P-3; Fitch Ratings BB+, both with a negative investors outlook). The remaining 24% (2019: 33%) was deposited at First National Bank, with the same deposit rating as Standard Bank.

Refer to note 17 for loans to the group. These are not financial institution loans with a maturity schedule, but are due on demand.

### 21.6 Other risks

As set out in note 10 the Kangela Citrus Farms (Pty) Ltd ceased operations in the 2019 financial year.

## 22.1 OTHER INCOME

Recovery of loans and advances previously written off

Sundry income - Insurance income

**Sundry income - other**

Agency 2020	Agency 2019	Group 2020	Group 2019
R	R	R	R
377 446	82 498	377 446	82 498
19 617	10 572	19 617	10 572
19 555	95 482	19 555	108 422
<b>416 618</b>	<b>188 552</b>	<b>416 618</b>	<b>201 492</b>

## 22.2 ADMINISTRATIVE EXPENSES

Audit fees - Internal

Archiving, fittings and minor electricals

Administration costs

Bank charges

Contingent insurance policy administration fee

Directors' remuneration - fees

Directors' travelling and subsistence

Entertainment

Fines and Penalties

Insurance

Legal expenses

Printing and stationery

Relocation - staff

Staff recruitment

Staff refreshments

Staff training

Staff ancillary costs

Subscriptions

Workers forum

Workmen's compensation

730 430	92 898	730 430	92 898
519 385	129 203	519 385	129 203
17 398	62 300	17 398	62 300
302 687	307 583	317 434	339 412
45 000	-	45 000	-
3 153 491	3 769 628	3 153 491	3 769 628
2 234 943	1 907 937	2 234 943	1 907 937
94 343	95 822	94 343	95 822
29 576	2 913	29 576	2 913
329 869	718 508	377 746	718 508
3 116 734	1 047 211	3 452 003	1 047 211
722 831	597 658	722 831	599 893
100 298	213 790	100 298	213 790
336 727	60 217	336 727	60 217
32 646	61 607	32 646	61 607
1 616 528	753 292	1 616 528	753 292
482 575	67 631	482 575	87 641
31 727	84 176	31 727	84 810
32 385	144 091	32 385	144 091
193 711	194 661	193 711	194 661
<b>14 123 284</b>	<b>10 311 124</b>	<b>14 521 177</b>	<b>10 365 832</b>

### 22.3 OTHER OPERATING EXPENSES

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
Bad debts - Loans / movement in provision	15 500 078	13 909 978	6 233 726	13 909 978
Cleaning	224 822	365 445	224 822	365 445
Community capacity development	30 969	40 304	30 969	40 304
Computer maintenance	2 178 635	2 460 709	2 178 635	2 460 709
Debt collection service fees	5 953	59	5 953	59
Fair value adjustments (Receivables and Guardrisk)	14 050	11 063	14 050	11 063
Funded programme: OTP Youth	2 000 000	3 500 000	2 000 000	3 500 000
Funded programme: DEDEAT Stimulus	18 715 000	-	18 715 000	-
Impairment loss	1 123 204	9 224 707	1 123 204	25 171 707
Leasing charges - operating lease for equipment	306 292	310 848	306 292	310 848
Lost securities	-	2 721	-	2 721
Loan application screening/Enquiry cost	67 638	71 329	67 638	71 329
Minor assets expensed and write off of insured assets stolen/damaged	27 079	2 235	27 079	2 235
Motor vehicles: fuel and maintenance	914 510	1 086 565	924 789	1 086 565
Municipal services - rates, water and electricity	2 203 418	2 325 548	2 203 418	2 435 815
Postages	1 625	11 724	1 625	11 724
Professional fees	1 636 204	2 180 215	1 772 039	2 370 383
Protective clothing and uniforms	-	-	-	12 537
Rental charges on land and buildings	7 168 727	7 695 511	7 168 727	7 695 511
Repairs and maintenance - buildings	67 761	307 713	67 761	307 713
Repairs and maintenance - general	49 262	431 255	49 262	596 676
Rural finance roadshow	107 122	35 864	107 122	35 864
Security	525 944	655 888	525 944	663 858
Stakeholder management	1 799 807	496 023	1 799 807	496 023
Telephone calls and data lines	2 708 533	3 294 550	2 710 036	3 305 637
Surrender to Treasury	3 134 876	21 375 241	3 134 876	21 375 241
Travelling and subsistence	5 197 426	4 741 170	5 199 083	4 842 498
	<b>65 708 936</b>	<b>74 536 664</b>	<b>56 591 858</b>	<b>91 082 442</b>

### 22.4 STAFF COSTS

Salaries - medical aid contributions	4 886 157	3 201 906	4 886 157	3 201 906
Salaries and wages	93 136 706	92 892 128	93 136 706	93 053 983
	<b>98 022 863</b>	<b>96 094 034</b>	<b>98 022 863</b>	<b>96 255 889</b>

### 23. TAXATION

In terms of section 10(1)(cA)(i) of the Income Tax Act, 1962, the Commissioner for the South African Revenue Service (SARS) has granted the Eastern Cape Rural Development Agency exemption from income taxation. In terms of Treasury Regulations and agreement with SARS, the agency is also exempt from registration for Value Added Taxation.

Adjustment originates from timing delay between financial statement preparation and the assessment of the income tax by SARS. No provision has been made for the 2020 tax expense as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R 3,938,309 (2019: R 2,742,289).

Current year - normal taxation

#### Deferred tax

Balance at the beginning of the year  
Depreciation for the year

Impairment of property, plant and equipment

Leave accrual movement

Non current assets held for sale carrying value written off

Assessed loss available for future periods set-off

Impairment of assets deducted from revaluation

Balance at end of the year

#### Comprising:

Deferred tax asset

Deferred tax liability

Agency 2020	Agency 2019
R	R
<b>981 503</b>	<b>7 075 534</b>

<b>906 836</b>	6 318 330
-	(160 373)
-	(4 465 160)
-	27 051
-	(50 762)
<b>(906 835)</b>	901 791
-	(1 664 040)
-	906 836

-	1 674 677
-	(767 841)
-	906 836

Deferred tax relates to leave pay accrual, finance lease straight line adjustments and property, plant and equipment.

#### Current income tax

Charge for the year

Adjustments - penalties and interest

Adjustments - expenses relating to non-exchange revenue

Adjustments - write down carrying value of assets against revaluation surplus

Adjustments - other

Balance at end of the year

#### Comprising:

Assets in Kangelita Citrus Farms (Proprietary) Limited

Group 2020	Group 2019
R	R
(334 886)	(3 918 456)
-	301 505
-	(79 741)
-	(3 328 080)
1 316 389	(50 762)
<b>981 503</b>	<b>(7 075 534)</b>

<b>981 503</b>	<b>(7 075 534)</b>
<b>981 503</b>	<b>(7 075 534)</b>

#### 24. OPERATING LEASE ARRANGEMENTS

As at the reporting date the group had outstanding commitments under non-cancellable leases, which fall due as follows:

##### Operating leases where the agency/group is the lessee

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
Lease of office premises	10 341 132	5 465 615	10 341 132	5 465 615
Up to 1 year	4 205 669	4 365 862	4 205 669	4 365 862
1 to 5 years	6 135 463	1 099 754	6 135 463	1 099 754
More than 5 years	-	-	-	-

The statement of financial performance details the expenditure incurred by the agency on the operating leases. A total of R7 168 727 (2019: R7 695 511) was paid during the financial year in respect of all lease expenses. A net straight lined operating lease liability of R201 676 (2019: R290 579) exists.

The East London office lease contributes 76% (2019: 67%) of the lease expense for the next 12 months, with a 95% (2019: uncertain percentage) for the period thereafter.

##### Operating leases where the agency is the lessor

The agency earns income from the lease of office premises at the investment property at 52 Sprigg Street, Mthatha. At reporting date lease contracts generating income of R147 953 (2019: R126 714) per month were entered into. The contracts are entered into for a period of 12 months in which any party can cancel the contract with appropriate notice.

#### 25. FRUITLESS AND WASTEFUL EXPENDITURE

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
Interest/Finance costs paid	21 583	13 670	21 583	13 670
Employee related expenditure	9 335	509 290	9 335	509 290
Readvertisement costs	-	71 550	-	71 550
Fines and penalties	34 162	-	34 162	-
Total fruitless and wasteful expenditure for the year	65 080	594 510	65 080	594 510
Less: condoned by the relevant authority	-	-	-	-
Expenditure recovered	(571)	-	(571)	-
- Receivable at year-end (invoiced)	-	-	-	-
- Disciplinary action taken against employee; dismissed	-	-	-	-
- Ongoing consultation with suppliers to reverse interest as invoices were received late	-	-	-	-
Expenditure not condoned by the relevant authority - carried forward	595 660	1 150	595 660	1 150
Expenditure condoned in current year for prior year	-	-	-	-
Expenditure not condoned by the relevant authority - brought forward	660 169	595 660	660 169	595 660

#### 26. IRREGULAR EXPENDITURE/PAYMENTS (OWN FUNDS)

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
Opening balance	8 628 091	8 576 217	8 628 091	8 576 217
Add: Irregular expenditure incurred in current year	14 182 953	185 392	14 182 953	185 392
Add: Irregular expenditure incurred in prior year but identified in current year	-	246 900	-	246 900
Add: Irregular expenditure in the current year originating from the prior year	-	1 000 000	-	1 000 000
Less: Irregular expenditure condoned by the relevant authority	-	(1 380 418)	-	(1 380 418)
Total	22 811 044	8 628 091	22 811 044	8 628 091

##### Details of Irregular Expenditure, originating in the 2020 financial year:

The month-to-month lease on the Engcobo office results in payments to the value of R199 695 during the financial year. The month-to-month lease, upon inception, was approved by the Accounting Officer,

Expenditure on Bids awarded, to the value of R13 913 838 are considered irregular in terms of National Treasury Instruction No. 1 of 2015/16 states which requires that PFMA compliant institutions must, through the relevant treasury, publish the awards of all advertised competitive bids on the eTender Publication Portal. ECRDA did not submit to the relevant treasury's eTender Publication Administrator the required information of successful bidders, as a result these awards were not published on eTender Portal Publication. The ECRDA published the bids and awards on the ECRDA website in compliance with National Treasury Instruction Note 32. The bid adjudication committee was not considered to be duly constituted in terms of the Supply Chain Management Policy as the SCM Manager participated in both the Bid Evaluation Committee and Bid Adjudication Committee. Payments made to suppliers exceeded contract value by R69 419 attributable to a variation/increase in scope on the original orders issued.

##### Details of Irregular Expenditure, originating in the 2019 financial year:

The agency maintained a lease contract on a month-to-month basis to operate the Engcobo office from after expiry of the contract on 30 September 2016. The expenditure incurred in the 2017 (R78 677) and the 2018 (R168 223) financial years are included in the irregular expenditure identified in the current year. In the 2019 financial year a total of R185 392 was paid in respect of the lease.

##### Details of Irregular Expenditure, originating from the 2018 financial year:

1. ECRDA, into the Tshabo Red Hub project, approved business plans for implementation without following an open market bid process which is in contravention of s16A3 of the Treasury Regulations. As such, expenditure resulting from the approval of the business plan is irregular.

Details of expenditure, following from the business plans are as follows:

- Procurement of protea stems and cuttings from a nursery located in the Amahlati Local Municipality. Cost of stems is R5 507 283.
- Procurement of snail breeding stock to the value of R758 747. The supplier is an Eastern Cape based company and the holder of a licence to import Helix Aspersa Muller snails.
- Sundry expenses incurred by means of 3 quotations such as portable toilets, cement mixer etc to the value of R59 513 relating to the Tshabo Red Hub.

2. 2017/18 irregular expenditure amounted to R1m out of an awarded contract of R2m. The remaining R1m occurred in 2018/19 and related to the 2017/18 awarded contract.

##### Expenses condoned by the relevant authority during the 2019 year (originating from 2018):

- Deviation for the development of RED Hub business plans to the amount of R495 000 by a supplier without obtaining 3 quotations.
- A deviation where a supplier was appointed for the development of a Human Resources Development Strategy for R462 802 (spent R333 058).
- Expenditure of R422 616 relating to the contract for fencing at the Mqanduli Red Hub as the supplier did not sign the local content declaration.



## 27. BOARD MEMBERS' AND SENIOR MANAGEMENT REMUNERATION

### 27.1 Board Member Remuneration

	Fees	Claims	Fees	Claims
	2020	2020	2019	2019
	R	R	R	R
<b>Board committee members</b>				
Nare, L., Ms	409 920	-	-	-
Ncwadi M., Mr	383 280	597	365 597	-
Mayapi, P., Adv.	263 388	-	-	-
Makunga, S., Mr	325 152	34 868	-	-
Thomas, Z., Mrs	325 152	13 461	-	-
Faku, S., Mr	325 152	-	-	-
Mbete, N., Ms	325 152	1 967	-	-
Petela-Ngcanga, N.B., Ms	263 388	8 360	-	-
Msoki, M., Mr	263 388	-	-	-
Maqetuka, M., Amb.	269 518	-	284 771	-
Kali B., Ms	-	-	356 818	-
Pietersen C.J., Mr	-	-	426 146	49 248
Mkile F.F., Ms	-	-	451 316	1 922
Mkosana V.M., Dr	-	-	460 132	7 018
George X., Mr	-	-	181 269	1 006
Jarana V., Mr	-	-	17 136	-
Le Roux A., Mr	-	-	356 818	2 520
Mbalekwa S.W., Mr	-	-	426 146	-
Semane Z., Ms	-	-	356 818	-
Sogoni M., Mr	-	-	177 216	1 110
Fees for services rendered	<b>3 153 491</b>	<b>59 252</b>	3 860 183	62 824

\* The Chief Executive Officer is also a member of the board.

\*\* The outgoing board's term ended 31 March 2019. The new board commenced duties on 1 April 2019.

The Board members' remuneration constitutes fees paid to individuals to oversee the Governance of the entity. Apart from a reimbursement for travel expenses and normal subsistence and travelling required to attend board meetings, no other payments are effected or accrued to any Board member. As such, no basic salaries, bonuses, short or long term benefits, termination and/or post employment benefits, commission or other benefits accrue to Board members. The nature of the relationship is strict Governance and Oversight as required.

There are no balances due by or to any Board member at reporting date, while no commitments exist.

Due to the Board members' remuneration constituting fees for work performed, the transactions do not require special terms and conditions, security, guarantees, any provisions for doubtful debts, the recognition of any bad debts, the sale of inventory or assets, lease agreements, research and development payments or financing arrangements. All payments to the Board members are considered as part of the normal operating parameters of the ECRDA as per our legal mandate.

### 27.2 Senior Management Remuneration

#### Agency - 2020

dladla n., Mr - Chief Executive Officer
Simukonda N., Mr - Chief Operations Officer
Baxter J., Mrs - Chief Financial Officer
Gardner C., Mr - Corporate Services Executive
Crew R., Mr - Executive Renewable Energy*

\* Services terminated during the year

#### Agency - 2019

dladla, n., Mr - Chief Executive Officer
Mrwebi, M., Dr - Acting CEO*
Gwanya T.T., Mr - Chief Executive Officer*
Simukonda N., Mr - Chief Operations Officer
Baxter J., Mrs - Chief Financial Officer
Ntshanga G., Mr - Chief Strategy Officer*
Velani C., Mr - Executive Office Manager**
Wobiya N., Mr - Internal Audit Manager*
Crew R., Mr - Executive Renewable Energy

\* Services terminated during the year

\*\* Effective 1 April 2019 the employee is no longer part of senior management.

Salary & Savings	Gratuity and Long-service	Other benefits	Total
R	R	R	R
2 464 983	-	56 607	2 521 590
2 006 915	78 177	90 955	2 176 047
1 902 674	-	47 589	1 950 262
1 644 782	-	31 195	1 675 976
2 020 072	-	23 292	2 043 364
<b>10 039 425</b>	<b>78 177</b>	<b>249 637</b>	<b>10 367 239</b>

Salary & Savings	Gratuity and Long-service	Other benefits	Total
R	R	R	R
1 169 287	-	-	1 169 287
503 593	-	14 876	518 469
657 564	-	37 935	695 499
2 006 915	373 574	74 696	2 455 186
1 902 674	391 281	32 015	2 325 969
425 424	-	-	425 424
1 194 163	199 027	42 964	1 436 155
1 204 115	218 930	1 512	1 424 557
1 913 381	393 477	77 260	2 384 117
<b>10 977 115</b>	<b>1 576 289</b>	<b>281 258</b>	<b>12 834 662</b>

Executive management are remunerated for services rendered as employees of the Agency. Remuneration consists of a basic salary which can be structured to comprise of a basic salary, a savings portion, a housing allowance and a vehicle allowance. Bonuses as a thirteenth cheque or performance payment have not been effected to any executive management member.

Short-term benefits to management comprise normal leave accrued as per the Human Resources Policy of the ECRDA. This policy does not allow for any post employment, termination or long-term benefits and does not allow management to earn commission or other benefits not regulated in the approved policy and appointment letters of management. All payments to management are therefore per the normal operating parameters established by its legal mandate. Transactions with management are therefore remuneration paid for work performed as a normal employee and does not entail any commitments, special terms and conditions, security, guarantees, provisions for doubtful debts, recognition of bad debts, finance arrangements, research and development purchased, lease transactions or any licencing agreements. In the event that an executive member transact with the ECRDA it is under normal operating procedures applicable to all staff, customers and suppliers.

## 28. RELATED PARTY TRANSACTIONS

	Agency 2020	Agency 2019
Transactions and balances	R	R
Department of Rural Development and Agrarian Reform (operating grant and transfer payments)	192 564 000	267 428 000
Department of Rural Development and Agrarian Reform (receivable at fair value)	-	-
Amajingqi (receipt from Government and paid to project)	16 360 000	32 640 000
Ncera Macadamia Farming (loan balance)	1 793 167	1 671 959
Ncera Macadamia Farming (services rendered)	-	1 000 000
Kangela Citrus Farms (receivable at fair value)	9 266 352	13 709 315
Kangela Citrus Farms (receivable paid to ECRDA during the year)	5 242 145	9 205 842
Kangela Citrus Farms (interest charged on loan during the year)	799 183	1 076 715
Kangela Citrus Farms (expenses paid on behalf of company)	-	284 788
Kangela Citrus Farms (revenue collected and paid over during the year)	242 145	10 480 325
Magwa Tea - budget allocation and additional funds transferred	92 576 000	56 813 000
Magwa Tea - own funds paid to suppliers	-	25 000
Magwa Tea - receivable at fair value	44 332	-
Majola Tea - budget allocation and additional funds transferred	-	-
Office of the Premier (project receipts)	2 000 000	3 500 000
DEDEAT - Stimulus Fund (received from Government)	18 715 000	-

Transactions with board members and management are detailed in note 27. Note 7 contains staff loan disclosures.

### Transactions with the Eastern Cape Provincial Government during the year

The agency received (and accrued) a grant of R192 564 000 (2019: R267 428 000) from the Eastern Cape Department of Rural Development and Agrarian Reform (DRDAR) during the year for operating activities. At 31 March 2020 a total of Rnil of the allocated funds (2019: Nil) is due to the agency. The receivable is included in note 8 at a fair value after considering the timing difference to get the balance settled. The receivable have not been impaired and no provision for doubtful debts have been recorded.

*The agency implements projects and administer the expenses of the allocated project on behalf of Departments. The following projects were managed and implemented during the financial year and expenses were incurred on behalf of these Departments:*

#### Department of Forestry and Fisheries

Project implementation and cropping expenditure of R22 205 303 was incurred by the agency on behalf of the Department in prior years. A total of R11 000 000 was repaid by the Department during the 2016 financial year. The receivable was impaired in full already in the prior financial year (as at 31 March 2019) due to the non-recoverability of the receivable.

#### Department of Economic Development, Environmental Affairs and Tourism

The Department appointed the Agency to administer their Stimulus project during the 2020 financial year. R18 715 000 was transferred to the Agency for project implementation. At reporting date a total of R222 895 interest was earned on the ring-fenced funds while disbursements amounted to R14 271 113. The unspent funds of R4 666 782 was accrued for in note 14 to be surrendered to the Provincial Treasury.

#### Office of the Premier

The Office of the Premier appointed the Agency to implement projects on its behalf. R2 000 000 (2019: R3 500 000) was received by the Agency and programme expenditure of R1 574 863 (2019: R2 387 913) was incurred. The unspent funds of R425 137 (2019: R1 325 528) was accrued for in note 14 to surrender to Provincial Treasury. At reporting date the administered fund had a balance of R425 137 (2019: R1 178 977).

#### Amajingqi

The agency received transfer payments of R16 360 000 (2019: R32 640 000) and disbursed the allocated funding to the project.

#### Department of Rural Development and Agrarian Reform - Infrastructure

ECRDA was appointed to implement an infrastructure programme on behalf of the Department. As at 31 March 2018 the programme had a ring-fenced bank balance of R2 685 000 which was surrendered to Treasury in the 2019 financial year. Payments of R795 738 was already processed at the date of surrender, causing the ECRDA to pay the project expenses from the operational budget. At reporting date the administered fund had a balance of Rnil (2019: Rnil).

#### Ncera Macadamia

An unsecured loan of R3 000 000 was granted to Ncera Macadamia Farming in 2018, while repayments of R1 572 000 were only received during the 2018 year. The balance due at 31 March 2020 of R1 793 167 (2019: R1 671 959) was included in the impairment of loans advanced (note 7), with the corresponding entry in the statement of financial performance.

Ncera Macadamia was appointed for the undertaking of feasibility studies and business plan development relating to the ECRDA's Macadamia Outgrower Scheme Initiative to the amount of R1 000 000 in 2017/18 with the remainder paid in 2018/19.

#### Magwa Tea Enterprise (MTE)

A total of R92 576 000 (2019: R56 813 000) was allocated to the MTE as per the Provincial Budget allocation from the Department of Rural Development and Agrarian Reform (DRDAR). Disbursements to the estate amounted to R92 801 352 (2019: R57 058 944) resulting in a total of R44 332 receivable by the Agency for expenses paid on behalf of the estate.

*The related parties listed in this note have an operational relationship with the ECRDA where all transactions are incurred and managed in normal arm's length transactions and are governed in signed agreements. Balances outstanding are disclosed in full while no commitments exist with any of these parties at reporting date. The transactions incurred have no special terms and conditions/guarantees/collaterals and no provisions for bad debts have been raised nor any written off. The payables and receivables stated per party are per arm's length transactions as inventory/assets/services/leases or any other transaction are not incurred at any term or condition other than the normal operating parameters of the enabling legislation of the ECRDA.*

## 29. ADMINISTERED FUNDS

The agency administers funds on behalf of various departments (mainly the Department of Rural Development and Agrarian Reform and the Department of Agriculture, Forestry and Fisheries). Refer to the note on non-exchange transactions for further details (note 18). The agency is also entitled to an administration fee levied as a percentage of the fund administered and/or to invest the funds and receive the interest on such funds until disbursed in terms of the specific agreements. Refer to the Statement of Financial Performance for commission fee income and to note 8.1 for amounts due for commission fees receivable at the reporting date (and comparative information).

### Transactions between the agency and Kangela Citrus Farms (Proprietary) Limited

No voted funds was received from the Department as part of the operational grant of the agency for either the 2020 or the 2019 financial years. The agency has a 51% shareholding in the subsidiary and considers Kangela Citrus Farms as a Rural Enterprise Development Hub. A receivable of R9 205 842 for operational expenses incurred on behalf of the company and an unsecured loan of R13 175 000 is due to the Agency at 31 March 2018. The receivable of R9 205 842 was repaid to ECRDA during the 2019 financial year, with the additional expenses of R284 788 incurred on behalf of the company, as well as interest paid on the loan to the value of R542 340. With the unpaid interest on the loan, the total receivable due to the Agency by Kangela at 31 March 2019 amounted to R13 709 315.

The loan agreement required full repayment on 31 March 2019, which did not realise. During the 2020 financial year total repayments on the loan amounted to R5 242 145 while interest of R799 929 was raised on the overdue debt. The receivable at reporting date (31 March 2020) amounts to R9 266 352. Due to the loan being past expiry date, it is impaired (note 7).

Kangela Citrus Farms (Pty) Ltd sold the produce to Unifrutti during the 2019 financial year. ECRDA collected the funds on behalf of Kangela and placed the funding in a ring-fenced bank account, whereafter the transfers were processed to Kangela. A total of R10 480 325 was received from Unifrutti and paid over during the year, with total interest of R20 212 earned on the ring-fenced account.

### 30. RECONCILIATION BETWEEN BUDGET SURPLUS WITH THE SURPLUS IN THE STATEMENT OF FINANCIAL PERFORMANCE

As the budgets that are approved by the boards are not prepared on the same basis as set out in note 2 to these consolidated annual financial statements, the following reconciliation is provided:

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
Surplus/Deficit for the year (refer to the statement of financial performance)	<b>(25 865 220)</b>	(20 943 289)	<b>(18 826 173)</b>	(42 013 219)
<i>Adjusted for:</i>				
Initiation fees & net margin on loans	<b>4 755 830</b>	(7 563 376)	<b>5 555 758</b>	(6 486 662)
Subsidy costs on concessionary loans	<b>566 921</b>	887 375	<b>566 921</b>	887 375
Fair Value Adjustments & Reversal of Provisions	-	(1 096 890)	-	(1 189 595)
Profit / loss on disposal of property, plant and equipment	<b>(9 103)</b>	(267 628)	<b>(9 103)</b>	(267 628)
Fee - MAFISA Scheme	<b>452 954</b>	450 473	<b>452 954</b>	450 473
Minor assets expensed	<b>27 079</b>	2 235	<b>27 079</b>	2 235
Impairment Loss	<b>1 123 204</b>	9 224 707	<b>1 123 204</b>	25 171 707
Commission fees for managing projects (accrued)	<b>(4 072 703)</b>	(4 092 261)	<b>(4 072 703)</b>	(4 092 261)
Surrender of funds	<b>3 134 876</b>	21 375 240	<b>3 134 876</b>	21 375 240
Depreciation	<b>3 491 337</b>	3 953 363	<b>3 491 337</b>	4 526 123
Fair value adjustments	<b>2 586</b>	557	<b>2 586</b>	557
Bad debts - loans	<b>15 500 078</b>	13 909 978	<b>6 233 726</b>	13 909 978
Project implemented on behalf of funders (DRDAR, DEDEAT & OTP)	<b>20 715 000</b>	3 500 000	<b>20 715 000</b>	3 500 000
Surplus per approved budgets	<b>19 822 836</b>	19 340 485	<b>18 395 461</b>	15 774 324

Also refer to the 'Statement of comparison of budget and actual amounts'.

The ECRDA compares its actual performance against the budgeted performance in the Medium Term Expenditure Framework based on a modified cash basis. The comparison of the estimated outcomes of the MTEF cash flow statement to the financial statement cash flow statement is as follows -

Comparison to Cash Flow Statement	2019/2020	Basis	Agency	Timing
Net Cash Flows from Operating Activities				
Per AFS	1 804 206			
Per MTEF Budget estimated outcomes	19 748 018			
Difference	(17 943 812)	x		
Net Cash Flows from Investing Activities				
Per AFS	(5 702 334)			
Per MTEF Budget estimated outcomes	(4 718 000)			
Difference	(984 334)	x		
Net Cash Flows from Financing Activities				
Per AFS	42 300			
Per MTEF Budget estimated outcomes	-			
Difference	42 300	x		
Total	(18 885 847)			

### 31. POST REPORTING DATE EVENTS

Management has assessed the operations of the agency, the ongoing business operations and all correspondence and contractual obligations that have been exercised during the financial year, the events between the financial year-end and the date of approving the financial statements and have not identified any subsequent events that impacts on the financial statements presented.

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. Since then, the virus has spread to more than 100 countries, including South Africa. On 23 March 2020, President Cyril Ramaphosa announced a new measure to combat the spread of the Covid-19 coronavirus in South Africa – a three-week nationwide lockdown with severe restrictions on travel and movement. Even though the lockdown has been extended, operations did not cease completely. Management and support/administrative staff could all proceed with daily activities and deadlines remotely while the lifting of the lockdown to level 4 at the end of April 2020, allowed the Hubs to continue operations. The Board and Management are not aware of any other material event which occurred after the reporting date and up to the date of this report.

### 32. STANDARDS AND INTERPRETATION NOT YET EFFECTIVE AS AT 31 MARCH 2020

The following is a list of approved Standards of GRAP for which the Minister of Finance has not set the effective date. The standards will not have a significant impact on the reporting of the entity, apart from additional disclosures to be included for the users of the information.

Reference	Topic
GRAP 104 (amended)	Financial Instruments

The accounting policy detailed in Note 1 to the financial statements details the list of all GRAP Standards effective and adopted by the agency.

The following International Accounting Standard is considered by the agency:  
IAS 12 Income Tax

### 33. GOING CONCERN

The board members believe that the agency has adequate resources to continue operations in the foreseeable future based on the annual allocations voted to the agency by the Eastern Cape Provincial Government over the medium term expenditure framework. As such the Annual Financial Statements of the ECRDA has been prepared on a going concern basis. Kangela Citrus Farms (Pty) Ltd ceased operations on 3 October 2018 and the financial statements was compiled on the discontinued operations basis of accounting.

The board members have satisfied themselves that the ECRDA in a sound financial position and has access to funds to meet it's foreseeable future requirements. The board members are not aware of any material changes that may adversely impact the ECRDA.

The directors are also not aware of any material non-compliance with statutory and regulatory requirements or of any pending changes to legislation which may affect the ECRDA.



### 34. FINANCIAL INSTRUMENTS PER CATEGORY

#### 34.1 Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below

	Agency 2020	Agency 2019	Group 2020	Group 2019
	<b>Amortised Cost</b>	Amortised Cost	<b>Amortised Cost</b>	Amortised Cost
Trade and other payables	27 710 374	36 410 453	28 263 886	36 991 568
Loan from South African Fruit Exporters (SAFE)	-	-	21 980 575	21 980 575
	<b>27 710 374</b>	36 410 453	<b>50 244 461</b>	58 972 143

#### 34.2 Financial Assets by Category

The accounting policies for financial instruments have been applied to the line items below

	Agency 2020		
	Fair Value	Amortised Cost	Cost
Cash and cash equivalents	-	-	62 010 879
Trade and other receivables	2 816 794	-	-
Loans and advances to customers	-	22 310 190	-
Investments under contingency policy *	11 096 939	-	-
	<b>13 913 733</b>	<b>22 310 190</b>	<b>62 010 879</b>

	Agency 2019		
	Fair Value	Amortised Cost	Cost
Cash and cash equivalents	-	-	65 866 708
Trade and other receivables	5 403 449	-	-
Loans and advances to customers	-	49 184 646	-
Investments under contingency policy *	10 460 630	-	-
	<b>15 864 079</b>	<b>49 184 646</b>	<b>65 866 708</b>

Cash and cash equivalents  
Trade and other receivables  
Loans and advances to customers  
Investments under contingency policy \*

Group 2020		
Fair Value	Amortised Cost	Cost
-	-	64 609 268
33 615 435	-	-
-	22 310 190	-
11 096 939	-	-
<b>44 712 374</b>	<b>22 310 190</b>	<b>64 609 268</b>

Cash and cash equivalents  
Trade and other receivables  
Loans and advances to customers  
Investments under contingency policy \*

Group 2019		
Fair Value	Amortised Cost	Cost
-	-	72 837 950
37 620 352	-	-
-	35 475 331	-
10 460 630	-	-
<b>48 080 982</b>	<b>35 475 331</b>	<b>72 837 950</b>

\* The financial instruments per category (note 34) provides additional disclosed information and does not affect the reporting on the statement of financial position. In assessing the accounting policies, the investment under contingency policy have been reassessed to be classified as a fair valued instrument, rather than at amortised cost as previously stated. This amendment is as a result of the market rates and inflation impacting more on the growth of the investment than the amortisation model.

	Agency 2020	Agency 2019	Group 2020	Group 2019
<b>INCOME</b>				
Interest income on loans and advances	6 173 174	5 894 743	5 373 245	4 818 028
Net credit impairment charge	(11 009 829)	1 562 084	(11 009 829)	1 562 084
Write off of irrecoverable debts	(11 735 677)	(3 591)	(11 735 677)	(3 591)
Interest on concessionary loans	348 401	1 483 177	348 401	1 483 177
Recovery of loans and advances previously written off	377 446	82 498	377 446	82 498
Net interest margin on lending activities	(4 836 656)	7 456 826	(5 636 584)	6 380 112
Loan initiation fees	80 826	106 550	80 826	106 550
<b>Result from lending activities</b>	<b>(4 755 830)</b>	<b>7 563 376</b>	<b>(5 555 758)</b>	<b>6 486 662</b>
Interest income on loans and advances / Average gross loans and advances	0,85%	0,79%	0,85%	0,79%

**Other income** 8 728 255 9 416 230 9 006 982 27 473 667

Commission fees for managing projects	4 072 703	4 092 261	4 072 703	4 092 261
Fair value adjustment: Guardrisk and other	-	-	-	92 705
Fair value adjustment: Leased Equipment	-	1 096 890	-	1 096 890
Gain on disposal of property, plant and equipment	9 103	267 628	9 103	267 628
Interest income on cash and investments	2 594 918	2 183 773	2 609 342	2 204 246
National Skills Fund	187 793	198 559	187 793	198 559
Rental income from investment property	1 734 253	1 471 065	1 734 253	1 471 065
<b>Reversal of impairment/fair value adjustments</b>	<b>90 314</b>	<b>-</b>	<b>90 314</b>	<b>-</b>
Sale of goods	-	-	264 303	17 931 319
Sundry income - Insurance Income	19 617	10 572	19 617	10 572
Sundry income - Other	19 555	95 482	19 555	108 422

**Government grant and additional program specific funding** 290 579 000 270 928 000 290 579 000 270 928 000

**TOTAL INCOME and balance carried forward** 294 551 426 287 907 606 294 030 224 304 888 328

Agency 2020	Agency 2019	Group 2020	Group 2019
R	R	R	R

**Balance brought forward** 294 551 426 287 907 606 294 030 224 304 888 328

**EXPENSES**

Administration fee - Guardrisk	45 000	-	45 000	-
Administration Costs	17 398	62 300	17 398	62 300
Archiving, fittings and minor electricals	519 385	129 203	519 385	129 203
Audit fees - External	4 073 982	3 920 444	4 232 147	4 169 032
Audit fees - Internal	730 430	92 898	730 430	92 898
Bad debts - Loans/movement in impairment	15 500 078	13 909 978	6 233 726	13 909 978
Bank charges	302 687	307 583	317 434	339 412
Cleaning	224 822	365 445	224 822	365 445
Community capacity development	30 969	40 304	30 969	40 304
Computer maintenance	120 130	41 258	120 130	41 258
Computer software maintenance	2 058 505	2 419 451	2 058 505	2 419 451
Cost of Sales	-	-	19 268	13 664 364
Debt collection service fees	5 953	59	5 953	59
Depreciation of investment property and property, plant and equipment	3 491 337	3 953 363	3 491 337	4 526 123
Directors' remuneration and fees	3 153 491	3 769 628	3 153 491	3 769 628
Directors' travelling and subsistence - non executive	2 234 943	1 907 937	2 234 943	1 907 937
Entertainment	94 343	95 822	94 343	95 822
Enquiry Fees	67 638	71 329	67 638	71 329
Fair value adjustment: Guardrisk	11 464	10 506	11 464	10 506
Fair value adjustment on receivables and assets	2 586	557	2 586	557
Fee - MAFISA Scheme	452 954	450 473	452 954	450 473
Finance costs	29 945	13 855	29 945	25 708
Insurance	329 869	718 508	377 746	718 508
Impairment loss	1 123 204	9 224 707	1 123 204	25 171 707
Leasing charges	306 292	310 848	306 292	310 848
Legal expenses	3 116 734	1 047 211	3 452 003	1 047 211
Lost securities	-	2 721	-	2 721
Marketing and functional partnerships	587 992	1 052 282	587 992	1 052 282
Minor assets expensed	27 079	2 235	27 079	2 235
Motor vehicles: fuel and maintenance	914 510	1 086 565	924 789	1 086 565
Municipal services - rates, water and electricity	2 203 418	2 325 548	2 203 418	2 435 815
Penalties and Fines	29 576	2 913	29 576	2 913
Postages	1 625	11 724	1 625	11 724
Printing and stationery	722 831	597 658	722 831	599 893
Professional Fees	1 636 204	2 180 215	1 772 039	2 370 383
Project expenses	23 521 975	27 268 482	23 521 975	26 983 694
Project expenses - OTP Youth Funded	2 000 000	3 500 000	2 000 000	3 500 000
Project expenses - DEDEAT Stimulus	18 715 000	-	18 715 000	-
<b>Balance carried forward</b>	<b>88 404 350</b>	<b>80 894 007</b>	<b>79 859 438</b>	<b>111 388 283</b>



**EASTERN CAPE RURAL DEVELOPMENT AGENCY**  
Detailed consolidated statement of financial performance as at 31 March 2020

	Agency 2020	Agency 2019	Group 2020	Group 2019
	R	R	R	R
<b>Balance brought forward</b>	<b>88 404 350</b>	<b>80 894 007</b>	<b>79 859 438</b>	<b>111 388 283</b>
Protective clothing and uniforms	-	-	-	12 537
Relocation - staff and offices	100 298	213 790	100 298	213 790
Rental charges on land and buildings	7 168 727	7 695 511	7 168 727	7 695 511
Repairs and maintenance - general	49 262	431 255	49 262	596 676
Repairs and maintenance - buildings	67 761	307 713	67 761	307 713
Rural finance roadshow	107 122	35 864	107 122	35 864
Salaries - medical aid contributions	4 886 157	3 201 906	4 886 157	3 201 906
Salaries and wages	93 136 706	92 892 128	93 136 706	93 053 983
Security	525 944	655 888	525 944	663 858
Skills levy	900 458	909 800	900 458	909 800
Staff recruitment	336 727	60 217	336 727	60 217
Staff refreshments	32 646	61 607	32 646	61 607
Staff training	1 616 528	753 292	1 616 528	753 292
Staff ancillary cost	482 575	67 631	482 575	87 641
Stakeholder management	1 799 807	496 023	1 799 807	496 023
Subscriptions	31 727	84 176	31 727	84 810
Social benefit from concessionary loans	566 921	887 375	566 921	887 375
Surrender of funds to Treasury	3 134 876	21 375 241	3 134 876	21 375 241
Telephone calls and data lines	2 708 533	3 294 550	2 710 036	3 305 637
Transfer payments	108 936 000	89 453 000	108 936 000	89 453 000
Travelling, accommodation and subsistence	5 197 426	4 741 170	5 199 083	4 842 498
Worker's forum	32 385	144 091	32 385	144 091
Workmen's compensation	193 711	194 661	193 711	194 661
<b>TOTAL EXPENSES</b>	<b>320 416 646</b>	<b>308 850 894</b>	<b>311 874 893</b>	<b>339 826 012</b>
<b>(DEFICIT) / SURPLUS BEFORE TAXATION</b>	<b>(25 865 220)</b>	<b>(20 943 289)</b>	<b>(17 844 669)</b>	<b>(34 937 685)</b>
<b>TAXATION</b>	<b>-</b>	<b>-</b>	<b>(981 504)</b>	<b>(7 075 534)</b>
<b>(DEFICIT) /SURPLUS AFTER TAXATION</b>	<b>(25 865 220)</b>	<b>(20 943 289)</b>	<b>(18 826 173)</b>	<b>(42 013 219)</b>
<b>Composition:</b>			(25 865 220)	(20 943 289)
Eastern Cape Rural Development Agency			8 466 423	-
Eastern Cape Rural Development Agency - exposure to Kangela loan			-	-
Agrarian Research and Development Agency (Pty) Ltd			(1 427 376)	(21 069 930)
Kangela Citrus Farms (Pty) Ltd			-	-
North Pondoland Sugar (Pty) Ltd			<b>(18 826 173)</b>	<b>(42 013 219)</b>







Eastern Cape Rural Development Agency  
Infinity Place, 14 St Helena, Beacon Bay  
043 703 6300

[info@ecrda.co.za](mailto:info@ecrda.co.za)

[www.ecrda.co.za](http://www.ecrda.co.za)

