



**2018/19**  
**Annual Report** ↙

**The future is well founded**







## 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 2018 to 31 March 2019.

Ms Lulama Nare  
Chairperson of the Board

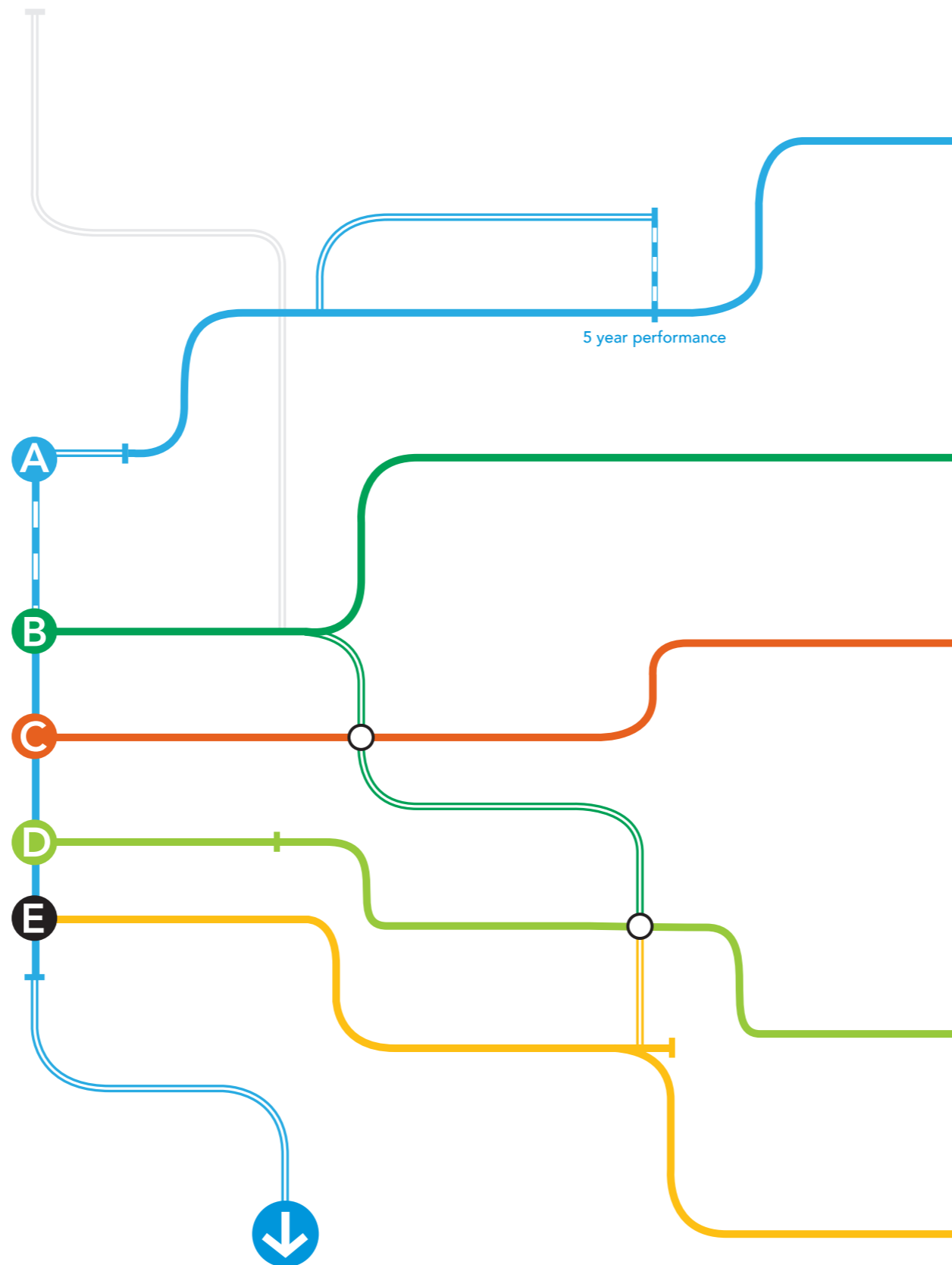




# Eastern Cape Rural Development Agency

## 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
PWC	PricewaterhouseCoopers
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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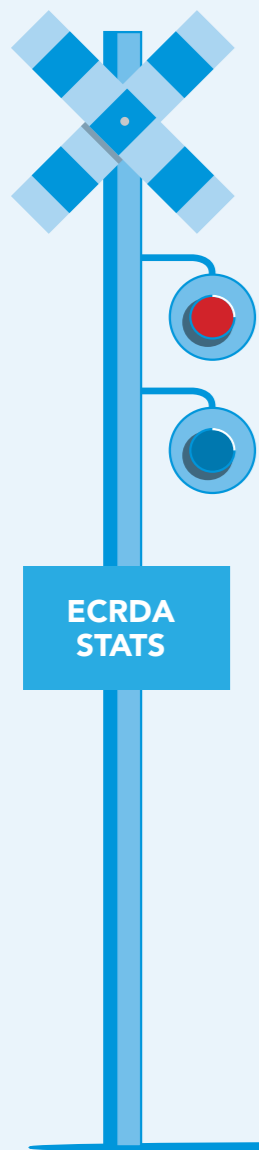
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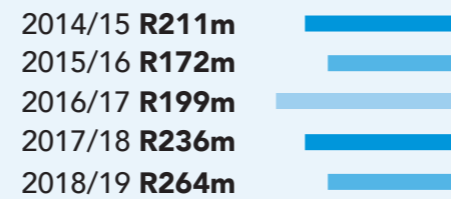
# 2014/15 - 2018/19 Five year milestones



## BUDGET ALLOCATION

**R1b**

2014/15 – 2018/19



## AUDIT OPINIONS

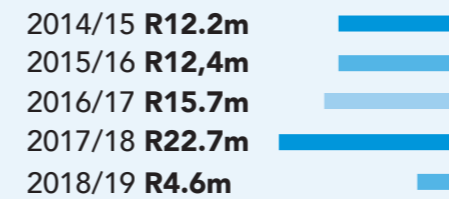
**Unqualified**

2014/15 – 2018/19

## RURAL FINANCE

**R67,6m**

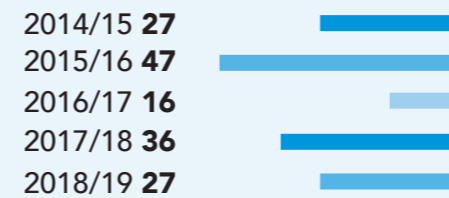
disbursed to 300 rural enterprises



## SUSTAINABLE LEGAL ENTITIES ESTABLISHED

**153 legal**

entities established and supported





RURAL DEVELOPMENT CLUSTERS

# 12 CLUSTERS

established and supported

- 01 Sinemibono vegetable cluster
- 02 Mnceba Livestock cluster
- 03 Amandungwane cluster (Lingomso Lamandungwane)
- 04 Tanga cluster (Thanga/Gwadana/Ngcingwane)
- 05 Tshabo cluster
- 06 KwaKula cluster
- 07 Tshatshu cluster
- 08 Phoenix Investment at Raymond Mhlaba (Taytyorha)
- 09 Vuselela community cluster
- 10 Mabaleni
- 11 Emalahleni vegetable cluster
- 12 Moss Farm Cluster



RURAL DEVELOPMENT PERFORMANCE

## HIPPS

5 year performance



AGRO-PROCESSING

## 4 red hubs

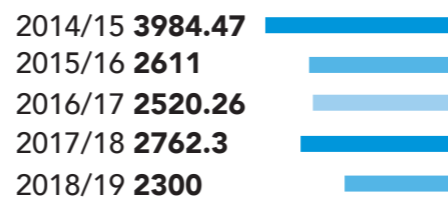
milling plants established

- Ncora
- Mqanduli
- Emalahleni
- Mbizana
- 1 Innovative RED Hub established
- Tshabo

FEEDSTOCK

## 14 178t

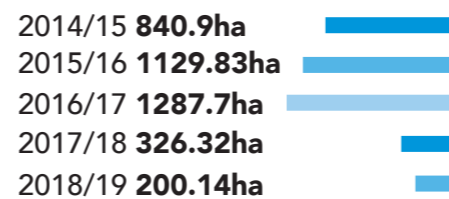
Tons of feedstock to milling plants



FORESTRY DEVELOPMENT

## 3,784.89ha

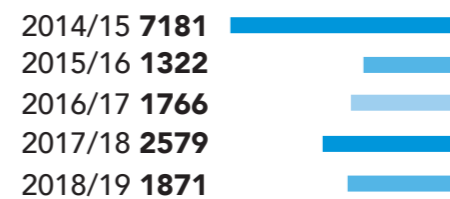
of new plantations



LIVESTOCK MARKETING

## 14 719

livestock units sold



RENEWABLE ENERGY

## 6 renewable

energy and ancillary enterprises established

- Keiskamma Hoek
- Ncora (phase 1)
- Emalahleni (phase 1)
- Mbizana (phase 1 complete and phase 2 initiated)
- Mqanduli (phase 1)
- Upper Blinkwater (phase 1 complete and phase 2 initiated)





# Part A General Information



## About the ECRDA



*“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.”*

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 Asgi-SA-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; that land and other natural resources becoming viable assets in the hands of the rural poor; that 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.



Mbizana RED Hub, Milling Plant





# 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 and departments with the main objective of building a vibrant and sustainable rural economy.

## VALUES

### Transparency

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

### 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 organisation.

### 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.

### Excellence

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

### Ubuntu

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

### 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.



## 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

### Objectives of the Agency

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.



# Strategic Pillars

To achieve these objectives, ECRDA streamlines its efforts and energies in accordance with the following strategic pillars:

**PILLAR 1:**

Fit for purpose organisation to enable strategy implementation

**PILLAR 2:**

Effective coordination and implementation of agrarian driven high impact priority projects (HIPPS)

**PILLAR 3:**

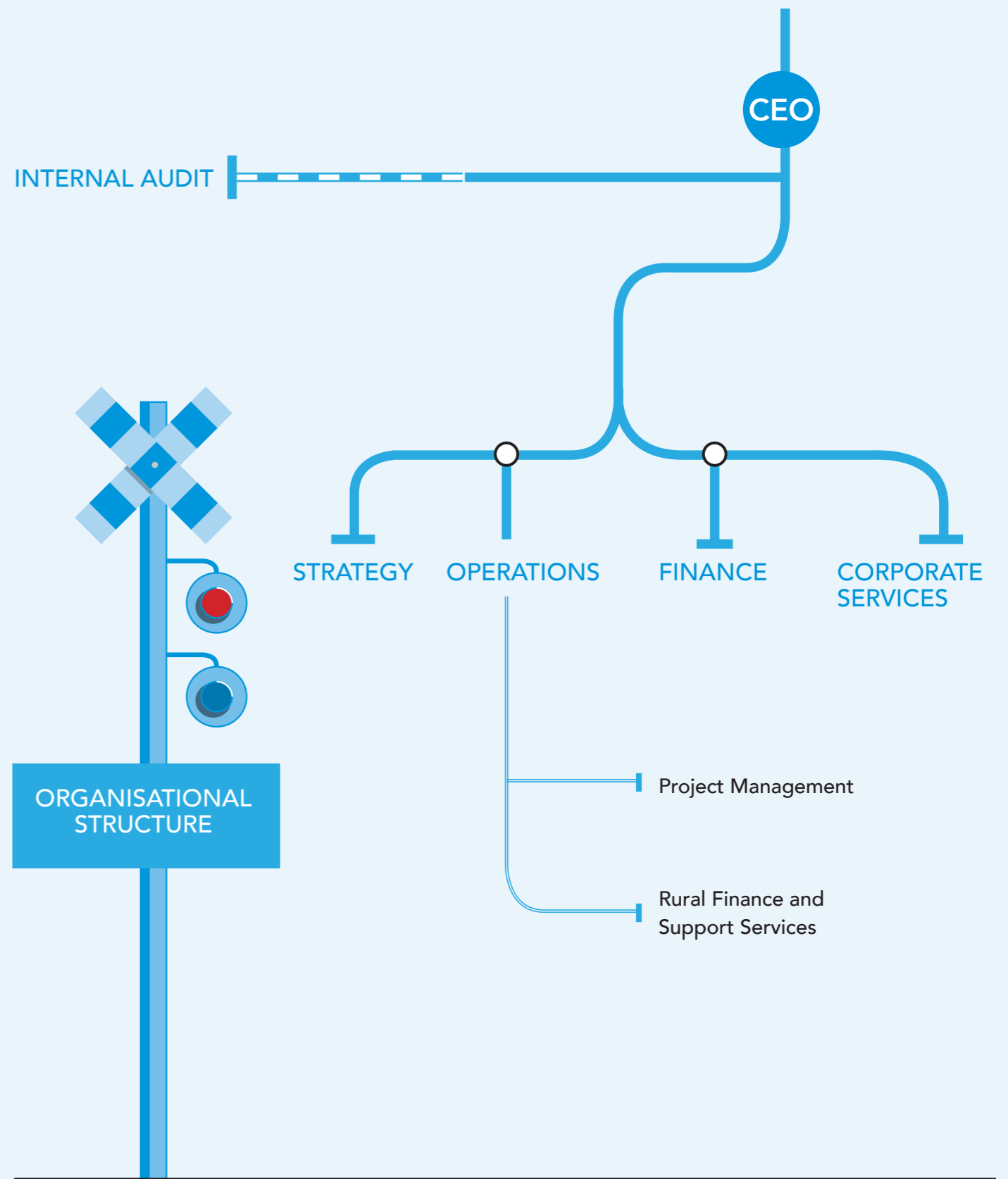
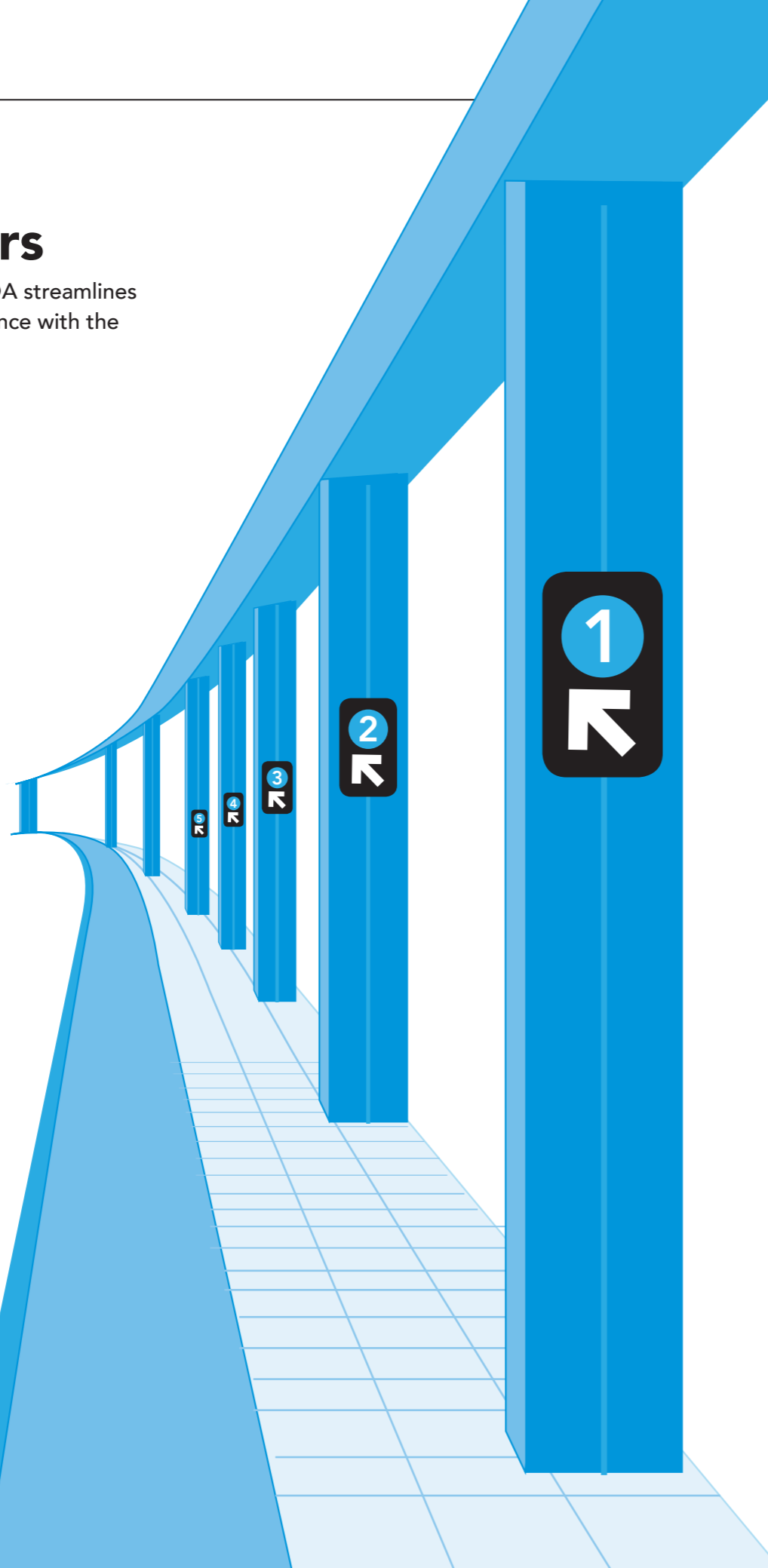
Leverage strategic partnerships towards implementation and funding of rural development initiatives

**PILLAR 4:**

Solicit and promote private sector investment in key rural development initiatives.

**PILLAR 5:**

Create rural development clusters by promoting entrepreneurship through access to finance, market linkages and capacity building







# Statement of Responsibility and confirmation of accuracy for 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 issued by National Treasury.

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

The accounting authority is responsible for the preparation of the annual financial statements and 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, 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 resource information and the financial affairs of the public entity for the financial year ended 31 March 2019.

Yours faithfully

L Nare  
Chairperson of the Board

n dladla  
Chief Executive Officer







# ECRDA Board



1

**MR M MSOKI**

Appointed  
April 2019

**Committees:**  
Human Capital &  
Remuneration  
Committee

2

**MS N MBETE**

Appointed  
April 2019

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

3

**MS Z THOMAS**

Appointed  
April 2019

**Committees:**  
Chairperson:  
Audit & Risk Committee,  
Social & Ethics Committee

4

**ADV P MAYAPHI**

Appointed  
April 2019

**Committees:**  
Audit & Risk Committee

5

**MR S FAKU**

Appointed  
April 2019

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

6

**MR M NCWADI**

**Deputy Chairperson**  
Reappointed  
April 2019

**Committees:**  
Social & Ethics Committee,  
Finance, Projects &  
Investment Committee

7

**MS L NARE**

**Chairperson**  
Appointed  
April 2019

8

**MS N PETELA-NGCANGA**

Appointed  
April 2019

**Committees:**  
Human Capital &  
Remuneration Committee

9

**MR S MAKUNGA**

Appointed  
April 2019

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

10

**AMB M MAQETUKA**

Appointed  
October 2018

**Committees:**  
Human Capital &  
Remuneration  
Committee

11

**N DLADLA**

**Chief Executive  
Officer:**  
Appointed  
October 2018





## Chairperson's Foreword

Class: Board

Valid: 2018 - 2019

Eastern Cape Rural Development Corporation



Growth through agrarian reform



I am pleased to provide a reflective assessment and appraisal of the ECRDA's performance in the 2018/19 financial year. Serving at the pinnacle of the ECRDA is a humbling yet rewarding and empowering exercise which allows the Board to use its collective wisdom to effect real socio-economic change.

As a newly-constituted Board appointed at the beginning of 2019/20, we are excited to coalesce our individual talents and expertise to help redraw the Eastern Cape's rural economic landscape.

The Board wishes to express its heartfelt gratitude to the outgoing Board of Directors whose term came to an end at the end of the 2018/19 financial year. The

former Board under the stewardship of Dr Vanguard Mkosana played a crucial role in placing the ECRDA on a sustainable growth trajectory. Their work laid the foundation for a fit-for-purpose organisation which responds to the most immediate and long-term needs of rural communities and economies. They have laid the groundwork for the new Board to pursue innovative and inventive approaches to take the ECRDA to its envisioned destination.

As such, one of the Board's most immediate tasks was to undertake a considered and incisive review of organisational performance over the last five-year strategy cycle. This review exercise will provide the basis for an energised new strategy cycle which will be underpinned by the development of innovative apparatus and instruments targeted at improved programme delivery. The Board has identified the challenges which proved a hindrance to organisational performance as well as the areas that have helped the ECRDA deliver a solid dividend.

### CONTINUOUS IMPROVEMENT

The Board is therefore engaged in a process of continuous improvement in order to ensure that the ECRDA and its entire people are galvanised toward the attainment of a common future where each employee plays a critical role in the attainment of the organisation's stated objectives.

As a result, the Board has impressed upon management the need for the development of human resources who possess the requisite expertise to help government deliver on the aspirations of the rural populace. Therefore, the organisation will place a high premium on people development to ensure that they are placed where their individual talents will best provide shareholder value. This approach acknowledges that the ECRDA's people are the most crucial agents of the mandate delivery function and they possess the ability to build the envisioned world-class organisation that is in tune with its core business.



### BUILDING THE ECRDA BUSINESS MANDATE DELIVERY

A critical component of the new strategy cycle will be the investigation of new core business delivery areas which will complement the existing suite of the ECRDA's service offering. The organisation is looking to exploit new areas of operation and co-operation to effect the desired impact on the rural economy. This work should be completed in 2019/20.

### STRATEGIC PARTNERSHIPS

Furthermore, the Board has identified the development and maintenance of critical high value partnerships in the mandate delivery function. It is common cause that limited public resources call for increased collaboration between public and private sector partners to widen economic participation. These third-party collaborations are crucial particularly for programmes designed for those in the rural hinterland. Already, the ECRDA has developed exciting partnerships in all its high impact priority projects (HIPPs). Private and public partners augment the ECRDA's ability to make a pronounced development impact. Therefore, the Board will ensure that the strategy development and implementation process is cognisant of the need to develop additional partnerships as the organisation pursues new programme focus areas.

### FINANCIAL PRUDENCE

The Board is mindful of the progress made in the 2018/19 financial year in the core business. The budget allocation of R264 million by the shareholder for 2018/19 is welcomed. The organisation is also mindful that a greater allocation is required to effect the desired outcomes. However, this calls for the ECRDA to practice financial prudence and to make optimal use of available resources in the face of a tough economic climate which is increasingly characterised by financial and budgetary constraints. The Board is engaged in continuous and deliberate conversations with the shareholder in this regard. I am pleased with yet another unqualified audit opinion which will allow the new leadership a sound financial management springboard to support the core business.

### MANDATE DELIVERY

I am equally excited about the work being done in the flagship Rural Enterprise Development (RED) Hubs and the impact on rural communities and enterprises. In 2018/19 the organisation used its R12 million agro-processing budget to provide technical support to the hubs to improve their competitiveness. Furthermore, the organisation's livestock programme used its R3,5 million budget to build beneficiation infrastructure while generating for livestock farmers R3,3 million in sales. Currently, there are 4,412 hectares of new forests planted in the six forestry projects being pioneered by the ECRDA with millions generated in timber sales. The ECRDA will look to improve its loan business to improve disbursements and the repayment rate in order to improve impact and reach. However, the Board is pleased that the ECRDA's rural finance was able to impact 140 clients who received R4,7 million in loan disbursements in 2018/19. The organisation is strengthening its work in the renewable energy programme which is laying the building blocks for an energy efficient rural economy.

**R12m** agro-processing budget to provide technical support to the hubs

**R3,3m** generated in livestock sales

**140 clients** received R4,7m in loan disbursements

In addition, the Board is leading conversations around the efficacy of its subsidiaries so that they develop the requisite business case for further public and private sector investment. The Board is hopeful that in the new financial year significant progress will be made in the development of viable and sustainable subsidiary enterprises at the Magwa and Majola Tea Estates as well as at Kangela.

### APPRECIATION

Finally, the Board extends its sincere gratitude to the Honourable MEC for Rural Development and Agrarian Reform for the period under review Xolile Nqatha for his unwavering support of an inspired delivery of the ECRDA mandate. I am thankful to fellow Board members and the previous Board for their valuable support. I am grateful to the management of the ECRDA and its people for their dedication in a challenging environment. Their resolve to effect the desired mandate outcomes is welcomed.



Lulama Nare  
Chairperson of the board



From Left to Right

NAVY  
SIMUKONDA

Chief Operations  
Officer

ROAK  
CREW

Executive Manager:  
Renewable Energy

JANINE  
BAXTER

Chief Financial  
Officer

NHLANGANISO  
DLADLA

Chief Executive  
Officer

CELLO GARDNER

Executive Manager:  
Corporate Services







## Chief Executive Officer's report

Class: Executive

Valid: 2018 - 2019

Eastern Cape Rural Development Corporation



Growth through agrarian reform



The 2018/19 financial year was the culmination of a five-year strategy cycle for the ECRDA. Since the beginning of the cycle in 2014/15, a firm basis has been laid to catalyse socio-economic development and to impact a rural development terrain characterised by an under-tapped potential against a number of important challenges that need to be addressed.

A dual objective was pursued, namely – (i) the establishment of a fit-for-purpose organisation with the instrumentalities and technical capabilities to facilitate and support projects of strategic import to key stakeholders and communities targeted for inclusion within the economy of the Eastern Cape, and (ii) the actual delivery of, and support to various selected projects across a number of nodal points throughout the province.

Despite a generally challenging operating environment over the last five years, the agency is proud of the socio-economic dividend it has delivered to its communities and the shareholder. The challenges encountered and overcome, milestones achieved, as well as lessons learned,

provide the organisation with the experiential wherewithal to navigate and negotiate the next five-year strategy cycle which will kick into implementation from 2020/21.

The success of the ECRDA as a development-facilitation instrument of the Eastern Cape Provincial Government should be borne on the imprint it burnishes on the rural communities it serves. The assessment of the ECRDA's mandate on the delivery of outcomes is thus not only a quantitative exercise, useful as this is. More importantly, this assessment should be based on the qualitative impact of the ECRDA's programmes on rural livelihoods and the rural economy. It should be measured against the family that has relief to pay for their children's schooling because of the agency's work in its Rural Enterprise Development (RED) Hubs. The impact should be manifest in the previously unemployed youth who have found employment in the maize fields, in milling plants, timber plantations and feedlots who today are able to lift themselves from abject poverty. The ECRDA's success should be measured on the multiplier effect these interventions have on rural economies and communities. In other words, the impact of the ECRDA's programmes is manifest in the quality of lived experiences beyond input and output numbers. It is about demonstrable impact.

### SHAREHOLDER VALUE

The organisation is pleased to report that over the last five years that it has delivered a decent dividend to the shareholder from the approximately R1 billion budget allocation it received between 2014/15 to 2018/19. Of this amount, R230 million was onward transfers to subsidiaries and supported entities. Going forward, the current fiscal environment requires agents of socio-economic change such as the ECRDA to do more with less, and to employ more innovative means to effect the desired impact. It requires us to revisit our choices, as well as recalibrate priorities and the utilisation of funds to better optimise impact and returns against investments. It requires us to re-set partnerships that will be better joined-up and focused on the shared objective of bettering rural livelihoods, incomes and the economy while ensuring an equitable reciprocity of benefit.



I am also pleased to report that the organisation has proven itself a prudent steward of public assets. In this regard, in the last five-year strategy cycle, the ECRDA has reported clean and unqualified audit outcomes.

Five RED Hubs have been implemented during this period, 14 178 tons of feedstock have been delivered to the milling plants, 3,784.89ha of new community forestry plantations have been planted, 14 719 livestock units have been sold, six renewable energy and ancillary enterprises have been established, 12 rural development clusters have been established and supported, while 153 legal entities have been established and supported. Furthermore, R67,6 million has been disbursed to 300 businesses during this period.

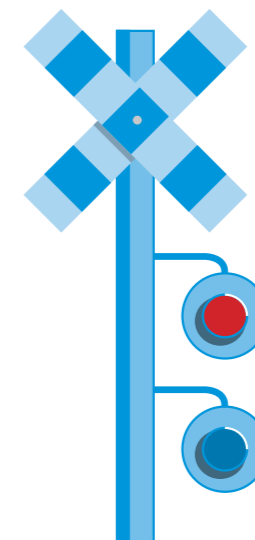
This work should provide the channels, experience, as well as institutional and relationship platforms to intensify the ECRDA's mandate delivery efforts in the next five years.

### DEVELOPMENT OF STRATEGY 2020 – 2025

In 2018/19, as operations on the current portfolio of programmes and projects in our stable proceed, the organisation is also driving a thoroughgoing strategic reflection and development exercise which should lay the building blocks for the five-year strategy cycle commencing in earnest in 2020/21.

A dual thrust going forward will be to consolidate existing programmes that require further development, while also introducing new projects that take advantage of opportunities opened up by shifts in macro-policies, strategy and priorities, as well as new growth areas in the greater economy. The emphasis will still be to build on the promise of catalytic innovation as well as project ideas that promise to deliver good value to all partner stakeholders. Already,

the ECRDA is investigating and entertaining possible investments in new sectors of the rural economy which should complement existing high impact priority programmes. In the next five years and beyond, possible investments in eco-tourism, aquaculture, and waste management could become part of the ECRDA's portfolio, should the business case for their implementation promise viability and the desired impact on jobs, sustainable enterprise, and the promotion of a spatially equitable provincial economy.



The emphasis will still be to build on the promise of catalytic innovation, as well as project ideas that promise to deliver good value to all partner stakeholders.

### RED HUBS

Five RED Hubs have been implemented during this period

**14 178tons**

of feedstock have been delivered to the milling plants

**3,784.89ha**

of new community forestry plantations have been planted

### LIVESTOCK

**14 719**

livestock units have been sold

### RENEWABLE ENERGY

**6**

Renewable energy and ancillary enterprises have been established



**R67,6m**

has been disbursed to 300 businesses during this period





The attraction, development and retention of talent will also continue to be a key pillar of the new strategy. This is systematically accomplished through the ECRDA's people-development policies and support packages. Endeavours to improve internal relations within the organisation have resulted in the establishment of a harmonious organisational culture. Platforms have been revived to facilitate and regulate an ongoing constructive engagement between management and organised labour.

From the third quarter of 2018/19 towards its end, the organisation has also seen a renewal and strengthening of its leadership. A new chief executive officer was recruited at the beginning of the third quarter of 2018/19. A new internal audit service was also secured in the last quarter of the 2018/19 financial year while a new corporate services executive joined the organisation a month into the 2019/20 financial year. A new Board for the agency was also confirmed in April 2019.

At the finalisation of the new strategy development process, the ECRDA's human resources will also be accordingly reconfigured to align to the structuring of the business. Going forward, a commensurate plan will be prepared for the strengthening of the ECRDA's people.

### PERFORMANCE HIGHLIGHTS

I am pleased to provide the following synopsis of the ECRDA's performance in 2018/19: During the period under review, the ECRDA received a R264 million budget allocation. This allocation allowed the ECRDA to consolidate the work of its core business which is focused on the implementation of agro-processing,

livestock development, forestry development, renewable energy and rural finance initiatives which impact rural communities throughout the Eastern Cape. It also allowed the organisation to expand its footprint into new regions of the province which provide an opportunity for a broadened development impact.

## R264m

budget allocation for ECRDA during the period under review

The organisation is also pleased that it has managed to obtain an unqualified audit opinion for the 2018/19 financial year. This achievement has been the hallmark of the ECRDA's financial management regime over the years, and it remains a standard the ECRDA will work to uphold into the future. It is premised on the acknowledgement that government's special purpose vehicles such as the ECRDA should take a lead in the effective, efficient and honest use of public resources in order to broaden the development impact.

### AGRO-PROCESSING

In terms of programme performance, the ECRDA placed a significant focus on the strengthening of its value addition capacity at the RED Hubs. These value addition activities are aimed at improving rural income generation and to support viable rural businesses. As such, the organisation committed its R12 million agro-processing budget toward improving the viability of the RED Hubs by strengthening their technical capabilities and competitiveness. These efforts helped support the creation and retention of 92 permanent jobs at the Ncora, Mqanduli, Mbizana and at the Emalahleni RED Hubs. During the period under review, the organisation also implemented the innovative Tshabo RED Hub. At the Tshabo RED Hub two sites were fenced in the period under review. The RED Hub is earmarked for a flora production enterprise as well as other businesses that may come on stream later should funding become available. In 2019/20, the organisation expects to commence with protea flower production on 35 hectares. Studies indicate that there is a sizeable international market for the consumption of protea flowers due to their resilience and longer life span.



# 92

permanent jobs at the Ncora, Mqanduli, Mbizana and at the Emalahleni RED Hubs were created and retained

### FORESTRY DEVELOPMENT

In 2018/19, the ECRDA cultivated alternative complimentary projects to the forestry business in order to bridge the gap of the nine-year growth cycle of timber. At two of the six community forestry projects in Izinini and Sinawo, the ECRDA made available R3 million for the establishment of vegetable gardens of 10 hectares split evenly between the sites which have already been fenced. In 2018/19, there was a total budget of R1.5 million set aside for project implementation. This budget was utilised for technical support to the forestry projects and for labour costs. There are altogether 4,412 hectares planted in all six projects at different ages. During the period under review, 192 hectares of eucalyptus dunnii were planted at Izinini and Sinawo, while there was no planting at Gqukunqa, Mkhambathi, Sixhotyeni and at



## R1,5m

in 2018/19 was utilised for project implementation

Lusikisiki. It is significant to note that the 192 hectares planted at Izinini and Sinawo were paid for by the Communal Property Associations (CPAs) with no financial injection from the ECRDA or any other donor. This is an exciting development which demonstrates that these projects are moving toward self-sufficiency, with minimal government support required in the long-term.

### LIVESTOCK DEVELOPMENT

The focus of the livestock development programme is premised on the facilitation of value addition and beneficiation activities which should lead to improved marketability and revenue generation among emerging commercial and subsistence farmers. Consequently, the ECRDA allocated a total of R3,5 million for value addition activities such as feedlot development, and a further R350 000 for the establishment of livestock marketing infrastructure in the form of loading ramps and auction pens. In the financial year under review, three livestock auctions were held which generated R3,3 million in sales of about 510 cattle.

### RENEWABLE ENERGY

In the renewable energy programme, a service provider was appointed by the end of 2018/19



## R3,5m

for value addition activities such as feedlot development

for the establishment of a R2,8 million grid tied battery back-up system at the Mbizana Red Hub. The system is designed to reduce the cost of power to the hub and reliance on power supplied by Eskom. The ultimate objective is to expand the system with additional batteries and solar panels to ensure that the Hub is able to meet its own power requirements independent of the national grid.

### RURAL FINANCE

The ECRDA is pleased to report that it disbursed R 4,7 million to 140 clients in 2018/19. The bulk of the loan disbursements went to agricultural loans which accounted for R3,9 million, with the balance of R786,659.07 going to non-agricultural loans.

A total of R1 million was disbursed to the Amathole District Municipality region, R2,4 million went to Alfred Nzo, R321,000 went to Chris Hani, R609,000 was disbursed to OR Tambo, R127,000 went to Sarah Baartman and R198,000 went to the Karoo region.

In 2018/19, total loan repayments were R11,2 million. This number is made up of R10,7 million in ECRDA loans, and R441,000 of the Micro Agricultural Financial Institutions of South Africa (MAFISA) loans.



## R4,7m

disbursed to 140 clients in 2018/19. R11,2m repayments

### BUSINESS SUPPORT AND SOCIAL FACILITATION

The ECRDA's business support and social facilitation programme provides business support, advisory services and capacity-building to external clients such as the co-operatives and businesses which make up the RED Hubs, feedlot owners, forestry development CPAs and the communities which the ECRDA services in general. In future, the programme shall extend its support to loan beneficiaries. The programme has established rural development clusters which provide infrastructure and training support to communities. At the clusters, the ECRDA develops appropriate support packages for these communities. The objective is to break new ground at the clusters and to link them to the ECRDA's HIPPs as well as Agri-Parks established by the Department of Agriculture, Land Reform and Rural Development. The ECRDA also conducted social facilitation activities which assist the strengthening of social cohesion among CPAs at the six forestry projects.

In addition, the ECRDA helped to establish a new cluster, the Moss Farm Cluster, in the Buffalo City Metropolitan Municipality. The organisation assisted the cluster with fencing material to the value of R29,970, in order to prevent stock theft.



## SUBSIDIARIES & SUPPORTED ENTITIES

In 2018/19, the ECRDA provided financial and technical support to its subsidiaries and associated entities. They include the Magwa-Majola Tea Estate, Amajingqi Macadamia Farming as well as the Kangela Citrus Farm. The ECRDA's interventions are meant to improve the general financial health of these supported entities as well as their productivity and competitiveness. The Magwa-Majola Tea Estate business rescue process terminates in June of the 2019/20 financial year. During the review period a total of R57 million was allocated to Magwa-Majola Tea Estate. A total of 1,312ha and 170ha were planted in Magwa and Majola respectively.

Support was also extended to the Kangela Citrus Farm and to Amajingqi Macadamia Farming. A total of R33 million was allocated to Amajingqi which had 267ha of macadamia nuts under production in 2018/19. At Kangela, the ECRDA's participation was suspended following a court declaratory stemming from a takeover putsch by some director trustees of Kangela. The court order led to a restriction of the agency's support to the citrus farm. The provincial Department of Rural Development and Agrarian Reform (DRDAR) has stepped in to provide legal support and and it is working with stakeholders to save the Kangela Citrus Farm from being taken away from its real beneficiaries.

## APPRECIATION

I would like to extend the ECRDA's gratitude to the MEC for Rural Development and Agrarian Reform over the term under review, the Honourable Xolile Nqatha, for his leadership, wise counsel and support for the attainment of the ECRDA's vision. I also extend the ECRDA's appreciation to the outgoing Board of Directors under the chairpersonship of Dr Vanguard Mkosana for their considered support and valuable oversight role over the last five years. Similarly, I extend a warm welcome to the new Board of Directors led by Ms Lulama Nare as Chairperson. The ECRDA is looking forward to the Board leading the development of the next five-year strategy cycle which should ensure that the agency continues on its growth trajectory. I am also grateful for the support of stakeholders who selflessly lend their resources to the shared development task. Last but not least, a note of appreciation is extended to the whole staff of the ECRDA, the agency's brand ambassadors, for their continued tireless effort in working to improve the livelihoods of fellow citizens within a demanding service delivery environment.



**nhlanganiso dladla**  
Chief Executive Officer



**Chief Financial Officer's overview**

Class: Executive

Valid: 2018 - 2019

**Eastern Cape Rural Development Corporation**

Growth through agrarian reform

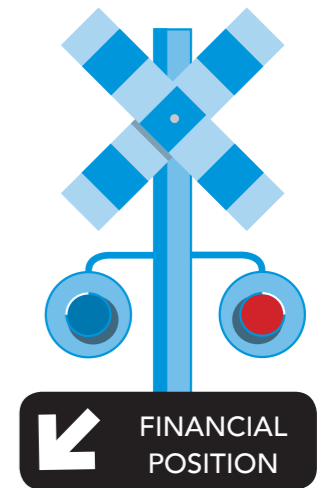
The ECRDA Group concluded the fiscal year with a solid performance across the board. The ECRDA is well-positioned to define and pursue new goals for the 2020-25 strategic cycle, whilst building on and maintaining flagship projects.

To place the 2018/19 performance in context, it is necessary to keep in mind that the ECRDA is a schedule 3C listed public entity. This means that the ECRDA is not profit driven and surrenders unspent funds at the end of the financial year to Provincial Treasury. This hampers the building up of reserves to reduce government dependency, long-term planning and, to an extent, participation in multi-year projects.

The ECRDA is dependent on Provincial Government funding for its operations and programmes which was constrained during the fiscal year. Given the current global economic outlook and the low growth expectation for the South African economy, the traditional funding sources for the ECRDA is expected to increase below inflation for the foreseeable future. The Provincial Equitable Share for the Eastern Cape, influenced by population estimates, continues to reduce. The ECRDA will thus pursue ambitious targets in both revenue generation, project funding models and cost containment to

stay relevant within an extremely competitive environment for limited government funding.

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 year resulting in the Kangela losing control over Kangela Farms.



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

The asset base of the ECRDA decreased by R5 million, or 3 per cent, year on year, influenced by the value of the ECRDA Loan Books, Trade Receivables and Cash Holdings.

Cash holdings include R37 million administered fund holdings and R22 million due for distribution to Provincial Treasury. Taking cognisance of the cash holding ownership, the ECRDA's quick ratio

improved from 0.3:1 in 2018 to 0.8:1 in 2019. The ECRDA is able to pay its debts as they fall due, based on ongoing government funding in the foreseeable future.

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

the 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 total value of ECRDA loans granted amounts to R49 million.**

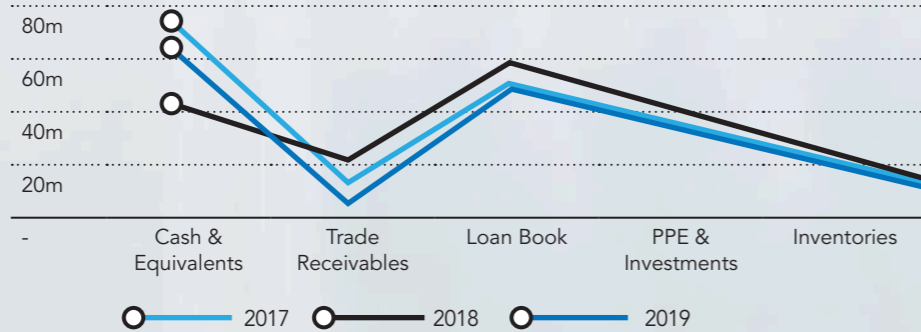




The provision for impairments increased by R14 million (2018: R20m), contributing to a R21 million deficit for the financial year and a decrease in the value of the loan books. The current impairment levels are aligned with the risks associated in supporting and developing rural enterprises and agricultural loans as these are typically high-risk sectors which may

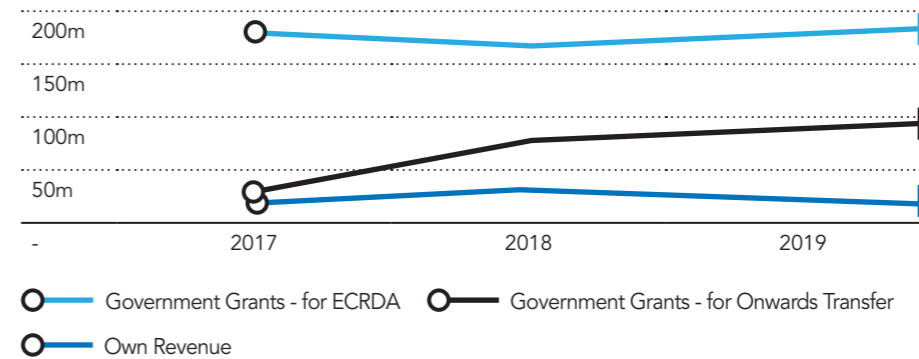
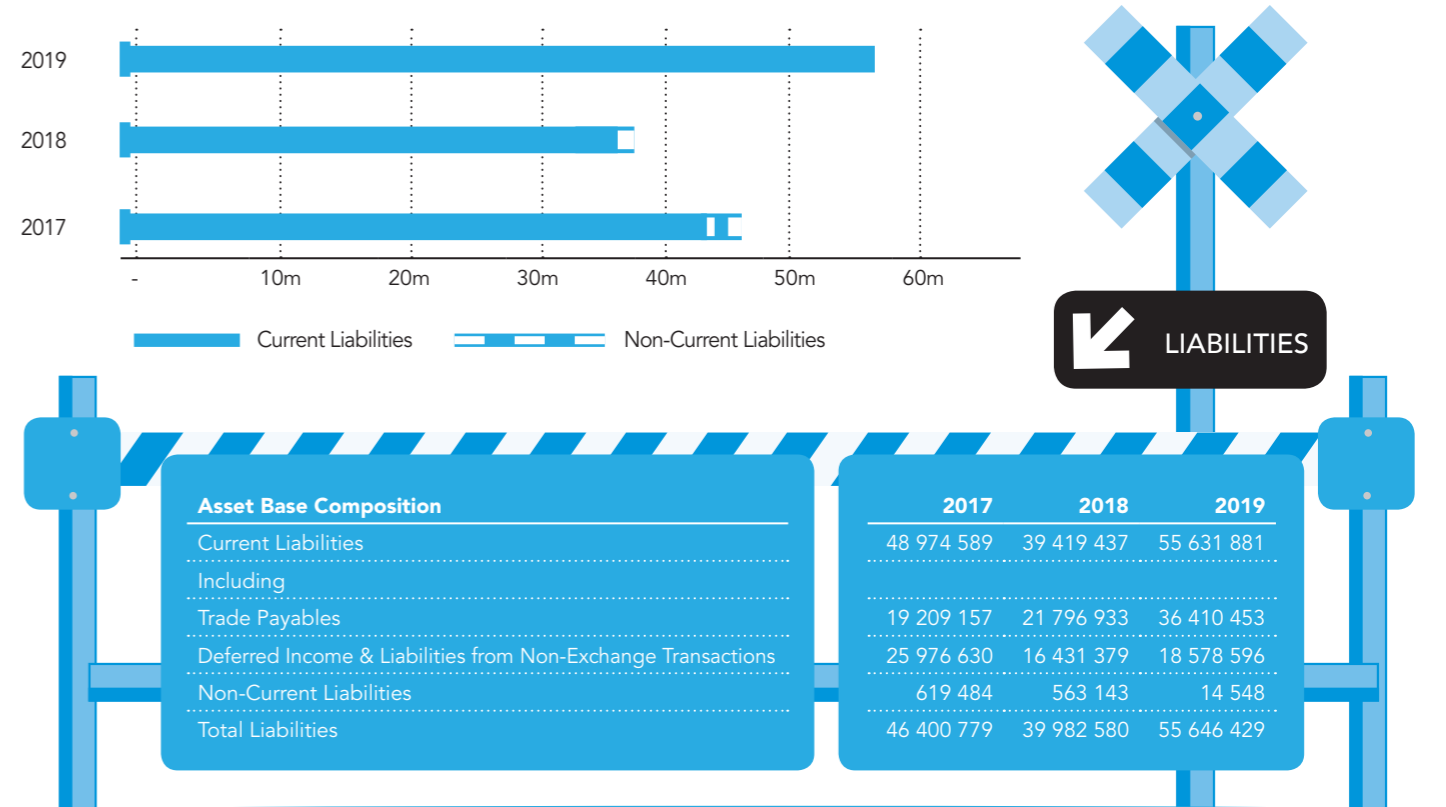
be unattractive to commercial financiers. The ECRDA is currently engaged in the review of the rural finance strategy and operating model to find the equilibrium between improving financial returns and providing developmental finance at a low cost to clients in a high-credit risk environment.

Trade receivables was negative affected by the impairment of R8m owing by DAFF for programmes implemented on its behalf by the ECRDA. The amount is impaired despite ongoing inter-governmental relations to resolve the matter. The ECRDA also recovered R9m owing by Kangela during the year.



## LIABILITIES

Consistent with the ECRDA's operating model, liabilities are largely short-term in nature and comprises mainly 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. The Jobs Fund Agro-Processing and Forestry projects were finalised during the year. Trade payable included the distribution due to Provincial Treasury.



The funding allocated to the ECRDA by provincial government increased by R29 million (11 per cent) to R288 million in the 2018/19 year and it included an increase in transfer payments of R23 million. The ECRDA also received funding of R3.5 million to implement youth-focused development projects on behalf of the Office of the Premier (OTP). As funding for onwards transfer amounted to R93m, the increase in government funding is therefore not indicative of significant increased funding for the ECRDA's own projects and operations.

Transfer payments in the amount of R33 million (2018: R0) were received in support of the Amajingqi Macadamia Project and R57million (2018: R45 million) for the Magwa and Majola tea es-

tates' business rescue process. 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 and Mbizana, which focus on grains and milling. Phase 1 of the Tshabo RED hub is the establishment of a protea farm and nursery.

## 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 licenc-

ing fees. The refurbishment of the Sun Building in King William's Town is planned which will result in more optimal use of own assets. 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 92 to 163.

**Janine Baxter**  
 Chief Financial Officer



# Part B Performance Information



## Agro-processing



### VALUE ADDITION

The 2018/19 financial year provided an apt opportunity for the organisation to begin a reflective appraisal of its efficacy in transforming rural economies and communities for a pronounced development impact. Emerging from a five-year strategy implementation cycle, the ECRDA has therefore begun a considered and exciting assessment exercise of the performance of its agro-processing development programme and in particular its flagship Rural Enterprise Development (RED) Hubs.

Initial uncertainties around the ECRDA's role in primary production versus its processing and beneficiation activities have since been resolved. As such, the period under review entrenched that certainty, and the agency

refocused its collective energy on building the value addition capacity of its Rural Enterprise Development Hubs in order to improve rural incomes and the sustainability of rural enterprises.

At the epicentre of the agro-processing programme is the acknowledgement that rural enterprises should support primary production with beneficiation activities for value addition which should translate to tangible improvements in job creation and revenue generation. In this respect, the ECRDA is leading an energised effort to ensure that rural enterprises and communities are not only centres of primary production with little or no value being added to their primary produce. An improvement in the primary production capacity of rural communities and enterprises should lead to the creation of an entire value chain and downstream opportunities in processing, logistics as well as marketing and sales located within the RED Hubs. This should ensure that revenue circulates within these communities.







**TECHNICAL SUPPORT**

As a result, in 2018/19, the ECRDA channelled its R12 million agro-processing budget and its resources toward providing the requisite technical support to its RED Hubs. The technical support is geared toward building internal capacity in the management and productivity of the five hubs in Mqanduli, Ncora, Mbizana, Emalahleni and Tshabo.

A consultant from Intercom is training RED Hub workers on food safety management systems in preparation for Hazard Analysis and Critical Control Point (HACCP) accreditation. HACCP accreditation is crucial in processing activities as it assures retailers of the safety of the products manufactured at the hubs. This accreditation should also boost the marketability of the products manufactured at the mills.

In addition, First Business South Africa was appointed to assist in developing logistics, marketing and sales plans for the RED Hub milling plants with the objective of penetrating the retail sector. In this regard, through its relationship with the Walter Sisulu University (WSU), First Business South Africa secured 20 students from the institution to assist the RED Hubs with sales and merchandising as well as public relations and communication. These students are being paid stipends by the Services SETA. Four students are placed at the Mqanduli, Ncora, Mbizana and Emalahleni RED Hubs. Four others are based at the head office in East London. The presence of these students is geared at ensuring an improvement in access to markets for the hubs.

**MARKET ACCESS**

These efforts are already bearing fruit. During the review period, the RED Hubs reached a significant milestone when they concluded an eight-year trade agreement with the Eastern Cape Spar Group. It is anticipated that the Mqanduli milling plant will supply super maize meal to 12 Spar stores at the beginning of 2019/20.

Furthermore, the Boxer Group has also expressed an interest in working with the RED

Hubs. At the end of the review period, the Boxer Group had visited the Mqanduli milling plant and it has notified the ECRDA of its intention to enter into a trade agreement with the Mqanduli RED Hub to supply super maize meal to its stores.

**DEMONSTRABLE IMPACT**

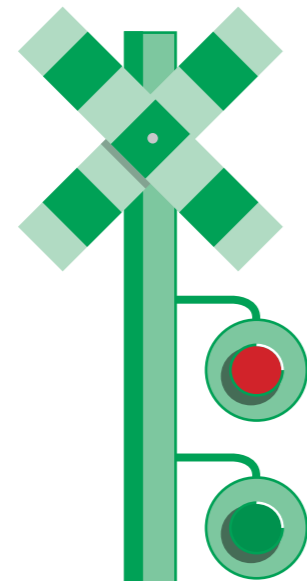
In 2018/19, the ECRDA also planned to establish four grain demonstration sites of one hectare each at the Ncora, Mbizana and Emalahleni RED Hubs as well as a 50 hectare soya demonstration site in Mqanduli.

The purpose of the demonstration sites was to assist farmers with practical training on grain production. This is aimed at improving grain yields by demonstrating to the workers the significance and impact of planting dates on production output. Soil preparation at the demonstration sites started in September 2018 with planting commencing in mid-October and November. However, in most of the sites drought conditions resulted in less moisture content being available for germination resulting in late planting in some parts. The results of the demonstration sites will become available in the new financial year.

Planting did not go ahead at the soya demonstration site because of dry land conditions.

During the period under review, the ECRDA also planned to conduct a baseline survey to support the sorghum transformation agenda. A service provider was appointed to conduct the survey. The service provider visited all the primary co-operatives in Lady Frere which concluded with the production of a report which was workshopped to the broader stakeholder community to critique and to advise.

Further RED Hub support included the establishment of two new silos in Mqanduli and Ncora of 1,000 tons and 750 tons respectively in order to justify the milling plants.



**MQANDULI RED HUB**

**425tons**

of maize delivered to the silos for the year 2018/19.

In 2018/19, the Mqanduli RED Hub delivered 425 tons of maize to the silos from the 322 hectares of white maize planted in 2017/18. Of the 425 tons, some was processed into super maize meal and the poor quality maize was sold as grain maize for animal feed. The primary co-operatives which comprise the Mqanduli RED Hub generated R607 000 in maize sales to the milling plant. The super maize meal was sold to the

surrounding communities especially to the social development pay points. In 2018/19, 268.99 tons were processed into super maize meal, samp and animal feed. Furthermore, in 2018/19, 993 hectares were planted with white maize at the Mqanduli RED Hub.

**R607 000 IN SALES**

**NCORA RED HUB**

**518tons**

of maize delivered to the silos for the year 2018/19.

During the period under review, a total of 518 tons of white maize were sold to the silos at the Ncora milling plant from the 1,164 hectares planted in 2017/18. This is despite a community conflict in the area in which the ECRDA had to mediate. As a result of the conflict, the maize harvest in Ncora was not processed in

2018/19 and it is still stored at the grain storage silos. Processing is expected to commence in 2019/20. In addition, in 2018/19 no planting took place because of this community conflict.

**NO SALES GENERATED**

**MBIZANA RED HUB**

**1,156tons**

of maize delivered to the silos for the year 2018/19.

During the review period, 1,156 tons of white maize was sold to the milling plant from the 1,340 hectares planted in 2017/18. Primary co-operatives generated R1,9 million in maize sales. A total of 102 tons of the maize harvest was processed into super maize meal, samp and animal feed. It is important to note that

maize is processed according to market demand. In 2018/19, 784 hectares of white maize were planted in Mbizana.

**R1,9M IN SALES**

**EMALAHLENI RED HUB**

**380tons**

of sorghum delivered to the silos for the year 2018/19.

In 2018/19, primary co-operatives at the Emalahleni RED Hub delivered 380 tons of grain sorghum to the silos from the 392 hectares planted in 2017/18. They generated R1,1 million in grain sorghum sales. The sorghum was sold mainly to Qumrha Distributors.

In 2018/19, only 43 hectares of grain sorghum were planted because of the persisting drought.

**R1,1M IN SALES**





**TSHABO RED HUB**

**35ha**

will be used for protea flower production in 2019/20

At the Tshabo RED Hub two sites were fenced in the period under review. The RED Hub is earmarked for flora, snail and vegetable production through hydroponics. At this stage, the focus is on flora production. Currently, the ECRDA is focused on building infrastructure capacity at the hub. In 2019/20, the organisation expects to commence with protea flower pro-

duction on 35 hectares. Studies indicate that there is a sizeable international market for the consumption of protea flowers due to their resilience and longer life span.

**EARMARKED FOR FLORA, SNAIL AND VEGETABLE PRODUCTION**

**JOB CREATION**

By the end of the 2018/19 financial year, there were 92 permanent employees at the Mqanduli, Ncora, Mbizana and Emalahleni RED Hubs.

**FUTURE OUTLOOK**

Moving forward, the ECRDA intends to review the performance of the RED Hubs and to improve and intensify its efforts in beneficiation and value addition activities at the hubs by providing the requisite technical support to build the capacity to service large trade contracts. Improved production volumes at the processing plants should result in improved job creation and the creation of a value chain which has a direct impact on the communities in which these enterprises reside. Further-

more, the ECRDA will support the primary production efforts of DRDAR and other partners to ensure that the necessary economies of scale are realised to support the servicing of large commercial contracts at the processing plants.

Furthermore, the strategic reflection exercise currently being undertaken by the organisation should identify areas of improvement in the mandate delivery process. The new five-year strategy cycle should also identify further opportunities for energised mandate delivery.



**Livestock Development**



The focus of the livestock development programme is premised on the facilitation of value addition and beneficiation activities which should lead to improved marketability and revenue generation among emerging commercial and subsistence farmers. The ECRDA's livestock development programme is therefore aimed at promoting and developing the ability of subsistence livestock farmers to disrupt the commercial value chain. The ECRDA's support is therefore ripe for emerging commercial and subsistence livestock farmers who wish to add value to their primary production activities and therefore build sustainable and profitable rural enterprises.

The organisation's support for rural and commercial livestock farmers is driven by the need to reverse the anomalies which permeate the sector. Although this segment of the market produces approximately half of the livestock units in the Eastern Cape, it only accounts for less than 5% of revenue generation in the industry. This is largely because livestock held by subsistence farmers holds no economic value and attitudes need to be changed for this segment to view livestock farming as an economic activity with a potential for significant revenue generation prospects. In the subsistence sector, the livestock condition is so poor that livestock sales are not profitable. The ECRDA is actively putting in place instruments and the required infrastructure to improve the livestock condition in this segment of the market.

Subsequently, the ECRDA allocated a total of R3,5 million for value addition activities such as feedlot development and a further R350 000 for the establishment of livestock marketing infrastructure in the form of loading ramps and auction pens.







**LIVESTOCK MARKETING**

In 2018/19, the ECRDA built three loading ramps and one auction pen to drive livestock marketing. The loading ramps were built in Peddie and at the Raymond Mhlaba and Intsika Yethu local municipalities while the auction pen was erected at the Enoch Mgijima Local Municipality. There were three auctions held at the auction pen in Enoch Mgijima which were facilitated by the ECRDA and Sheard Auctioneers. About 510 cattle, 170 per auction, were sold at the three auctions. A total of R3,3 million was raised through the auctions with each livestock unit sold at an average of R6,500. The livestock which were in a reasonable condition was sourced within the Whittlesea area. Currently, the Peddie, Raymond Mhlaba and Intsika Yethu regions do not experience livestock marketing challenges.

In 2018/19, the ECRDA built three loading ramps and one auction pen to drive livestock marketing.

**CATTLE AUCTIONED**  
**510 cattle sold**  
 at an average of R6,500 a unit. This resulted in R3,3million in livestock

**VALUE ADDITION**

The main challenge resides in the former Transkei area which is characterised by poor livestock conditions due to land pressure. To address the poor livestock condition in the former Transkei and to improve livestock sales, three feedlots have been established in Mqanduli and two others at Intsika Yethu Local Municipality in Zigudu and Ncora. These feedlots are aimed at bringing livestock units in rural communities to a marketable condition. Farmers in the former Transkei are starting to send their cattle to these feedlots to improve their condition and marketability in order to fetch higher prices at the market.

As a result, in 2018/19 abattoirs from the East London economic hub started to source livestock from these feedlots. In 2018/19, these abattoirs bought about 40 cattle once every

three months from the feedlots. This activity is unheard of in these areas. The average price of the cattle bought at the feedlots in 2018/19 was R10,500 per animal. A total of R400 000 was raised in each three month cycle. This money goes back to the communities in the former Transkei.

The feedlots are owned by primary co-operatives. The condition for the ECRDA's support for the establishment of the feedlots was that each community must indicate its commitment to the success of the project and the form which it would take.

**INSTITUTIONAL ARRANGEMENTS**

The primary co-operatives decided on a shareholding arrangement wherein all those interested individuals within a community would buy shares in the feedlot. In Zigudu the 19

members contributed R2,000 each as a commitment and to secure their share of the feedlot. At the Mqanduli feedlot the 20 co-operative members contributed R5,000 each. In Ncora the 16 shareholders contributed R7,000 each. As part of the operating model, community members bring their cattle to the feedlot to be fattened for a fee for a period of 60 to 75 days before it gets sold. Once the cattle are sold, the feedlot recovers from the sale its feeding costs and the balance goes to the owner of the livestock units. Alternatively, community members can sell their livestock (in a poor condition) to the feedlot and the feedlot improves the condition of the animal before selling it to generate higher revenues.

**NCORA FEEDLOT**

**50 - 70 cattle**  
 are currently being fed although it has a capacity to feed 350 cattle at any given time

**ZIGUDU FEEDLOT**

**20 - 40 cattle**  
 are currently being fed although it has a capacity to feed 400 cattle at any given time

The Ncora feedlot currently feeds 50 to 70 cattles at any point although it has a capacity to feed 350 cattle at any given time. At Zigudu 20 to 40 cattle are fed at the feedlot at any point. The Zigudu feedlot has a capacity to feed 400 cattle.

The Mqanduli feedlot currently feeds between 17 to 20 cattle because of water challenges in the area. To address this challenge, the ECRDA will install a water system and a storage shed in Mqanduli in the new financial year. The Mqanduli feedlot has a capacity to feed 500 cattle.

The ECRDA is engaging surrounding communities to maximise the capacity of these feedlots and to demonstrate the buy-in of the operating model. Currently, the feedlots rely on commercially mixed feed which costs about R5,100 per ton. As such, the plan is for feedlots to produce

their own feed ingredients to bring down the cost of feeding per ton. This means feedlots must produce their own maize and lucerne to make feed. Once the cost of feeding is reduced, more farmers will use the services of the feedlots.

Similarly, in Zigudu, the ECRDA plans to install an irrigation system in order to produce maize and lucerne as feed ingredients to bring down feed costs. In Ncora, the feedlot has already started planting maize so they can make their own feed. Furthermore, there is a need to instil business management principles in Ncora for sustainability purposes.

For the general sustainability of the feedlots, there is a need to ensure that they feed their own animals. This should lead to a decline in the import of cattle into the province.

**JOB CREATION**

At the Mqanduli feedlot one person was employed in 2018/19. In Ncora nine people were employed and five were employed at Zigudu.

**FUTURE OUTLOOK**

Finally, directed by the dictates of the envisaged new five-year strategy cycle, the ECRDA will strengthen its processing and value addition activities by providing the necessary infrastructure required for livestock marketing to thrive in rural communities. The idea is to establish sustainable rural livestock farm-

ing enterprises which begin to challenge the dominance of a few commercial enterprises in the industry. The plan is premised on the objective of ensuring that rural subsistence farmers begin to ensure that their livestock assets return maximum economic value. These interventions should result in improved rural incomes and job creation prospects.



Ncora Feedlot





# Forestry Development



The ECRDA's forestry development programme is driven by a need to assist rural communities realise the immense economic potential presented by their dormant land assets. Land is a source of vast economic wealth and the ECRDA's foray in the forestry sector is aimed at helping communities derive economic value and meaningful participation in the exploitation of their land assets and in the production and processing value chain.

The Eastern Cape possesses the largest potential of any province in South Africa for new afforestation projects. Currently, economic benefit in forestry is centralised in a small pool of large commercial producers and processors and the communities derive little or no economic value. As a result, the ECRDA continues to identify and support communities through-

out the Eastern Cape which hold a potential for forestry development by providing rural enterprises with technical and beneficiation support instruments. Forestry development in the Eastern Cape has a minimal history of skills transfer further disadvantaging rural enterprises and communities who wish to enter the value chain. The ECRDA intends to bridge this gap through

various support mechanisms and strategic partnerships to ensure rural communities generate sustainable economic returns from their forestry development assets.

### STRATEGIC PARTNERSHIPS

The agency is excited that partnerships already exist with large commercial forestry growers and businesses which are willing to support the development of emerging forestry enterprises. The ECRDA is therefore grateful for the support of its strategic partners such as PG Bison and SAPPI. SAPPI provides a technical support team to guide projects in Izinini, Mkhambathi, Sinawo and in Lusikisiki. PG Bison provides support to the Gqukunqa and Sixhotyeni forestry projects. These partners have off-take agreements in place to purchase the timber produced at these six forestry enterprises.

The plan is to drive rural forestry enterprises beyond primary production to include beneficiation activities in the long-term. The focus on beneficiation activities is crucial if rural communities are to improve revenue generation and in ensuring a more focused participation in the entire forestry value chain.

### COMPLIMENTARY PROJECTS

In 2018/19 the ECRDA focussed on alternative complimentary projects to the forestry business to bridge the gap of the nine-year growth cycle for timber. This is because rural communities cannot be expected to wait for nine years to generate an income from timber sales. It takes nine years for trees to mature and to be in a

harvest-ready state. These rural enterprises need alternative revenue streams to fill the gap while the trees are at its growth stage.

At two of the six forestry projects in Izinini and Sinawo, the ECRDA made available R3 million for the establishment of vegetable gardens of 10 hectares in total split evenly between the sites which have already been fenced.

The projects have planted cabbage, spinach, butternut, potatoes and onions which are sold to the surrounding communities and to hawkers. At Izinini, the Communal Property Association (CPA) negotiated with the local Spar and Boxer stores to supply them with their harvest. The project also has a hawker stand in town to sell the crops.



### OPERATIONAL PERFORMANCE

In 2018/19, there was a total budget of R1.5 million set aside for project implementation. This budget was utilised for technical support to the forestry projects and for labour costs. During the period under review, 192 hectares of eucalyptus dunnii were planted in Izinini and Sinawo with no planting at Gqunkunqa, Mkhambathi, Sixhotyeni and at Lusikisiki. It is significant to note that the 192 hectares planted in Izinini and Sinawo were paid for by the CPAs with no financial injection from the ECRDA. This is an exciting development which demonstrates that these projects are moving toward self-sufficiency with minimal government support required in the long-term. Inputs such as seedlings were provided by SAPPI at no cost.

In Mkhambathi and at Sinawo the projects are already self-sustaining and they are selling their own timber. The income generated from timber sales is being reinvested back into the operations. In Mkhambathi harvesting began in the last quarter of 2018/19. SAPPI buys the timber from Mkhambathi and Izinini. The total revenues generated from the Mkhambathi harvest will be reported in 2019/20. The Sinawo proj-

ect sold timber to the tune of R6,3 million in 2018/19 mainly from jungle tree sales. Some trees in Mkhambathi and Sinawo were planted in 2010 and they have therefore reached the nine-year growth cycle and they are being harvested. The project is yet to harvest its formal production.

There are 4,412 hectares planted in all six projects at different ages. Izinini, Gqunkunqa, Sixhotyeni and Lusiski started planting in 2013 and they are expecting to start harvesting in 2022. In Sinawo there are 1,687ha planted, 887ha in Mkhambathi, 721ha in Gqukunqa, 482ha in Izinini, 407ha in Sixhotyeni and 156ha in Lusikisiki. At the end of 2018/19 137 people were employed in Sinawo, 33 at Izinini, 24 in Mkhambathi, 12 in Gqukunqa, 12 in Sixhotyeni and there were no jobs recorded at Lusikisiki.

A tractor worth R344 000 was purchased for Izinini to transport equipment and to support operations.

There are 4,412 hectares planted in all six projects at different ages.

<b>SINAWO</b>	<b>1,686ha</b>
<b>MKHAMBATHI</b>	<b>887ha</b>
<b>GQUKUNQA</b>	<b>721ha</b>
<b>IZININI</b>	<b>482ha</b>
<b>SIXHOTYENI</b>	<b>407ha</b>
<b>LUSIKISIKI</b>	<b>156ha</b>

### FUTURE OUTLOOK

The organisation is developing a new strategy which should define the strategic posture of the ECRDA as well as influence the trajectory of the forestry development programme. In the next five years the forestry development programme intends to secure funding to expand the footprint of the existing projects. Indica-

tions are that these projects are viable. However, economies of scale are required in order to maximise profitability. A total of R72 million is required over three years to increase the planted area by 1,650 hectares and to fund the maintenance of the forests. This should lead to improved income generation and sustainability for the projects. The plan is to establish two timber processing plants. The organisation is in

a process of developing business plans for the establishment of these processing plants.







# Renewable Energy



The ECRDA renewable energy programme acts as a valuable support function to the interventions being championed by the organisation. The development of a viable renewable energy sector is at the epicentre of the organisation’s drive to ensure that rural communities in particular are self-sustainable in an ever-changing and volatile energy generation environment.

With energy production uncertainties emanating from the challenges facing the national grid, the production and establishment of alternative energy sources is non-negotiable. This is particularly true for the projects being driven by the ECRDA because of their rural base which is not adequately linked to reliable energy supply. As such, the ECRDA’s renewable energy interventions are designed to support the work in its high impact priority programmes particularly at the RED Hubs.

## OPERATIONAL PERFORMANCE

As such, in 2018/19 the ECRDA planned to put in place a business model for the development of a feedstock aggregator and to implement a grid tie battery back-up system for the Mbizana RED Hub.

The objective of the aggregator is to support agro-processing investment coming into the province by assuring the investment community of the availability of feedstock supply. Investors will not invest in the province unless they are guaranteed of sufficient reliable feedstock supply to achieve sustainable and economically viable investments. To ensure a reliable supply of feedstock, the aggregator will procure feedstock from local farmers and top up requirements by importing shortfalls from oth-

er provinces and/or abroad. Parallel to this, the feedstock aggregator will facilitate the development of local farmers to ensure sufficient production to displace imported feedstock in favour of local producers. The preliminary work toward the finalisation of the business model was concluded in the period under review.



Furthermore, a service provider was appointed by the end of 2018/19 for the establishment of the R2,8 million grid tied battery back-up system at Mbizana. Before implementation could proceed, it was necessary to first rectify challenges on site identified by the service provider. The system is designed to reduce the cost of power to the hub and the reliance on power supplied by Eskom. The ultimate objective is to expand the system with additional batteries and solar panels so as to make the Hub able to meet all its own power requirements independent of the national grid. The system will go live in the new financial year.

In 2018/19 the organisation also kept a watching brief on the mini-grid being constructed at Upper Blinkwater near the Mpofu Game Reserve. The development of the mini-grid is being rolled-out in partnership with the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) and Germany’s province of Lower Saxony. The ECRDA has already installed the solar panels and the fencing at a cost of R1,3 million. Partners are in the process of installing the distribution grid and backup generator which is expected to be finalised in 2019/20. The grid will provide

power to the village of Upper Blinkwater which is not expected to be on the Eskom electricity supply pipeline for the next 10 years. At completion, the mini-grid should provide power to 64 households in the village.

## UPPER BLINKWATER

# R1,3m

to install solar panels and fencing at Upper Blinkwater

## FUTURE OUTLOOK

Moving forward, the renewable energy programme intends to provide further support to initiatives aimed at energy self-sufficiency particularly in support of the ECRDA high impact priority programmes. The development of the new five-year strategy cycle should assist the organisation identify intervention areas in renewable energy which will result in a pronounced socio-economic dividend.



Upper BlinkWater Mini Grid





# Rural Finance



The ECRDA continues to extend credit lines to deserving entrepreneurs based in rural communities in order to stimulate robust economic activity and to encourage job creation. The extension of these credit lines should reduce poverty and the reliance of rural communities on the state. Development finance by its character is empowering and it encourages growth and innovation. This is particularly important for entrepreneurs in the rural hinterland who otherwise do not have access to security and the collateral required for funding by private lenders.

Due to its developmental posture, public agents of social change such as the ECRDA must hold a delicate balance between financial sustainability and development imperatives. This affects repayments. This means these special purpose vehicles of the state must take on a higher risk appetite in their lending posture in order to service even this sector of the market which would not qualify for funding from commercial lenders. The extension of these credit instruments is important as it ensures that entrepreneurs are invested in the success or failure of their enterprises.

Government is faced with significant budgetary and financial constraints and cannot perpetually assist this market with grant funding instruments. Government resources are increasingly being customised to benefit real entrepreneurs who intend to play a pivotal role in the creation of robust economic activity among rural communities.

As such, the ECRDA's Rural Finance programme is directed at the disbursement of loans to entrepreneurs in rural communities and in the recovery of these loans for future on-lending.

Rural finance introduces an aspect of accountability and ownership in entrepreneurial pursuit through the loan recovery process.

### LEGISLATIVE COMPLIANCE

However, as a credit provider, the ECRDA is bound by the precepts of the National Credit Act (NCA no.34 of 2005) which introduces its own set of lending parameters. Legislative compliance with the National Credit Act often impedes the organisation's ability to extend credit to this risky segment of the market. The NCA requires the ECRDA to conduct personal credit assessments of loan applicants to ensure that people are not over-indebted to avoid reckless lending practices. The organisation therefore has to take all reasonable steps to ensure that loan applicants will be able to repay their loans. Non-compliance with the NCA presents a number of challenges. Should the National Credit Regulator (NCR) prove that the lender did not take reasonable steps to assess affordability; the beneficiary may not be required to repay the loan.

The ECRDA's loan instruments are targeted at

businesses in all economic sectors in rural communities such as retail, hawkers, primary producers, manufacturing, agro-processing, forestry and livestock development among others.

The organisation also uses rural finance instruments to support the ECRDA's work in the RED Hubs by extending credit lines to the primary co-operatives to purchase production inputs.

### CREDIT POLICY

The ECRDA conducted its last review of its Credit Policy in July 2017. The policy ensures that implementers of the Credit Policy are mindful of the requirements enshrined in the NCA.

The NCR performs regular amendments and improvements on the NCA and the ECRDA is therefore required to continuously ensure that its Credit Policy is compatible with the demands of the Act. The Credit Policy also assists the ECRDA to assess its effectiveness in loan funding and to put in place mechanisms to improve the performance of the loan book.

### AFTERCARE APPROACH

The ECRDA has an aftercare approach which ensures that adequate support is extended to loan beneficiaries so that they are in a position to honour their loan repayment obligations. The focus is on big loans to ensure that they are adequately serviced. The organisation also encourages collaboration with the agricultural officers of the Department of Rural Development and Agrarian Reform (DRDAR), the shareholder department to improve the effectiveness of the ECRDA's aftercare philosophy. The ECRDA's loan officers visit funded projects to assess their performance and any interventions which are required to ensure that their repayment ability is enhanced. The aftercare service also ensures that loans are used for the purpose they were intended. Loan officers are required to produce reports and to document any necessary corrective action.



### LOAN REPAYMENTS

During the review period, there was no review of the ECRDA's Collections Policy. The Collections Policy provides a guide on loan recovery once credit is approved and disbursed. Currently, loan recovery faces many challenges particularly with primary agricultural loans where projects are affected by unfavourable climatic conditions which also affect level of production and ultimately chances of full loan recovery.

In 2018/19, total loan repayments were R11,2 million. This number is made up of R10,8 million in ECRDA loans and R 441 000 of the Micro Agricultural Financial Institutions of South Africa (MAFISA) loans. MAFISA loans are subject to its own Credit Policy as prepared by the Department of Agriculture, Forestry and Fisheries (DAFF). MAFISA loans are high risk, unsecured agricultural loans which are a challenge to collect. DAFF identified role players in the provinces which could assist the department in the disbursement of the MAFISA loans. In the Eastern Cape, DAFF identified the ECRFC, the ECRDA's predecessor. The Fund augmented the ECRDA's own loan funding budget and there is no competition between the two funds since there is a structured way of when to use which fund.

### LOAN PERFORMANCE

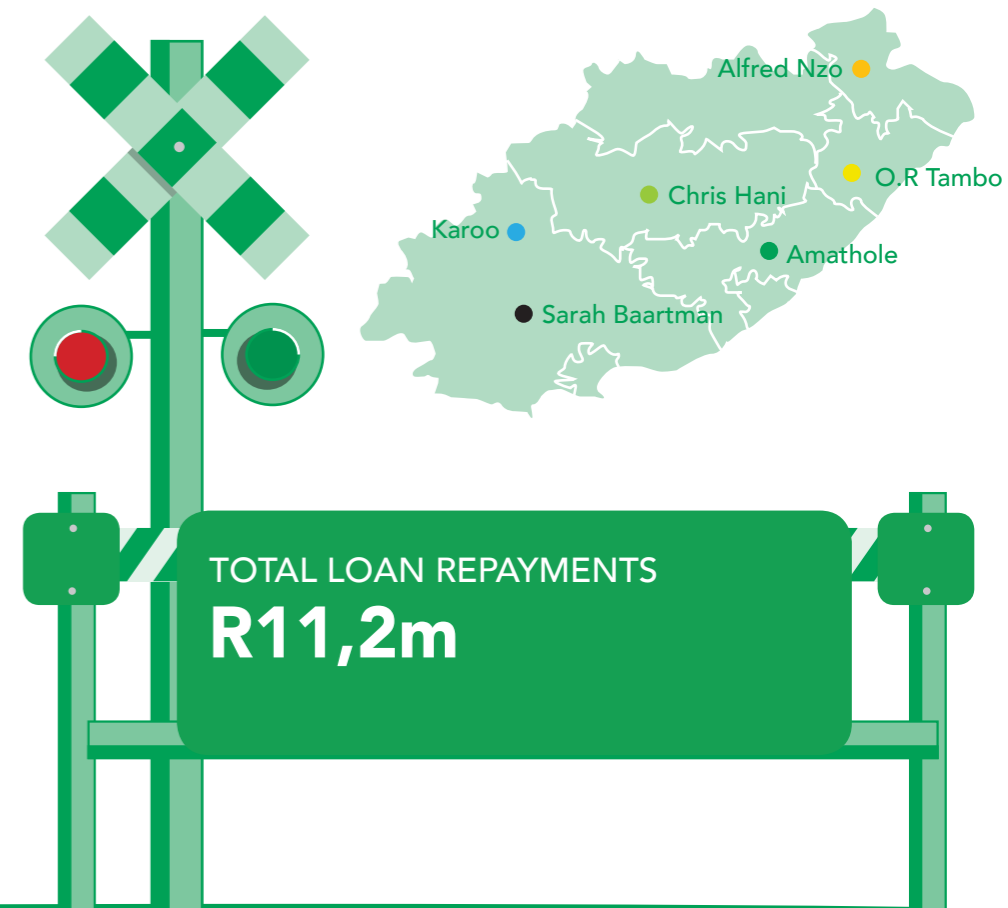
The ECRDA is therefore pleased to report that it disbursed R4,7 million to 140 clients in 2018/19. The bulk of the loan disbursements went to agricultural loans which accounted for R3,9 million and the balance of R786,000 went to non-agricultural loans.

A total of R1 million was disbursed to the Amathole District Municipality, R2,4 million went to Alfred Nzo, R321,000 went to Chris Hani, R609,000 was disbursed to OR Tambo, R127,000 went to Sarah Baartman and R 198,000 went to the Karoo region.

### FUTURE OUTLOOK

The ECRDA will seek to investigate the development of a quality pipeline of rural enterprises that are ready and well-equipped for funding instruments. Similarly, the organisation will continue to intensify its loan collections efforts to ensure that it maintains its ability to extend credit to other deserving entrepreneurs. When loan beneficiaries repay their loans, they improve the ECRDA's ability to support more businesses. In tandem, this means the ECRDA should continuously improve its aftercare support to safeguard its interests as well as to ensure that rural enterprises exploit their full potential. The development of a new five-year strategy cycle in the new financial year should provide further impetus to the ECRDA's efforts in the rural finance offering.

### GEOGRAPHICAL SPREAD OF LOAN DISBURSEMENTS







# Business support and social facilitation



The ECRDA's Business Support and Social Facilitation programme provides business support, advisory services and capacity building to external clients such as the co-operatives and businesses which make up the RED Hubs, feedlot owners, forestry development CPAs and the communities which the ECRDA services in general. In future, the programme shall strengthen to extend its support offering to loan beneficiaries.

This support is either facilitated by the ECRDA through the engagement of service providers or it is provided directly by the organisation using its in-house resources. These in-house services take the form of business management, financial management, product marketing support as well as co-operative governance and conflict management trainings among other things. This service offering augments the efforts of the core business.

In addition, the programme provides social facilitation services which involve the mobilisation of communities to participate in the ECRDA's projects and to facilitate community buy-in. Through this programme, the ECRDA mobilises the support of municipalities, communities and the private sector for successful project implementation. The programme harnesses the collective energy and resources of partner institutions for the development agenda.

Furthermore, the programme drives the co-ordination of activities within the RED Hubs. It has set up committees that meet frequently to identify challenges and to bridge communication gaps. Through this programme, the ECRDA also participates and supports the programmes of partner institutions.

The ECRDA has also established rural development clusters which provide infrastructure and training support to communities. At the clusters, the ECRDA develops appropriate support packages for these communities. The objective is to break new ground at the clusters and to link them to the ECRDA's HIPPs and Agri-Parks.

### OPERATIONAL PERFORMANCE

At the Zigudu cluster in Cofimvaba, the programme secured R294 285 in funding from the ECRDA to buy 30 lean beef cattle for the feedlot which is owned by the Lingomso Lamandungwana Primary and Multipurpose Co-operative. These cattle were comprised of 15 cattles and 15 oxen. All the co-operative members contributed R2,000 each toward the establishment of

the feedlot as a personal investment into their project. The programme also facilitated the procurement of a 6m x 6m storage container to serve as office space and this cost R166 750.

The business support and social facilitation programme also mobilised funding from within the ECRDA to assist the Ncora RED Hub to harvest 500 ha of maize. Total funding of R257 200 was secured which led to the commencement of harvesting activities at Ncora. The harvest at Ncora was conducted by the Emalahleni RED Hub which demonstrates the capacity of the ECRDA established Hubs to procure services from each other.

### ZIGUDU CLUSTER

**R294 285**

in funding from the ECRDA to buy 30 lean beef cattle for the feedlot which is owned by the Lingomso Lamandungwana Primary and Multipurpose Co-op



**TSOMO CLUSTER**  
**R95 000**  
in funding from the ECRDA to implement the cluster where 10 community members from Tsomo will be assisted to secure drivers licences.

The ECRDA also established the Tsomo Cluster in the Intsika Yethu Local Municipality. Through its efforts, the programme secured R95 000 in funding from the ECRDA to implement the cluster where 10 community members from Tsomo will be assisted to secure drivers licences. An additional 10 community members will be taught computer literacy for six months. These interventions in Tsomo will be implemented in the new financial year 2019/20. This programme is being implemented in conjunction with the local municipality and the Eastern Cape Provincial Legislature. This is a pilot project which we intend to replicate in other areas. The ECRDA also conducted social facilitation activities which drove social cohesion among CPAs at the six forestry projects.

In addition, the ECRDA established another cluster, the Moss Farm Cluster in the Buffalo City Metropolitan Municipality. The organisation assisted the cluster with fencing material to prevent stock theft to the value of R29,970.

Through its efforts, the business support and social facilitation programme launched the first Co-operative Indaba in the Eastern Cape in October 2017 which was attended by about 170 delegates. This is an achievement the ECRDA is proud of which became a platform for information-sharing and for unlocking opportunities in the co-operatives arena. These discussions should reverberate into the activities of co-operative enterprises during the period under review and beyond. The Indaba cost R865,344.

### MOSS FARM CLUSTER

**R29 970**

in assistance to the cluster for the purpose of purchasing fencing material to prevent stock theft

### FUTURE OUTLOOK

However, funding challenges remain which need to be addressed in order to improve the effectiveness of the business support and social facilitation programme. These challenges are being addressed within the ECRDA mindful of the financial constraints on the fiscus. Moving forward, the ECRDA will explore innovative ways to do more with less in order to make a meaningful impact on the developmental challenges facing the province.





# Subsidiaries Report



During the review period, the ECRDA continued to offer financial and technical support to its various subsidiaries and associated entities. These entities include the Magwa-Majola Tea Estate, Amajingqi Macadamia Farming as well as the Kangela Citrus Farm. The ECRDA's interventions are meant to improve the general financial health of these supported entities as well as their productivity and competitiveness.

## MAGWA-MAJOLA TEA ESTATE

In 2018/19, the ECRDA began to finalise the business rescue programme of the Magwa-Majola Tea Estate which was implemented three years ago. The business rescue process is anticipated to be finalised in June 2019. In 2018/19, a total of R57 million was allocated to the Magwa-Majola Tea Estate. The funds allocated to the business rescue programme have resulted in the planting of 1,312ha of tea at the 1,703ha Magwa estate and 170ha at the 480ha Majola estate. This resulted in 450 workers and 1,337 seasonal workers being employed at Magwa. There were 178 permanent and 222 seasonal workers employed at Majola.

By the end of the 2018/19 financial year total sales from the harvest were R13 million which was ploughed back into operations for activities such as pruning and for the management of the plantations. As part of the tea diversification programme, a planning process has been initiated to reconfigure and expand the tea estates as the Magwa-Majola Tea and Ecotourism Valley. This reconfiguration is aimed at positioning this area as a potential economic hub in the Wild Coast region. A masterplan will be developed which will integrate a number of elements of the reimagined local economy of Magwa and Majola. The masterplan will be unveiled in third quarter of the 2019/20 financial year.

**R57m**

was allocated to the Magwa-Majola Tea Estate in 2018/19

<b>450</b>	<b>178</b>
workers and 1,337 seasonal workers being employed at Magwa	permanent and 222 seasonal workers employed at Majola

**R13m**

total sales from the 2018/19 harvest



## AMAJINGQI MACADAMIA FARMING

In partnership with DRDAR, the ECRDA has been supporting Willowvale-based Amajingqi Macadamia Farming through a loan facility made available by the Land Bank. During 2018/19, a total of R33 million was made available to support operations at Amajingqi. The ECRDA's role is to support operations by playing a monitoring and oversight role in the implementation of the project. The ECRDA also participates in the project steering committee.

A total of 267ha have been planted with macadamia nuts. Out of this figure, 89,6ha comprises three-year old trees out of which 87ha were ready for harvesting during the period under review.

The project tonnage from the 87ha was 3,5 tons per hectare. The actual harvest yielded 3,9 tons a hectare. This is despite drought and irrigation system challenges. Progress has also been made toward the installation of

a permanent infield irrigation system which remained incomplete at the end of the financial year due to cashflow challenges. The entity currently depends on a bucket watering system for the entire 267ha which poses a significant challenge. The establishment of this expanded macadamia initiative has resulted in the creation of 137 permanent jobs of which 43% are youth and 51% are female.

**R33m**

was allocated to support operations

<b>267HA</b>	<b>3,9 TONS</b>
planted with macadamia nuts.	actual harvest yield per hectare

**137**

permanent jobs of which 43% are youth and 51% are female.

## KANGELA CITRUS FARM

The ECRDA'S intervention at Kangela came to an end following a court challenge that restricted the agency's support to the citrus farm in the Sundays River Valley. However, the ECRDA remains committed to working with other stakeholders such as DRDAR and the Khanyisa Educational and Development Trust, which is a farmworkers organisation, to resolve the issues affecting the Kangela beneficiaries.

The ECRDA owns 51% of Kangela and the workers trust owns 49%. The agency and its partners are working to ensure that the interests of the beneficiaries are met in line with the original objectives that motivated DRDAR to purchase the farm for the farmworkers.

**51%**

of Kangela Citrus Farm is owned by the ECRDA







# Report on the audit of the annual performance report

## INTRODUCTION AND SCOPE

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

18. My procedures address 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 included in the planning documents. My procedures also did 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.

19. 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 programmes presented in the annual performance report of the entity for the year ended 31 March 2019:

### Programmes and their page numbers

**Programme 2- high impact priority projects: Page 60 - 63**

**Programme 3-rural finance: Page 63 - 64**

20. 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.

21. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

### Programme 3 – rural finance KPI 23: Number of communities capacitated

22. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to deter-

mine whether any adjustments are required to the reported achievement of number of communities capacitated as reported in the annual performance report.

23. I did not raise any material findings on the usefulness and reliability of the reported performance information for programme 2-high impact priority projects.

## OTHER MATTERS

24. I draw attention to the matters below.

### ACHIEVEMENT OF PLANNED TARGETS

25. Refer to the annual performance report on pages 58 to 64 for information on the achievement of planned targets for the year and explanations provided for the under-or overachievement of a significant number of targets. This information should be considered in the context of the material findings on the reliability of the reported performance information in paragraph 22 of this report.

### ADJUSTMENT OF MATERIAL MISSTATEMENTS

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2-high impact priority projects, and programme 3 - rural finance. As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance information. Those that were not corrected are reported above.



# Situational Analysis



The five-year Strategic plan and the Annual Performance Plan documents for 2018/19 financial year remain the source documents for the compilation of the annual report on performance information of the ECRDA.

Performance monitoring and evaluation on implementation of the ECRDA five-year Strategy and the Annual Performance Plan is done through a quarterly reporting system, where individual quarterly reports are compiled by management and shared with the internal audit to perform audit function.

The reports are then submitted to the Audit and Risk Committee and further transmitted to the Board for approval. All four quarterly reports were thereafter submitted to the shareholder (DRDAR) and Provincial Treasury.

The annual report on performance information reflects all the performance indicators and targets as depicted in the annual performance

plan for 2018/19 financial year.

ECRDA's strategic plan contains five strategic pillars in which all programmes are aligned as highlighted here under:

**PILLAR 1:** Fit for purpose organisation to enable strategy implementation

**PILLAR 2:** Effective coordination and implementation of agrarian driven high impact priority projects (HIPPS)

**PILLAR 3:** Leverage strategic partnerships towards implementation and funding of rural development initiatives

**PILLAR 4:** Solicit and promote private sector investment in key rural development initiatives

**PILLAR 5:** Create rural development clusters by promoting entrepreneurship through access to finance, market linkages and capacity building

### SERVICE DELIVERY ENVIRONMENT

Details of the service delivery environment for the 2018/19 financial year appear under performance information by programme from pages 33 to 49.

### ORGANISATIONAL ENVIRONMENT

During the year under review the ECRDA Board assessed the progress of the implementation of the five-year strategy of the Agency.

In preparation for the final year in the five-year term (2018/19) an analysis of the current situation was developed. The Board took a number of resolutions for management to implement to ensure that the entity deliver on its mandate

and achieve its five-year strategic goals as set out in the Five-Year Strategic Plan (2014/15-2018/19).

A diagnostic evaluation and comparison of the ECRDA Structure with other Development Finance Institutions and developmental agencies have been completed and the results thereof submitted to the Human Capital & Remuneration Committee, along with possible organisational design options.

The Human Resource Development (HRD) Strategy, skills audit and organisational design will be finalised in line with strategic guidance from the Board.

### KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

There were no policy developments during the period under review which impacted or impeded the ECRDA's mandate, structure or operational activities.

### SIGNIFICANT DEVELOPMENTS

During the year under review the former chief executive officer Thozamile Gwanya's five-year contact came to an end in May 2018. Mr Gwanya was succeeded by Mr nhlanganiso dladla who began his five-year term in October 2018.

### SIGNIFICANT FUTURE EVENTS

The Board of Directors term will come to an end in the 2018/19 financial year. A new Board of Directors is expected to assume office at the beginning of 2019/20 and it is expected to craft a new strategic direction for the organisation for the next five-year strategy cycle.





# Strategic Outcome Oriented Goals - Five Year Targets

Given that the agency has now completed the five-year cycle of implementing its strategy, ECRDA will conduct a more comprehensive evaluation on the past five years as part of the process of developing a revisited strategy for the years 2020/21 to 2024/25. This evaluation will also provide us with more qualitative detail and more explanatory content than is presented in this annual report.

## 1. Strategic Outcome Oriented Goals – Five-Year Targets

Strategic Pillar / Goal	5 Year Targets
1. Fit for Purpose Organisation to enable strategy implementation	1. Established, effective, efficient and compliant capable agency in the rural development space.
2. Effective coordination and implementation of Agrarian driven High Impact Priority Projects (HIPP's)	2. Eight (8) Agro-processing and marketing Infrastructure 3. 29 000 tons of feedstock supply to milling plants 4. 14 500 livestock units that goes to market 5. 20 000 ha forestry plantations 6. Establish ECRDA as a Bio-mass aggregator 7. Facilitate the Implementation of 6 renewable energy and ancillary enterprises 8. Conduct 8 applied research studies in renewable energy sources
3. Leverage strategic partnerships towards implementation and funding of Rural development initiatives	9. 25 Strategic Partnership agreements signed for collaboration
4. Solicit and promote private and public sector investment in key rural development initiatives	10. The agency positioned to attract private and public investment into the Province.
5. Create rural development clusters by promoting entrepreneurship through access to finance, market linkages and capacity building	11. Twelve (12) rural development clusters (minimum of 2/district) established and supported 12. 150 sustainable legal entities established 13. 15% of ECRDA government funding utilized for loans advanced (after operational costs have been expended) 14. 95% recovery of ECRDA loans disbursed effective from 2012



## 5 Year Target performance breakdown (2014/15 – 2018/19):

5 Year Strategic Target	Performance																																																															
<b>Target 1:</b> Established, effective, efficient and compliant capable agency in the rural development space.	<ul style="list-style-type: none"> <li>Executive and Operational Management platforms created.</li> <li>Joint Labour-Management Forum established.</li> <li>Established the following committees;                             <ul style="list-style-type: none"> <li>o Employment Equity</li> <li>o Health &amp; Safety</li> <li>o Skills Development</li> </ul> </li> <li>Internal Controls in place</li> </ul> Areas not achieved: <ul style="list-style-type: none"> <li>Organisational Structure not aligned with strategy</li> </ul>																																																															
<b>Target 2:</b> Eight (8) Agro-processing and marketing Infrastructure	<ul style="list-style-type: none"> <li>4 RED Hubs have been established and a 5th hub has been initiated                             <ul style="list-style-type: none"> <li>o Ncora mill</li> <li>o Mqanduli mill</li> <li>o Emalahleni mill</li> <li>o Mbizana mill</li> <li>o Tshabo RED – initiated</li> </ul> </li> <li>2014/15 = 4 milling plants and silos established</li> <li>2015/16 = 2 milling plants completed and operational (Ncora &amp; Mqanduli)</li> <li>2016/17 = 2 milling plants completed and ready for operations (Emalahleni &amp; Mbizana)</li> <li>2017/18 = 4 Milling plants supported (Ncora, Mqanduli, Emalahleni and Mbizana) and 1 RED Hub initiated (Tshabo)</li> <li>2018/19 = 5 RED Hubs were supported with technical and administrative support (Ncora, Mqanduli, Emalahleni, Mbizana &amp; Tshabo)</li> </ul>																																																															
<b>Target 3:</b> 29 000 tons of feedstock supply to milling plants.	Total: 14 178 Tons <ul style="list-style-type: none"> <li>2014/15 = 3984.47</li> <li>2015/16 = 2611</li> <li>2016/17 = 2520.26</li> <li>2017/18 = 2762.3</li> <li>2018/19 = 2300</li> </ul>																																																															
<b>Target 4:</b> 14 500 Livestock units that go to market.	14 719 units facilitated to go to market. <ul style="list-style-type: none"> <li>2014/15 = 7181</li> <li>2015/16 = 1322</li> <li>2016/17 = 1766</li> <li>2017/18 = 2579</li> <li>2018/19 = 1871</li> </ul>																																																															
<b>Target 5:</b> 20 000 ha forestry plantations.	<ul style="list-style-type: none"> <li>2014/15 = 840.9ha new planted</li> <li>2015/16 = 1129.83ha new planted</li> <li>2016/17 = 1287.7ha new planted</li> <li>2017/18 = 326.32ha new planted &amp; 2901ha secured for planting</li> <li>2018/19 = 200.14ha new planted &amp; 3224.8ha existing maintained</li> </ul> 20 469 ha available for forestry plantations as per the breakdown below																																																															
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5 Year Strategic Target	Performance
<b>Target 6:</b> Establish ECRDA as a bio-mass aggregator.	This target was not achieved. The target was set against the backdrop of an Ethanol production facility in Cradock that would require biomass. As the Ethanol production facility was put on hold, and government commitment on the project waned, this target was no longer pursued for the period under review.
<b>Target 7:</b> Facilitate the implementation of 6 renewable energy and ancillary enterprises.	<p>6 achieved</p> <ul style="list-style-type: none"> <li>• Keiskamma Hoek</li> <li>• Ncora (phase 1)</li> <li>• Emalahleni (phase 1)</li> <li>• Mbizana (phase 1 complete and phase 2 initiated)</li> <li>• Mqanduli (phase 1)</li> <li>• Upper Blinkwater (phase 1 complete and phase 2 initiated)</li> </ul> <ul style="list-style-type: none"> <li>• 2014/15 = Signed agreements with 2 strategic partners in the renewable energy sector &amp; 25 households received alternative energy through a bio-digester at Keiskamma Hoek</li> <li>• 2015/16 = Phase 1 alternative energy solutions for Ncora &amp; Emalahleni was initiated</li> <li>• 2016/17 = Phase 1 alternative energy solutions for Ncora &amp; Emalahleni commenced</li> <li>• 2017/18 = Phase 1 alternative energy solutions were completed for Ncora &amp; Emalahleni as well as 2 additional sites (Mbizana &amp; Mqanduli). Upper Blinkwater phase 1 solar grid installation was also completed</li> <li>• 2018/19 = Mbizana phase 2 alternative energy solution was initiated</li> </ul>
<b>Target 8:</b> Conduct 8 applied research studies in renewable energy sources.	<p>8 achieved</p> <ul style="list-style-type: none"> <li>• Alternative energy solutions for RED Hubs</li> <li>• Solar and bio-gas solutions for Siswe Zuma rural households</li> <li>• Algae for biofuels</li> <li>• Alternative crops for bio-fuel feedstock crop rotation programmes</li> <li>• Bamboo as energy source</li> <li>• Sugar beet as feedstock for energy production</li> <li>• Hydraulic ram pumps</li> <li>• Appropriate means of storing energy</li> </ul> <ul style="list-style-type: none"> <li>• 2014/15 = not a target</li> <li>• 2015/16 = 2 research studies were conducted (Energy solutions for Ncora &amp; Emalahleni, solar and bio-gas solutions for Siswe Zuma rural households)</li> <li>• 2016/17 = 2 research studies were conducted (Algae for biofuels &amp; alternative crops for bio-fuel feedstock crop rotation programmes)</li> <li>• 2017/18 = 2 research studies were conducted (Sugar beet as feedstock for energy production &amp; Bamboo production for energy in the EC)</li> <li>• 2018/19 = 2 research studies were conducted (hydraulic ram pumps and appropriate means of storing energy)</li> </ul>
<b>Target 9:</b> 25 Strategic Partnership agreements signed for collaboration	<p>19 agreements signed</p> <p>The evaluation will establish the utility and value-add of these agreements to the business of the ECRDA</p> <ul style="list-style-type: none"> <li>• 2014/15 = 3</li> <li>• 2015/16 = 5</li> <li>• 2016/17 = 5</li> <li>• 2017/18 = 6</li> <li>• 2018/19 = was not a target</li> </ul>



5 Year Strategic Target	Performance
<b>Target 10:</b> The agency positioned to attract private and public investment into the Province	The ECRDA is in the process of assessing all existing projects, as well as considering new initiatives, to enable the identification and packaging of projects that will be carried into the next five-years. These projects will be tabled form investment promotion at the Rural Development Indaba and Investment Conference planned for October 2019.
<b>Target 11:</b> Twelve (12) rural development clusters (minimum of 2/district) established and supported	<p>12 clusters established and supported</p> <ol style="list-style-type: none"> <li>1. Sinemibono vegetable cluster</li> <li>2. Mnceba Livestock cluster</li> <li>3. Amandungwane cluster (Lingomso Lamandungwane)</li> <li>4. Tanga cluster (Thanga/Gwadana/Ngcingwane)</li> <li>5. Tshabo cluster</li> <li>6. KwaKula cluster</li> <li>7. Tshatshu cluster</li> <li>8. Vuselela community cluster</li> <li>9. Mabaleni</li> <li>10. Emalahleni vegetable cluster</li> <li>11. Phoenix Investment at Raymond Mhlaba (Taytyorha)</li> <li>12. Moss Farm Cluster</li> </ol> <ul style="list-style-type: none"> <li>• 2014/15 = 2</li> <li>• 2015/16 = 4</li> <li>• 2016/17 = 3</li> <li>• 2017/18 = 3</li> <li>• 2018/19 – no new clusters established only existing clusters supported</li> </ul>
<b>Target 12:</b> 150 sustainable legal entities established	<p>153 legal entities established and supported</p> <ul style="list-style-type: none"> <li>• 2014/15 – 27</li> <li>• 2015/16 = 47</li> <li>• 2016/17 = 16</li> <li>• 2017/18 = 36</li> <li>• 2018/19 = 27</li> </ul> <p>The detailed evaluation should, among others, determine the status of these entities and how they have fared over time.</p>
<b>Target 13:</b> 15% of ECRDA government funding utilized for loans advanced (after operational costs have been expended)	<p>32% of ECRDA government funding was utilised for loans advanced (after operational cost have been expended)</p> <ul style="list-style-type: none"> <li>• 2014/15 = R12.2m</li> <li>• 2015/16 = R12,4m</li> <li>• 2016/17 = R15.7m</li> <li>• 2017/18 = R22.7m</li> <li>• 2018/19 = R4.6m</li> </ul>
<b>Target 14:</b> 95% recovery of ECRDA loans disbursed	<p>Target has not been achieved. Recovery of loans per year remains below the target - resulting in bad debts for the Agency.</p> <ul style="list-style-type: none"> <li>• 2014/15 = 70.55%</li> <li>• 2015/16 = 70%</li> <li>• 2016/17 = 104%</li> <li>• 2017/18 = 72%</li> <li>• 2018/19 = 28%</li> </ul>









### Programme 1: Administration

**Strategic Objective 1: Provide leadership, ensure good corporate governance, legislative compliance and strategy direction to ECRDA over the MTEF period.**

Key Performance Indicator	2018/19 Target	Actual Achievement	Deviation	Comment on Deviations
1. Number of strategic compliance documents developed	1 Strategic Suite of Documents (Strategic Plan & APP)	Target achieved 1 Strategic Suite of Documents were developed.	None	N/A
2. Number of performance reports developed	6 Performance Reports (Quarterly, Midyear and AR)	Target achieved 6 Performance Reports were developed	None	N/A
3. Brand awareness created with target market	5 Initiatives (Publications, media liaisons, media perception survey, media training and ideas session)	Target partially achieved 2/5 initiatives achieved Publications – achieved Ideas session - achieved	The following activities were not achieved <ul style="list-style-type: none"> <li>• Media liaisons</li> <li>• Media training</li> <li>• Media perception survey not done</li> </ul>	<p>Media liaisons related to two media breakfasts and two media lunches that had to be held, one initiative per quarter. The manager indicated that this initiative to liaise with the media require the CEO as a leading member and that the previous CEO was busy with his exit reports before his departure and thus could not avail himself to such a session during the first quarter. Thereafter an interim CEO was present but there was too much negative news about the entity, and it was best to deal with those head on rather than inviting media to come and interrogate the issues and end up with a negative story in the press. Eg Ncora infighting that went on for a long time without any negative publicity on our side. Over and above that there was nothing strategic that the organisation was embarking on, that could require initiating a business breakfast. During the last quarter plans were made for a media liaison event to take place, but given the status quo at Magwa, the CEO suggested that it be done when there is something substantial to communicate on Magwa. Thus, no media liaisons took place as per the plan.</p> <p>Media training did not take place due to the fact that it was aimed at the Board and Executive team. The board was coming to the end of their term and the executive team were not full as well as the CEO was at the end of his contract thus it seemed best practice to postpone the training for when the new board has been inducted and the executive team is complete.</p> <p>The media perception survey was a follow up on the media perception survey that was done during the 2017/18 financial year. Outcomes of the 2017/18 survey would have been in the form of a media visibility drive, which could not be done because the budget was depleted. Having been unable to do a media drive to improve the visibility of the ECRDA a follow up survey would have been fruitless.</p>



**Strategic Objective 1: Provide leadership, ensure good corporate governance, legislative compliance and strategy direction to ECRDA over the MTEF period.**

Key Performance Indicator	2018/19 Target	Actual Achievement	Deviation	Comment on Deviations
4. Ensure institutional legal support and regulatory compliance	2 (Shareholders compact with SLA and legal support to units)	Shareholders Compact with SLA was developed and submitted to DRDAR for signature. The Legal support to units were achieved.	None	N/A
5. Monitor the HRD Strategy Implementation in accordance with the implementation plan and report quarterly	Implement the HRD Strategy and 4 Reports (1/quarter)	Target not achieved	HRD Strategy was not developed and could thus not be implemented.	<p>The HRD strategy development was a target for the 2017/18 financial year that had to be implemented during the 2018/19 financial year. The HRD strategy was not developed during the 2017/18 financial year compounded by the absence of an Executive: Corporate Services to drive the process. This challenge has been addressed with the appointment of Mr Gardner in May 2019.</p> <p>The HRD Strategy would need to be aligned with the 2020 – 2025 Strategy, which will be finalised during the 2019/20 financial year for implementation to commence 1 April 2020.</p>
6. Development and implementation of a capacity building plan.	1	Target achieved 1 Capacity building plan developed and implemented	None	N/A
<b>Strategic Objective 2: Effective financial and risk management over the MTEF Period.</b>				
7. Risk Management and Fraud Prevention plan developed approved and implemented	1	Target achieved 1 Risk management and fraud prevention plan developed and implemented	None	N/A
8. Annual Financial Statements developed	1	Target achieved 1 AFS developed, audited and approved	None	N/A
9. SCM annual procurement plan developed and implemented.	1	Target achieved 1 SCM annual procurement plan developed and implemented	None	N/A





## Programme 2: HIPPs

Strategic Objective 3: Establish eight (8) agro-processing and marketing infrastructure projects to enhance value addition by 2018/19				
Key Performance Indicator	2018/19 Target	Actual Achievement	Deviation	Comment on Deviations
10. Number of existing RED Hubs supported.	Existing RED Hubs (5) supported through technical and administrative support.	Target achieved 5 RED Hubs were supported with technical and administrative assistance • Ncora • Mqanduli • Mbizana • Emalahleni • Tshabo	None	N/A
	Establish 4 maize demonstration sites (1ha each) and 1 soya demonstration site (50ha)	Target partially achieved Maize demonstration sites were established	The target was partially achieved due to the soya demonstration site that was not established.	The soya demonstration site was not planted due to continued drought in the area. The inputs were procured and will be used to plant in the 2019/20 season.
	Conduct 1 baseline survey to support the Sorghum Transformation Agenda	Target achieved 1 Baseline survey was conducted	None	N/A
11. Number Of rural markets established	Market established for RED Hub produce	Target achieved Formal market established through a supplier offtake agreement with SPAR EC.	None	N/A
12. Number of value chain projects supported (feedlots and meat processing plants)	Support 3 Feedlots (Ncora, Mqanduli and Zigudu)	Target partially achieved. Three feedlots were supported, however not all of the infrastructure plans were completed.	This target was partially achieved as despite all three the feedlots being supported the Zigudu and Mqanduli feedlot water supply could not be finalised.	A service provider was appointed to install the irrigation system at Zigudu in January 2019, however during March 2019 the service provider withdrew and as a result the contract was terminated, and the system not installed. The tender for Mqanduli water supply was unresponsive and currently water is being carted to the feedlot in drums.
13. Number of aquaculture farms establishment supported	Support the establishment of 4 aquaculture farms	Target achieved	None	N/A



Strategic Objective 4: Create a platform to guarantee input feedstock and markets for primary producers and agro-processing industries.				
Key Performance Indicator	2018/19 Target	Actual Achievement	Deviation	Comment on Deviations
14. Develop a detailed Feedstock Aggregation & Marketing plan	1	Target not achieved	The Feedstock Aggregation & Marketing plan was not developed	During the year the ECRDA experienced severe capacity constraints that has since been resolved. Part of the 2019/20 APP an online marketing platform concept in lieu of the feedstock aggregation and marketing plan will be developed for consideration to be included in the Strategy 2020 - 2025
Strategic Objective 5: 14 500 Livestock units sold to the market by 2018/19.				
15. Number of livestock marketing infrastructure developed to support livestock sales	Build 3 loading ramps	Target achieved Loading ramps were built at; • Enoch Mgijima • Ngqushwa • Kolomani in Raymond Mhlaba district	None	N/A
	Build 1 auction pen	Target achieved Auction pen was built at; • Gwatyu	None	N/A
Strategic Objective 6: Facilitate the establishment, support and oversight of community owned and operated forestry projects covering 20 000 ha by 2018/19.				
16. Number of new forestry ha planted, and number of existing ha maintained	100 ha new	Target achieved 200.14ha ha new forestry was planted Q1: 39.01ha Q2: 51.61ha Q3: 65.1ha (14.11 Q3, underreported Q1 48.06, underreported Q2 3) Q4: 44.35ha (14.83 Q4, underreported Q3 29.52)	100.14 ha more than anticipated	SAPPI provided additional free seedlings to the projects which accounted for the over achievement.
	Maintenance of 1600 ha of forestry	Target achieved 3224.8 ha of existing forestry was maintained Q1: 969.1ha Q2: 857ha Q3: 624.6ha Q4: 774.1ha	1624.8ha more than anticipated	More maintenance than anticipated was required.
Strategic Objective 7: Facilitate the implementation of six (6) renewable energy and ancillary enterprises by 2018/19.				
17. Number of alternative energy solutions implemented	Alternative energy solution implemented at Mbizana	Target partially achieved	This target was partially achieved as the alternative energy solution at Mbizana was initiated but not completed	A service provider was appointed during February 2019 to do the installation of the alternative energy solution 2nd phase at Mbizana, however he has identified some challenges and management is in the process of addressing these. The installation will be completed during the 2019/20 financial year.




**Strategic Objective 7: Facilitate the implementation of six (6) renewable energy and ancillary enterprises by 2018/19.**

Key Performance Indicator	2018/19 Target	Actual Achievement	Deviation	Comment on Deviations
18. Number of households benefiting from alternative energy solutions	25 households benefiting from Blinkwater Mini Grid	Target not achieved	25 Households have not yet been connected to Blinkwater mini grid	<p>The ECRDA partnered with the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT), EC Department of Rural Development and Agrarian Reform (DRDAR), Raymond Mhlaba Local Municipality and the Government of Lower Saxony in Germany to implement a mini grid at Upper Blinkwater to connect the community to alternative source of energy.</p> <p>During the 2017/18 financial year the ECRDA was responsible to implement phase 1 of the project, which was to install the solar panel mini grid at Upper Blinkwater. This was achieved during the 2017/18 financial year. The partners to this project was responsible to do phase 2, the connection of the community to the mini grid to ensure that the community had an alternative source of energy. The partners however indicated that they only commenced with the process of appointing a service provider at the end of the fourth quarter and that work onsite will only commence in the 2019/20 financial year.</p>

**Strategic Objective 8: Conduct eight (8) applied research studies in renewable energy sources by 2018/19**

19. Number of research studies conducted in renewable energy sources	2 Studies (inhouse desktop studies)	Target achieved 2 Studies were completed • Hydraulic ram pumps • Appropriate means of storing energy	None	N/A
20. Number of projects administrated for external stakeholders	Berlin Beef	Target not achieved	Berlin Beef not administered owing to contractual disputes as DRDAR did not sign off the Business Plan	Project was not administered due to ECRDA not being in the position to implement the programme due to the court challenge that is currently underway.
	OTP Youth Project	Target achieved OTP youth projects were administered	None	N/A
	Amajingqi Macadamia Project	Target achieved Amajingqi Macadamia Project was administered	None	N/A
	Magwa Tea Estate	Target achieved Magwa Tea Estate was administered	None	N/A


**Strategic Objective 9: Sign twenty-five (25) Strategic Partnership agreements for collaboration by 2018/19.**

Key Performance Indicator	2018/19 Target	Actual Achievement	Deviation	Comment on Deviations
21. Number of Projects packaged for attracting private and public investors	Package 2 Projects to attract private and public investors	Target not achieved	Projects were not packaged to attract investment	The process to package/re-package ECRDA projects has been incorporated as part of the roadmap planned for 2019/20. Proceeding with packaging regardless would not have been a judicious use of resources.
	2 Stakeholders sessions	Target achieved Two stakeholder sessions were held	None	N/A

**Programme 3: Rural Finance and Support Services**
**Strategic Objective 10: Establish and support twelve (12) rural clusters by 2018/19.**

Key Performance Indicator	2018/19 Target	Actual Achievement	Deviation	Comment on Deviations
22. Number of rural development clusters (linked to RED Hubs) (clusters defined = Establishment of a community into a formal grouping to enable socio-economic development)	Support existing clusters in 5 RED Hubs	Target partially achieved.	This target was partially achieved as some clusters linked to RED Hubs have been supported; however, the irrigation at Emalahleni was not implemented. Amandungwane cluster was supported as well as the Moss Farm cluster.	The budget allocation for the irrigation system were too little and a process of requesting additional budget was embarked on. In the third quarter a decision was taken by management that there would not be sufficient time to implement this target during the fourth quarter should budget be made available.
23. Number of communities capacitated	Capacitate existing RED Hub communities	Target not achieved.	Existing RED Hub communities were not capacitated.	Training was done for co-operatives in the Tshabo RED Hub, but the link between co-operatives and communities were not clarified as there were no approved list of number of communities linked to the existing RED Hubs.

**Strategic Objective 11: Establish and support hundred and fifty (150) sustainable legal entities by 2018/19.**

24. Number of RED Hubs where legal entities are supported	Support legal entities in 4 RED Hubs	Target partially achieved. Implementation of resolutions of legal compliance assessment report has commenced	This target was partially achieved as not all activities as per the compliance assessment report has been implemented.	Most issues were addressed, but some of the areas required external service provider to be appointed, such as the translation of some constitutions from English to Xhosa and these are still underway.
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**Strategic Objective 12: Disbursement and recovery of loan funding to the value of R32m by 2018/19.**

Key Performance Indicator	2018/19 Target	Actual Achievement	Deviation	Comment on Deviations
25. Amount of loans disbursed to beneficiaries	R5 892 000	Target partially achieved. Loans to the amount of R4 697 025 was disbursed during the period under review. Q1: R368 031 Q2:R1 491 601 Q3:R1 709 636 Q4: R1 127 757	This target was partially achieved as R1 194 975 below the targeted amount was disbursed.	Loans are demand driven and the demand for loans were less than anticipated. This lower demand can be linked to the current economic climate as people do not want to risk beginning a small enterprise, which would require start-up funding, or incurring more debt in times of uncertainty.
26.Recovery rate increased by 20% per annum from a baseline of 40% (loan portfolio of ECRDA effective from 2012)	95%	Target not achieved 28% recovery rate  Q1 Expected 848 671,24 Actual 605 712,26 (71%)  Q2 Expected 2 494 874,00 Actual 1 825 787,00 (73%)  Q3 Expected 1 800 243,21 Actual 861 064,89 (48%)  Q4 Expected 14 738 115,00 Actual 2 281 903,00 (15%)  Annual Expected 19 881 903,45 Actual 5 574 467,15 (28%)	67% lower than targeted	The low recovery rate is a result of the poor economic climate, compounded by the ongoing drought. Production loans are not being paid back due to poor harvests and thus lower returns than anticipated and most customers are struggling financially and thus cannot repay debt as they should.





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# Part C

## Corporate Governance

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## Introduction



Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) (Act 1 of 1999) and runs in tandem with the principles contained in the King's Reports on Corporate Governance.

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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: 17 and 25 April 2018.

## 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 / Board

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.

## COMPOSITION OF OUTGOING BOARD

### Dr V Mkosana

Chairperson

**Date appointed:** February 2016

**Date ended:** March 2019

01

### Qualifications

Senior executive programme for SA (Wits Business school, Harvard Business School)  
 Diploma HR Management (Damelin)  
 Certificate in Public Management & Development (Fort Hare Institute of Government)  
 Masters of Arts (Charles University)  
 Phdr (Charles University)

### FF Mkile

Deputy Chairperson

**Date appointed:** February 2016

**Date ended:** March 2019

02

### Qualifications

Bachelor of Administration (University of Durban Westville)  
 Diploma in Office Management (ITC Training Centre)  
 Introduction of Corporate Governance (IODSA)

### S Mbalekwa

**Date appointed:** February 2016

**Date ended:** March 2019

04

### Qualifications

Masters in Business Leadership (UNISA)  
 Bachelor of Commerce Honours (UNISA),  
 Bcomm (Rhodes University)

### X George

Board member

**Date appointed:** January 2016

**Date ended:** September 2018

03

### Qualifications

MBA (Graduate School of Business - Netherlands)  
 Bachelor of Economics (UFH)  
 Post Graduate Diploma in Company Direction (Graduate Institute of Management and Technology)  
 Executive Management Programme (Wits Graduate School of Business)  
 Certificate in Conflict Resolution (UCT Graduate School of Business)  
 Certificate in Innovation Management and Productivity (Da Vinci Institute of Innovation and Technology)  
 Diploma in General Management (International Management Centres)





**A le Roux**  
Board member  
**Date appointed:** February 2016  
**Date ended:** March 2019

05

**Qualifications**  
BA Law (Stellenbosch)  
Bachelors of Law (Stellenbosch)

**C Pietersen**  
Board member  
**Date appointed:** February 2016  
**Date ended:** March 2019

06

**Qualifications**  
Agricultural Development Programme (University of Pretoria) Directors Training (Institute of Directors - IOD)

**Z Semane**  
Board member  
**Date appointed:** February 2016  
**Date ended:** March 2019

07

**Qualifications**  
Advanced Tourism Certificate (UNISA)  
BA Honours (UNISA)  
Bachelor of Home Economics (Zululand)  
Snr Home Economics Teachers Certificate (former LL Sebe Teachers College)

**M Sogoni**  
Board member  
**Date appointed:** January 2016  
**Date ended:** September 2018

08

**Qualifications**  
Bachelor of Science (University of Transkei)  
Masters of Public Administration (University of Fort Hare)

**B Kali**  
Board member  
**Date appointed:** February 2016  
**Date ended:** March 2019

09

**Qualifications**  
Business Management ((Leadership Development Institution)  
Information Technology and Microsoft Certified System Engineering (IT Training Centre)

**Amb M Maqetuka**  
Board member  
**Date appointed:** May 2018  
**Date ended:** N/A

10

**Qualifications**  
BA (Hons) Contemporary Media Practice, Certificate in Strategic Management, Short course journalism,

**M Ncwadi**  
Board member  
**Date appointed:** February 2016  
**Date ended:** March 2019

11

**Qualifications**  
National Diploma (Wits)  
Bachelor of Science in Civil Engineering (University of Texas, Austin)  
Master of Philosophy (University of Cambridge)  
Masters of Business Administration (UCT)  
BEAHRs Environmental leadership Program (University of California, Berkeley)  
Global Environment Program (Watson International Scholar - UNEP)  
Certificate Enterprise Entrepreneurial Learning (University of Cambridge)

**n dladla**  
CEO Ex Officio  
**Date appointed:** October 2018  
**Date ended:** N/A

12



**Board Meeting attendance: Outgoing Board**

Name	Designation	Number of meetings held	Number of meetings attended
Dr V Mkosana	Chairperson	15	15
FF Mkile	Deputy Chairperson	15	14
S Mbalekwa	Board member	15	10
X George	Board member	15	2
M Ncwadi	Board member	15	13
A le Roux	Board member	15	7
C Pietersen	Board member	15	9
Z Semane	Board member	15	10
M Sogoni	Board member	15	4
B Kali	Board member	15	11
Amb M Maqetuka	Board member	15	9

To maximise its performance and strengthen corporate governance, the ECRDA Board has established five (5) 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 to

be tabled before the Governance Committee for oversight. Committees meetings are regulated in terms of an approved calendar and deliberations are minuted and implemented once they have been deliberated upon by the Governance and Ethics Committee and ratified by the Board.

**Board Committee Composition: Outgoing Board**

Board members	Governance & Ethics Committee	FINVEST Committee	Audit & Risk Committee	HC & R Committee	Programmes & Projects Committee
Dr. VM Mkosana (Chair)	•				
Ms FF Mkile (Deputy Chair)	•	•			
S. Mbalekwa	•	•	•		
X George	•			•	
C. Pietersen	•	•			•
M. Ncwadi		•			
A Le Roux			•	•	•
M. Sogoni			•	•	
B. Kali			•		•
Z. Semane				•	•
Amb. M. Maqetuka	•			•	•





Committee Meeting attendance: OUTGOING BOARD			
Committee	Member name	Number of meetings held	Number of meetings attended
Governance & Ethics	Dr V Mkosana	4	4
	FF Mkile	4	3
	S Mbalekwa	4	3
	X George	4	1
	C Pietersen	4	2
FINVEST	FF Mkile	6	6
	S Mbalekwa	6	4
	M Ncwadi	6	6
	C Pietersen	6	4
Audit & Risk	S Mbalekwa	6	6
	A le Roux	6	3
	M Sogoni	6	2
Human Capital & Remuneration	X George	5	1
	A le Roux	5	5
	Z Semane	5	4
	M Sogoni	5	0
Programmes & Projects	C Pietersen	5	5
	M Ncwadi	5	4
	Z Semane	5	4
	B Kali	5	5

**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.

Board Remuneration:			
Name	Fees	Claims	Total
Dr V Mkosana	460 132	7 018	467 150
FF Mkile	451 316	1 922	453 238
S Mbalekwa	426 146	-	426 146
X George	181 269	1 006	182 275
M Ncwadi	365 597	-	365 597
A le Roux	356 818	2 520	359 338
C Pietersen	426 146	49 248	475 394
Z Semane	356 818	-	356 818
V Jarana	17 136	-	17 136
M Sogoni	177 216	1 110	178 326
B Kali	356 818	-	356 818
Amb M Maqetuka	284 771	-	284 771

**COMPOSITION OF INCOMING BOARD:**

**L Nare**

Chairperson  
 Date appointed: April 2019  
 Date ended: N/A

01

**Qualifications**

Baccalaureus Artium (Vista Uni), Diploma Secondary Education (Vista Uni)

**M Ncwadi**

Deputy Chairperson  
 Date reappointed: April 2019  
 Date ended: N/A

02

**Qualifications**

Mba Strategy (UCT), Mphil Engineering (UCT), Bs Civil (Uni Texas), Nd Mine Surveying (Uni Jhb), Certificate Beahrs Environmental Leadership (College Of Natural Resources Berkeley), Certificate Global Environment (Brown Uni), Certificate: Managed Grazing (Wisconsin), Certified Director (IODSA)

**Adv P Mayaphi**

Board member  
 Date appointed: April 2019  
 Date ended: N/A

03

**Qualifications**

Bachelor of Law, (Fort Hare), Post graduate LLB Stream for B Juris Holder (Fort Hare), Diploma Transportation Management (Randse Afrikaanse Uni)





**S Makunga**  
Board member  
Date appointed: April 2019  
Date ended: N/A

04

**Qualifications**  
Bachelor of Social Science;  
Communication (Fort Hare)

**M Msoki**  
Board member  
Date appointed: April 2019  
Date ended: N/A

05

**Qualifications**  
Bachelor of Social Science (UCT)

**N Mbete**  
Board member  
Date appointed: April 2019  
Date ended: N/A

06

**Qualifications**  
ND Cost & Management Accounting (Tech Witwatersrand), Higher Diploma Strategic Management & Corporate Governance (Centre for Business Management, UNISA)

**Z Thomas**  
Board member  
Date appointed: April 2019  
Date ended: N/A

07

**Qualifications**  
General Management Certificate (Gordon Institute Of Business Science), Certificate Trial Advocacy (Black Lawyers Association), Bachelor Of Laws (Uni Natal), Bachelor Of Arts (Fort Hare), Diploma Higher Education (Fort Hare)

**S Faku**  
Board member  
Date appointed: April 2019  
Date ended: N/A

08

**Qualifications**  
Graduate Diploma in Company Direction (IOD), Bachelor of Education (Uni Natal), Bachelor of Arts (Walter Sisulu)

**N Petela-Ngcanga**  
Board member  
Date appointed: April 2019  
Date ended: N/A

09

**Qualifications**  
Diploma Education (Uni Pretoria), Certificate Governance & Public Leadership (Wits)

**Amb M Maqetuka**  
Board member  
Date appointed: May 2018  
Date ended: N/A

10

**Qualifications**  
BA (Hons) Contemporary Media Practice, Certificate in Strategic Management, Short Course Journalism

**n dladla**  
CEO Ex Officio  
Date appointed: October 2018  
Date ended: N/A

11



## 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 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.

### SUMMARY OF AUDIT ASSIGNMENTS PERFORMED

The following audit areas were reviewed during the 2018/19 financial year:

- Asset management;

- Compliance with laws and regulations;
- Audit of Predetermined Objectives (AOPO);
- Supply chain management;
- Agro-processing and rural finance;
- Annual Financial Statements;
- Forestry and livestock;
- Human resources management; and
- Follow up on AGSA findings.

### KEY ACTIVITIES AND OBJECTIVES OF THE AUDIT AND RISK COMMITTEE

The objective of the Audit and Risk Committee is to provide an independent oversight of the Agency which increases the assurance stakeholders can place on the governance of the Agency.

As such, the committee endeavours to:

- Assist management in their evaluation of the adequacy and efficiency of the financial reporting process, the system of internal control, performance information, information communication and technology and compliance with laws and regulations;
- Review the work performed by the Agency's Internal Audit Unit, which comprises mainly internal audit assignments and risk management activities; and
- Maintain effective working relations with the Board, management and the internal and external auditors.

## 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 fully compliant with all laws and regulations relevant its areas of operation.





# 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.

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 report-

ing 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.

No instances of fraud or corruption have been reported to management or the Board to date.

# 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.

The ECRDA conducts ethics awareness workshop to all staff members to further assist them in understanding potential conflict of interest dilemmas.



# Code Of Conduct

The Agency is continuing to use the approved Code of Conduct and subscribes to its key values of transparency, excellence, honesty and integrity, innovation, commitment to empowerment of the rural poor and Ubuntu.

## HEALTH AND SAFETY

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 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.

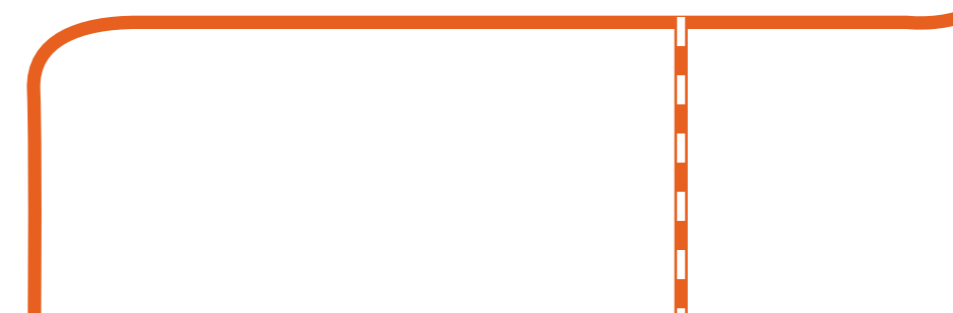
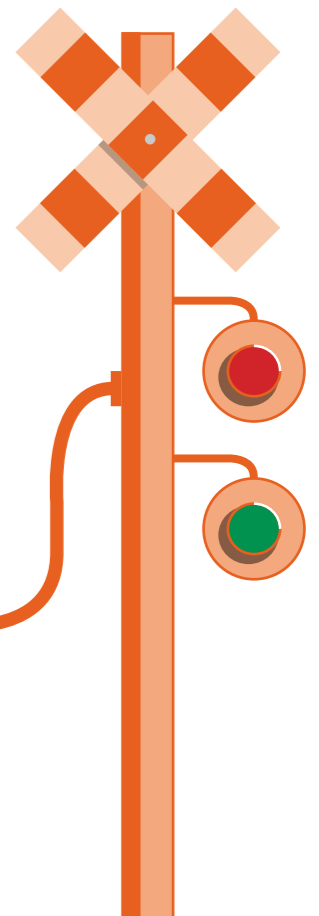
ECRDA has made its Corporate Social Investment (CSI) strategy one of its core business imperatives. With a developmental mandate firmly rooted in social upliftment through economic growth, the entity recognises the powerful way in which sustainable, inclusive CSI initiatives contribute to creating an environment that allows for more inclusive growth.

Moreover, meaningful CSI implementation allows the entity to both strengthen and broaden its stakeholder relations and to forge closer ties with the communities we serve.

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 timeously lodged, as required.

## SOCIAL RESPONSIBILITY

As a responsible corporate citizen eager to contribute to the socio-economic development and upliftment of marginalised communities,





# Part D Human Resource Management



## Introduction



The ECRDA's Corporate Services Unit commenced with a review of the HR Policies in the areas of Remuneration, Performance Management and Internships with the aim of eliminating disagreements between management and staff arising from different interpretations of policy and the aligning of the policies to the 2020-25 Strategy, which is being developed for the ECRDA.

The position of Corporate Services Executive (CSE) has been advertised with the view of having the position filled at the beginning of the 2019/2020 financial year. One of the first tasks to be undertaken by the newly appointed CSE

would be to ensure a streamlined and fit-for-purpose organisational structure aligned to the intended new Strategy 2020/25. The employment equity (EE) statistics for Executive Management are significantly skewed due

to the fact that 3 Executive positions, formerly filled by 2 African Males and an African Female are currently vacant. A recruitment process to fill 3 of these positions has been embarked upon, which will see an improvement in EE Statistics at this level.

A Skills Audit and organisational diagnostic was conducted during the reporting period. This will be used to assist in the restructuring of the organisation to align staff with the 2020-25 Strategy and the formulation of an appropriate HRD Strategy.

### TARGETS

Targets have been met by the HR Unit with the exception of the development of a HRD Strategy, which will be developed alongside the revised organisational structure to be developed to meet the needs of the 2020-25 Organisational Strategy currently being developed





Administration

103 597 590

Total expenditure

41 106 878

Personnel Expenditure



Personnel cost as % of total

56 employees

No of employees

734 051

Average personnel cost per employee

HIPPS

148 784 393

Total expenditure

23 599 687

Personnel Expenditure



Personnel cost as % of total

24 employees

No of employees

983 320

Average personnel cost per employee

57 045 262

Total expenditure

31 387 469

Personnel Expenditure



Personnel cost as % of total

68 employees

No of employees

461 580

Average personnel cost per employee

Total of all three programmes

205 829 655

Total expenditure

96 094 034

Personnel Expenditure



Personnel cost as % of total

148 employees

No of employees

649 284

Average personnel cost per employee



Ncorha Feed Lot



2.2. Personnel cost by staff category



Personnel expenditure by staff category

- Management 28,5%
- Skilled 27,1%
- Semi-Skilled 24,6%
- Executive 10,4%
- Specialists 5%
- Unskilled 4,4%



Percentage of employees per staff category

- Semi-Skilled 40,5%
- Skilled 25%
- Management 16,2%
- Unskilled 12,8%
- Executive 3%
- Specialists 2,5%

2.3. Training Cost

Programme	Personnel expenditure	Training Expenditure	Training expenditure as a % of Personnel cost	Number of employees trained	Average training cost per employee
Administration	41 106 878	135 882	0,33	22	6 176
HIPP's	23 599 687	35 365	0,15	3	11 788
Rural Finance	31 387 469	23 833	0,07	6	3 972
<b>Total</b>	<b>96 094 034</b>	<b>195 080</b>	<b>0,2%</b>	<b>31</b>	<b>6 293</b>

2.4. Employment and vacancies

Level	No of employees	Approved posts	Vacancies	% Of vacancies
Executives	5	8	3	37.5
Management	24	28	4	14.29
Specialists	3	4	1	25
Skilled	37	51	14	27.45
Semi-skilled	60	76	16	21.05
Unskilled	19	21	2	9.52
<b>Total</b>	<b>148</b>	<b>188</b>	<b>40</b>	<b>21.28</b>

← **148**  
Total employees

**188**  
Approved posts

2.5. Employment changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Executives	7	1	3	5
Management	24	0	1	23
Specialists	3	0	0	3
Skilled	37	0	2	35
Semi-skilled	60	2	0	62
Unskilled	20	1	1	20
<b>Total</b>	<b>151</b>	<b>4</b>	<b>7</b>	<b>148</b>

← **151**  
Total employees at beginning of period

**148**  
Employment at end of period





**2.6. Reasons for staff leaving**

Reason	Number	% of total no of staff leaving
Death	1	0,7
Resignation	1	0,7
Dismissal	-	-
Retirement	1	0,7
Ill health	-	-
Expiry of contract	4	2,7
Other	-	-
<b>Total</b>	<b>7</b>	<b>4,8 %</b>

**← 4**  
expired contracts

**2.7. Labour relations: Misconduct and disciplinary action**

One case of misconduct during the financial year 2018/19

**2.8. Equity Status**

Level	Female				Male				Total
	A	C	I	W	A	C	I	W	
Executives	-	-	-	1	3	-	-	1	<b>5</b>
Management	9			2	11	-	-	2	<b>24</b>
Specialists	-	-	-	-	3	-	-	-	<b>3</b>
Skilled	24	1		1	10	-	-	1	<b>37</b>
Semi-skilled	38	2	-	-	19	-	-	1	<b>60</b>
Unskilled	16	-	-	-	3	-	-	-	<b>19</b>
<b>Total</b>	<b>87</b>	<b>3</b>	<b>-</b>	<b>4</b>	<b>49</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>148</b>

# Future outlook

This appraisal should allow the organisation to determine the elements of the strategy which worked and to identify areas for continuous improvement. These strategic insights should inform the basis for the development of a new five-year strategy cycle. The new strategy is

envisaged to provide the organisation and its people with the requisite tools and instruments to lead a spirited charge against the enormous challenges which define the Eastern Capes' rural socio-economic architecture. At the finalisation of the new strategy development process, the ECRDA's human resources should know which levers they need to pull in the quest for a vibrant and sustainable rural economy.

From a Corporate Services perspective, this

vision should be attained through the development of impassioned people-centric support packages which provide them with the strategic foresight and wherewithal to deliver a maximum socio-economic impact.

As such, the Corporate Services functions of human resources, information communication technology and facilities management will be primed to offer high-value support to rural development initiatives.



**HUMAN RESOURCES**

The ECRDA's approach to the strategy development exercise will be to ensure that the organisation develops a structure around the new strategy. The new organisational structure will be designed around key issues rather than on the individual. This should ensure that people are placed where their skills set will best complement the overarching objectives of the organisation.

Furthermore, managers will be empowered to manage people and their allocated functions. This empowerment exercise will be implemented through coaching and skills development initiatives which are aligned to one's job. This exercise should be preceded by a talent acquisition approach which ensures that the ECRDA has the right number of people in the right job with the right skills at the right time. This will include the empowerment and reskilling of current employees around the demands of the new strategy.

**HUMAN RESOURCES PARTNER MODEL**

The idea is to introduce an inspired approach to people management. As such, the organisation intends to introduce a human resources partner model which will have a human resource function in tune with the demands of a specific programme or business unit. This approach will demand that each human resource practitioner develops an informed command of the ECRDA core business and for them to fully understand their purpose. Human resources practitioners will be required to improve their technical competencies and to view business units as their internal clients. This demands a customer services approach in the delivery of the human resources function.

Ultimately the ECRDA should be an encouraging place to work at where employees feel valued and rewarded for meritorious achievement. This should translate into improved benefits for staff. The ECRDA's people must feel well looked after when they exit the organisation. Part of developing a sound working environment is the development of a supportive wellness strategy which demonstrates the ECRDA's commitment to its people as a caring organisation.

In addition, the ECRDA intends to cultivate an inclusive management style which will involve organised labour in areas such as budgeting and in the strategy development process.

**INFORMATION COMMUNICATION TECHNOLOGY**

The new strategy intends to develop an ICT approach which works primarily as an enabler and support mechanism to the core business rather than as a punitive tool. It should support organisational efficiencies and effectiveness of the mandate delivery process.

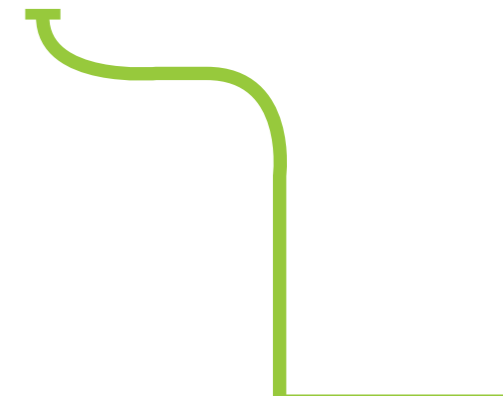
As such, the organisation is investigating the development of an APP (application) which supports the work of field workers in particular. It should also allow the organisation to track time and attendance. The ICT function should ensure that its systems are linked to satellite offices. The ICT function should support alternative work arrangements for staff and to ensure that employees deliver according to expectation. This should result in the development of a simplistic performance management system driven by the human resources function through the IT system. Through this system, the organisation should be able to track performance versus time and attendance.

Further strategies will be targeted at the reduction of paper-based systems and the introduction of electronic sign-offs.

**FACILITIES MANAGEMENT**

In the 2019/20 financial year the organisation will relocate to a new facility which should introduce an opportunity to commence alternative work arrangements. This is because the ECRDA's field workers and sector specialists will be very mobile across the Eastern Cape. The organisation will also strive for continuous improvement in health and safety compliance and in the development of disability friendly work spaces. The ECRDA's offices should be conducive to a high work ethic and must showcase smart office and work station principles.

Finally, the organisation is also looking at the re-configuration of the legal services and communication and public relations functions. The units are lean and there is a need to remodel these units to support the ECRDA and its strategy.





# Part E Financial Information



**EASTERN CAPE RURAL  
DEVELOPMENT AGENCY**  
CONSOLIDATED ANNUAL FINANCIAL  
STATEMENTS for the year ended  
31 March 2019

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# Report of the auditor-general



## 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 92 to 163, which comprise the consolidated and separate statement of financial position as at 31 March 2019, the 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 2019, and the group's financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (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 International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA 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.

### RESTATEMENT OF CORRESPONDING FIGURES

7. As disclosed in note 35 to the consolidated and separate financial statements, the corresponding figures for 31 March 2018 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2019.

### MATERIAL IMPAIRMENTS

8. As disclosed in notes 7 and 8 to the consolidated and separate financial statements, impairments of R137,4 million (2018: R123,5 million) and R1,2 million (2018: R0,79 million) were provided for loans to customers and receivables, respectively.

### IRREGULAR EXPENDITURE

9. Irregular expenditure of R1,4 million (2018: R8,6 million) disclosed in note 26 to the consolidated and separate financial statements was incurred due to non-compliance with supply chain management legislation. A total of R1,4 million of the irregular expenditure incurred in the prior year was condoned by the accounting authority for the year ended 31 March 2019.

### FRUITLESS AND WASTEFUL EXPENDITURE

10. As disclosed in note 25 to the consolidated and separate financial statements, the entity incurred fruitless and wasteful expenditure of R0,59 million, due to interest on late payments and payments to re-instated employees.

### OTHER MATTER

11. I draw attention to the matter below. My opinion is not modified in respect of this matter, Unaudited supplementary schedules

12. The supplementary information set out on pages 161 to 163 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.



### RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

13. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the 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.

14. 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

15. 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.

16. 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

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

18. My procedures address 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 included in the planning documents. My procedures also did 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.

19. 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 programmes presented in the annual performance report of the entity for the year ended 31 March 2019:

#### Programmes and their page numbers

**Programme 2- high impact priority projects: Page 60 - 63**

**Programme 3-rural finance: Page 63- 64**

20. 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.

21. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

#### Programme 3 – rural finance KPI 23: Number of communities capacitated

22. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments are required to the reported achievement of number of communities capacitated as reported in the annual performance report.





23. I did not raise any material findings on the usefulness and reliability of the reported performance information for programme 2-high impact priority projects.

## OTHER MATTERS

24. I draw attention to the matters below.

### ACHIEVEMENT OF PLANNED TARGETS

25. Refer to the annual performance report on pages 58 to 64 for information on the achievement of planned targets for the year and explanations provided for the under-or overachievement of a significant number of targets. This information should be considered in the context of the material findings on the reliability of the reported performance information in paragraph 22 of this report.

### ADJUSTMENT OF MATERIAL MISSTATEMENTS

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2-high impact priority projects, and programme 3 - rural finance. As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance information. Those that were not corrected are reported above.

# Report on the audit of compliance with legislation

## INTRODUCTION AND SCOPE

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

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

## OTHER INFORMATION

29. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the 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.

30. 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.

31. 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.

32. I have not yet received the annual report. When I do receive this information, and 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

33. 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 the annual performance report included in this report.

34. The entity's performance system and related internal controls failed to collect relevant and sufficient information to support its targets as per the defined indicators in the entity's planning documents.

### ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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 programmes 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 board of directors, which constitutes the accounting authority
- conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors, which constitutes the accounting authority, in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the entity and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a group to cease continuing as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the

financial statements represent the underlying transactions and events in a manner that achieves fair presentation

- 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, related safeguards.

*Auditor-General*

East London  
31 July 2019







## Statement of board members Responsibility for financial reporting



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 2019 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 2018/19 financial year.

The consolidated annual financial statements set out on pages 92 to 163, which have been prepared on the going concern basis, were approved by the board members on 31 May 2019 and were signed on its behalf by:

Chairperson of the Board



## Report of the audit Committee



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 sig-

- nificant 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 understandable 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 2019, 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.”**

Board member and Chairperson of the Audit Committee





# Consolidated statement of financial position as at 31 March 2019

Assets	Notes	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Current Assets</b>					
Cash and cash equivalents	6	65 866 708	42 955 041	72 837 950	56 702 249
Trade and other receivables	8	5 403 449	21 265 349	37 620 352	39 539 900
Inventories	9	81 063	91 118	81 063	91 118
Loans and advances to customers	7	49 184 646	58 959 511	35 475 331	45 784 511
		<b>120 535 865</b>	<b>123 271 019</b>	<b>146 014 696</b>	<b>142 117 778</b>
<b>Non-current assets</b>					
Deferred tax	23	-	-	1 674 677	8 015 012
Investment under contingency policy	12	10 460 630	9 839 802	10 460 630	9 839 802
Investment property	13.1	1 687 282	1 725 499	1 687 282	1 725 499
Property, plant and equipment	13.2	10 430 754	13 351 003	10 430 754	41 724 246
Intangible assets	13.3	215 540	422 188	215 540	600 688
		<b>22 794 206</b>	<b>25 338 492</b>	<b>24 468 882</b>	<b>61 905 247</b>
<b>Total assets</b>		<b>143 330 071</b>	<b>148 609 510</b>	<b>170 483 578</b>	<b>204 023 025</b>

Liabilities		Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Current liabilities</b>					
Finance lease obligations	19	642 832	1 191 126	642 832	1 191 126
Deferred grant income arising from non-exchange transactions	15	18 145 138	15 365 872	18 145 138	15 365 872
Trade and other payables	14	36 410 453	21 796 933	36 991 568	24 268 274
Loan from South African Fruit Exporters	17	-	-	21 980 575	21 980 575
Liabilities arising from non-exchange transactions	18	433 458	1 065 507	433 458	1 065 507
		<b>55 631 881</b>	<b>39 419 437</b>	<b>78 193 571</b>	<b>63 871 355</b>
<b>Non-current liabilities</b>					
Finance lease obligations	19	14 548	563 143	14 548	563 143
Deferred tax	23	-	-	767 841	1 696 682
		<b>14 548</b>	<b>563 143</b>	<b>782 389</b>	<b>2 259 825</b>
<b>Total liabilities</b>		<b>55 646 429</b>	<b>39 982 580</b>	<b>78 975 960</b>	<b>66 131 180</b>
<b>Total assets less total liabilities</b>		<b>87 683 642</b>	<b>108 626 930</b>	<b>91 507 617</b>	<b>137 891 844</b>



Net Assets	Notes	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Capital contributed	20	41 989 046	41 989 046	41 989 046	41 989 046
Accumulated surplus		45 694 595	66 637 884	49 518 572	95 902 798
Attributable to the minority shareholders		-	-	(1 873 709)	(10 347 351)
Attributable to net asset holder of the agency		87 683 641	108 626 930	93 381 327	148 239 195
<b>Total net assets</b>		<b>87 683 642</b>	<b>108 626 930</b>	<b>91 507 617</b>	<b>137 891 844</b>

## Total of Kangela Citrus (Pty) Ltd (R)

Total		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)
Total assets	40 862 823	20 840 040	20 022 783	150 460 795	170 483 578
Total liabilities	(37 038 927)	(18 889 853)	(18 149 074)	(60 826 886)	(78 975 960)
Total net assets	(3 823 896)	(1 950 187)	(1 873 709)	93 381 326	91 507 617





# Consolidated segment report of financial position as at 31 March 2019

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

	2019						2018					
	Head Office - Admin (non-segment)	East London	Branches	Segments total	Subsidiaries	Statement of financial position	Head Office - Admin (non-segment)	East London	Branches	Segments total	Subsidiaries	Statement of financial position
		Head Office - Project management	Rural Finance		Kangela Citrus			Head Office - Project management	Rural Finance		Kangela Citrus	
Assets	R	R	R	R	R	R	R	R	R	R	R	R
<b>Current Assets</b>												
Cash and cash equivalents	31 512 129	2 028 561	32 326 018	34 354 578	6 971 243	72 837 950	1 854 559	8 608 310	32 492 172	41 100 482	13 747 208	56 702 249
Trade and other receivables	5 309 437	-	94 011	94 011	32 216 903	37 620 352	2 986 355	18 220 617	58 377	18 278 994	18 274 551	39 539 900
Inventories	81 063	-	-	-	-	81 063	91 118	-	-	-	-	91 118
Biological assets and agricultural produce	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers	-	-	186 549 838	186 549 838	(13 709 315)	172 840 523	-	-	182 414 927	182 414 927	(13 175 000)	169 239 927
Less: Credit impairments on loans	-	-	(137 365 192)	(137 365 192)	-	(137 365 192)	-	-	(123 455 417)	(123 455 417)	-	(123 455 417)
Net loans and advances to customers	-	-	49 184 646	49 184 646	(13 709 315)	35 475 331	-	-	58 959 511	58 959 511	(13 175 000)	45 784 511
	<b>36 902 630</b>	<b>2 028 561</b>	<b>81 604 675</b>	<b>83 633 235</b>	<b>25 478 831</b>	<b>146 014 696</b>	<b>4 932 032</b>	<b>26 828 927</b>	<b>91 510 060</b>	<b>118 338 987</b>	<b>18 846 759</b>	<b>142 117 778</b>
<b>Non-current assets</b>												
Deferred tax	-	-	-	-	1 674 677	1 674 677	-	-	-	-	8 015 012	8 015 012
Biological assets and agricultural produce	-	-	-	-	-	-	-	-	-	-	-	-
Investment under contingency policy	10 460 630	-	-	-	-	10 460 630	9 839 802	-	-	-	-	9 839 802
Receivable from Arengo 316 (Pty) Ltd	-	-	-	-	-	-	-	-	-	-	-	-
Unsecured loans receivable by Kangela Citrus Farms (Pty) Ltd	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	-	-	1 687 282	1 687 282	-	1 687 282	-	-	1 725 499	1 725 499	-	1 725 499
Property, plant and equipment	3 870 611	-	6 560 143	6 560 143	-	10 430 754	7 541 314	-	5 809 689	5 809 689	28 373 243	41 724 246
Intangible assets	215 540	-	-	-	-	215 540	422 188	-	-	-	178 500	600 688
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
	<b>14 546 781</b>	<b>-</b>	<b>8 247 424</b>	<b>8 247 424</b>	<b>1 674 677</b>	<b>24 468 882</b>	<b>17 803 304</b>	<b>-</b>	<b>7 535 188</b>	<b>7 535 188</b>	<b>36 566 755</b>	<b>61 905 247</b>
<b>Total assets</b>	<b>51 449 412</b>	<b>2 028 561</b>	<b>89 852 099</b>	<b>91 880 660</b>	<b>27 153 507</b>	<b>170 483 578</b>	<b>22 735 336</b>	<b>26 828 927</b>	<b>99 045 248</b>	<b>125 874 175</b>	<b>55 413 514</b>	<b>204 023 025</b>





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

	2019						2018					
	Head Office - Admin (non-segment)	East London	Branches	Segments total	Subsidiaries	Statement of financial position	Head Office - Admin (non-segment)	East London	Branches	Segments total	Subsidiaries	Statement of financial position
		Head Office - Project management	Rural Finance		Kangela Citrus			Head Office - Project management	Rural Finance		Kangela Citrus	
LIABILITIES	R	R	R	R	R	R	R	R	R	R	R	R
<b>Current liabilities</b>												
Finance lease obligations	470 660	-	172 172	172 172	-	642 832	966 654	-	224 472	224 472	-	1 191 126
Deferred grant income arising from non-ex- change transactions	-	-	18 145 138	18 145 138	-	18 145 138	-	-	15 365 872	15 365 872	-	15 365 872
Trade and other payables	36 410 453	-	-	-	581 115	36 991 568	15 898 065	5 822 000	76 867	5 898 867	2 471 342	24 268 274
Loan from South African Fruit Exporters	-	-	-	-	21 980 575	21 980 575	-	-	-	-	21 980 575	21 980 575
Liabilities arising from non-exchange transactions	-	-146 486	579 943	433 458	-	433 458	-	500 107	565 400	1 065 507	-	1 065 507
	<b>36 881 113</b>	<b>(146 486)</b>	<b>18 897 253</b>	<b>18 750 768</b>	<b>22 561 690</b>	<b>78 193 571</b>	<b>16 864 719</b>	<b>6 322 107</b>	<b>16 232 611</b>	<b>22 554 718</b>	<b>24 451 917</b>	<b>63 871 355</b>
<b>Non-current liabilities</b>												
Finance lease obligations	14 548	-	-	-	-	14 548	392 468	-	170 675	170 675	-	563 143
Deferred tax	-	-	-	-	767 841	767 841	-	-	-	-	1 696 682	1 696 682
	14 548	-	-	-	767 841	782 389	392 468	-	170 675	170 675	1 696 682	2 259 825
<b>Total liabilities</b>	<b>36 895 661</b>	<b>(146 486)</b>	<b>18 897 253</b>	<b>18 750 768</b>	<b>23 329 531</b>	<b>78 975 960</b>	<b>17 257 187</b>	<b>6 322 107</b>	<b>16 403 286</b>	<b>22 725 393</b>	<b>26 148 599</b>	<b>66 131 180</b>
<b>Total assets less total liabilities</b>	<b>14 553 750</b>	<b>2 175 046</b>	<b>70 954 845</b>	<b>73 129 892</b>	<b>3 823 976</b>	<b>91 507 617</b>	<b>5 478 149</b>	<b>20 506 820</b>	<b>82 641 962</b>	<b>103 148 782</b>	<b>29 264 915</b>	<b>137 891 844</b>
<b>Net Assets</b>												
Capital contributed	41 989 046	-	-	-	-	41 989 046	41 989 046	-	-	-	-	41 989 046
Accumulated surplus	45 694 595	-	-	-	3 823 976	49 518 572	66 637 884	-	-	-	29 264 915	95 902 798
Attributable to net asset holder of the agency	87 683 641	-	-	-	3 823 976	91 507 617	108 626 930	-	-	-	29 264 915	137 891 844
<b>Total net assets</b>	<b>87 683 641</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 823 976</b>	<b>91 507 617</b>	<b>108 626 930</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29 264 915</b>	<b>137 891 844</b>





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

	2019 Rural Finance Segment Breakdown						2018 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
ASSETS	R	R	R	R	R	R	R	R	R	R	R	R
<b>Current Assets</b>												
Cash and cash equivalents	10 812 256	4 616 290	10 081	4 873 463	5 799 212	6 214 716	11 124 736	4 620 155	74 635	4 815 174	5 738 374	6 119 098
Trade and other receivables	-	-	-	94 011	-	-	-	-	-	58 377	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets and agricultural produce	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers	62 396 321	26 640 093	58 175	28 124 208	33 466 607	35 864 434	62 455 558	25 938 088	419 112	27 032 945	32 215 898	34 353 326
Less: Credit impairments on loans	(45 945 270)	(19 616 321)	(42 837)	(20 709 143)	(24 642 996)	(26 408 626)	(42 269 026)	(17 554 442)	(283 648)	(18 295 421)	(21 803 153)	(23 249 727)
Net loans and advances to customers	16 451 051	7 023 772	15 338	7 415 065	8 823 611	9 455 808	20 186 532	8 383 646	135 464	8 737 524	10 412 745	11 103 599
	27 263 307	11 640 062	25 419	12 382 539	14 622 823	15 670 524	31 311 268	13 003 801	210 099	13 611 075	16 151 119	17 222 697
<b>Non-current assets</b>												
Deferred tax	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets and agricultural produce	-	-	-	-	-	-	-	-	-	-	-	-
Investment under contingency policy	-	-	-	-	-	-	-	-	-	-	-	-
Receivable from Arengo 316 (Pty) Ltd	-	-	-	-	-	-	-	-	-	-	-	-
Unsecured loans receivable by Kangela Citrus Farms (Pty) Ltd	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	1 687 282	-	-	-	-	-	1 725 499	-	-
Property, plant and equipment	3 027 556	187 651	804 309	2 026 007	109 581	405 040	3 260 132	356 369	925 410	490 347	264 893	512 538
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-
	3 027 556	187 651	804 309	3 713 288	109 581	405 040	3 260 132	356 369	925 410	2 215 846	264 893	512 538
<b>Total assets</b>	30 290 863	11 827 713	829 727	16 095 827	14 732 405	16 075 564	34 571 400	13 360 170	1 135 509	15 826 921	16 416 012	17 735 235









# Consolidated statement of financial performance for the period ended 31 March 2019

	Notes	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>INCOME</b>		<b>287 911 197</b>	259 374 954	<b>304 891 919</b>	286 615 096
<b>Revenue from non-exchange transactions</b>		<b>271 315 111</b>	244 748 492	<b>271 328 051</b>	244 769 246
Government grant from the Eastern Cape Department of Rural Development and Agrarian Reform - operational		177 975 000	166 089 000	177 975 000	166 089 000
Government funding for additional specified transfers and payments		92 953 000	70 246 170	92 953 000	70 246 170
National Skills Fund		198 559	179 447	198 559	179 447
Other income	22.1	188 552	8 233 875	201 492	8 254 629
<b>Revenue from exchange transactions</b>		<b>16 596 086</b>	14 626 462	<b>33 563 868</b>	41 845 850
Interest income on cash and investments		2 183 773	2 328 736	2 204 246	2 342 615
Interest income on loans and advances		5 894 743	5 179 815	4 818 028	5 179 815
Interest income on concessionary loans		1 483 177	1 303 181	1 483 177	1 303 181
Commission fees for managing projects		4 092 261	3 008 497	4 092 261	3 008 497
Fair value adjustments		1 096 889	1 253 374	1 189 594	2 936 936
Gain on disposal of property, plant and equipment		267 628	-	267 628	-
Loan initiation fees		106 550	144 144	106 550	144 144
Rental income from investment property		1 471 065	1 408 715	1 471 065	1 408 715
Sale of goods - produce		-	-	17 931 319	25 521 947



	Notes	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>EXPENSES</b>		<b>308 854 485</b>	265 713 070	<b>339 829 604</b>	298 299 422
Administrative expenses	22.2	10 311 124	12 061 453	10 365 832	12 256 788
Audit fees		3 920 444	3 775 323	4 169 032	3 905 183
Cost of sales		-	-	13 664 364	28 288 569
Depreciation and amortisation		3 953 363	3 890 571	4 526 123	5 113 658
Fee - MAFISA Scheme		450 473	421 046	450 473	421 046
Finance costs		13 855	17 388	25 708	138 835
Marketing and social facilitation		1 052 282	1 701 878	1 052 282	1 701 878
Other operating expenses	22.3	74 536 664	67 939 845	91 082 442	70 223 833
Project expenses		27 268 482	36 113 282	26 983 694	36 113 282
Skills levy		909 800	681 315	909 800	681 315
Staff costs	22.4	96 094 034	81 692 052	96 255 889	82 036 119
Transfer payments		89 453 000	56 559 000	89 453 000	56 559 000
- Majola Tea		-	5 644 000	-	5 644 000
- Ncera Macadamia		-	10 000 000	-	10 000 000
- Amagingqi		32 640 000	-	32 640 000	-
- Summerpride Pineapple Programme		-	1 500 000	-	1 500 000
- Magwa Tea		56 813 000	39 415 000	56 813 000	39 415 000
Social benefit from concessionary loans		887 375	853 331	887 375	853 331
Write off of irrecoverable debts		3 591	6 586	3 591	6 586
<b>NET SURPLUS/(DEFICIT)</b>		<b>(20 943 289)</b>	(6 338 116)	<b>(34 937 685)</b>	(11 684 326)
Sale and scrapping of property, plant and equipment		-	(374 159)	-	(374 159)
<b>SURPLUS/(DEFICIT) BEFORE TAXATION</b>		<b>(20 943 289)</b>	(6 712 274)	<b>(34 937 685)</b>	(12 058 485)
Taxation		-	-	(7 075 534)	1 360 266
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(20 943 289)</b>	(6 712 274)	<b>(42 013 219)</b>	(10 698 219)
<b>Profit/(Loss) of subsidiary attributable to:</b>					
ECRDA (51%)		(20 943 289)	(6 712 274)	(10 745 664)	(2 032 831)
Minority Share (49%)		-	-	(10 324 266)	(1 953 112)





# Consolidated segment report of financial performance for the year ended 31 March 2019

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

	2019						2018					
	Head Office - Admin (non-segment)	East London Head Office - Project management	Branches Rural Finance	Segments total	Subsidiaries Kangela Citrus	Statement of financial performance	Head Office - Admin (non-segment)	East London Head Office - Project management	Branches Rural Finance	Segments total	Subsidiaries Kangela Citrus	Statement of financial performance
	R	R	R	R	R	R	R	R	R	R	R	R
<b>INCOME</b>	180 983 080	97 201 084	9 757 033	<b>106 958 117</b>	16 980 723	<b>304 891 919</b>	173 525 240	76 743 905	9 105 807	<b>85 849 712</b>	27 240 143	<b>286 615 096</b>
<b>Revenue from non-exchange transactions</b>	178 215 057	93 015 757	84 298	<b>93 100 054</b>	12 940	<b>271 328 051</b>	167 625 452	76 721 635	401 404	<b>77 123 039</b>	20 754	<b>244 769 246</b>
Government funding	177 975 000	92 953 000	-	<b>92 953 000</b>	-	<b>270 928 000</b>	166 089 000	70 246 170	-	<b>70 246 170</b>	-	<b>236 335 170</b>
National Skills Fund	198 559	-	-	-	-	<b>198 559</b>	179 447	-	-	-	-	<b>179 447</b>
Other income	41 498	62 757	84 298	<b>147 054</b>	12 940	<b>201 492</b>	1 357 005	6 475 465	401 404	<b>6 876 869</b>	20 754	<b>8 254 628</b>
<b>Revenue from exchange transactions</b>	2 738 023	4 185 328	9 672 735	<b>13 858 063</b>	16 967 782	<b>33 563 868</b>	5 899 788	22 270	8 704 403	<b>8 726 673</b>	27 219 389	<b>41 845 850</b>
Interest income on cash and investments	1 334 753	93 066	755 954	<b>849 020</b>	20 473	<b>2 204 246</b>	1 553 458	22 270	753 007	<b>775 277</b>	13 880	<b>2 342 615</b>
Interest income on loans and advances	38 003	-	5 856 740	<b>5 856 740</b>	(1 076 715)	<b>4 818 028</b>	84 459	-	5 095 356	<b>5 095 356</b>	-	<b>5 179 815</b>
Interest income on concessionary loans	-	-	1 483 177	<b>1 483 177</b>	-	<b>1 483 177</b>	-	-	1 303 181	<b>1 303 181</b>	-	<b>1 303 181</b>
Commission fees for managing projects	-	4 092 261	-	<b>4 092 261</b>	-	<b>4 092 261</b>	3 008 497	-	-	-	-	<b>3 008 497</b>
Fair value adjustments	1 096 889	-	-	-	92 705	<b>1 189 594</b>	1 253 374	-	-	-	1 683 562	<b>2 936 936</b>
Loan initiation fees	750	-	105 800	<b>105 800</b>	-	<b>106 550</b>	-	-	144 144	<b>144 144</b>	-	<b>144 144</b>
Rental income from investment property	-	-	1 471 065	<b>1 471 065</b>	-	<b>1 471 065</b>	-	-	1 408 715	<b>1 408 715</b>	-	<b>1 408 715</b>
Gain on disposal of property, plant and equipment	267 628	-	-	-	-	<b>267 628</b>	-	-	-	-	-	-
Sale of goods - produce	-	-	-	-	17 931 319	<b>17 931 319</b>	-	-	-	-	25 521 947	<b>25 521 947</b>





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

	2019						2018					
	Head Office - Admin (non-segment)	East London Head Office - Project management	Branches Rural Finance	Segments total	Subsidiaries Kangela Citrus	Statement of financial performance	Head Office - Admin (non-segment)	East London Head Office - Project management	Branches Rural Finance	Segments total	Subsidiaries Kangela Citrus	Statement of financial performance
	R	R	R	R	R	R	R	R	R	R	R	
<b>EXPENSES</b>	103 597 590	148 784 393	57 045 262	<b>205 829 655</b>	30 402 359	<b>339 829 604</b>	71 636 228	135 189 212	58 887 630	<b>194 076 842</b>	32 586 352	<b>298 299 422</b>
Administrative expenses	9 110 407	455 387	745 330	<b>1 200 717</b>	54 707	<b>10 365 832</b>	9 948 629	313 366	1 799 457	<b>2 112 823</b>	195 336	<b>12 256 788</b>
Audit fees	2 377 352	448 899	1 094 192	<b>1 543 092</b>	248 588	<b>4 169 032</b>	2 024 050	447 134	1 304 140	<b>1 751 274</b>	129 859	<b>3 905 183</b>
Cost of sales	-	-	-	-	13 664 364	<b>13 664 364</b>	-	-	-	-	28 288 569	<b>28 288 569</b>
Fee - MAFISA Scheme	-	-	450 473	<b>450 473</b>	-	<b>450 473</b>	-	-	421 046	<b>421 046</b>	-	<b>421 046</b>
Finance costs	12 663	328	863	<b>1 191</b>	11 853	<b>25 708</b>	7 637	2 530	7 221	<b>9 751</b>	121 447	<b>138 835</b>
Marketing and social facilitation	1 001 646	-	50 637	<b>50 637</b>	-	<b>1 052 282</b>	967 655	715 935	18 288	<b>734 223</b>	-	<b>1 701 878</b>
Other operating expenses	49 078 843	7 558 611	22 425 332	<b>29 983 943</b>	16 545 778	<b>95 608 564</b>	21 533 685	21 121 786	29 174 944	<b>50 296 730</b>	3 507 075	<b>75 337 490</b>
Project expenses	-	27 268 482	-	<b>27 268 482</b>	(284 788)	<b>26 983 694</b>	15 000	36 098 282	-	<b>36 098 282</b>	-	<b>36 113 282</b>
Skills levy	909 800	-	-	-	-	<b>909 800</b>	681 315	-	-	-	-	<b>681 315</b>
Staff costs	41 106 878	23 599 687	31 387 469	<b>54 987 156</b>	161 855	<b>96 255 889</b>	36 458 257	19 931 179	25 302 617	<b>45 233 796</b>	344 066	<b>82 036 119</b>
Subsidiaries and transfer payments	-	89 453 000	-	<b>89 453 000</b>	-	<b>89 453 000</b>	-	56 559 000	-	<b>56 559 000</b>	-	<b>56 559 000</b>
Social benefit from concessorary loans	-	-	887 375	<b>887 375</b>	-	<b>887 375</b>	-	-	853 331	<b>853 331</b>	-	<b>853 331</b>
Write off of irrecoverable debts	-	-	3 591	<b>3 591</b>	-	<b>3 591</b>	-	-	6 586	<b>6 586</b>	-	<b>6 586</b>
NET (DEFICIT)/SURPLUS	77 355 490	(51 583 309)	(47 288 229)	<b>(98 871 538)</b>	(13 421 636)	<b>(34 937 684)</b>	101 889 012	(58 445 307)	(49 781 823)	<b>(108 227 130)</b>	(5 346 209)	<b>(11 684 326)</b>
Sale and scrapping of property, plant and equipment	-	-	-	-	-	-	(149 152)	(225 007)	-	<b>(225 007)</b>	-	<b>(374 159)</b>
(DEFICIT)/SURPLUS BEFORE TAXATION	77 355 490	(51 583 309)	(47 288 229)	<b>(98 871 538)</b>	(13 421 636)	<b>(34 937 684)</b>	101 739 860	(58 670 314)	(49 781 823)	<b>(108 452 137)</b>	(5 346 209)	<b>(12 058 485)</b>
Taxation	-	-	-	-	(7 075 534)	<b>(7 075 534)</b>	-	-	-	-	1 360 266	<b>1 360 266</b>
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>	77 355 490	(51 583 309)	(47 288 229)	<b>(98 871 538)</b>	(20 497 170)	<b>(42 013 218)</b>	101 739 860	(58 670 314)	(49 781 823)	<b>(108 452 137)</b>	(3 985 943)	<b>(10 698 219)</b>



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

	2019 Rural Finance Segment Breakdown						2018 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	R
<b>INCOME</b>	3 408 192	1 207 972	251 899	2 444 873	1 572 886	871 210	3 760 592	131 417	265 945	2 385 135	1 509 733	1 052 985
<b>Revenue from non-exchange transactions</b>	79 498	-	-	1 800	-	3 000	256 420	-	-	88 679	-	56 305
Other Income	79 498	-	-	1 800	-	3 000	256 420	-	-	88 679	-	56 305
<b>Revenue from exchange transactions</b>	3 328 695	1 2017 972	251 899	2 443 073	1 572 886	868 210	3 504 172	131 417	265 945	2 296 456	1 509 733	996 680
Interest income on cash and investments	755 954	-	-	-	-	-	753 007	-	-	-	-	-
Interest income on loans and advances	984 514	1 207 972	251 899	972 008	1 572 886	867 460	1 305 040	131 117	265 945	887 441	1 509 433	996 380
Interest income on concessionary loans	1 483 177	-	-	-	-	-	1 303 181	-	-	-	-	-
Commission fees for managing projects	-	-	-	-	-	-	-	-	-	-	-	-
Loan initiation fees	105 050	-	-	-	-	750	142 944	300	-	300	300	300
Rental income from investment property	-	-	-	1 471 065	-	-	-	-	-	1 408 715	-	-
<b>EXPENSES</b>	27 847 669	5 145 759	5 616 469	5 722 867	6 781 597	5 930 902	31 298 165	4 783 947	5 197 202	6 601 842	5 905 931	5 100 543
Administrative expenses	492 637	23 701	26 779	106 371	50 971	44 870	755 354	210 136	136 934	224 178	235 634	237 221
Audit fees	336 675	140 281	224 450	168 337	224 450	-	298 089	186 306	298 089	223 567	298 089	-
Fee - MAFISA Scheme	450 473	-	-	-	-	-	421 046	-	-	-	-	-
Finance costs	16	-	168	612	67	-	-	-	7 221	-	-	-
Marketing and social facilitation	46 805	-	-	3 832	-	-	914	1 984	-	-	-	15 390
Other operating expenses	16 302 999	1 127 698	798 263	1 755 873	1 309 361	1 131 138	22 016 603	1 226 596	806 986	2 369 840	1 495 375	1 259 544
Project expenses	-	-	-	-	-	-	-	-	-	-	-	-
Skills levy	-	-	-	-	-	-	-	-	-	-	-	-
Staff costs	9 330 690	3 854 078	4 566 810	3 684 250	5 196 748	4 754 893	6 951 842	3 158 880	3 947 972	3 782 584	3 873 735	3 587 604
Social benefit from concessionary loans	887 375	-	-	-	-	-	853 331	-	-	-	-	-
Write off of irrecoverable debts	-	-	-	3 591	-	-	986	45	-	1 673	3 098	784
<b>NET (DEFICIT)/SURPLUS</b>	(24 439 477)	(3 937 787)	(5 364 570)	(3 277 994)	(5 208 710)	(5 059 691)	(27 537 573)	(4 652 530)	(4 931 257)	(4 216 707)	(4 396 198)	(4 047 558)
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)	(27 537 573)	(4 652 530)	(4 931 257)	(4 216 707)	(4 396 198)	(4 047 558)
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)	(27 537 573)	(4 652 530)	(4 931 257)	(4 216 707)	(4 396 198)	(4 047 558)





## Consolidated statement of changes in net assets for the year ended 31 March 2019

Agency (Attributable to net asset holder of the agency)			
Notes	Capital contributed (R)	Accumulated surplus (R)	Total (R)
<b>Balance as at 31 March 2017</b>	41 989 046	73 352 578	115 341 624
Depreciation correction	-	(2 419)	(2 419)
<b>Restated balance as at 31 March 2017</b>	41 989 046	73 350 159	115 339 205
Surplus for the year	-	(6 714 694)	(6 714 694)
Depreciation correction	-	2 419	2 419
<b>Balance as at 31 March 2018</b>	41 989 046	66 637 884	108 626 930
Surplus for the year	-	(20 943 289)	(20 943 289)
<b>Balance as at 31 March 2019</b>	<b>41 989 046</b>	<b>45 694 595</b>	<b>87 683 641</b>

Group (Attributable to net asset holder of the agency)			
Notes	Capital contributed (R)	Accumulated surplus (R)	Total (R)
<b>Balance as at 31 March 2017</b>	41 989 046	99 710 458	141 699 504
Depreciation correction	-	(2 419)	(2 419)
<b>Restated balance as at 31 March 2017</b>	41 989 046	99 708 039	141 697 085
Surplus for the year	-	(12 044 779)	(12 044 779)
VAT receivable (Kangela)	-	1 589 397	1 589 397
SAFE loan and payables correction	-	(299 686)	(299 686)
Fair value adjustment on Biological assets correction	-	1 659 369	1 659 369
Revaluation reserve (trees)	-	(5 943 000)	(5 943 000)
Deferred tax asset	-	6 864 153	6 864 153
Deferred tax liability	-	83 254	83 254
Revaluation impact on retained income	-	4 283 631	4 283 631
Depreciation correction	-	2 419	2 419
<b>Restated balance as at 31 March 2018</b>	41 989 046	95 902 798	137 891 844
Surplus for the year	-	(42 013 219)	(42 013 219)
Deferred tax on impairment of assets	-	1 664 040	1 664 040
Discontinued operations	-	(6 035 045)	(6 035 045)
<b>Balance as at 31 March 2019</b>	<b>41 989 046</b>	<b>49 518 574</b>	<b>91 507 620</b>



## Statement of comparison of budget & actual amounts for year ended 31 March 2019

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 expendi-

ture 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 2018 to 31 March 2019. 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 2017/18	Actual 2018/19	Budget 2018/19	Over/ (Under) Budget
<b>Revenue</b>	<b>248 088 069</b>	<b>274 887 450</b>	<b>272 769 620</b>	<b>2 117 830</b>
Interest, dividends and rentals (a)	3 737 451	3 654 837	4 903 201	(1 248 364)
Other non-tax revenue (b)	8 015 448	304 613	3 938 419	(3 633 806)
Government Grants (c)	221 148 000	177 975 000	177 975 000	0
Government Transfers & Payments received (d)	15 187 170	92 953 000	85 953 000	7 000 000
<b>Expenses</b>	<b>224 521 776</b>	<b>255 546 966</b>	<b>270 882 445</b>	<b>(15 335 479)</b>
Compensation of employees (e)	81 692 052	96 094 033	93 310 102	2 783 931
Goods and services (f)	79 125 788	62 290 567	83 994 268	(21 703 701)
Interest, dividends and rentals (g)	7 144 936	7 709 365	7 625 074	84 291
Transfer Payments Made (h)	56 559 000	89 453 000	85 953 000	3 500 000
<b>Surplus / (Deficit) Excluding Items of Capital Nature &amp; Results from Lending Activities</b>	<b>23 566 293</b>	<b>19 340 485</b>	<b>1 887 175</b>	<b>17 453 310</b>
<b>Budgeted Items of a Statement of Financial Position Nature</b>				
<b>Items of Capital Nature</b>	<b>25 621 955</b>	<b>9 268 446</b>	<b>10 355 000</b>	<b>-1 086 554</b>
Capital Expenditure, including intangibles (i)	2 889 152	4 249 982	4 463 000	(213 018)
Loans Disbursed (j)	22 732 803	5 018 464	5 892 000	(873 536)

### 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 below the income estimates due as no additional administered funds or projects were secured during the year from which the ECRDA could earn interest.

(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 in-

cluded project implementation funding from the Office of the Premier (OTP) (R3,5m) and additional funding from DRDAR for a tea packaging machine at Magwa Tea Estate (R3.5m)

(e) Compensation of employees (COE) were more than the original budget for the year. The ECRDA paid long service awards and 13th cheques during the financial year.



(f) The expenditure on goods and services were less than what was budgeted for, resulting mainly from the delayed implementation of the Tshabo Flora Project and non-implementation of a livestock project (R15m).

(g) The expenditure on rentals exceeded the budget by 1.1% and include premises across the Eastern Cape province.

(h) Transfers payments made include the trans-

fers paid to Magwa and Majola Tea Estates which are under business rescue (R53.313m), the Amajingqi Macadamia project (R32.64m). An additional transfer payment of R3.5m was received from DRDAR earmarked for the purchase of a tea packaging machine at Magwa Tea Estate. 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 replaced obsolete computer equipment and vehicles during the financial year.

(j) Loans disbursed was less than 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 were less than anticipated.

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

	Actual 2018/19	Actual 2017/18
<b>Total Income as per Income Statement</b>	287 907 606	259 368 368
Results from Lending activities	(7 563 376)	(7 018 428)
Fair value adjustments and Reversal of impairments and provisions	(1 096 889)	(1 253 374)
Commission fees for managing projects (accrued)	(4 092 261)	(3 008 497)
Gain on disposal of assets	(267 628)	-
<b>Total Income for comparison of budget and actual income</b>	<b>274 887 450</b>	<b>248 088 069</b>
<b>Total Expenses as per Income Statement</b>	308 850 894	266 080 642
Add:		
Depreciation	(3 953 363)	(3 890 571)
Bad debts - rental and other income	-	-
Bad debts - Loans	(13 909 978)	(20 348 347)
Surrender of Funds to Provincial Treasury	(21 375 241)	-
Fee - MAFISA Scheme	(450 473)	(421 046)
Impairment loss	(9 224 707)	(391 189)
Fair value adjustments and impairments	(557)	(1 584 621)
Scrapping of obsolete property, plant and equipment	-	(374 159)
Minor assets expensed	(2 235)	(8 435)
Project implemented on behalf of funders	(3 500 000)	(13 687 170)
Social benefit from concessionary loans	(887 375)	(853 330)
<b>Total Expenses for comparison of budget and actual income</b>	<b>255 546 966</b>	<b>224 521 776</b>
<b>Net result</b>	<b>19 340 484</b>	<b>23 566 293</b>



## Consolidated cash flow statement for the year ended ended 31 March 2019

Cash Flows From Operating Activities	Notes	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Receipts		283 401 363	228 496 720	282 358 062	228 531 354
Grants received		177 975 000	166 089 000	177 975 000	166 089 000
Interest received on cash and cash equivalents (both on own funds and on liabilities arising from non-exchange transactions)		8 078 515	7 508 551	7 022 274	7 522 430
Non-exchange transfers arising from administered funds		94 946 920	69 964 758	94 946 920	69 964 758
Net movement in loans and advances to customers before credit impairments		(3 554 479)	(27 896 123)	(3 554 479)	(27 896 123)
Other receipts from commission and fees		5 955 407	12 830 535	5 968 347	12 851 289
<b>Less: Payments</b>		<b>257 942 654</b>	<b>257 190 137</b>	<b>263 663 464</b>	<b>242 818 028</b>
Employee costs		96 094 034	81 692 052	96 255 889	82 036 119
Disbursements of non-exchange transactions from administered funds		94 681 360	86 743 122	94 681 360	86 743 122
Payments to suppliers		67 167 260	88 754 963	72 726 216	74 038 787
<b>Cash (outflows) / inflows from operating activities</b>	A	<b>25 458 709</b>	<b>(28 693 417)</b>	<b>18 694 597</b>	<b>(14 286 673)</b>
<b>Cash flows from investing activities</b>					
Acquisition and transfer of property, plant and equipment		(1 080 187)	(2 585 112)	(1 080 187)	(3 087 314)
Proceeds on disposal of property, plant and equipment and intangible assets		267 628	-	267 628	-
Acquisition of intangible assets		-	(304 043)	-	(304 043)
Cash invested under contingency policy and related admin fees on policy		(620 828)	(623 447)	(620 828)	(623 447)
<b>Cash (outflows) / inflows from investing activities</b>		<b>(1 433 387)</b>	<b>(3 512 602)</b>	<b>(1 433 387)</b>	<b>(4 014 803)</b>
<b>Cash flows from financing activities</b>					
Decrease in finance lease obligations		(1 096 889)	539 277	(1 096 889)	496 175
Loan repayment (SAFE)		-	-	-	-
Finance costs		(13 855)	(17 388)	(25 708)	(138 835)
Penalties and Fines		(2 913)	(3 048)	(2 913)	(3 048)
<b>Cash (outflows) / inflows from financing activities</b>		<b>(1 113 656)</b>	<b>518 840</b>	<b>(1 125 510)</b>	<b>354 292</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>22 911 666</b>	<b>(31 687 179)</b>	<b>16 135 701</b>	<b>(17 947 185)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	6	<b>42 955 041</b>	<b>74 642 220</b>	<b>56 702 249</b>	<b>74 649 434</b>
<b>Cash and cash equivalents at the end of the year</b>	6	<b>65 866 708</b>	<b>42 955 041</b>	<b>72 837 950</b>	<b>56 702 249</b>




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

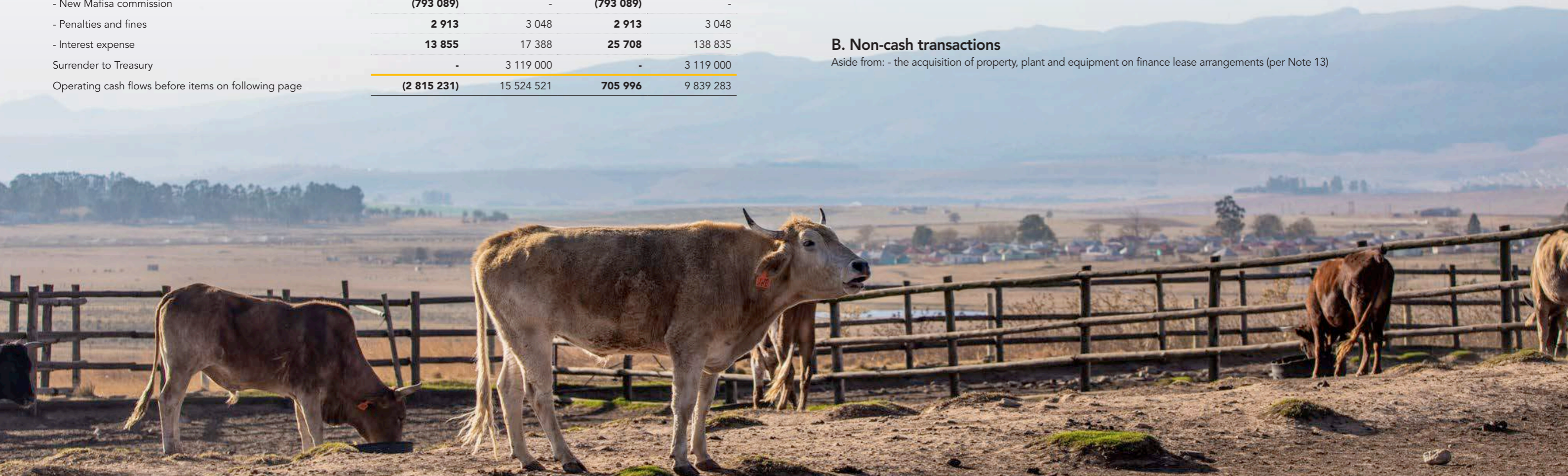
	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Surplus (Deficit) before taxation	<b>(20 943 289)</b>	(6 712 274)	<b>(34 937 685)</b>	(12 058 484)
Adjusted for:				
Non cash flow items in surplus / (deficit) before taxation				
- Depreciation of investment property and property, plant and equipment	<b>3 953 363</b>	3 890 571	<b>4 526 123</b>	5 113 658
- Scrapping of property, plant and equipment	<b>9 939</b>	374 159	<b>9 939</b>	374 159
- Fair value adjustment on biological assets	-	-	-	-
- Fair value adjustments and impairments	<b>8 138 881</b>	730 806	<b>23 993 176</b>	(952 756)
- Cost of sales arising from a transfer from biological assets (harvesting)	-	-	-	-
- Decrease in credit impairments	<b>13 909 978</b>	20 348 349	<b>13 909 978</b>	20 348 349
- Movement in allowance for bad debt impairment of loans and staff debtors, and impairment of subsidiaries	<b>3 591</b>	6 586	<b>3 591</b>	6 586
- Social benefit from concessionary loans (Subsidy cost fair value adjustment)	<b>887 375</b>	853 331	<b>887 375</b>	853 331
- Unwinding of subsidy cost / Concessionary loans interest	<b>(1 483 177)</b>	(1 303 181)	<b>(1 483 177)</b>	(1 303 181)
- Interest received on loan book and staff debtors	<b>(5 894 743)</b>	(5 179 815)	<b>(4 818 028)</b>	(5 179 815)
- Net of interest capitalised and expenses / fees on investment under contingency policy (non-cash)	<b>(620 828)</b>	(623 447)	<b>(620 828)</b>	(623 447)
- New Mafisa commission	<b>(793 089)</b>	-	<b>(793 089)</b>	-
- Penalties and fines	<b>2 913</b>	3 048	<b>2 913</b>	3 048
- Interest expense	<b>13 855</b>	17 388	<b>25 708</b>	138 835
Surrender to Treasury	-	3 119 000	-	3 119 000
Operating cash flows before items on following page	<b>(2 815 231)</b>	15 524 521	<b>705 996</b>	9 839 283


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

	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Operating cash flows carried forward from previous page	<b>(2 815 231)</b>	15 524 521	<b>705 996</b>	9 839 283
<b>Working capital changes</b>				
- Increase / (decrease) in deferred grant income	<b>2 779 266</b>	3 216 793	<b>2 779 266</b>	3 216 793
- Change in deferred taxes	-	-	<b>1 216 671</b>	(121 724)
- Increase / (Decrease) in payables	<b>14 651 626</b>	(6 701 815)	<b>12 761 400</b>	(8 309 538)
- Increase / (Decrease) in administered fund liabilities from non-exchange transfers	<b>(631 584)</b>	(6 940 046)	<b>(315 758)</b>	(6 940 046)
- (Increase) / Decrease in trade and other receivables	<b>5 323 629</b>	(8 597 978)	<b>(4 061 641)</b>	(24 479 543)
- Decrease in Sundays River receivable	-	-	-	124 791
- Increase in SAFE Farm Exports Proprietary Limited	-	-	-	21 701 418
- Increase / decrease in loans with credit balances	<b>(38 106)</b>	274 297	<b>(38 106)</b>	274 297
- (Increase) / decrease in inventories	<b>10 054</b>	32 853	<b>10 054</b>	421 445
Cash flows from operating activities before:	<b>19 279 655</b>	(3 191 375)	<b>13 057 883</b>	(4 272 824)
<b>Lending cash flow movements</b>				
- New loans granted during the year	<b>(5 018 464)</b>	(41 941 591)	<b>(5 018 464)</b>	(28 766 591)
- Loans repaid by customers	<b>11 197 519</b>	16 439 549	<b>10 655 179</b>	18 752 741
Cash (outflows) / inflows from operating activities	<b>25 458 710</b>	(28 693 417)	<b>18 694 598</b>	(14 286 674)

**B. Non-cash transactions**

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







# Notes to the consolidated financial statements for the year ended 31 March 2019

## 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 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. 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.

The following standards, amendments to standards and interpretations, with their estimated effect on the consolidated annual financial statements, have been issued but are not yet effective as at 31 March 2019:

#### GRAP 34 - Separate financial statements

ASB Issue date: March 2017

Effective Date: To be determined by the Minister  
The new standard of Generally Recognised Accounting Practice establishes principles for reporting on the investments in controlled entities, joint ventures and associates when it elects, or is required by legislation or similar means, to present separate financial statements.

#### GRAP 35 - Consolidated financial statements

ASB Issue date: March 2017

Effective Date: To be determined by the Minister  
The new standard of Generally Recognised Accounting Practice establishes principles for presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

#### GRAP 36 - Investments in associates and joint ventures

ASB Issue date: March 2017

Effective Date: To be determined by the Minister  
The new standard of Generally Recognised Accounting Practice establishes principles for reporting by all entities that are investors with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.

#### GRAP 37 - Joint arrangements

ASB Issue date: March 2017

Effective Date: To be determined by the Minister  
The new standard of Generally Recognised Accounting Practice establishes principles to determine the type of joint arrangement in which it is involved and in accounting for the rights and obligations of the joint arrangement.



#### GRAP 38 - Disclosure of interests in other entities.

ASB Issue date: March 2017

Effective Date: To be determined by the Minister

The new standard of Generally Recognised Accounting Practice establishes principles for reporting on the disclosure of information about its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated.

#### GRAP 110 - Living and non-living resources

ASB issue date: March 2017

Effective date: To be determined by the Minister

The objective of this Standard is to outline principles to be used by an entity to report on living and non-living resources other than plants and animals used in agricultural activities (reported under GRAP 27).

## 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 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 policyholder. 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.

### 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:**

**BUILDINGS**  
30-50 years

**COMPUTER EQUIPMENT**  
5-9 years

**OFFICE FURNITURE AND FITTINGS:**  
10-12 years

**LEASEHOLD IMPROVEMENTS**  
2-5 years (period of the lease)

**VEHICLES**  
4-5 years

**PLANT AND EQUIPMENT**  
5-10 years

**EQUIPMENT UNDER FINANCE LEASE**  
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:

- Whether the composition of the asset changed during the reporting period, i.e. the significant components of the assets changed.
- Whether the use of the asset has changed, because of the following:
  - The entity has changed the manner in which the asset is used.
  - The entity has changed the utilisation rate of the asset.
  - 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.
  - Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
  - Legal or similar limits placed on the use of the asset have changed.
  - The asset was idle or retired from use

- during the reporting period.
- Whether the asset is approaching the end of its previously expected useful life.
  - Whether planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components is either being undertaken or delayed.
  - Whether environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution exist.
  - Whether there is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
  - Whether the asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of cash-generating assets and impairment of noncash 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 asset 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.



## 2.8 Property, plant and equipment (continue)

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.

#### 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:

#### Item

Computer software

#### Useful life

3 years/purchased licencing term

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 recognised 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 transac-

tions. 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 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 measureable 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 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
- 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 Determining the GRAP reporting framework  
 Directive 7 The application of deemed cost on the adoption of Standards of GRAP

### 6. Cash And Cash Equivalents

	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Cash on call and deposits at commercial banks	39 142 667	30 171 799	39 142 667	30 171 799
Cash on current accounts at commercial banks	26 711 980	12 772 752	33 683 222	26 519 960
Cash on hand	12 060	10 489	12 060	10 489
	<b>65 866 708</b>	<b>42 955 041</b>	<b>72 837 950</b>	<b>56 702 249</b>

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 2019 were 5,1% (2018: 5,5%) for funds on call and 3,7% (2018: 4,5% - 4,9%) for funds on deposit. Kangela Citrus Farms (Pty) Ltd has limited cash resources.



**RATES OF INTEREST**  
 Rates of interest at 31 March 2019 were 5,1% (2018: 5,5%) for funds on call and 3,7% (2018: 4,5% - 4,9%) for funds on deposit. Kangela Citrus Farms (Pty) Ltd has limited cash resources.





Proprietary composition of cash and cash equivalents:	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Unspent funds received under non-exchange transactions (refer to Note 18)	433 458	6 887 507	433 458	6 887 507
Funds committed under conditional grants (refer to Note 15)	18 145 138	15 365 872	18 145 138	15 365 872
Funds at commercial banks and on hand for own commitments and onlending	47 288 112	20 701 662	54 259 354	34 448 869
	<b>65 866 708</b>	42 955 041	<b>72 837 950</b>	56 702 249

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 2019 (R)	Agency and Group 2018 (R)
Loans and advances to customers	185 548 203	181 955 618
Customers with credit balances	2 604 037	2 642 143
Gross loans and advances to customers (i)	<b>188 152 240</b>	184 597 761
Less: Fair value adjustments arising on concessionary loans	(1 304 723)	(1 900 525)
Less: Specific credit impairments	(137 365 192)	(123 455 214)
	<b>49 482 325</b>	59 242 022
Less: Unallocated loan repayments	(297 680)	(282 511)
<b>Net carrying amount for ECRDA</b>	<b>* 49 184 646</b>	58 959 511
Less: Group loan	(13 709 315)	(13 175 000)
<b>Net carrying amount for the ECRDA Group</b>	<b>35 475 331</b>	45 784 511
* As % of loanbook	<b>26%</b>	32%

Detailed loans and advances granted to customers per type of loan	ECRDA	Asgisa	Mafisa	Uvimba
Loans granted at 31 March 2018	41 315 376	11 905 125	67 418 119	63 959 141
Less: Fair value adjustments arising on concessionary loans	(513 441)	(4 608)	(41 337)	(1 341 139)
Less: Specific credit impairments	(18 449 866)	(11 864 952)	(55 572 861)	(37 567 535)
Less: Unallocated loan repayments	(100 809)	-	(47 597)	(134 105)
Net granted balance at 31 March 2018	<b>22 251 260</b>	<b>35 565</b>	<b>11 756 324</b>	<b>24 916 362</b>
As % of loans granted	54%	0%	17%	39%

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%



Movement in specific credit impairments:	Agency and Group 2019 (R)	Agency and Group 2018 (R)
Balance at the beginning of the year	123 455 214	103 342 019
New impairments created	13 909 978	20 113 195
Balance at the end of the year	(ii) 137 365 192	123 455 214
Balance at the end of the year expressed as a percentage of gross loans (ii/i) and advances to customers	73%	67%
<b>Contractual maturity analysis:</b>		
Repayable within 1 year and overdue	152 463 203	148 347 650
Repayable later than 1 year	35 689 037	36 250 111
	<b>188 152 240</b>	184 597 761

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:	Agency and Group 2019 (R)	Agency and Group 2018 (R)
Agricultural	159 222 944	155 024 206
Non-agricultural	28 929 295	29 573 555
	<b>188 152 240</b>	184 597 761
<b>Exposure to credit risk (A):</b>		
Loans and advances neither past due nor impaired	* 21 947 846	36 962 109
Loans and advances past due but not impaired	8 822	22 218
Loans and advances individually assessed as impaired	166 195 572	147 613 433
	<b>A 188 152 240</b>	184 597 761
*As % of loans granted	12%	20%

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 2019 (R)	Group 2018 (R)
Loans and advances neither past due nor impaired	8 420 600	8 470 600
Loans and advances past due but not impaired	-	-
Loans and advances individually assessed as impaired	31 314 432	30 001 091
	<b>B 39 735 032</b>	38 471 691
Expressed as a percentage of the loan book	<b>(B/A) 21,12%</b>	20,84%

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

	Group 2019 (R)	Group 2018 (R)
Loans and advances neither past due nor impaired	13 527 246	28 491 509
Loans and advances past due but not impaired	8 822	22 218
Loans and advances individually assessed as impaired	134 881 140	117 612 342
	<b>148 417 208</b>	146 126 069
<b>Net exposure after specific impairments:</b>		
Loans and advances neither past due nor impaired	-	-
Loans and advances past due but not impaired	8 822	22 218
Loans and advances individually assessed as impaired	-	-
	<b>8 822</b>	22 218

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 2019 due to the default rate, whereas in 2018 the fair valued collateral held at reporting date on these loans amounted to R5 076 635. All loans were considered for specific impairment in 2018 and in 2019.

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 R5 134 (2018: R54 527).

**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."



## 8. Trade and Other Receivables - Exchange transactions

8.1 Trade and Other Receivables	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Interest accrued	264 124	197 756	264 124	197 756
Deposits	104 078	104 328	104 078	104 328
Rent receivable	1 300 963	845 978	1 300 963	845 978
Trade and other receivables	-	213 892	1 434 355	1 319 283
Funds owed by the Departments for Administered Functions	-	8 800 883	-	8 800 883
- Department of Agriculture, Forestry and Fisheries	-	8 619 464	-	8 619 464
- Department of Rural Development and Agrarian Reform	-	181 419	-	181 419
Staff and other debtors	1 771 438	1 575 624	1 771 438	1 575 624
Farm sales receivable from SAFE	-	-	24 785 607	24 785 607
Kangela Citrus Farms (Pty) Ltd - Liabilities arising from non-exchange transactions with debit balance	-	9 205 842	-	-
Kangela Empowerment Trust (Note 10)	-	-	5 996 941	-
Prepaid expenses	3 169 795	1 108 647	3 169 795	1 108 647
Value Added Tax	-	-	-	1 589 397
	<b>6 610 398</b>	22 052 949	<b>38 827 301</b>	40 327 501
Less: impairment of rent	(1 206 951)	(787 601)	(1 206 951)	(787 601)
Net carrying amount	<b>5 403 449</b>	21 265 349	<b>37 620 352</b>	39 539 900

Not any of the terms and conditions attached to the financial assets were re-negotiated during the period under review.

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.

There are no trade and other receivables arising from non-exchange transactions at 31 March 2019.

8.1 Trade and Other Receivables	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Total
Rent receivable is aged as follows:					
Agency - 2019	94 011	55 905	46 121	1 104 925	1 300 962
Agency - 2018	58 381	51 008	48 159	688 430	845 978
Impairment of rent receivable					
Agency - 2019					(1 206 951)
Agency - 2018					(787 601)

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:	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Consumables and stationery	81 063	91 118	81 063	91 118
	81 063	91 118	81 063	91 118

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	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Total carrying value of inventory valued at the lower of cost or NRV	81 063	91 118	81 063	91 118
Opening balance of consumable inventory	91 118	123 971	91 118	512 563
Inventory recognised as an expense during the financial year	597 658	657 102	599 893	662 957
Fair value of harvested crop	-	-	-	-
Sale of harvested crop	-	-	-	-
Inventory purchased during the financial year	(607 712)	(689 955)	(609 947)	(1 084 402)

## 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 classified as held for sale:

Property, plant and equipment	Opening balance	Depreciation recognised for the year	Classified as held for sale	Reverse revaluation	Impairment	Book value
Leasehold improvements	532 126	(14 850)	(517 276)	-	-	-
Buildings	439 103	-	(439 103)	-	-	-
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)	-
	28 373 245	(572 760)	(5 910 485)	(5 943 000)	(15 947 000)	-
<b>Intangible assets</b>						
Packing rights	178 500	-	(178 500)	-	-	-
	178 500	-	(178 500)	-	-	-
Assets held for sale			6 088 985			
Revaluation reserve utilised			(53 940)			
Discontinued operations			6 035 045			
Revaluation reserve fair value adjustment			(92 044)			
Total receivable			5 996 941			



## 11. Investments in Subsidiaries

Subsidiaries of the Eastern Cape Rural Development Agency	2019 %	2018 %
The following are the subsidiary companies of the group at the reporting date and the groups effective holding therein.		
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 whereafter 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 Nil 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 8,28% as at 31 March 2019 (8,68% at 31 March 2018). 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 2019 was R10 460 630 (2018: R9 839 802).

	Agency and group 2019 (R)	Agency and group 2018 (R)
Investment under contingency policy	10 460 630	9 839 802
	10 460 630	9 839 802



## 13. Investment Property and Property, Plant and Equipment

### 13.1 Investment property

	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Carrying amount at beginning of the year</b>	<b>1 725 499</b>	1 763 716	<b>1 725 499</b>	1 763 716
Cost	<b>2 388 564</b>	2 388 564	<b>2 388 564</b>	2 388 564
Accumulated depreciation	<b>( 663 065)</b>	( 624 848)	<b>( 663 065)</b>	( 624 848)
Depreciation charge	<b>( 38 217)</b>	( 38 325)	<b>( 38 217)</b>	( 38 325)
<b>Carrying amount at end of the year</b>	<b>1 687 282</b>	1 725 499	<b>1 687 282</b>	1 725 499
Cost	<b>2 388 564</b>	2 388 564	<b>2 388 564</b>	2 388 564
Accumulated depreciation	<b>( 701 282)</b>	( 663 065)	<b>( 701 282)</b>	( 663 065)
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:

(a) 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;

(b) 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;

(c) An insignificant portion of the building is used for administrative purposes by the OR Tambo Branch of the ECRDA;

(d) 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 R307 713 (2018: R667 241) which arose from investment property that generated rental revenue of R1 471 065 (2018: R1 408 715) 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

	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>13.2.1 Land</b>				
<b>Carrying amount at beginning of the year</b>	<b>715 000</b>	715 000	<b>715 000</b>	715 000
Cost	<b>715 000</b>	715 000	<b>715 000</b>	715 000
Additions/Merger	-	-	-	-
Disposal	-	-	-	-
<b>Carrying amount at end of the year</b>	<b>715 000</b>	715 000	<b>715 000</b>	715 000
Cost	<b>715 000</b>	715 000	<b>715 000</b>	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

### 13.2.2 Buildings

	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Carrying amount at beginning of the year</b>	<b>2 767 519</b>	2 843 247	<b>3 206 621</b>	2 843 247
Cost	<b>3 786 375</b>	3 786 375	<b>4 251 181</b>	3 786 375
Accumulated depreciation	<b>(1 018 856)</b>	( 943 128)	<b>(1 044 560)</b>	( 943 128)
Accumulated impairment	-	-	-	-
Additions/Merger	-	-	-	464 806
Disposal	-	-	<b>( 439 103)</b>	-
Depreciation charge	<b>( 75 727)</b>	( 75 728)	<b>( 75 727)</b>	( 101 432)
Impairment (recognised)/reversed	-	-	-	-
<b>Carrying amount at end 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>3 812 078</b>	4 251 181
Accumulated depreciation	<b>(1 094 583)</b>	(1 018 856)	<b>(1 120 288)</b>	(1 044 560)

#### 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). The property was valued at R6 200 000 (March 2015: R4 650 000) by a registered valuator, P. Lindstrom in March 2018, using the Comparative Market Analysis of rentals achieved with the discounted cash

flow method.

(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 (allocated to R160 000 to land and R580 000 to buildings). The property was valued in March 2018 by P. Lindstrom, registered valuator, at R1 100 000 (March 2015: R850 000), using the comparable market sales method.

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 buildings that were impaired, lost or given up that is included in the surplus/deficit: None

### 13.2.3 Plant and equipment (including all farming equipment)

	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Carrying amount at beginning of the year</b>	<b>503 524</b>	976 925	<b>1 737 962</b>	2 570 039
Cost	<b>2 248 537</b>	4 788 513	<b>5 957 759</b>	8 483 216
Accumulated depreciation	<b>(1 745 013)</b>	(3 811 588)	<b>(4 219 797)</b>	(5 913 177)
Additions and Merger	<b>291 450</b>	74 555	<b>291 450</b>	89 074
Disposal/Scrapping - cost	<b>( 22 374)</b>	(2 614 531)	<b>(1 093 754)</b>	(2 614 531)
Depreciation charge	<b>( 264 684)</b>	( 306 395)	<b>( 427 743)</b>	( 679 590)
Accumulated depreciation on disposal/transfer	<b>8 622</b>	2 372 970	<b>8 622</b>	2 372 970
<b>Carrying amount at end 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)





Plant and machinery of R225 007 was scrapped from the asset register in 2018 and action was implemented against the former custodians thereof (former ARDA farmers) as the individuals refused to return the ECRDA assets and did not allow the agency access thereto.

**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

13.2.4 Equipment under finance leases	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Carrying amount at beginning of the year</b>	<b>1 395 052</b>	131 748	<b>1 395 052</b>	131 748
Cost	<b>1 940 851</b>	785 424	<b>1 940 851</b>	785 424
Accumulated depreciation	<b>( 545 799)</b>	( 653 676)	<b>( 545 799)</b>	( 653 676)
Additions	-	1 792 652	-	1 792 652
Write -off/scrapping of obsolete assets	-	( 637 225)	-	( 637 225)
Depreciation charge	<b>( 945 723)</b>	( 529 333)	<b>( 945 723)</b>	( 529 333)
Accumulated depreciation on disposal/transfer	-	637 210	-	637 210
<b>Carrying amount at end 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)
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 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

13.2.5 Vehicles	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Carrying amount at beginning of the year</b>	<b>2 310 373</b>	3 124 037	<b>6 567 667</b>	8 173 224
Cost	<b>5 575 108</b>	7 497 313	<b>13 671 014</b>	15 593 219
Accumulated depreciation	<b>(3 264 735)</b>	(4 373 276)	<b>(7 103 347)</b>	(7 419 995)
Additions and merger	<b>236 554</b>	-	<b>236 554</b>	-
Disposal - cost	<b>( 960 284)</b>	(1 922 205)	<b>(4 826 302)</b>	(1 922 205)
Depreciation charge	<b>( 630 892)</b>	( 602 055)	<b>(1 022 168)</b>	(1 393 948)
Accumulated depreciation on disposal/transfer	<b>854 370</b>	1 710 596	<b>854 370</b>	1 710 596
<b>Carrying amount at end 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)



**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 vehicles that were impaired, lost or given up that is included in the surplus/deficit: None

13.2.6 Computer equipment	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Carrying amount at beginning of the year</b>	<b>2 095 561</b>	2 792 285	<b>2 115 843</b>	2 792 285
Cost	<b>6 213 198</b>	7 047 741	<b>6 236 077</b>	7 047 741
Accumulated depreciation	<b>(4 117 637)</b>	(4 255 456)	<b>(4 120 234)</b>	(4 255 456)
Additions/merger	<b>546 803</b>	698 252	<b>546 803</b>	721 130
Write -off/scrapping of obsolete assets	<b>( 848 745)</b>	(1 532 794)	<b>( 865 452)</b>	(1 532 794)
Depreciation charge	<b>( 910 592)</b>	(1 066 711)	<b>( 914 167)</b>	(1 069 307)
Accumulated depreciation on disposal/transfer	<b>676 917</b>	1 204 529	<b>676 917</b>	1 204 529
<b>Carrying amount at end 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)

**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	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Carrying amount at beginning of the year</b>	<b>2 991 444</b>	3 636 125	<b>2 991 444</b>	3 636 125
Cost	<b>5 893 527</b>	6 137 528	<b>6 005 699</b>	6 249 700
Accumulated depreciation	<b>(2 902 083)</b>	(2 501 403)	<b>(3 014 255)</b>	(2 613 575)
Additions and merger	<b>5 380</b>	19 653	<b>5 380</b>	19 653
Write -off/scrapping of obsolete assets	<b>( 16 651)</b>	( 263 654)	<b>( 16 651)</b>	( 263 654)
Depreciation charge	<b>( 496 990)</b>	( 595 932)	<b>( 496 990)</b>	( 595 932)
Accumulated depreciation on disposal/scrapping	<b>( 19 467)</b>	195 252	<b>( 19 467)</b>	195 252
<b>Carrying amount at end 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)

**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



13.2.8 Leasehold	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Carrying amount at beginning of the year</b>	<b>572 530</b>	1 104 538	<b>1 104 655</b>	2 131 170
Cost	<b>1 872 415</b>	2 817 623	<b>2 466 415</b>	3 925 696
Accumulated depreciation	<b>(1 299 885)</b>	(1 713 085)	<b>(1 361 760)</b>	(1 794 526)
Additions	-	-	-	-
Write -off/scrapping of obsolete assets	-	( 945 208)	<b>( 517 274)</b>	(1 459 281)
Depreciation charge	<b>( 348 216)</b>	( 532 008)	<b>( 363 066)</b>	( 561 708)
Accumulated depreciation on disposal/transfer	-	945 208	-	994 474
<b>Carrying amount at end of the year</b>	<b>224 315</b>	572 530	<b>224 315</b>	1 104 655
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)

**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	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Carrying amount at beginning of the year</b>	-	-	<b>21 890 000</b>	15 947 000
Cost	-	-	<b>21 890 000</b>	15 947 000
Revaluation	-	-	-	5 943 000
Impairment	-	-	<b>(15 947 000)</b>	-
Devaluation (apply revaluation reserve)	-	-	<b>(5 943 000)</b>	-
<b>Carrying amount at end of the year</b>	-	-	-	21 890 000
Cost	-	-	-	21 890 000

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 finan-

cial 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.



13.2.10 Total property, plant and equipment	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Carrying amount at beginning of the year</b>	<b>13 351 003</b>	15 323 905	<b>41 724 244</b>	38 939 838
Cost	<b>28 245 011</b>	33 575 517	<b>63 133 996</b>	62 533 371
Accumulated depreciation	<b>(14 894 008)</b>	(18 251 612)	<b>(21 409 752)</b>	(23 593 533)
Accumulated impairment	-	-	-	-
Additions and merger with ARDA	<b>1 080 187</b>	2 585 113	<b>1 080 187</b>	3 087 315
Write -off/scrapping of obsolete assets	<b>( 865 396)</b>	(3 378 881)	<b>(1 399 377)</b>	(3 892 954)
Disposal - cost	<b>( 982 658)</b>	(4 536 737)	<b>(6 359 159)</b>	(4 536 736)
Revaluation	-	-	-	5 943 000
Impairment	-	-	<b>(15 947 000)</b>	-
Devaluation (apply revaluation reserve)	-	-	<b>(5 943 000)</b>	-
Depreciation charge	<b>(3 672 825)</b>	(3 708 162)	<b>(4 245 584)</b>	(4 931 251)
Accumulated depreciation on merger	-	-	-	-
Accumulated depreciation on disposal/transfer	<b>1 520 442</b>	7 065 765	<b>1 520 442</b>	7 115 032
<b>Carrying amount at end of the year</b>	<b>10 430 754</b>	13 351 003	<b>10 430 754</b>	41 724 244
Cost	<b>27 477 145</b>	28 245 012	<b>34 565 648</b>	63 133 996
Accumulated depreciation	<b>(17 046 391)</b>	(14 894 009)	<b>(24 134 894)</b>	(21 409 752)

No estimated useful lives were changed during the financial year (2018: 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 2019 is R3 673 310 (2018: R6 675 288). 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, as all assets were reclassified as held for sale (2018: R267 895).

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 23.

	Agency 2019 (R)	Agency 2018 (R)
Investment property (Mthatha Building)	307 713	667 241
	<b>307 713</b>	<b>667 241</b>
Buildings (Cradock and King Williams Town)	95 744	729 178
Plant and machinery and Office equipment	2 479	3 278
Vehicles	264 352	199 549
Computer equipment	28 667	1 948
Office furniture and fittings	2 908	11 927
	<b>394 150</b>	<b>945 881</b>
<b>Total asset repairs</b>	<b>701 863</b>	<b>1 613 121</b>
Repairs/expenses on leased property (Operating leases)	291 279	297 652
<b>Total repairs and maintenance</b>	<b>993 142</b>	<b>1 910 773</b>





13.3 Intangible assets (Computer Software)	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Carrying amount at beginning of the year</b>	<b>422 188</b>	265 596	<b>600 688</b>	444 096
Cost	<b>4 272 453</b>	4 989 248	<b>4 760 621</b>	5 477 416
Accumulated depreciation	<b>(3 850 265)</b>	(4 723 652)	<b>(4 159 933)</b>	(5 033 320)
Additions	-	304 043	-	304 043
Write -off/scraping of obsolete assets	-	(1 020 838)	<b>( 178 500)</b>	(1 020 838)
Depreciation charge	<b>( 206 648)</b>	( 146 612)	<b>( 206 648)</b>	( 146 612)
Accumulated depreciation on disposal/transfer	-	1 019 999	-	1 019 999
<b>Carrying amount at end 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)

The intangible asset of R178 500 held in 2018 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 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Amounts due to customers with credit balances	<b>2 604 037</b>	2 642 143	<b>2 604 037</b>	2 642 143
Funds payable to Treasury (surrender)	<b>22 700 769</b>	5 822 000	<b>22 700 769</b>	5 822 000
Rent received in advance	<b>125 084</b>	26 812	<b>125 084</b>	26 812
Other payables	<b>3 019 293</b>	5 328 954	<b>3 600 408</b>	7 703 685
Board payable	<b>101 333</b>	217 909	<b>101 333</b>	217 909
Leave Pay Accrual	<b>5 991 928</b>	5 603 705	<b>5 991 928</b>	5 700 316
Bonus Accrual	<b>1 577 429</b>	1 513 530	<b>1 577 429</b>	1 513 530
Operating lease straight line adjustments	<b>290 579</b>	641 878	<b>290 579</b>	641 878
	<b>36 410 453</b>	21 796 933	<b>36 991 568</b>	24 268 274

There are no trade and other payables with extended payment terms at 31 March 2019 (2018: 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, on 30 April 2019. The request to retain the unspent R65 866 706. A payable of R22 700 769 was raised based on the retention of the MAFISA and Oxfam funding.



	Balance at reporting date
Small Projects Foundation (OXFAM)	703 032
Office of the Premier project	1 325 528
MAFISA	34 870 374
ECRDA funds	21 375 241
Payables	7 427 177
- Customers with credit balances	2 604 037
- Rent received in advance	125 084
- Payables	3 120 626
- Salary savings by employees	1 577 429
* Information in calculation at request date	65 701 352

## 15. Deferred Grant Income Arising From Non-Exchange Transactions

	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>MAFISA grant</b>	<b>18 145 138</b>	15 365 872	<b>18 145 138</b>	15 365 872
Liability for an equitable 1/8th share in interest earned on MAFISA loans	<b>4 112 464</b>	3 661 991	<b>4 112 464</b>	3 661 991
Liability arising from interest earned on cash deposits on unspent funds	<b>14 032 674</b>	11 703 881	<b>14 032 674</b>	11 703 881
	<b>18 145 138</b>	15 365 872	<b>18 145 138</b>	15 365 872
Comprised of the following assets:				
Cash and cash equivalents (Refer to Note 6)	<b>18 145 138</b>	15 365 872	<b>18 145 138</b>	15 365 872
	<b>18 145 138</b>	15 365 872	<b>18 145 138</b>	15 365 872

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 R282 561 (2018: R11 139 149) which relates to projects implementation for which orders have been issued. operational commitment R2 520 677 (2018: R2 418 149) existed at 31 March 2019. Kangela Citrus Farms Proprietary Limited had commitments of R5 172 721 (2018: R9 149) at the reporting date.

### Contingent liabilities and contingent assets

Due to the three-year prescription law, the following no longer meets the definition of a contingency but is included for comparative information. The community contributions paid to the agency was utilised to fund the cropping programme in 2014. Claimants are submitting claims to the agency to have their contributions refunded. The extend of these claims and the exposure of the agency is not known. The maximum exposure was R4 353 883 which is the total amount of contributions received.

A case has been finalised during the 2018 year where an employee challenged a dismissal at the CCMA. The CCMA has found in favour of the employee. The Agency is however pursuing the matter in the labour court, where the attorneys calculated the agency's exposure at 31 March 2018 to amount to R620 713.

**The timing, outcome and legal costs to the following cases are unknown at reporting date:**

The ECRDA was sued 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. The attorneys estimated ECRDA's exposure at R70 000.



The ECRDA has taken a case over from ARDA where ARDA sued Slabbert Boerdery for non-payment of Lucerne feedstock supplied to Slabbert Boerdery for an amount of R 437 253 and Slabbert Boerdery sued for a counter claim as well and the two cases were consolidated. At the 2018 year-end the attorneys estimated the exposure/contingent asset to amount to R874 506. The legal fees related to this case cannot be estimated at reporting date. No update was received on this case as at the 2019 reporting date.

A claim brought by a claimant for R14,2 million against ECRDA is being defended by the ECRDA.

The claim is for specific performance by the ECRDA for livestock allegedly delivered by the claimant. ECRDA has brought a counter claim, to set the contract aside against the claimant, based on the fact that the contract is unlawful. The prospects of succeeding is reasonable and the legal costs thereon is expected to be R300 000. The timing and outcome is however unknown and unfavourable ruling might result in costs of R600 000. ECRDA lodged an application at the High Court to review and set aside this contract that resulted in the claimant delivering the alleged livestock, to which the outcome is expected to be favourable. The costs are estimated at R150 000. In the event

that the court rules against the application, the costs are expected to be R450 000.

**Contingent Asset**

Upon the implementation of the Cradock Bio-fuel 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

The loan from South African Fruit Exporters (SAFE) (2018: R21 980 575) is interest free, unse-

cured and operated on a current account basis. South African Fruit Exporters is the managing agent of the Kangela Citrus estate and has been funding the operations of the estate pending seasonal harvesting. South African Fruit Export-

ers takes cession of the produce once harvested. The loan is repayable by Kangela Citrus Farms (Pty) Ltd at year-end as the management contract with SAFE ended during the 2017/2018 financial year.

	Group 2019 (R)	Group 2018 (R)
South African Fruit Exporters (SAFE)	21 980 575	21 980 575

## 18. Liabilities Arising From Non-Exchange Transactions

	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Total funds under administration and cash and cash equivalents belonging to administered funds (refer to note 6)	433 458	1 065 507	433 458	1 065 507
<b>Reconciliation of total funds under administration:</b>				
Balance at beginning of the year	1 065 507	13 827 551	1 065 507	13 827 551
Receipts from fund owners	94 946 920	69 964 758	94 946 920	69 964 758
Reclassify liabilities with debit balances to debtors (note 8)	-	9 205 842	-	9 205 842
Surrender of Administered Funds to Treasury	(1 325 528)	(5 822 000)	(1 325 528)	(5 822 000)
Interest capitalised on administered funds	427 919	632 478	427 919	632 478
Funds disbursed	(94 681 360)	(86 743 122)	(94 681 360)	(86 743 122)
<b>Total administered funds</b>	<b>433 458</b>	<b>1 065 507</b>	<b>433 458</b>	<b>1 065 507</b>



**Comprising**

	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Job's Fund	66	1 010 687	66	1 010 687
Other administered funds:	433 392	54 820	433 392	54 820
- Oxfam	579 943	565 400	579 943	565 400
- Other miscellaneous funds	-	-	-	-
- Office of the Premier Youth Project	(146 551)	(36 059)	(146 551)	(36 059)
- Department of Rural Development and Agrarian Reform Infrastructure Programme	-	(474 521)	-	(474 521)
	<b>433 458</b>	<b>1 065 507</b>	<b>433 458</b>	<b>1 065 507</b>

**Job's Fund programme**

	Forestry	Agro Processing	Total
Balance of administered fund at 31 March 2017	3 041 671	4 106 703	7 148 374
Contribution: Department of National Treasury	-	-	-
Other income	-	10 852 170	10 852 170
Disbursements for the year	(2 193 429)	(15 164 731)	(17 358 160)
Interest earned on ring-fenced funds	93 425	274 878	368 303
Balance of administered fund at 31 March 2018	<b>941 667</b>	<b>69 019</b>	<b>1 010 687</b>
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 2018	<b>66</b>	<b>(0)</b>	<b>66</b>

## R443 458

At 31 March 2019 the administered fund amounted to R443 458 (2018: R1 065 507).

**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 2019 the administered fund amounted to R579 943 (2018: R565 400).

**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 Grahamstown 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 accommo-

date 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 2019 (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, but as an asset of the fund administered on behalf of the Eastern Cape Department of Rural Development and Agrarian Reform.





## 19. Finance Lease Obligations

	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Finance lease liabilities</b>				
Capitalised finance lease liability	657 380	1 754 269	657 380	1 754 269
Less: Current portion	(642 832)	(1 191 126)	(642 832)	(1 191 126)
Non-current portion	14 548	563 143	14 548	563 143

Agency	Minimum lease payments		Present value of minimum lease payments	
	2019 (R)	2018 (R)	2019 (R)	2018 (R)
<b>Reconciliation of future minimum lease payments to their present value</b>				
No later than 1 year	642 832	1 191 126	642 832	1 191 126
Later than 1 year and not later than 5 years	14 548	563 143	14 548	563 143
Less: future finance charges	657 380	1 754 269	657 380	1 754 269
Present value of minimum lease payments	(130 947)	(259 970)		
	526 433	1 494 299		

Group				
<b>Reconciliation of future minimum lease payments to their present value</b>				
No later than 1 year	642 832	1 191 126	642 832	1 191 126
Later than 1 year and not later than 5 years	14 548	563 143	14 548	563 143
	657 380	1 754 269	657 380	1 754 269
Less: future finance charges	(130 947)	(259 970)		
Present value of minimum lease payments	526 433	1 494 299		

### 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 2 years for equipment and 2 years for Vodacom contracts. Such arrangements are summarised below.

### Finance lease agreements

The approximate aggregate monthly instalment on finance leases is R26 572 (2018: R26 340) for the Konica Minolta equipment contracts covering a period of 2 years.

**The Vodacom contracts are capitalised for a period of 2 years and the aggregate monthly instalment on the finance leases is R55 942 (2018: R61 215).**

### 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 renewed in the 2015 financial year. The approximate aggregate monthly instalment is R29 273 (2018: R35 742). The new Telkom contracts covers a period of 5 years.



## 20. Capital Contributed

	Agency and Group 2019 (R)	Agency and Group 2018 (R)
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.	25 232 691	25 232 691
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.	15 680 000	15 680 000
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 ago.	1 076 355	1 076 355
	41 989 046	41 989 046

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 2019 (2018: 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 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

A part 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 arrears.

### 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

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. Also refer to Note 7.

As at 31 March 2019, approximately 67% (2018: 80%) 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 2019 were: Moody's Baa3/P-3 and Fitch BB+, both with negative in-

vestors outlook (2018: Moody's Baa3/P-3; Fitch Ratings BB+, both with a negative investors outlook). The remaining 33% (2018: 20%) 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 and assets are held for sale.

## 22. Other Income and Expense Analysis

### 22.1 Other Income

	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Discount received	-	-	-	-
Recovery of loans and advances previously written off	82 498	397 874	82 498	397 874
Sundry income - Insurance income	10 572	8 035	10 572	8 035
Sundry income - other	95 482	7 827 966	108 422	7 848 719
	<b>188 552</b>	<b>8 233 875</b>	<b>201 492</b>	<b>8 254 629</b>



### 22.2 Administrative Expenses

	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Accounting fees - internal audit	92 898	309 500	92 898	309 500
Administration costs	62 300	16 515	62 300	16 515
Bank charges	307 583	318 475	339 412	318 475
Contingent insurance policy administration fee	-	42 000	-	42 000
Directors' remuneration - fees	3 769 628	3 769 306	3 769 628	3 769 306
Directors' travelling and subsistence	1 907 937	2 018 775	1 907 937	2 018 775
Entertainment	95 822	80 020	95 822	80 020
Fines and Penalties	2 913	3 048	2 913	3 048
Archiving, fittings and minor electricals	129 203	140 505	129 203	140 505
Insurance	718 508	347 685	718 508	525 009
Legal expenses	1 047 211	1 290 098	1 047 211	1 290 098
Printing and stationery	597 658	657 101	599 893	662 958
Relocation - staff	213 790	316 184	213 790	316 184
Staff recruitment	60 217	29 815	60 217	29 815
Staff refreshments	61 607	86 794	61 607	86 794
Staff training	753 292	2 294 280	753 292	2 295 171
Staff ancillary costs	67 631	134 632	87 641	134 632
Subscriptions	84 176	93 216	84 810	104 481
Workers forum	144 091	113 502	144 091	113 502
Workmen's compensation	194 661	-	194 661	-
	<b>10 311 124</b>	<b>12 061 452</b>	<b>10 365 832</b>	<b>12 256 788</b>







22.3 Other Operating Expenses	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Bad debts - Loans / movement in provision	13 909 978	20 348 347	13 909 978	20 348 347
Cleaning	365 445	253 023	365 445	253 023
Community capacity development	40 304	224 708	40 304	224 708
Computer maintenance	2 460 709	2 552 894	2 460 709	2 552 894
Debt collection service fees	59	889	59	889
DRDAR funded programme: Female Awards	-	889 000	-	889 000
DRDAR - Funded Sundry Expenditure	-	212 892	-	212 892
National Treasury Funded Jobs Fund Agro-processing Project	-	10 852 170	-	10 852 170
OTP Funded Youth Project	3 500 000	2 835 000	3 500 000	2 835 000
Fair value adjustments (Receivables and Guardrisk)	11 063	1 592 991	11 063	1 592 991
Fair value adjustment: Biological assets	-	-	-	-
Impairment loss	9 224 707	391 189	25 171 707	391 189
Leasing charges - operating lease for equipment	310 848	327 052	310 848	411 682
Lost securities	2 721	-	2 721	-
Loan application screening/Enquiry cost	71 329	68 992	71 329	68 992
Minor assets expensed and write off of insured assets stolen/damaged	2 235	8 435	2 235	8 435
Motor vehicles: fuel and maintenance	1 086 565	1 046 206	1 086 565	1 046 206
Municipal services - rates, water and electricity	2 325 548	2 244 220	2 435 815	2 457 440
Postages	11 724	5 629	11 724	5 629
Professional fees	2 180 215	2 378 261	2 370 383	2 468 759
Protective clothing and uniforms	-	27 606	12 537	29 194
Rental charges on land and buildings	7 695 511	7 127 548	7 695 511	7 127 548
Repairs and maintenance - buildings	307 713	1 175 807	307 713	1 175 807
Repairs and maintenance - general	431 255	535 485	596 676	2 197 981
Rural finance roadshow	35 864	175 330	35 864	175 330
Security	655 888	608 788	663 858	693 322
Stakeholder management	496 023	1 184 371	496 023	1 184 371
Telephone calls and data lines	3 294 550	3 400 893	3 305 637	3 401 847
Surrender to Treasury	21 375 241	-	21 375 241	-
Travelling and subsistence	4 741 170	7 472 121	4 842 498	7 618 188
	<b>74 536 664</b>	<b>67 939 845</b>	<b>91 082 442</b>	<b>70 223 833</b>

#### 22.4 Staff Costs

Salaries - medical aid contributions	3 201 906	3 120 888	3 201 906	3 120 888
Salaries and wages	92 892 128	78 571 164	93 053 983	78 915 229
	<b>96 094 034</b>	<b>81 692 052</b>	<b>96 255 889</b>	<b>82 036 118</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.

Management of Kangela Citrus Farms (Proprietary) Limited recognised a tax refund of R41 483 (2018: R1 675 493) for the financial year ended 31 March 2019. The company recognised a deferred tax asset of Rnil (2018: R1 150 859) and a deferred tax liability of Rnil (2018: R1 779 936).

	Group 2019 (R)	Group 2018 (R)
<b>Income Tax</b>		
Current year - normal taxation	<b>7 075 534</b>	(1 360 266)
<b>Deferred tax</b>		
Balance at the beginning of the year	<b>6 318 330</b>	2 304 569
Biological asset disclosure change	-	(2 128 663)
Carrying value of assets error	-	1 981 037
Temporary difference on trees	-	4 465 161
Depreciation for the year	<b>(160 373)</b>	(342 464)
Impairment of property, plant and equipment	<b>(4 465 160)</b>	-
Asset additions expensed	-	10 471
Leave accrual movement	<b>27 051</b>	33 811
Non current assets held for sale carrying value written off	<b>(50 762)</b>	-
Assessed loss available for future periods set-off	<b>901 791</b>	(1 669 632)
Impairment of assets deducted from revaluation	<b>(1 664 040)</b>	-
Temporary difference on revaluation of assets	-	1 664 040
Balance at end of the year	<b>906 836</b>	6 318 330
<b>Comprising:</b>		
Deferred tax asset	<b>1 674 677</b>	8 015 012
Deferred tax liability	<b>(767 841)</b>	(1 696 682)
	<b>906 836</b>	6 318 330

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



## 23. Taxation (continued)

	Group 2019 (R)	Group 2018 (R)
<b>Current income tax</b>		
Charge for the year	(3 918 456)	(1 496 938)
Adjustments - fair value	-	-
Adjustments - penalties and interest	301 505	1 215
Adjustments - revenue from non-exchange transactions	-	-
Adjustments - expenses relating to non-exchange revenue	(79 741)	-
Adjustments - donations	-	-
Adjustments - fair value payables	-	(471 397)
Adjustments - legal fees	-	-
Adjustments - write down carrying value of assets against revaluation surplus	(3 328 080)	607 548
Adjustments - other	(50 762)	(694)
Balance at end of the year	<b>(7 075 534)</b>	<b>(1 360 266)</b>
Comprising:		
Assets in Kangela Citrus Farms (Proprietary) Limited	<b>(7 075 534)</b>	<b>(1 360 266)</b>
	<b>(7 075 534)</b>	<b>(1 360 266)</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 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Lease of office premises	5 465 615	10 378 846	5 465 615	10 378 846
Up to 1 year	4 365 862	7 528 919	4 365 862	7 528 919
1 to 5 years	1 099 754	2 849 927	1 099 754	2 849 927
More than 5 years	-	-	-	-

The statement of financial performance details the expenditure incurred by the agency on the operating leases. A total of R7 695 511 (2018: R7 127 548) was paid during the financial year in respect of all lease expenses. A net straight lined operating lease liability of R290 579 (2018: R641 878).

The East London office lease contributes 67% (2018: 81%) of the lease expense for the next 12 months, with an uncertain percentage (2018: 18%) for the period thereafter. This lease was signed

for a fixed term and does have 10% per annum escalation impacts and it expired on 30 April 2019 with an extension only for 4 months. The ECRDA is in the process of securing office space.

### 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. All lease agreements are for a 12 month period. Income from office lease rentals for the 12 months from 1 April each year will approximate the rentals earned for the previous year. At reporting date lease contracts generating income of R126 714 (2018: R130 609) 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 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Interest/Finance costs paid	13 670	6 494	13 670	6 494
Employee related expenditure	509 290	-	509 290	-
Readvertisement costs	71 550	-	71 550	-
Fines and penalties	-	9 889	-	9 889
Total fruitless and wasteful expenditure for the year	<b>594 510</b>	<b>16 383</b>	<b>594 510</b>	<b>16 383</b>
Less: condoned by the board	-	-	-	-
Expenditure recovered	-	-	-	-
- Receivable at year-end (invoiced)	-	(6 568)	-	(6 568)
- Disciplinary action taken against employee; dismissed	-	(7 165)	-	(7 165)
- Ongoing consultation with suppliers to reverse interest as invoices were received late	-	(2 650)	-	(2 650)
Expenditure not condoned by the board - carried forward	1 150	1 150	1 150	1 150
Expenditure condoned in current year for prior year	-	-	-	-
Expenditure not condoned by the board - brought forward	<b>595 660</b>	<b>1 150</b>	<b>595 660</b>	<b>1 150</b>

## 26. Irregular Expenditure/Payments (Own Funds)

	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Opening balance	8 576 217	-	8 576 217	-
Add: Irregular expenditure incurred in current year	185 392	8 576 217	185 392	8 576 217
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 written off	-	-	-	-
Less: Irregular expenditure recovered	-	-	-	-
Less: Irregular expenditure condoned by the relevant authority	<b>(1 380 418)</b>	-	<b>(1 380 418)</b>	-
<b>Total</b>	<b>8 628 091</b>	<b>8 576 217</b>	<b>8 628 091</b>	<b>8 576 217</b>

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, ito the Tshabo Red Hub project, ap-

proved 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:

(a) Procurement of protea stems and cuttings from a nursery located in the Amahlati Local Municipality. Cost of stems is R5 507 283.

(b) 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.

(c) 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.

The ECRDA obtained a legal opinion that the relevant authority to condone the prior year irregular expenditure carried forward is the Member of Executive Council.





### Expenses condoned by the Board 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 2019 (R)	Claims 2019 (R)	Fees 2018 (R)	Claims 2018 (R)
Board committee members *				
Kali B., Ms	356 818	-	299 604	-
Pietersen C.J., Mr	426 146	49 248	357 816	42 732
Mkile F.F., Ms	451 316	1 922	365 220	8 656
Mkosana V.M., Dr	460 132	7 018	386 352	1 870
George X., Mr	181 269	1 006	306 456	1 296
Jarana V., Mr	17 136	-	280 918	-
Le Roux A., Mr	356 818	2 520	299 604	4 384
Mbalekwa S.W., Mr	426 146	-	357 816	3 553
Semane Z., Ms	356 818	-	299 604	-
Sogoni M., Mr	177 216	1 110	299 604	4 787
Maqetuka, M., Mr.	284 771	-	-	-
Ncwadi M., Mr	365 597	-	299 604	1 672
<b>Fees for services rendered</b>	<b>3 860 183</b>	<b>62 824</b>	<b>3 552 598</b>	<b>68 950</b>

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

\*\* The board's term was extended to 31 March 2019. A new board commenced duties on 1 April 2019.

27.2 Senior Management Remuneration (Agency 2019)	Salary & Bonus	Gratuity and Long Service	Other Benefits	Total
dladla, n., Mr - Chief Executive Officer	1 169 287	-	-	1 169 287
Mrwebi, M., Dr - Acting CEO*	503 593	-	14 876	518 469
Gwanya T.T., Mr - Chief Executive Officer*	657 564	-	37 935	695 499
Simukonda N., Mr - Chief Operations Officer	2 006 915	373 574	74 696	2 455 186
Baxter J., Mrs - Chief Financial Officer	1 902 674	391 281	32 015	2 325 969
Ntshanga G., Mr - Chief Strategy Officer*	425 424	-	-	425 424
Velani C., Mr - Executive Office Manager	1 194 163	199 027	42 964	1 436 155
Wobiya N., Mr - Internal Audit Manager*	1 204 115	218 930	1 512	1 424 557
Crew R., Mr - Executive Renewable Energy	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>

\* Services terminated during the year



27.2 Senior Management Remuneration (Agency 2018)	Salary & Bonus	Gratuity and Long Service	Other Benefits	Total
Gwanya T.T., Mr - Chief Executive Officer	2 374 747	-	51 554	2 426 301
Simukonda N., Mr - Chief Operations Officer	1 893 316	-	130 684	2 023 999
Baxter J., Mrs - Chief Financial Officer	1 794 974	-	32 492	1 827 466
Ntshanga G., Mr - Chief Strategy Officer	1 423 773	-	15 578	1 439 351
Mavuso N., Mrs - Executive Corporate Services*	952 304	-	651	952 955
Koyana G., Mrs - Executive Legal Manager*	852 597	-	-	852 597
Velani C., Mr - Executive Office Manager	1 126 569	-	39 090	1 165 659
Wobiya N., Mr - Internal Audit Manager	1 239 227	-	9 542	1 248 769
Crew R., Mr - Executive Renewable Energy	1 805 077	-	87 030	1 892 107
	<b>13 462 584</b>	<b>-</b>	<b>366 620</b>	<b>13 829 204</b>

\* Services terminated during the year

## 28. Related Party Transactions

Summary of transactions during the year	Agency 2019 (R)	Agency 2018 (R)
Department of Rural Development and Agrarian Reform (operating grant and transfer payments)	267 428 000	221 148 000
Department of Rural Development and Agrarian Reform (reimbursement of instructed payments, projects for implementation and increased transfer payments)	-	2 460 450
Department of Rural Development and Agrarian Reform (receivable at fair value)	-	181 419
Department of Agriculture, Forestry and Fisheries (receivable at fair value)	-	8 619 464
Amajingqi (receipt from Government and paid to project)	32 640 000	-
Ncera Macadamia (transfer)	-	10 000 000
Ncera Macadamia Farming (loan granted)	-	3 000 000
Ncera Macadamia Farming (loan repayments)	-	1 572 020
Ncera Macadamia Farming (loan balance)	1 671 959	1 559 242
Ncera Macadamia Farming (services rendered)	1 000 000	1 000 000
Kangela Citrus Farms (receivable at fair value)	13 709 315	22 380 842
Kangela Citrus Farms (receivable paid to ECRDA during the year)	9 205 842	-
Kangela Citrus Farms (interest charged on loan during the year)	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)	10 480 325	-
Magwa Tea - budget allocation and additional funds transferred	56 813 000	39 415 000
Magwa Tea - own funds paid to suppliers	25 000	200 246
Majola Tea - budget allocation and additional funds transferred	-	5 644 000
Office of the Premier (project receipts)	3 500 000	2 835 000
National Treasury (Job's fund project contribution)	-	10 852 170

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 R267 428 000 (2018: R221 148 000) from the Eastern Cape Department of Rural Development and Agrarian Reform (DRDAR) during the year for operating activities and transfer payments. Additional funding for disbursements on behalf of the Department to the value of Rnil (2018: R2 460 450) was paid to the agency. At 31 March 2019 a balance of Rnil (2018: R181 419) is due to the agency.

The agency implements projects and administer the expenses of the allocated project on behalf of

### Amajingqi

The agency received transfer payments of R32 640 000 (2018: nil) and disburse 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 (2018: R2 210 479).

### Ncera Macadamia

A total of Rnil (2018: R10 000 000) was allocated and paid to the programme as per the Provincial budget allocation. An unsecured loan of R3 000 000 was granted to Ncera Macadamia Farming in 2018 and repayments received amounted to Rnil (2018: R1 572 020). The balance due at 31 March 2019 of R1 671 959 was included in the impairment of loans advanced, with the corresponding entry in the statement of financial performance. Ncera Macadamia was appointed for 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.

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 as at 31 March 2019 due to the non-recoverability of the receivable (2018: R8 619 464).

### Magwa Tea Enterprise (MTE)

A total of R56 813 000 (2018: R39 415 000) 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 R57 058 944 (2018: R39 615 246).

### Majola Tea

A total of nil (2018: R5 644 000) was received and paid to the tea estate as per the provincial budget allocation.

## 29. Administered Funds

The agency administers funds on behalf of various departments (mainly the Department of Rural Development and Agrarian Reform) of the Eastern Cape Government. 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).

### Development Bank of South Africa (DBSA)/ National Treasury

The DBSA/National Treasury is the primary co-funder of the Job's Fund programme. The contribution received during the financial year amounted to nil (2018: R10 852 170). Refer to note 18 for the split of the programme funding.

### Office of the Premier

Office of the Premier appointed the Agency to implement projects on its behalf. R3 500 000 (2018: R2 835 000) was received by the Agency and programme expenditure of R2 387 913 (2018: R2 759 959) was incurred. Treasury had the ECRDA surrender the ring-fenced balance of R3 137 000 held in the bank as at 31 March 2018. At reporting date the administered fund had a balance of R1 178 977 (2018: R3 100 941).

### 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 2018 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 reporting date is R13 709 315 (2018: R22 380 842). The loan agreement required full repayment on 31 March 2019, which did not realise.

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 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Surplus/Deficit for the year (refer to the statement of financial performance)	(20 943 289)	(6 712 274)	(42 013 219)	(10 698 218)
Adjusted for:				
Initiation fees & net margin on loans	(7 563 376)	(7 018 428)	(6 486 661)	(7 018 428)
Subsidy costs on concessionary loans	887 375	853 331	887 375	853 331
Fair Value Adjustments & Reversal of Provisions	(1 096 889)	(1 253 374)	(1 189 594)	(2 936 936)
Profit / loss on disposal of property, plant and equipment	(267 628)	374 159	(267 628)	374 159
Bad debts - rental and other income	-	-	-	-
Fair value adjustments - biological assets	-	-	-	-
Fee - MAFISA Scheme	450 473	421 046	450 473	421 046
Minor assets expensed	2 235	8 435	2 235	8 435
Impairment Loss - Arengo 316	9 224 707	391 189	25 171 707	391 189
Commission fees for managing projects (accrued)	(4 092 261)	(3 008 497)	(4 092 261)	(3 008 497)
Surrender of funds	21 375 240	-	21 375 240	-
Depreciation	3 953 363	3 890 570	4 526 123	5 113 658
Fair value adjustments	557	1 584 621	557	1 584 621
Bad debts - loans	13 909 978	20 348 347	13 909 978	20 348 347
Project implemented on behalf of funders (DRDAR & OTP)	3 500 000	13 687 170	3 500 000	13 687 170
<b>Surplus per approved budgets</b>	<b>19 340 484</b>	<b>23 566 293</b>	<b>15 774 324</b>	<b>19 119 877</b>

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	2018/19	Basis	Agency	Timing
Net Cash Flows from Operating Activities				
Per AFS	25 458 709			
Per MTEF Budget estimated outcomes	83 063 848			
Difference	(57 605 139)	x		
Net Cash Flows from Investing Activities				
Per AFS	(1 433 387)			
Per MTEF Budget estimated outcomes	(3 971 000)			
Difference	2 537 613	x		
Net Cash Flows from Financing Activities				
Per AFS	(1 113 656)			
Per MTEF Budget estimated outcomes	-			
Difference	(1 113 656)	x		
<b>Total</b>	<b>(56 181 182)</b>			

## 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.

### 32. Standards And Interpretation Not Yet Effective As At 31 March 2019

The following is a list of approved Standards of GRAP for which the Minister of Finance has not set the effective date. The standards do not have an impact on the reporting of the agency.

REFERENCE	Topic
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 interest in other entities
GRAP 110	Living and non-living resources

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

The directors are also no 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 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Trade and other payables	36 410 453	21 796 933	36 991 568	24 268 274
Loan from South African Fruit Exporters (SAFE)	-	-	21 980 575	21 980 575
	<b>36 410 453</b>	<b>21 796 933</b>	<b>58 972 143</b>	<b>46 248 849</b>

### 34.2 Financial Assets by Category

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

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>5 403 449</b>	<b>59 645 276</b>	<b>65 866 708</b>

AGENCY 2018	Fair Value	Amortised Cost	Cost
Cash and cash equivalents	-	-	42 955 041
Trade and other receivables	21 265 349	-	-
Loans and advances to customers	-	58 959 511	-
Investments under contingency policy	-	9 839 802	-
	<b>21 265 349</b>	<b>68 799 313</b>	<b>42 955 041</b>

GROUP 2019	Fair Value	Amortised Cost	Cost
Cash and cash equivalents	-	-	72 837 950
Trade and other receivables	37 620 352	-	-
Loans and advances to customers	-	35 475 331	-
Investments under contingency policy	-	10 460 630	-
	<b>37 620 352</b>	<b>45 935 961</b>	<b>72 837 950</b>

GROUP 2018	Fair Value	Amortised Cost	Cost
Cash and cash equivalents	-	-	56 702 249
Trade and other receivables	39 539 900	-	-
Loans and advances to customers	-	45 784 511	-
Investments under contingency policy	-	9 839 802	-
Receivable from Arengo 316 (Proprietary) Limited	-	-	-
	<b>39 539 900</b>	<b>55 624 313</b>	<b>56 702 249</b>



## 35. Comparative Figures

The following amendments were made to the comparative figures:

(a) Provincial Treasury required that the Eastern Cape Rural Development Agency surrender R3 137 000 in respect of administered funds held for the Office of the Premier, and R2 685 000 administered for the Department of Rural Development and Agrarian Reform of the funds at hand as at 31 March 2018. A payable was created to reflect the reduction in available administered funds.

(b) Corrections to depreciation on property, plant and equipment of R2 419 was posted against the relevant accumulated depreciation accounts in the asset modules to correct the disposal of

an asset in the incorrect reporting period (2018 instead of 2017). The reported asset balances are not implicated by this correction as the reported value as at 31 March 2018 already excluded the cost and accumulated depreciation of the disposed asset.

(c) Kangela Citrus Farms (Pty) Ltd corrected the comparative figures when VAT receivable was corrected against the SAFE loan account, while the biological assets (R21 890 000) were grouped to form part of property, plant and equipment. As a result of the biological asset correction to property, plant and equipment, the fair value adjustment of R1 659 369 was corrected as well as the revaluation reserve of R5 943 000. The cor-

rection resulted in restating the income tax and deferred tax balances accordingly.

(d) Depreciation and amortisation was disclosed as a separate line item on the Statement of Financial Performance as per the recommendation from Internal Audit, and was removed from the Other Operating Expenditure disclosure. The depreciation and amortisation of R5 113 658 (group) resulted in the decrease in Other Operating Expenses to the same value (note 22.3).

(e) R386 460 spent on the DRDAR Infrastructure project in the 2017 financial year was corrected to reflect spending on the OTP project. The effect on Liabilities from non-exchange transactions and the bank accounts are nil.

Statement of Financial Performance	Balance previously reported		Restated balance		Error corrected
	Agency	Group	Agency	Group	
<b>Expenses</b>					
Fair value adjustment: Biological assets	-	1 659 369	-	-	(1 659 369)
Depreciation of investment property and property, plant and equipment	3 892 990	5 116 077	3 890 571	5 113 658	(2 419)
Taxation	-	1 675 493	-	1 360 266	315 227
(Deficit)/Surplus after taxation	(6 714 694)	(12 044 779)	(6 712 274)	(10 698 218)	1 346 561
<b>Statement of Financial Position</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13 351 002	19 834 246	13 351 003	41 724 246	21 890 000
Biological assets	-	21 890 000	-	-	(21 890 000)
Deferred tax	-	1 150 859	-	8 015 012	6 864 153
<b>Current assets</b>					
Receivables	21 265 349	37 950 504	21 265 349	39 539 900	1 589 397
Impact on total assets					<b>8 453 550</b>
<b>Non-current liabilities</b>					
Deferred tax	-	1 779 935	-	1 696 682	(83 253)
<b>Current liabilities</b>					
Trade and other payables	15 974 932	18 425 751	21 796 933	24 268 274	5 842 523
Liabilities arising from non-exchange transactions	6 887 507	6 887 507	1 065 507	1 065 507	(5 822 000)
Loan from SAFE	-	21 701 418	-	21 980 575	279 157
<b>Equity</b>					
Accumulated Surplus	66 637 884	87 665 675	66 637 884	95 902 798	8 237 123
<b>Impact on total equity and liabilities</b>					<b>8 453 550</b>



## Detailed consolidated statement of financial performance as at 31 March 2019 (unaudited schedule to financial statements)

Income	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
Interest income on loans and advances	5 894 743	5 179 815	4 818 028	5 179 815
Net credit impairment charge	1 562 084	1 694 469	1 562 084	1 694 469
Write off of irrecoverable debts	(3 591)	(6 586)	(3 591)	(6 586)
Interest on concessionary loans	1 483 177	1 303 181	1 483 177	1 303 181
Recovery of loans and advances previously written off	82 498	397 874	82 498	397 874
Net interest margin on lending activities	7 456 826	6 874 284	6 380 111	6 874 284
Loan initiation fees	106 550	144 144	106 550	144 144
<b>Result from lending activities</b>	<b>7 563 376</b>	<b>7 018 428</b>	<b>6 486 661</b>	<b>7 018 428</b>
Interest income on loans and advances / Average gross loans and advances	0.79%	0.76%	0.79%	0.76%
<b>Other income</b>	<b>9 416 230</b>	<b>16 014 770</b>	<b>27 473 667</b>	<b>43 254 912</b>
Commission fees for managing projects	4 092 261	3 008 497	4 092 261	3 008 497
Fair value adjustment: Guardrisk and other	-	-	92 705	1 683 562
Fair value adjustment: Leased Equipment	1 096 889	1 253 374	1 096 889	1 253 374
Gain on disposal of property, plant and equipment	267 628	-	267 628	-
Interest income on cash and investments	2 183 773	2 328 736	2 204 246	2 342 615
National Skills Fund	198 559	179 447	198 559	179 447
Rental income from investment property	1 471 065	1 408 715	1 471 065	1 408 715
Sale of goods	-	-	17 931 319	25 521 947
Sundry income - Insurance Income	10 572	8 035	10 572	8 035
Sundry income - Other	95 482	7 827 966	108 422	7 848 719
<b>Government grant and additional program specific funding</b>	<b>270 928 000</b>	<b>236 335 170</b>	<b>270 928 000</b>	<b>236 335 170</b>
TOTAL INCOME and balance carried forward	<b>287 907 606</b>	<b>259 368 368</b>	<b>304 888 328</b>	<b>286 608 510</b>





Income	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Balance brought forward</b>	<b>287 907 606</b>	259 368 368	<b>304 888 328</b>	286 608 510
<b>EXPENSES</b>				
Administration fee - Guardrisk	-	42 000	-	42 000
Administration Costs	<b>62 300</b>	16 515	<b>62 300</b>	16 515
Audit fees	<b>3 920 444</b>	3 775 323	<b>4 169 032</b>	3 905 182
Internal Audit Fees	<b>92 898</b>	309 500	<b>92 898</b>	309 500
Bad debts - Loans/movement in impairment	<b>13 909 978</b>	20 348 347	<b>13 909 978</b>	20 348 347
Bank charges	<b>307 583</b>	318 475	<b>339 412</b>	318 475
Cleaning	<b>365 445</b>	253 023	<b>365 445</b>	253 023
Community capacity development	<b>40 304</b>	224 708	<b>40 304</b>	224 708
Computer maintenance	<b>41 258</b>	79 570	<b>41 258</b>	79 570
Computer software maintenance	<b>2 419 451</b>	2 473 324	<b>2 419 451</b>	2 473 324
Cost of Sales	-	-	<b>13 664 364</b>	28 288 569
Debt collection service fees	<b>59</b>	889	<b>59</b>	889
Depreciation of investment property and property, plant and equipment	<b>3 953 363</b>	3 890 571	<b>4 526 123</b>	5 113 658
Directors' remuneration and fees	<b>3 769 628</b>	3 769 306	<b>3 769 628</b>	3 769 306
Directors' travelling and subsistence - non executive	<b>1 907 937</b>	2 018 775	<b>1 907 937</b>	2 018 775
DRDAR - Female Farmers Awards	-	889 000	-	889 000
DRDAR - Funded Sundry Expenditure	-	212 892	-	212 892
National Treasury Funded Jobs Fund Agro-processing Project	-	10 852 170	-	10 852 170
OTP Funded Youth Project	<b>3 500 000</b>	2 835 000	<b>3 500 000</b>	2 835 000
Entertainment	<b>95 822</b>	80 020	<b>95 822</b>	80 020
Enquiry Fees	<b>71 329</b>	68 992	<b>71 329</b>	68 992
Fair value adjustment: Guardrisk	<b>10 506</b>	8 370	<b>10 506</b>	8 370
Fair value adjustment on receivables and assets	<b>557</b>	1 584 621	<b>557</b>	1 584 621
Fee - MAFISA Scheme	<b>450 473</b>	421 046	<b>450 473</b>	421 046
Finance costs	<b>13 855</b>	17 388	<b>25 708</b>	138 835
Archiving, fittings and minor electricals	<b>129 203</b>	140 505	<b>129 203</b>	140 505
Insurance	<b>718 508</b>	347 685	<b>718 508</b>	525 009
Impairment loss	<b>9 224 707</b>	391 189	<b>25 171 707</b>	391 189
Leasing charges	<b>310 848</b>	327 052	<b>310 848</b>	411 682
Legal expenses	<b>1 047 211</b>	1 290 098	<b>1 047 211</b>	1 290 098
Lost securities	<b>2 721</b>	-	<b>2 721</b>	-
Scrapping of obsolete property, plant and equipment	-	374 159	-	374 159
Marketing and functional partnerships	<b>1 052 282</b>	1 701 878	<b>1 052 282</b>	1 701 878
Minor assets expensed	<b>2 235</b>	8 435	<b>2 235</b>	8 435
Balance carried forward	<b>47 420 904</b>	59 070 825	<b>77 897 298</b>	89 095 740



INCOME	Agency 2019 (R)	Agency 2018 (R)	Group 2019 (R)	Group 2018 (R)
<b>Balance Brought Forward</b>	<b>47 420 904</b>	<b>59 070 825</b>	<b>7 897 298</b>	<b>89 095 740</b>
Motor vehicles: fuel and maintenance	1 086 565	1 046 206	1 086 565	1 046 206
Municipal services - rates, water and electricity	2 325 548	2 244 220	2 435 815	2 457 440
Penalties and Fines	2 913	3 048	2 913	3 048
Postages	11 724	5 629	11 724	5 629
Printing and stationery	597 658	657 101	599 893	662 958
Professional Fees	2 180 215	2 378 261	2 370 383	2 468 759
Project expenses	27 268 482	36 113 282	26 983 694	36 113 282
Protective clothing and uniforms	-	27 606	12 537	29 194
Relocation - staff and offices	213 790	316 184	213 790	316 184
Rental charges on land and buildings	7 695 511	7 127 548	7 695 511	7 127 548
Repairs and maintenance - general	431 255	535 485	596 676	2 197 981
Repairs and maintenance - buildings	307 713	1 175 807	307 713	1 175 807
Rural finance roadshow	35 864	175 330	35 864	175 330
Transfer payments	89 453 000	56 559 000	89 453 000	56 559 000
Salaries - medical aid contributions	3 201 906	3 120 888	3 201 906	3 120 888
Salaries and wages	92 892 128	78 571 164	93 053 983	78 915 229
Security	655 888	608 788	663 858	693 322
Skills levy	909 800	681 315	909 800	681 315
Staff recruitment	60 217	29 815	60 217	29 815
Staff refreshments	61 607	86 794	61 607	86 794
Staff training	753 292	2 294 280	753 292	2 295 171
Staff ancillary cost	67 631	134 632	87 641	134 632
Stakeholder management	496 023	1 184 371	496 023	1 184 371
Subscriptions	84 176	93 216	84 810	104 481
Social benefit from concessionary loans	887 375	853 331	887 375	853 331
Surrender of funds to Treasury	21 375 241	-	21 375 241	-
Telephone calls and data lines	3 294 550	3 400 893	3 305 637	3 401 847
Travelling, accommodation and subsistence	4 741 170	7 472 121	4 842 498	7 618 188
Worker's forum	144 091	113 502	144 091	113 502
Workmen's compensation	194 661	-	194 661	-
<b>TOTAL EXPENSES</b>	<b>308 850 894</b>	<b>266 080 642</b>	<b>339 826 013</b>	<b>298 666 994</b>
(DEFICIT) / SURPLUS BEFORE TAXATION	(20 943 289)	(6 712 274)	(34 937 685)	(12 058 484)
TAXATION	-	-	(7 075 534)	1 360 266
<b>(DEFICIT) /SURPLUS AFTER TAXATION</b>	<b>(20 943 289)</b>	<b>(6 712 274)</b>	<b>(42 013 219)</b>	<b>(10 698 218)</b>

## Composition

	Group 2019 (R)	Group 2018 (R)
Eastern Cape Rural Development Agency	(20 943 289)	(6 712 274)
Agrarian Research and Development Agency (Pty) Ltd	-	-
Kangela Citrus Farms (Pty) Ltd	(21 069 930)	(3 985 943)
North Pondoland Sugar (Pty) Ltd	-	-
<b>TOTAL EXPENSES</b>	<b>(42 013 219)</b>	<b>(10 698 218)</b>



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