
ECRDA
Eastern Cape Rural Development Agency
2015/16
Annual
Report

HONOURABLE
MLIBO QOBOSHIYANE

Member of the Executive Council Department of Rural Development and Agrarian Reform. The board has the honour of submitting the Annual Report of the Eastern Cape Rural Development Agency for the period 01 April 2015 to 31 March 2016.

Dr Vanguard Mkhosana
Chairperson

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 Programmes
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

Contents Page

2015/16 ANNUAL REPORT FOR THE

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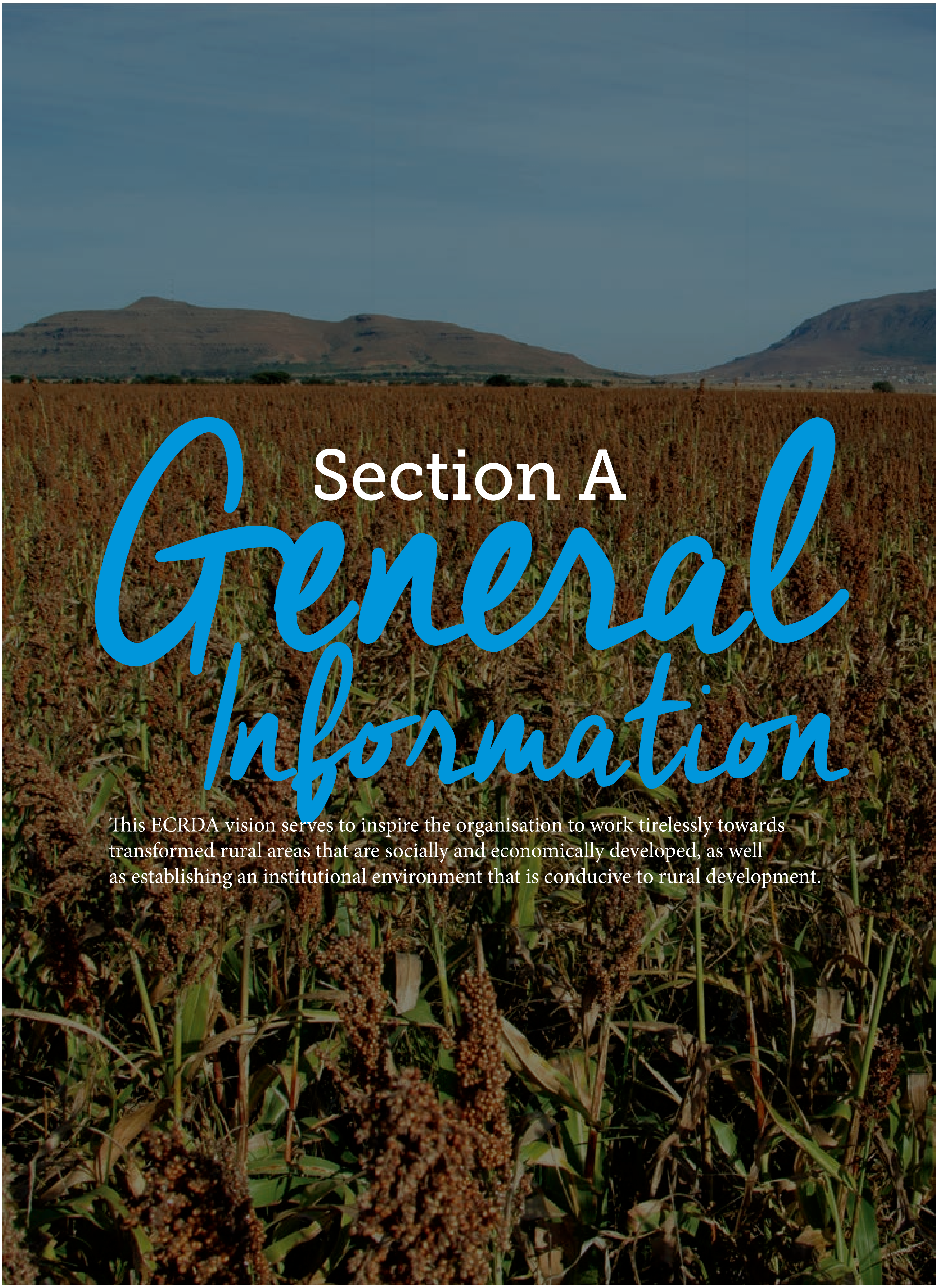


Section A

General Information

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

1 **About** the ECRDA

The Eastern Cape Rural Development agency (ECRDA) is a schedule 3C entity in terms of the Public Finance Management Act (PFMA).

It was established as a result of the amalgamation of two public entities, namely, the Eastern Cape Rural Finance Corporation (ECRFC) and ASGISA-Eastern Cape (Pty) Ltd. ECRDA has a dedicated focus on facilitating, promoting and ensuring the implementation of a comprehensive and 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 technologies. 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 ECRDA to work tirelessly towards transformed rural areas that are socially and economically developed, as well as establishing an institutional environment conducive to rural development.

> "sustainable growth and development for improved quality of life...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.

ECRDA OBJECTIVES

The objectives of the agency are to promote, support and facilitate rural development in the province by:

(a) Mobilising financial resources and providing financial and supportive services to persons domiciled, ordinarily resident or carrying on business within the province;
(b) Promoting and encouraging private sector investment in the province and the participation of the private sector in contributing to economic growth;
(c) Acting as the government's agent for performing any development-related tasks and responsibilities that the government considers may be more efficiently or effectively performed by a corporate entity;
(d) Driving and coordinating integrated programmes of rural development, land reform and agrarian transformation in the province;
(e) Project managing rural development interventions in the province;
(f) Promoting applied research and innovative technologies for rural development in the province;
(g) Planning, monitoring and evaluating rural development in the province; and
(h) Facilitating the participation of the private sector and community organisations in rural development programmes.

OTHER LEGISLATIVE MANDATES

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

(a) Eastern Cape Rural Finance Corporation Amendment, Act No.1 of 2012
(b) Public Finance Management Act, 1999, Act No.1 of 1999
(c) Basic Conditions of Employment Act, 1997, Act No. 75 of 1997
(d) Preferential Procurement Policy Framework Act, 2000 Act No. 5 of 2000
(e) Skills Development Act, 1998, Act No. 97 of 1998
(f) Labour Relations Act, 66 of 1995
(g) Intergovernmental Relations Framework, Act No.13 of 2005
(h) National Credit Act and Regulations Framework, Act 34 of 2005
(i) King III Report on Governance for SA-2009
(j) New Companies Act, 2011
(k) Protection of Personal Information, Act No.4 of 2013
(l) Occupational Health and Safety Act, 1993, Act No. 85 of 1993
(m) Employment Equity Act, 1998, Act No. 55 of 1998
(n) Promotion of Access to Information Act, 2000, Act No. 2 of 2000
(o) Promotion of Administrative Justice Act, 2000, Act No. 2 of 2000.

> “(d) Driving and coordinating integrated programmes of rural development, land reform and agrarian transformation in the province;

Five Strategic Pillars

The agency's energy is directed towards the following strategic pillars:

"The agency has adopted the balanced score-card as a basis for strategic and performance management. Consistent with this approach, the strategic goals are aligned with business activities and performance monitoring.

PILLAR 1: Effective coordination and implementation of agrarian driven High Impact Priority Programmes (HIPPs)

PILLAR 2: Promote entrepreneurship through rural finance and support programme

PILLAR 3: Develop, institutionalise and sustain an effective, capable and fitfor-purpose organisation including best-in-class project management, targeted research and innovation-driven agency

PILLAR 4: Leverage strategic partnerships towards implementation and funding of rural development initiatives

PILLAR 5: Develop sustainable, localised institutionalised rural framework

VALUES AND GUIDING PRINCIPLES

ECRDA will strive to act professionally at all times. To this end, we will adhere to the following guiding principles:

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

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

HONESTY & 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 all our dealings.

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

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

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

MISSION

ECRDA aims to drive, coordinate & 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 department with the main objective of building a vibrant and sustainable rural economy.

VISION

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

2 **Board** of Directors

Dr Vanguard Mkosana

Chairman Reappointed Febuary 2016
Committee: Governance and Ethics

Qualifications: Senior executive programme for SA (Wits Business School, Harvard Business School), Diploma HR management (Damelin Management School), Certificate in Public Management & Development (Fort Hare Institute of Government), Master of Arts (Charles University), Phd (Charles University)

Current Position: Zizi Consulting Chairman

Board Experience: Aspire (Amathole Economic Development Agency), South African Rail Commuter Corporation, Algoa Bus Services, Mayibuye Bus Transport, Compensation Fund, Occupational Health & Safety, National Economic Development and Labour Council, Proudly South African, African Regional Labour, African Union Labour (Chairman & Social Affairs Commision Technical Committee) and Africa Group-ILO (Convenor)

Fezeka Faith Mkile
Deputy Chairperson
Reappointed Febuary 2016
Committees: Governance & Ethics, FINVEST

Thozamile Gwanya
Chief Executive Officer
Appointed June 2013

Prince Zolile Burns-Ncamashe
Former Deputy Chairperson
Appointed November 2012;
Exited January 2016
Committee: Governance & Ethics

Mpumelelo Ncwadi
Appointed Febuary 2016
Committee: Committees: FINVEST, Programmes & Projects Committee

Vuyani Jarana
Reappointed Febuary 2016
Committees: Governance & Ethics, FINVEST (Chairperson)

Sabatha Mbalekwa
Reappointed Febuary 2016
Committees: Governance & Ethics, Audit & Risk (Chairperson), FINVEST

Mbulelo Sogoni
Appointed Febuary 2016
Committees: Audit and Risk, Human Capital & Remuneration

Bongiwe Kali
Reappointed Febuary 2016
Committee: Audit and Risk, Programmes and Projects

Xolile George
Reappointed Febuary 2016
Committees: Governance & Ethics, Human Capital & Remuneration (Chairperson)

Cornelius Pietersen
Reappointed Febuary 2016
Committees: Governance & Ethics, FINVEST, Programmes & Projects (Chairperson)

Zanele Semane
Reappointed Febuary 2016
Committees: Programmes and Projects, Human Capital and Remuneration

Abraham Le Roux
Reappointed Febuary 2016
Committees: Audit and Risk, Human Capital and Remuneration

3 Chairperson's foreword

The period under review confirmed ECRDAs posture as a premier development institution of government committed to redrawing the rural landscape for the gainful and material benefit of those residing in the Eastern Cape countryside. Therefore, ECRDAs focus on the socio-economic development of the rural economy is by design as it forms the core and essence of its broad, empowering and expansive rural development mandate.

As such, at the epicentre of ECRDAs DNA lies an innate commitment to implement responsive tools and instruments that assist government to expand its reach to underserved rural communities.

In this respect, the role of agents of socio-economic change such as ECRDA is to use their technical prowess and acumen to do things quicker and be more responsive to government's progressive developmental agenda. This calls for "leaner and meaner" organisational machinery which demonstrates the required agility and commitment to effect the desired change.

This is a an urgent task because ECRDAs broad mandate includes the construction of innovative solutions to challenges in agricultural development in general and the promotion and establishment of quality rural enterprises to stimulate robust economic activity. Furthermore, the intent is to narrow and bridge the gap in the rural urban divide to ensure that those in the rural sphere are able to reap tangible economic benefits from their land assets by stimulating and exploiting their productive capacity.

CAPABLE ORGANISATION

In addition, the 2015/16 financial year also confirmed the imposing challenge of a diminishing budget against continuously growing demand. This is significant as these growing fiscal constraints may have an adverse effect on ECRDAs ability to effect its stated objectives. In this regard, ECRDA is continuously devising means and strategies to ensure that it can do more with its limited resources.

However, this challenge calls on ECRDA to maintain its fiscal prudence and its solid financial management track record to build further state confidence in its management of public assets. In this regard, I am pleased that ECRDA has received an unqualified audit report for the fourth consecutive financial year. This is a proud track record which we intend to improve on year-on-year.

In light of the highlighted challenges, ECRDA identified available opportunities and low hanging fruits that it could optimise for greater impact. One of the more pressing tasks was to ensure that the organisation is indeed fit-for-purpose to service the Eastern Cape's Rural Development vision. This assessment and introspection allowed ECRDA to examine its own internal capacity and efficiencies to ascertain its readiness to discharge its mandate. As the Board we are pleased that the merger of AsgiSA-EC and the ECRFC as well as the integration of the Agrarian Research and Development Agency (ARDA) into ECRDA has been completed and we are satisfied that we have looked at the organisation's fitness to tackle its challenges.

I am pleased that ECRDA has received a clean audit report in 2015/2016. This is a proud track record which we intend to maintain.

STRATEGY REVIEW

This reflection and appraisal led to a strategy review process which confirmed that the key pillars of ECRDA delivery remain anchored on the execution of high impact priority programmes and the stimulation of entrepreneurship driven by an innovative rural finance function. The review also confirmed the need to build strategic partnerships that should assist ECRDA achieve its stated objectives which cannot be realised solely on its budget.

The strategy also looked at how ECRDA is performing in effecting its business each year and to identify a niche. ECRDA will thus work with the Department of Rural Development and Agrarian Reform (DRDAR) which will focus on primary production while the agency will drive processing and value addition activities in the rural economy.

This led to the confirmation of a locally-based institutional framework which continues to promote the village as the centre of operation. The strategy prioritises the establishment of development clusters which are centred around high impact priority programmes that are anchors of development. For impact and sustainability, the plan is to increase the primary production capacity and radius of the Rural Enterprise Development Hubs (RED) to ensure they are able to support the beneficiation activities at the milling plants. The RED Hubs prioritise the village as the centre of operation and they involve primary production activities, processing and marketing. The ultimate objective is to ensure that money circulates within the rural community or development cluster for as long as possible.

The plan is to increase the primary production capacity and radius of the Rural Enterprise Development Hubs (RED) to ensure they are able to support the beneficiation activities at the milling plants.

For example, during the period under review ECRDA had to source produce from areas from outside these hubs to feed the Mqanduli mill. As we begin to develop and consolidate agricultural infrastructure and capacity in the rural economy, ECRDA will be able to assist government pull people back from urban informal settlements, back to a productive countryside.

MANDATE DELIVERY

This work is already shaping up. In the Mqanduli RED Hub processing has begun. The Mqanduli RED Hub mill is producing branded products (super maize meal, samp and livestock feed) which are well-received by the market. While the idea is to expand support to areas outside the hubs, DRDAR must be the feeder of primary production outputs to avoid the duplication of efforts. In addition, ECRDA is linking the development of the RED Hubs to agri parks in collaboration with DRDLR. These agri parks much like ECRDAs RED Hubs are concentrated centres of production. This should create a market for producers.

ECRDA is also working in attracting people with specialised knowledge to manage rural enterprises and to develop templates of development that help rural communities. The intention is to create partnerships with investors by identifying their value propositions.

I am also pleased with the progress made in the forestry development programme. The organisation has been able to take communal forests and turn them into productive assets. The six forestry projects being implemented have attracted significant interest and progress in the period under review. For example Sinawo in Mbizana generated a R7 million profit from the sale of timber. With private sector partners such as SAPPI and PG Bison the organisation is beginning to have impact in this space.

ECRDAs presence in rural communities is bearing fruit in the livestock space as well. A feedlot has already been established in Engcobo. This is an important development because while the Eastern Cape is a leader in livestock, its contribution to red meat is only 5%. In addition the Eastern Cape is a world leader in mohair production. The organisation is eyeing this space and it is looking to exploit new opportunities in livestock development particularly those relating to processing and beneficiation.

R7 million
in profits generated by Sinawo in Mbizana from timber sales

6 Forestry Projects
implemented have attracted significant interest and progress in the period under review

FUTURE OUTLOOK

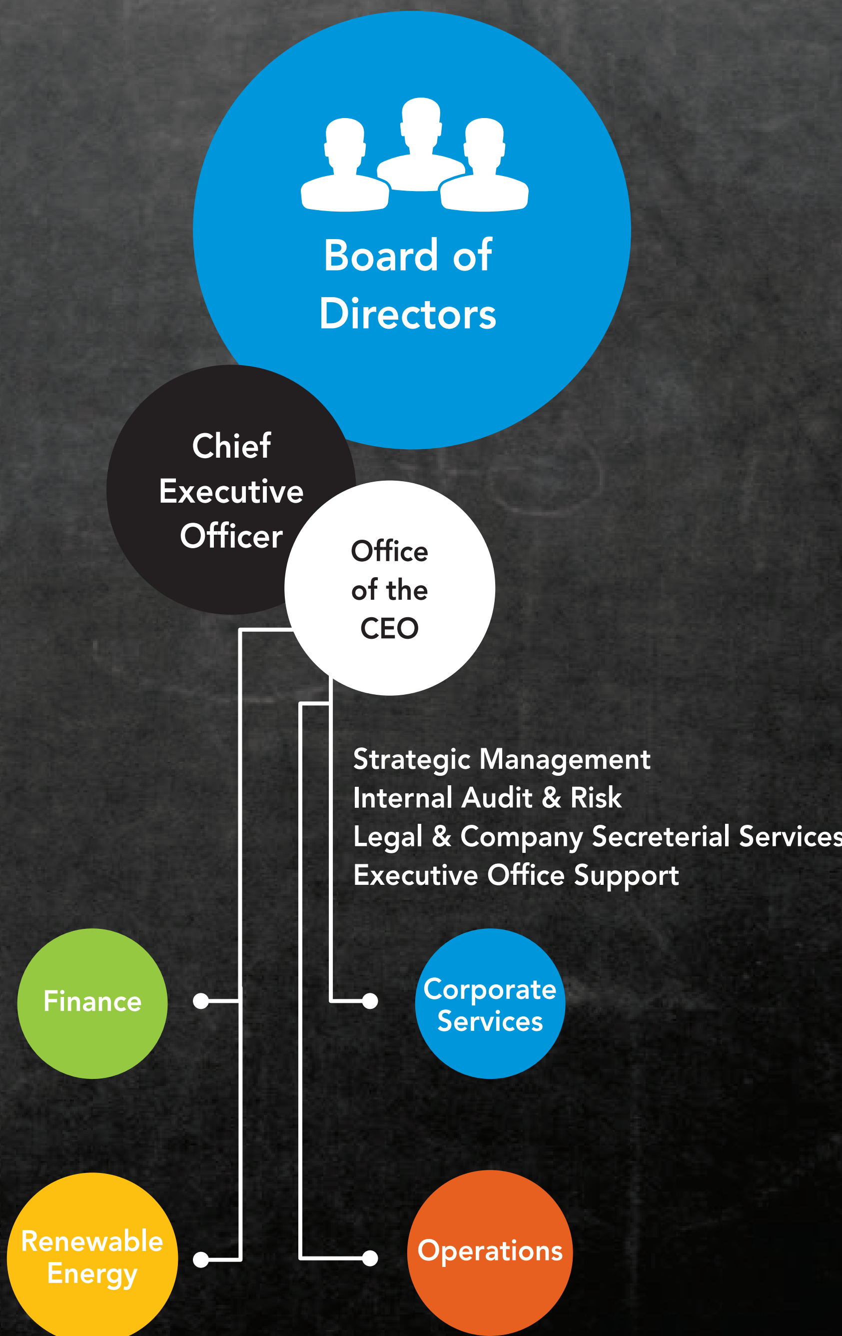
Finally, the Board will continue to offer the requisite overall leadership and oversight needed to drive ECRDA on a firm and sustainable growth trajectory underpinned by robust operational efficiencies. The Board will also continue to explore public and private partnerships which can assist ECRDA in delivering the required dividend.

GRATITUDE

I extend special gratitude to the Honourable MEC for Rural Development and Agrarian Reform, Mlibo Qoboshiyane, for his continuing support and wise policy inputs in a challenging operating environment. I am grateful to the Portfolio Committee on Rural Development and Agrarian Reform for its oversight role which ensures the efficient discharge of the ECRDA mandate. I wish to express further appreciation to ECRDAs Board of Directors which continues to offer valuable insights and infusing energy in often challenging circumstances. I wish to thank the ECRDA executive team as well as its people for their resilience and hard work through the year which I have no doubt it will bear the desired effect. Finally I would like to thank all our strategic partners who consistently make the load lighter for ECRDA with their professional, financial and technical assistance in the execution of our stated mandate.

Vanguard Mkosana
Chairperson of the Board

4 Organisational structure



5 Executive Management

This Page (from left to right): Gwen Koyana (Executive Manager: Legal Services and Company Secretary), Janine Baxter (Chief Financial Officer), Navy Simukonda (Chief Operations Officer)

This Page Standing (from left to right): Roak Crew (Executive Manager: Renewable Energy), Ncedo Wobiya (Executive Manager: Internal Audit), Chuma Velani (Executive Manager: Office of the CEO).
This Page Sitting (from left to right): Thozamile Gwanya (Chief Executive Officer), Nwabisa Mavuso (Executive Manager: Corporate Services) and Gcobani Ntshanga (Executive Manager: Strategic Management)

6 Chief Executive Officer's report

I am pleased to present the annual performance report card of ECRDA for the 2015/16 financial year. Leading an agent socio-economic change of government such as ECRDA is an overwhelming commission. It is a commission and assignment that requires a steadfast resolve and clarity of thought in discharging a varied, broad and complex rural development mandate.

As such, ECRDA has to continuously demonstrate to government and the rural populace that it is up to the task of effecting the desired impact. This is an important undertaking because by virtue of its mandate, ECRDA has effectively entered into a social compact with rural communities on behalf of government that it will play an empowering role in the realisation of the aspirations of those in the rural communities of the Eastern Cape.

In this regard, ECRDA has been allocated R151,6 million in the 2015/16 financial year. Although the demands of the rural economy far exceed available budget, it is the duty of government vehicles such as ECRDA to do more with less and to employ innovative and inspired solutions to drive the development agenda. I am therefore equally pleased that ECRDA has achieved yet another unqualified audit opinion which cements its position as a trusted steward of public assets and funds. This should go a long way toward instilling public confidence in the organisation.

This calls on ECRDA to ensure that it is in a constant state and mindset of internal renewal to ensure that it can face up to the challenges and live up to the expectations presented by a highly-contested rural development terrain. In essence, ECRDA has to ensure that it possesses the skills and the requisite technical acumen to discharge its mandate.

As such, the Board impressed upon the executive the need to develop a new approach to business which should exploit the full capacity of ECRDAs human capital. This came with the tacit acknowledgment that ECRDA cannot hope to deliver the required socio-economic dividend without the express support of its human resources.

The delivery of the ECRDA mandate requires a skilled human capital base with the willingness to go the extra mile in addressing the most pressing challenges facing rural economies. I am pleased that the vast majority of our staff are keen participants in a concerted and considered drive toward the realisation of the full potential of the rural economy.

In this regard, ECRDA has made significant strides in consolidating outstanding matters emanating from the merger of the Eastern Cape Rural Finance Corporation (ECRFC) and the Accelerated Shared Growth Initiative of South Africa – Eastern Cape (AsgiSA-EC). The organisation is now at a stage where it is firmly positioned as an effective project implementation agent of high impact rural development programmes.

BUSINESS UNUSUAL APPROACH

As a result, this calls for capacity building and reorientation of staff for the mandate. Furthermore, in the last quarter of 2015/16, the ECRDA team adopted a new business unusual approach. This came with the realisation that if the organisation is to deliver on its stated mandate, it cannot do things the way they have always been done. This mandate requires a new energy, skilling and revisioning.

I'm confident that as an organisation ECRDA is turning the corner and it is beginning to cultivate a service culture of game changers that are needed to make the required impact. Indeed, for agriculture to be a game changer that we all envision it to be you need game players who can deliver on the expectations of the team.

In addition, the complex rural development arena requires a myriad of strategic partners who are able and willing to drive this agenda. For ECRDA to be effective, it requires the support of partners to attract investment into the rural areas and villages of the province.

STRATEGY REVIEW

In support of its mandate, ECRDA also embarked on a strategy review process which confirmed that the organisation's approach will remain perched on the delivery of high-impact priority programmes and package these to make rural development possible and practical. The strategy review also agreed that entrepreneurship in rural areas is also a possible game changer for wealth and job creation. The promotion of entrepreneurship in the rural space should be a central cog in transforming our communities from consumers to wealth creators. Therefore, ECRDAs approach to enterprise development is to turn the tide of consumption to the development of creative industries to drive economic activity and income generation.

OPERATIONAL PERFORMANCE

As such, I am delighted that ECRDA managed to consolidate the RED Hub strategy 2015/16 to ensure that rural people can start industrial initiatives which create jobs. On the infrastructure front, I am pleased that ECRDA has completed its plan to consolidate the milling plants in the RED Hubs for milling and processing. ECRDA is excited that at the Mbizana RED Hub the mill was completed and the factory floors for the mechanisation units and inputs were completed. The Mbizana Local Municipality also completed the construction of a road to the Mbizana RED Hub where there was no road before. A generator was also installed at the Mbizana RED Hub due to the delay with an Eskom transformer. At the Emalahleni RED Hub the milling sheds have also been completed as well as mechanisation and trading sheds.

The 2015/16 financial year has ensured a solid environment for effective rural enterprise development to take place. However, challenges relating to the drought during the period under review meant that production targets were not met in terms of sourcing feedstock for the RED Hubs. Subsequently, the mills had to consider sourcing feedstock outside the primary cooperatives in hubs which are supposed to provide the required production inputs.

However, the organisation is pleased that it has managed to create an average of 55 jobs per mill. This is a significant achievement in rural areas where there is acute unemployment. Moreover, ECRDA is pleased that lands that were lying fallow have now been turned into productive assets.

In essence, the RED Hub concept cycle which begins from primary production to processing has reached completion. In 2015/16 ECRDA focussed on implementing the final leg of marketing which completes the RED Hub cycle.

In practice, in the previous financial years, ECRDA drove the primary production aspects while in the review period it consolidated processing while successfully sending produce to the market by the end of the financial year. The challenge that confronts these RED Hubs is retaining the marketing and their ability to fill-up the shelves with produce from the RED Hubs. In the next financial year, the plan is to ensure that all the hubs produce for the market.

Strategy review on entrepreneurship

The promotion of entrepreneurship in the rural space should be a central cog in transforming our communities from consumers to wealth creators. Therefore, ECRDAs approach to enterprise development is to turn the tide of consumption to the development of creative industries to drive economic activity and income generation.

55 jobs

per mill on average have been created by the organisation

Nicks Spar

A notable highlight is that the Mqanduli mill has managed to deliver to Nicks Spar in King William's Town produce from the Mqanduli RED Hub.

On the social front, ECRDA is encouraged to note the sense of the increased ownership of the mills by the secondary cooperatives who are beginning to understand the business principles of running cooperatives. There is now an emerging culture of improved quality and quantity of produce to meet market demand which is laying fertile ground for commercialisation.

In the forestry development programme ECRDA is pleased with the express intentions of the Department of Agriculture, Forestry and Fisheries (DAFF) to improve the communal category B forestry into commercial category A forests. It is therefore the aim of ECRDAs forestry development interventions to graduate these forests to commercialisation. ECRDA is currently implementing five forestry projects mainly in the OR Tambo district.

I am pleased that the Sinawo project in Mbizana is close to commercialisation. It is already selling timber to commercial forestry giant SAPPI. Sinawo is supplying timber to the SAPPI mill for paper milling. In 2015/16 the Sinawo project generated some R7 million from the sale of timber. They bought two tractors and one bakkie. In 2015/16, 16 additional staff was employed bringing the total employee count to 208. There were also a total of 113 short-term employees.

In 2015/16 R3,5 million was spent in Izinini where 111ha of gum trees were planted in addition to existing plantations bringing the total amount of land planted to 335ha. Some five permanent jobs were created in 2015/16 bringing the total number of full-time staff to 60. In Sixhotyeni a total of R4,4 million was spent in 2015/16 while 214ha of gum were planted. Some 39 people were permanently employed bringing to 86 the total number of full-time staff.

In the period under review some R8,5 million was spent in Gqukunqa where a total of 384ha of gum were planted bringing the total number of hectares planted to 605ha. Funds were spent on payment of staff, herbicides, seedlings, fertilisers and on the purchase of a bakkie. In Mkambathi R5 million was spent and a total of 78ha of gum trees were planted bringing the total area planted to 668ha. The Mkambathi project also generated revenues of R803 949 from the sale of timber in 2015/16.

However, challenges remain in the long turnaround times for the processing of Environmental Impact Assessments (EIAs) for approval which delays the process of getting licences for forests. The intention is to transfer these forests from DAFF to the communities.

I am pleased that ECRDA has completed its plan to consolidate the milling plants in the RED Hubs for milling and processing

ECRDA is excited that at the Mbizana RED Hub the mill was completed and the factory floors for the mechanisation units and inputs were completed. The Mbizana Local Municipality also completed the construction of a road to the Mbizana RED Hub where there was no road before.

Forestry

Sinawo Project is already selling timber to commercial forestry giant SAPPI

R7 m was generated from timber sales in 2015/16. They also bought 2 tractors and one bakkie

16 additional jobs were generated bringing the total employee count to 208 plus a total of 113 short-term employees

Sixhotyeni spent a total of 4,4m in 2015/16 while planting 214ha of gum.

39 additional permanent jobs were generated bringing the total full-time employee count to 86.

R13m

was recovered in 2015/16 of the planned R19 million. This is because loan recipients do not appreciate that they need to be business minded

Livestock

30 heifers which ECRDA had lent to farmers now have more than 100 cattle.

There were six informal auctions where a total of 146 livestock units were sold which were mainly cattle.

ECRDA is also encouraged with the progress being made in the livestock development programme. For example, the farmers which ECRDA lent 30 heifers now have more than 100 cattle. This project has assisted them to improve their livestock farming practices. The Ikhephu Secondary Cooperative in Elliot in Sakhisizwe Local Municipality has already developed a feedlot. They are linking the feedlot to the abattoir in Queenstown and Cala. They now understand the livestock development process from primary production to processing and marketing. ECRDA intends to replicate this programme to other areas to assist farmers. Among other highlights, in 2015/16 R100 000 was set aside for the programme. In this regard, the livestock development programme facilitated the marketing of 1,500 livestock units in the period under review. A total of 1,322 livestock units were sold at formal markets. There were six informal auctions where a total of 146 livestock units were sold which were mainly cattle.

In the rural finance space challenges remain particularly on repayments. The rate of recovery needs major improvement.

While ECRDA planned to recover R19 million in 2015/16 only R13 million was recovered. This is because loan recipients do not appreciate that they need to be business minded when they borrow money. They end up defaulting on repayments because they use the money for other purposes. Another challenge has been the amount of funds available to make disbursements. Only R5,4 million was available in 2015/16 to offer loans to rural enterprises. This meant that only R18 million was available for loan approvals if you add the R13 million from repayments.

In the renewable energy programme two bio digestors were commissioned in Rabula and Ngqeqe in Keiskammahoek which were officially launched in the last quarter of the financial year.

DRDAR further instructed that this project be enlarged to its full potential and it should be duplicated in other areas. These bio digestors are owned by the communal training centre. They supply the training centre with fertiliser for their market garden and gas for food preparation as well as neighbouring households. Each bio digestor produces between 1,3 to 1,9 cubic metres of gas per digestor.

In relation to its subsidiaries, the government took a decision to take Magwa Enterprise Tea through a business rescue process which was granted by the Grahamstown High Court. Consequently, a business rescue practitioner was appointed and he is expected to report to the High Court and submit a comprehensive business rescue plan. The business rescue process has started in earnest with an assessment of tea fields, the factory, estate assets as well as general operations. In 2015/16 the annual allocation for Magwa was R2,8 million for salaries and operations. The Majola Tea Estate has 452ha but only 39ha are under production with black tea. In 2015/16, R1,7 million was transferred to Majola for operations and salaries. Majola has made submissions to DRDAR to be integrated back into Magwa. However, before integration can take place, the estate would have to be liquidated to prevent incurring liabilities.

Magwa Enterprise Tea was taken through a business rescue process

In 2015/16 the Kangela Citrus Farm had a budget allocation of R6,96 million from ECRDA. Actual disbursements were R6,1 million resulting in an under expenditure of R847 405. The funds were used for infrastructure such as tractors, farm implements and for new orchard development. Kangela has returned a profit in the last two financial years.

The Ncera Macadamia operation boasts a world-class nursery which is ranked in the top five in South Africa. During the period under review, ECRDA transferred R7 million to expand the orchards for an additional 30ha and for the payment of wages for workers. Of the 150ha planted, the first 100ha are being harvested. The balance of 50ha is in its third harvest. In the period under review, some 49 tons were harvested. In the new financial year this is projected to grow to 80 tons.

FUTURE OUTLOOK

Looking forward, ECRDA will continue to drive the implementation of its high impact priority programmes underpinned by robust operational efficiencies. Further emphasis will be placed on improving the rural finance function to ensure that it is able to collect on outstanding debt from loan recipients to ensure that it is able to service other deserving rural entrepreneurs.

APPRECIATION

I would like to express my appreciation to the Honourable MEC for Rural Development and Agrarian Reform Mlibo Qhoboshiyane, for his steadfast support in a challenging and fiscal environment. I extend special gratitude to the Board of Directors under the leadership of chairperson Dr Vanguard Mkosana for its astute stewardship and acumen. I would also like to extend appreciation to our various strategic partners in all our business unit programmes who continue to support our rural development mandate. Finally, I would like to thank ECRDAs team for its continued support and resolve to discharge the organisations mandate.

Thozamile Gwanya
Chief Executive Officer

7 Chief Financial Officer's report

GENERAL INFORMATION AND SPENDING TRENDS

ECRDA is a public entity listed under schedule 3C of the Public Finance Management Act, 1999 which implies a non-profit objective. ECRDAs focus is to deliver on its mandate and mission of driving, coordinating and facilitating the implementation of high impact programmes in order to build vibrant and sustainable rural economies. Funding sources include government funding and public money with surplus funds being surrendered to Provincial Treasury each year. Due to the funding and operating model, traditional measurements of performance, such as sales or gross profit, are not the most meaningful criteria to evaluate the performance of ECRDA. The true test for ECRDA is whether the resources made available to the entity were applied in a sustainable and effective manner. In the current year, ECRDA has and will continue to focus on the sustainability of itself and its projects. Consolidation and successful implementation of current projects are key over the medium term whilst alternative revenue generation and partnership building strategies are pursued.

The funding allocation to ECRDA has reduced from R210,8m to R151,6m signalling the challenges within the current economic environment in which it is operating. The reduced funding necessitated further operational savings and limited budget for Rural Enterprise Development (RED) Hub implementation. The operational savings achieved is not immediately evident when compared to the spending patterns of the prior year due to the inclusion of ARDA's operational and employee expenditure due integration of ARDA with ECRDA. The R28,2m deficit for the year included the increase in the impairment of the loan book of R21,0m and the social benefit arising from concessionary loans of R3,5m reflecting the cost of lending below prime rates to ECRDA.

"Sustainable development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen governance. - Ban Ki-moon"

R210,8m

R151,6m

The funding allocation ECRDA recieved has been reduced by R59,2 million, signalling the challenges within the current economic environment

ASSET BASE

The asset base of ECRDA decreased by R21,1m year on year reflecting the dissatisfying performance of ECRDA's loan book and the transfer of property, plant and equipment to the value of R7,8m to cooperatives linked to the RED Hubs. ECRDA is reassessing the operating model, product offering and borrower after-care services as part of the efforts to improve the performance of its loan book. ECRDA's loan book, valued at R154,6m before impairments consists of three parts, namely Uvimba loans (pre-2012), Agency loans (post 2012) and MAFISA loans. The credit policies of these loan books differ and depended on the funding source. Agency loans, advanced in line with ECRDA's credit policy fare much better than the MAFISA loans funded by the Department of Forestries and Fisheries (DAFF) which amounts to R48,7m. DAFF has re-appointed ECRDA as one of the intermediaries for MAFISA loans going forward under a revised credit policy which is not as lenient towards unsecured lending and it is expected this will result in the better performance of future MAFISA loans.

Cash and cash equivalents increased by 12% and reflects the increase in administered funds of R13,6m mainly linked to the Jobs Fund Agro-Processing and Forestry projects funded through National Treasury. Cash holdings constitute 55% of ECRDAs asset base at year end, of which 68% relate to administered funds. Although the current ratio decreased year on year, ECRDA is still in the position to pay trade payables as it falls due.

The rollover request for 2015/16 has been submitted to Provincial Treasury and constitutes of R36m own cash holdings linked to trade payables and contractual commitments and administered funds of R78m.

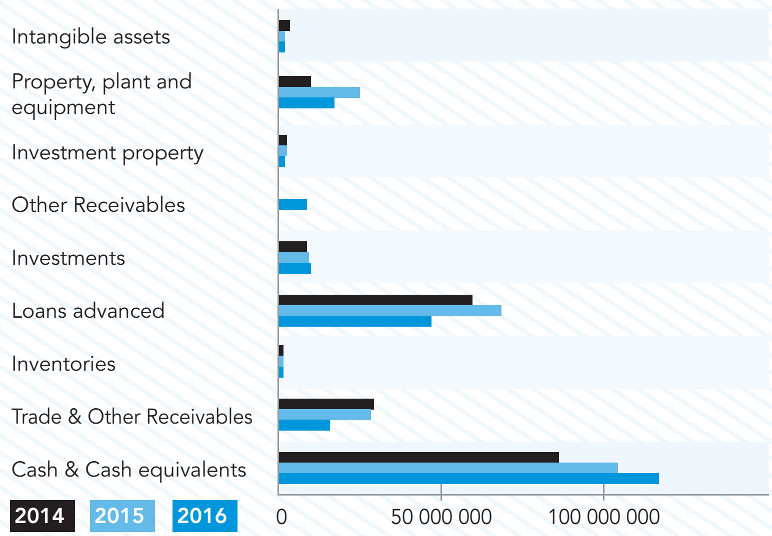
R13,6m

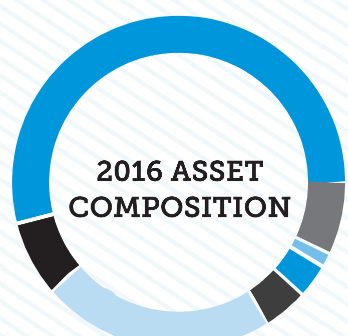
increase in administered funds reflective of a 12% increase in Cash and Cash equivalents

R36m

own cash holdings linked to trade payable and commitments

ECRDA ASSET BASE





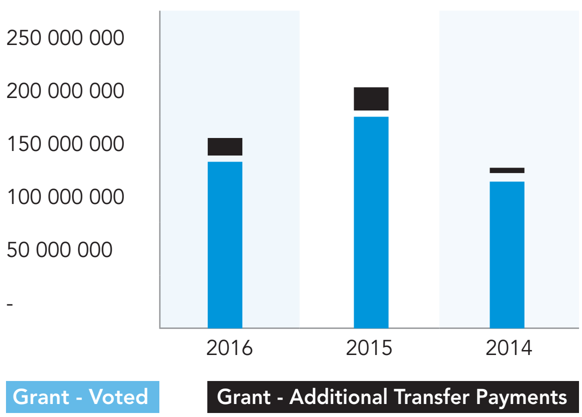
55% Cash & Cash Equivalents
7% Trade & Other Receivablest
23% Loans Advanced
4% Investments
3% Other Receivables
1% Investment Property
7% Property, plant and equipment

0% Inventories 0% Intangible Assets

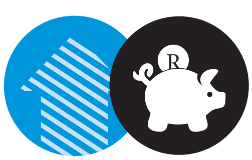
Key Ratios	2016	2015	2014
Current ratios	2,2	2,8	2,8
Own cash vs Current Trade Liabilities	1,8	1,0	1,0
Administered funds vs Cash holdings	0,8	0,7	0,8
Total Assets vs Total Liabilities	2,5	3,3	3,3

Revenue sources	Estimated	Actual	(Over)/Under collection	Estimated	Actual	(Over)/Under collection
Government tranches	151 573 000	171 637 049	-20 064 049	210 779 000	216 077 936	-5 298 936
Interest, dividends and rentals	3 914 000	3 216 525	697 475	3 728 000	2 848 997	879 003
Other non-tax revenue	10 200 000	17 488 006	-7 288 006	12 609 000	30 979 625	-18 370 625
Total	165 687 000	192 341 580	-26 654 580	227 116 000	249 906 559	-22 790 559

GOVERNMENT GRANTS



Government grants, including funding earmarked for onward transfer to affiliated entities and specific projects of the Department of Rural Development and Agrarian Reform (DRDAR) amounted to R171,6m constituting 89% of total income for the year in comparison to 86% in the prior year. The additional grant funding was mainly earmarked for Magwa and Majola Tea Estates. Total transfers and grants paid to affiliated entities were R36,6m of which R17,9m and R3,8m were paid to Magwa and Majola Tea Estates respectively. At a Group level, Kangela Citrus Farms (Pty) Ltd, made a surplus of R9m which assisting in the reduction of the working capital loan from R11m to R9m. Although there is no future funding earmarked for Kangela infrastructure development at this stage, it is expected to continue to operate profitably.

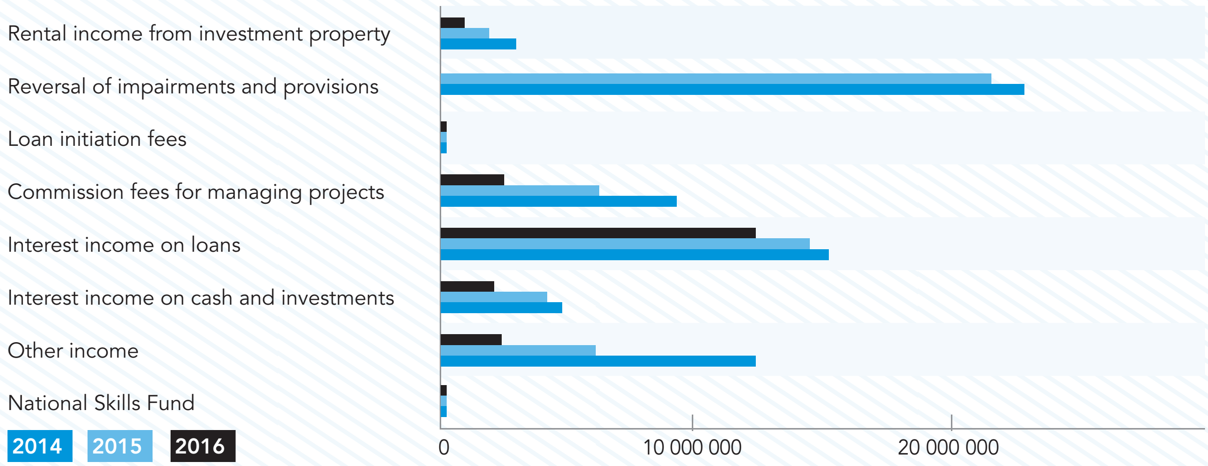


R171,6m

89%

DRDAR Government grants, including funding for affiliated entities and specific projects amounted to R171,6m constituting 89% of total income in comparison to 86% in the prior year.

NON-GOVERNMENT GRANTS REVENUE



ECRDA acknowledges that the optimisation of other revenue sources such as project management fees, interest income and rental income is crucial for the long-term sustainability of the entity. It is fully committed to revise its strategy and operating model to achieve greater efficiencies through cost reduction, restructuring and partnerships going forward.

> "All growth depends upon activity. There is no development physically or intellectually without effort, and effort means work."
> Calvin Coolidge

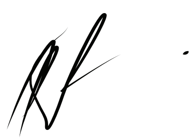
CAPITAL INVESTMENT AND MAINTANANCE

As part of the implementation of the Jobs Fund and RED Hub projects, ECRDA has incurred significant capital expenditure relating to these projects. As evidenced in the transfer of property, plant and equipment to the cooperatives linked to these projects, the ongoing maintenance of the project related capital expenditure which comprises infrastructure, mechanisation units and transport assets, is the responsibility of the project owners/governance structures of the projects.

ECRDA did replace obsolete computer equipment and improved its ICT infrastructure during the year and expanded the vehicle fleet. ECRDA maintains a fixed asset register which is updated quarterly during which assets in need of repair and/or maintenance are identified. Ongoing maintenance of investment property takes place with refurbishment planned for the 2017 financial year in order to improve revenue streams. The condition of the majority of ECRDAs assets are considered to be good. The internal controls over assets and the fixed asset register are considered to be sound in light of audit outcomes. There has been no theft or loss of significant assets during the year not covered by insurance.

Capital Asset Holdings	2016	2015
PPE	15 356 429	23 202 506
Investment Property	1 802 041	1 840 258
Intangible Assets	816 122	765 654
Total	17 974 592	25 808 418

In conclusion, the ECRDA is committed to maintain and improve its unqualified audit status since inception and to continue to make a demonstrable impact on rural development in the Eastern Cape.



Janine Baxter
Chief Financial Officer

8 Statement of responsibility

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

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

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

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury. The Annual Financial Statements (Part E) have been prepared in accordance with the prescribed Generally Recognised Accounting Practice standards applicable to the public entity.

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

The accounting authority is responsible for establishing, and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements. The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2016.

Yours faithfully

Thozamile Gwanya
ECRDA Chief Executive Officer

Vanguard Mkosana
ECRDA Chairperson of the Board

9 **Operational** overview

AGROPROCESSING

In 2015/16, ECRDA led a spirited charge in the implementation of its agro-processing programme which is designed to drive communal land owners toward commercial production for improved income generation. At the core of this programme is a strong processing element for beneficiation of produce to add value to primary grain produce. This is a crucial element in a subsistence farming culture which results in rural communities selling off to the market their primary produce with little or no value addition activities being undertaken.

As a result, ECRDA has for the last three financial years led an agricultural development strategy that prioritises the village as the centre of operation. This approach to rural development is premised on the need to turn fallow land into productive land assets and clusters for the benefit subsistence farmers. While other arms of government have a special focus on primary production activities, ECRDA continuously explores ways and means to ensure that communal land owners are ready for the rigours of commercial food production.

The agency does this through the establishment of strategic partnerships with public and private sector partners and the identification of market opportunities for primary production. Perhaps even more important, ECRDA continues to drive a processing evolution in the rural landscape albeit in small pockets. The ultimate objective is to build rural communities which are the owners and masters of their own development characterised by improved food security, a vibrant rural economy as well as significantly enhanced rural incomes.

RED HUB CONSOLIDATION

In this regard, ECRDA used the review period as an ideal platform to drive its processing and marketing agenda of primary produce through its innovative Rural Enterprise Development Hub (RED Hub) concept. The ultimate objective of these hubs is to keep money circulating within the rural community for as long as possible. In addition to primary production, processing and marketing, the RED Hub concept places significant emphasis on the establishment of mechanisation units with machinery and implements such as tractors, harvesters and implements for production.

As such, the agro-processing development programme also used the 2015/16 financial year to develop storage and processing facilities such as grain storage silos and milling plants for value addition purposes at the RED Hubs. In addition, the agency also consolidated the establishment of marketing services in the form of trading centres as a one-stop-shop for farmers to access production inputs.

CRIPPLING DROUGHT CONDITIONS

However, challenges remain. The 2015/16 financial year also proved to be a particularly challenging year in so far as primary production is concerned. This was largely because of the drought which ravished much of the Eastern Cape bringing primary production to a halt in some areas. The drought was most severe for those communities that earn their livelihoods through crop production and livestock farming. As a result, this severely impacted the RED Hubs' ability to undertake meaningful primary production activities to support processing and marketing.

OPERATIONAL PERFORMANCE:
Primary Production

Despite these challenges, ECRDA is pleased to report the steady progress being made by the four RED Hubs in Mqanduli, Ncora, Mbizana and Emalahleni.

In 2015/16 the Mqanduli RED Hub delivered to the silos a total of only 399.31 tons of white maize from the 936ha planted in the 2014/15 season. Income derived from the maize sold by the six primary cooperatives of Mqanduli RED Hub was R998 275. The maize was sold to the Mqanduli Maize Secondary Co-operative for milling. In Mqanduli, the existing total storage silo capacity is 1,500 tons.

At the Ncora Red Hub, the 10 primary cooperatives organised under the Ncora Irrigation Scheme Producers Assembly Secondary Cooperative delivered 1935 tons to the silos from the 1003ha planted in 2014/15. The new grain storage silo has a 2,000 ton capacity. The income generated from the sale of maize was R5 million. The bulk of the maize which was 1,759 tons was sold to Ncora Dairy because at the time of harvesting, the mill was not yet operational due to unavailability of power. Some R4.56 million was paid by Ncora Dairy to the Secondary Cooperative. The remaining 176.76 tons of maize was sold to the Secondary Cooperative which is turn paid over R459 576 to the primary cooperatives.

In addition, the primary cooperatives decided that 50% of proceeds will be shared among them as members and the balance as contribution to the primary production costs of the next season.

During the period under review, the Mbizana Red Hub which has 13 primary cooperatives received 316.7 tons from the 983 ha of white maize planted in 2014/15. Of this amount, some 226.5 tons was sold to the Mqanduli RED Hub. A total of R512 216 was generated from the sale of the maize. However, the lack of fencing remains a challenge which has led to crop damage at the Mbizana RED Hub. This had a significant negative impact on the amount of maize that could be harvested.

399,31 tons
of white maize was delivered to the silos by Mqanduli out of 936ha planted in 2014/15

R998 275 is the income derived by the Mqanduli RED Hub from the maize sold

1935 tons
of white maize was delivered to the silos by Ncora out of 1003ha planted in 2014/15

R5 m is the income generated from the maize sold. R4.56 m was paid for by Ncora Dairy for 1 759 tons of maize

472,24 tons
of grain sorgum was sold by Emalahleni RED Hub for a total income of R1,22 million

At the Emalahleni RED Hub 565 tons of grain sorghum was harvested in 2015/16 from the 829 ha planted in the 2014/15. The RED Hub which has six primary cooperatives sold 472.24 tons of grain sorghum to Border Seed, OVK and PSP. The total income generated was R1.22 million.

Planting also commenced in the third quarter of the 2015/16 financial year. At the Ncora RED Hub 306 ha of white maize were planted. However, because of the harsh drought conditions that contributed to low soil moisture levels, only 149 ha germinated.

At the Mqanduli RED Hub only 165 ha of white maize were planted because of the drought which preventing the planting of a larger surface area. In Mqanduli, DRDLR supported the RED Hub with Graduate Intern and production inputs for 1000ha. These production inputs were not used because of the drought and they will be utilised in the coming season.

Some 488ha of white maize were planted at the Mbizana RED Hub in the last quarter of the year. DRDLR also supported with Graduate Intern and production inputs to the Mbizana RED Hub. At the Emalahleni RED Hub no planting took place because of the drought.

Milling For Processing

Two milling plants were also established and they are now operational in Mqanduli and Ncora. In Mqanduli, the milling plant has been operational since December 2014. ECRDA is equally pleased that after an initial testing phase of the branding aspects of products from the mill, the products have now been taken to the formal market. This branding process culminated with the launch of the product at the end of 2015/16 in King William's Town. The product is called iSpaza Community Brand and it is being sold at a Spar in King William's Town. Both mills operate under the same brand. The mill produces maize meal as well as animal feed. A potential for samp production is also being tested.

Currently, the Mqanduli mill has a capacity of 0.9 tons an hour. The Mqanduli mill also produces 40 - 70 tons per month. This is largely because of a shortage of maize feedstock for the mill. This has forced the mill to source maize from areas such as Mbizana and Kokstad. High maize prices have also had a serious impact on mill production. In Ncora the mill has a 1 ton per hour capacity.

A new milling plant with a capacity of 1 ton per hour and two grain storage silos with a total capacity of 2000 tons have also been installed in Mbizana. However, this milling plant will only be used in the coming season once a water source such as a borehole has been drilled, tested and equipped. A generator has also been bought to address the electricity challenges at the mill. At Emalahleni, the existing milling plant has 1.5 tons per hour processing capacity. However, it needs to be upgraded because of its low extraction rates. There are two new grain storage silos with a total capacity of 2000 tons that have also been installed.

Mqanduli Mill: 0,9 tons an hour, Mbizana Mill: 1 ton an hour with 2000 tons silo storage capacity, Emalahleni Mill: 1,5 tons per hour with 2000 tons silo storage capacity & Ncora Mill: 1 ton an hour

FUTURE OUTLOOK

Looking forward, the Department of Rural Development and Land Reform (DRDLR) is in a process to procure fencing material for the Mbizana and Ncora RED Hubs that is aimed at securing the crop and reduce significantly the damage of maize caused by livestock. The Department of Rural Development and Agrarian Reform (DRDAR) has already procured fencing material for the Mqanduli RED Hub. DRDAR will also support primary grain production with subsidy of R3200 per hectare and increase planted land size to 2000 ha per RED Hub. These efforts will strengthen the production of grain in the RED Hubs and will guarantee the milling plant with maize feedstock that will be available around the mills. AgriSETA has approved an application for Graduate Placement and Learnerships which will enhance skills development in the RED Hubs.

The DRDAR will increase planted land size to 2000ha per RED Hub

DRDAR will also support primary grain production with a R3200 per hectare subsidy

LIVESTOCK DEVELOPMENT

The period under review provided the livestock development programme an opportunity to consolidate the work done in the previous financial year to prepare communal livestock owners for commercialisation. The livestock development unit operates in a space where subsistence livestock owners realise little or no economic return for their livestock assets.

ECRDA therefore faces a significant but surmountable task of assisting subsistence livestock farmers realise full economic and financial potential for their livestock units. The dominant practice among subsistence farmers is to keep their livestock as long as possible until they are old and of no economic value. This practice perpetuates poverty patterns unnecessarily because this subsistence livestock market should use its assets to ensure their own livelihoods.
In addition to this challenge, ECRDA has to find means to open up access to markets for the stock of subsistence farmers which has to compete with the established commercial livestock farmers. These interventions should ensure that subsistence farmers become active participants in the formal and lucrative livestock market.

PROGRAMME PERFORMANCE

In 2015/16 R100 000 was set aside for livestock development. In this regard, the livestock development programme planned to facilitate the marketing of 1,500 livestock units in the period under review. However, some 1,322 livestock units were sold at formal markets. There were six informal auctions where a total of 146 livestock units were sold which were mainly cattle.

In addition, particular attention was paid to the livestock infrastructural development programme. As such, two auction pens were built in Willowvale in Fort Malan and in Ngqamakhwe. This is an important achievement considering that there is very little formal livestock marketing in the former Transkei region. ECRDA was also able to take the Elliot Brothers to buy cattle in the Transkei 2015/16 who lamented the lack of livestock marketing facilities. These auction pens will provide the requisite infrastructure for effective and efficient livestock marketing activities.

During the period under review ECRDA also held two livestock marketing workshops specifically in the Peddie area. As a result, a dormant auction pen which was not used for two years in Peddie had an auction In October 2015 wherein 100 cattle were sold. These units were bought by livestock marketing agents who organise the buyers.

FUTURE OUTLOOK

Moving forward, the livestock development programme will focus on value addition and processing such as the establishment of feedlots in Mqanduli as well as strengthening livestock marketing.

FORESTRY DEVELOPMENT

The 2015/16 financial year was an exciting period of consolidation for the forestry development programme at ECRDA. Exciting, because the agency was able to build on the solid foundation it had laid in the previous financial year in transforming unproductive communal land assets which are pregnant with a vast commercial forestry development potential into a hub of improved economic activity.

For the past three years, ECRDA has been on a concerted drive to exploit the Eastern Cape's abundant forestry development potential. With a strong focus on production and processing, ECRDA seeks to entrench forestry development activities as a strategic land-use with a significant economic potential.

Emboldened by its rural development mandate, ECRDA seeks to partner in projects which have a strong community focus which positions the village as the centre of operation. The idea is to ensure that communities are able to reap economic benefits from their land assets for as long as possible.

As a result, ECRDA led the development of a forestry development model which was developed through a consultative process with key forestry sector stakeholders. The aim was to minimise investment risks in any community forestry development projects. Community forestry projects are central to the model where each community sets a management team.

In addition, ECRDA is pleased that its partnership with the Eastern Cape Development Corporation (ECDC) is bearing the requisite fruits. This forestry development partnership has a strong beneficiation and processing element which complements ECRDAs solid primary production activities.

The forestry sector was identified as one of the key sectors in the country that can create more jobs with a significant contribution to the economy. It is a strategic sector of investment. The Eastern Cape is a province with the biggest area suitable for forestry development (100 000 ha). Furthermore, government plantations have more than 15,000 unplanted areas which are regarded as low hanging fruits, which do not require initiation costs (i.e. EIA) because no license is required.

Similarly, ECRDA is pleased with the private sector partnerships these community based projects have attracted such as SAPPI and ECDCs long-time partner PG Bison for heeding the call to enter into empowering and economically viable partnerships with our communities.

As such, ECRDA is pleased to announce that remarkable progress was made in the period under review to expand the economic potential of communally-owned forestry plantations supported by robust private sector partnerships.

One of the goals was to improve spending in the Development Bank of Southern Africa (DBSA) Jobs Fund projects. ECRDA is delighted that by the end of 2015/16, expenditure had improved from 61% to 81%. Another challenge was to ensure that the spending ratio of 70/30 agreed to with the Jobs Fund in relation to match funding between ECRDA and ECDC was achieved. In this regard, ECRDA engaged the Jobs Fund by making a commitment that the agency would resolve all issues related to non-compliance which would allow DBSA plough back backlog funding into 2015/16.

ECRDA is therefore delighted that these issues were resolved and all project implementation costs in 2015/16 came from the DBSA Jobs Fund. The spending ratio improved from 18/82 in the previous financial year to 65/35 in the review period. This means 65% spent so far in the forestry development programme have come from the DBSA Jobs Fund while only 35% comes from the ECRDA/ECDC partnership. This is in stark contrast to the R15 million transferred by the Jobs in 2014/15 to the R64 million it made available to ECRDA in 2015/16.

Private Sector Partnerships

ECRDA is pleased with the private sector partnerships these community based projects have attracted such as SAPPI and ECDCs long-time partner PG Bison for heeding the call to enter into empowering and economically viable partnerships with our communities.

sappi

PG BISON

DBSA

R64m
had been disbursed by DBSA at the end of March 2016

ECDC

A combined total of R23,3m has been disbursed by ECDC (R8,3m) and ECRDA (R15m) so far

OPERATIONAL PERFORMANCE

As a result, ECRDA was able to make significant inroads in improving the amount of communal land under new forestry plantations. ECRDA is therefore pleased with the 1,130 hectares (ha) of gum plantations planted across five projects is 2015/16. A total of R30,88 million was spent in 2015/16 while 140 permanent jobs were created in all five projects. A total of 353 short-term jobs were also created. The five projects are Izinini and Sinawo in Mbizana, Sixhotyeni in Maclear, Gqukunqa in Qumbu, and Mkambati in Flagstaff.

In 2015/16 R3,5 million was spent in Izinini where 111ha of gum trees were planted in addition to existing plantations bringing the total amount of land planted to 335ha.

The funds were used for staff salaries and, purchase of seedlings, herbicides and fertilisers. Some five permanent jobs were created on 2015/16 bringing the total number of full-time staff to 60. A total of 57 short-term jobs were created. As a result of challenges experienced in the relationship between the Communal Property Association (CPA), the traditional leadership and the community, new elections for a new CPA executive were being facilitated by the Department of Rural Development and Land Reform (DRDLR).

In Sixhotyeni a total of R4,4 million was spent in 2015/16 while 214ha of gum were planted. The funds were spent on compensation of employees, herbicides, seedlings and fertilisers. Some 39 people were permanently employed bringing to 86 the total number of full-time staff. In 2015/16 a total of 146 short-term jobs were created. A bakkie was also bought for the project.

In the period under review some R8,5 million was spent in Gqukunqa where a total of 384ha of gum were planted bringing the total number of hectares planted to 605ha. Funds were spent on payment of staff, herbicides, seedlings, fertilisers and on the purchase of a bakkie. In addition, protective clothing was purchased for employees. A total of 31 permanent jobs were created bringing the total number of full-time employees to 79. Some 295 short-term jobs were created in 2015/16. There has also been a marked improvement in the quality of seedlings in the project with the mortality rate dropping to 1% from 50%. This was largely due to the employment of a qualified forester to oversee operations. The project also has an existing off-take agreement with PG Bison.

In Mkambathi R5 million was spent and a total of 78ha of gum trees were planted bringing the total area planted to 668ha. The funds were used to buy seedlings, payment of employees as well as maintenance of operations. Some 57 permanent jobs were created bringing the total number of full-time staff to 109. The number of short-term jobs created was 20. In addition, the project also signed an off-take agreement with SAPPI in which the forestry giant will provide technical support to the project and become the market.

Forestry Projects

Izinini: R3,5m spent and 111ha of gum trees planted

Sixhotyeni: R4,4m was spent and 214ha of gum were planted

Gqukunqa: 384ha of gum were planted and a total of R8,5m was spent there

Mkambathi: R5m was spent and a total of 78ha gum trees were planted

Sinawo: R9m was transfered by the ECRDA and a total of 183ha were planted

A combined total of 148 additional jobs (permanent) where created by the above forestry projects

As such, SAPPI will provide seedlings for 65% of the area and in return, the community has agreed to sell 65% of its timber volumes to SAPPI. The Mkambathi project also generated revenues of R803 949 from the sale of timber in 2015/16.

ECRDA also transferred R9 million to Sinawo where a total of 183ha of gum were planted in 2015/16. This brings to 902ha the total area planted thus far. The funds were spent on the compensation of employees who are doing siviculture operations such as planting, weeding and bashing. Seedlings, fertilisers and herbicides were also purchased. In 2015/16 some 16 additional staff was employed bringing the total employee count to 208. There were also a total of 113 short-term employees. The project also generates R7 million from the sale of timber in 2015/16.

ECRDA is equally excited that a sixth new project was added to the programme by the end of the period under review. As such, the Lusikisiki Forestry Growers Cooperative received R397 000 in 2015/16 where in 17ha of gum trees were planted. The funds were used to buy a bakkie and office supplies.

FUTURE OUTLOOK

Moving forward, ECRDA will strengthen its forestry development programme by expanding its reach to other areas of high forestry potential in the Eastern Cape. In this regard, ECRDA will ensure that it continues to exploit existing partnerships for the enhancement of current forestry projects. There are also plans to improve the number of strategic partners to ensure that the programme's reach and footprint is expanded and improved.

RENEWABLE ENERGY

In the last three years ECRDA has vigorously pursued the effective implementation of its renewable energy development programme. The pursuit, development and identification of renewable energy as a high impact priority project is deliberate and is by design. While operating in a tight fiscal environmental characterised by serious budgetary constraints, ECRDA continues to take meaningful steps toward the development and implementation of effective renewable and alternative energy solutions for communities in the rural hinterland.

This intervention is important taking into account that despite significant progress made in opening up access to electricity and energy to rural areas, this segment of the population still has challenges relating to energy security. It has to further compete with the urban and modernised urban sector putting further pressure on already clogged national grid.

However, government is also keenly aware that the rural landscape holds an abundant renewable energy potential which should be exploited and harnessed for the benefit of rural communities. In particular, the Eastern Cape holds perhaps the greatest potential of energy sources available in South Africa. Although in small pockets, ECRDAs interventions in this space are meaningful and they are already being felt by the communities in which it has touched.

Renewable Energy

R245 000

Budget was allocated to the renewable energy programme

Keiskammahoek: Two bio digestors were commissioned in Rabula and Ngqeqe in the period under review

OPERATIONAL PERFORMANCE

During the period under review the renewable energy programme was allocated a budget of R245 000. In this period, two bio digestors were commissioned in Rabula and Ngqeqe in Keiskammahoek which were officially launched in the last quarter of the financial year. DRDAR further instructed that this project be enlarged to its full potential and it should be duplicated in other areas. These bio digestors are owned by the communal training centre. They supply the training centre with fertiliser for their market garden and gas for food preparation as well as neighbouring households. Each bio digestor produces between 1,3 to 1,9 cubic metres of gas per digestor.

In addition, the renewable energy unit was tasked with developing alternative energy strategies for the four RED Hubs. High level studies were done and a budget was set aside for the new financial year to take the studies to a bankable standard. The procurement of service providers has already been initiated. Some R800 000 has been set aside for this task.

A Memorandum of Understanding was also signed to develop a bamboo project in the eastern part of the province.

CRADOCK BIO-ETHANOL PROJECT

In addition, ECRDA, supported by the Industrial Development Corporation (IDC), have commenced work on the formulation of a feedstock development plan for the Cradock Bio Ethanol project. ECRDA has to find means to overcome obstacles preventing the implementation of this high impact, R3 billion project. The most critical of these challenges relate to the development of feedstock producers to meet the requirements of the project and the finalisation of an incentive mechanism by government for biofuels producers without which a bio-fuels industry would not be viable and sustainable. Original timelines set for this development were based on the assumption that the Bio-Fuels Regulatory Framework and the National Bio-Fuels Feedstock Protocol would be approved in November/December 2015.

FUTURE OUTLOOK

Moving forward the unit has also started investigating the feasibility of supplying households with biogas for cooking and electricity for lighting. This will be driven into a pilot project in the new financial year.

RURAL FINANCE

During 2015/16 financial year ECRDA continued to place special emphasis on the extension of credit lines to deserving entrepreneurs in rural communities throughout the Eastern Cape. The extension of credit to rural enterprises is a significant contributor to the growth and development of the underserved rural economy. This is a segment of the market which is considered to be high risk by private lenders as it often has no significant asset base to use as collateral. However, government, through its special purpose vehicles such as ECRDA, takes on a higher risk appetite to service even those entrepreneurs who would otherwise be turned away by private and commercial lenders.

As such, this means agencies such as ECRDA play a pivotal role in driving growth as well as vibrant and robust economic activity in the rural landscape. The provision of credit lines customised for the rural market should also stem the tide of rural folk abandoning their rural land assets for the more urban areas of the province. Empowering rural finance therefore ensures that rural communities and entrepreneurs have access to credit lines that should contribute into turning their often fallow subsistence land assets into productive economic clusters.

As is common cause, working in the rural space is a generally challenging undertaking which requires resilience and a steadfast resolved to effect the desired socio-economic impact. In addition, it calls upon agencies such as ECRDA to also build the required internal capacity and skills base tobuild innovative and effective loan finance products which respond directly to the needs of the rural economy. In this regard, ECRDAs rural finance unit took a considered decision to ensure that its credit offering should also find resonance with the rest of the agency's business objectives. Therefore, a decision was taken to support the work of the RED Hubs by developing credit packages for the various primary cooperatives which make up these hubs of economic activity where required.

However, the extension of credit to this segment of the market also means that ECRDA has to practice the required due diligence in ensuring that it collects on the loans it has advanced to enterprises. Therefore, this requires a robust aftercare philosophy to ensure that rural entrepreneurs are able to honour their loan agreements with ECRDA. The recollection of loan funds is important to ensure that ECRDA is able to advance these credit lines to other deserving entrepreneurs. As such, significant effort is being continuously placed on ensuring improved loan recovery rates.

agencies such as ECRDA need to also build the required internal capacity and skills base to build innovative and effective loan finance products which respond directly to the needs of the rural economy.

LOAN COLLECTIONS

Linked to ECRDAs collections efforts is its credit policy which was reviewed at the end of the second quarter of 2015/16. The review was focussed on loan granting mandates as well as the implementation of an effective aftercare programme. This programme seeks to ensure that rural finance officers follow-up on funds disbursed in the form of regular and diligent project visits in line with the production cycles of each project.

Emphasis was also placed on ensuring the involvement of DRDARs field officers prior to the loan approval stage to ensure that there is a synergy between the two entities since DRDAR offices are stationed even at ward level. Such collaboration is of mutual benefit since the services being rendered by the two entities are complementary.

During the period under review, a total of R14 million was collected on loan recoveries. Some R12,7 million was collected on agency loans while R1,27 million was collected on the old MAFISA loans. It is also worth noting that there is no exact correlation between loan approvals, disbursements and repayment since a loan might be granted in a particular quarter but disbursed in another quarter.

LOAN PERFORMANCE

Notwithstanding challenges which relate to loan recoveries, ECRDA approved a total of R14,8 million for loan disbursements in 2015/16. A total of R11,8 million of ECRDA agricultural loans went to 265 loan applications while R288 223 went to ECRDA non-agricultural loans. This brings total loan disbursements during the period under review to R12,1 million.

The majority of the loans, R5,1 million went to the Amathole, OR Tambo (R2,8 million), Chris Hani (R2,2 million)and Alfred Nzo (R1,5 million) district municipalities. A total of R299 711 went to the Karoo and R96 999 to the Nelson Mandela Bay Municipality.

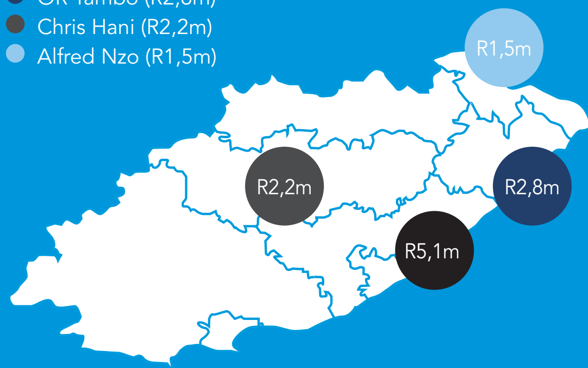
The bulk of the loan disbursements relate to agricultural loans and specifically to crop production loans. The majority of disbursements usually go to OR Tambo, Chris Hani and Alfred Nzo. Besides the loan facility that was made for maize crop production at the Mqanduli and Ncora RED Hubs, there are also informal groups of subsistence farmers who, because of their small pockets of land are encouraged to apply as groups in order to qualify for production loans.

R14,8m

in loans have been approved for disbursment in 2015/16. Only R12,1m has been disbursed under the period under review

Majority Loan Disbursment by Municipality:

- Amathole (R5,1m)
- OR Tambo (R2,8m)
- Chris Hani (R2,2m)
- Alfred Nzo (R1,5m)



During the year under review, there were also a substantial number of loans that were granted to purchase sheep in the Chris Hani region. The collaboration with commodity groups such as the National Woolgrowers Association assists ECRDA in identifying farmers who are indeed committed in their ventures. These leads which are obtained from stakeholders assist us to develop a quality pipeline of loan recipients.

FUTURE OUTLOOK

Moving forward, ECRDA will spend significant energy in the creation of a quality pipeline of entrepreneurs who have the capacity to honour their loan obligations to the agency. This should be done through the consolidation of due diligence activities such as improved monitoring and evaluation of the recipient's projects in order to identify early on any obstacles to loan repayments. ECRDAs rural finance function will also intensify its support for the programmes of other business units such as the RED Hub programmes, Jobs Fund forestry programmes as well as livestock development initiatives.

SUBSIDIARIES REPORT

In addition to its various high impact priority programmes, ECRDA has been appointed by government to deliver on some of the programmes of its subsidiary enterprises and associated entities. This is an important and honourable undertaking as government relies on its agencies such as ECRDA to effect meaningful socio-economic change through their leaner and more agile organisational structures and technical expertise.

MAGWA ENTERPRISE TEA

In this regard, during the period under review, ECRDA began the management of a daunting and complex business rescue process of Magwa Enterprise Tea. The business rescue process is a consequence of a due diligence study commissioned in 2015/16 when it became clear that the tea estate was insolvent and trading recklessly in terms of the Companies Act. The due diligence report recommended the liquidation of both estates.

However, government took a considered decision that the first option should be a business rescue process and liquidation would be an option of last resort because Magwa is a strategic entity of government that employs 645 permanent workers and as much as 2 500 seasonal workers during peak tea production season. As such, ECDC, Magwa owners since 2004, applied to the Grahamstown High Court for business rescue proceedings on February 2016. The High Court granted a judgment for Magwa to be placed under supervision and business rescue.

Consequently, a business rescue practitioner was appointed and is expected to report to the High Court and submit a comprehensive business rescue plan. The business rescue process has started in earnest with an assessment of tea fields, the factory, estate assets as well as general operations.

Furthermore, a strategic decision was taken by government to transfer Magwa shares from ECDC to ECRDA since the estate's operations are focussed on primary production which is the competence of DRDAR and its entity the ECRDA. The transfer process began in 2013/14 and it is still underway.

In 2015/16 the annual allocation for Magwa was R2.862 million for salaries and operations. ECRDA also made a submission to the Eastern Cape Treasury to cover salaries and operations excluding outstanding salaries owed to workers. The submission for R51.6 million to the Treasury was to also cover the business rescue process and operational activities for Magwa and Majola Tea Estate. However, only R16.562 million was approved for both estates.

Of the R16.562 million a total of R9.339 million went to Magwa for operations. An amount of Some R4.087 million went to Majola for operations and R3.136 million went to the business rescue practitioner.

Magwa has serious liabilities and ECRDA was therefore mandated to negotiate with workers for a settlement on outstanding salaries. A five-month' salary settlement deal was reach with workers at Magwa which has eliminated staff liabilities. The business rescue practitioner is also negotiating with creditors.

However, there remains a significant potential for Magwa. Several short, medium and long-term interventions have been put in place to return Magwa to its former glory. In the short-term, the goal is to revive tea operations and establish new markets. Currently the operation relies on tea brokers which are price takers which kill profitability. One of the key markets identified are government departments such as Health, Correctional Services and the South African Social Security Agency (SASSA). The medium to long-term goal is to ensure the diversification of Magwa operations and introduce cash crops such as macadamia and soya beans for cash flow purposes. An opportunity for eco-tourism has been identified in the estate and houses have been identified as potential holiday homes that can be renovated.

MAJOLA TEA ESTATE

Majola Tea Estate is a private company which was previously a branch of Magwa Enterprise Tea. However, the estate is plagued by serious management and governance challenges which have obliterated any revenue generating capacity. The estate is currently being run by a factory manager while assets are obsolete in the factory, engineering and in operations. Majola has 362.5 hectares of black tea plantation, employs 254 permanent workers and can employ up to 600 seasonal workers during peak tea leaf picking season. In 2015/16, R1.71 million was transferred to Majola for operations and salaries. An additional allocation of R4.087 million was paid out in settlement of arrear salaries. Majola has made submissions to DRDAR to be integrated back into Magwa. However, before integration can take place, the estate would have to be liquidated to prevent incurring further liabilities.

KANGELA CITRUS FARM

Kangela Citrus Farms (Pty) Ltd, KCF, is a citrus producing company operating from a group of farms owned by a workers trust, the Kangela Empowerment Trust. The company has two shareholders, the ECRDA which holds a 51% of the shares, and the Kangela Empowerment Trust which holds 49% of the equity share. The farms are located in Addo within the Sundays River Local Municipality. During 2015/16, Kangela had a budgeted transfer allocation of R6.966 million from ECRDA, of which R6.119 million was expended in maintaining existing orchards, developing new orchards to increase production capacity, as well as the purchase of 12 trailers, a tractor and a bakkie.

Earthworks services to remove old trees and prepare 31.5 hectares of land for Lemon, Nova and Valencia trees for replanting have been secured for implementation during 2016/2017. During the year the 7 more hectares of lemon trees were planted adding to the 14 hectares of the prior year in bringing the new lemon orchard development to 21 hectares. It is envisaged that by the end of the financial year 2016/2017, the 454 hectare Kangela farms will have 115.3 of orchards ready for fruit picking, 31.5 hectares being replaced with young plants and 21 hectares being under new orchard development. The remaining land consist of 9 hectares available for extending the new lemon orchard development, 217.2 hectares of virgin veld, available for future orchard development and 60 hectares for farm infrastructure and community village.

Fruit harvest during 2015/16 yielded 223 263 export cartons destined for the Far East, the Middle East and Europe, exceeding the year forecast by 2 543 cartons. ECRDA is pleased that Kangela has managed to turn a profit in the last two financial years. KCF employs 31 permanent workers and about 200 seasonal workers during the harvest period. KCF will, however, need to source alternative development capital to expand the production capacity of the farm as the ECRDA does not have a budget to fund Kangela expansion in 2016/2017 and the foreseeable future. KCF is still dependent on external sources for short-term working capital as the rate of creating additional production capacity has been slower than planned when the operations management and marketing company got involved at KCF.

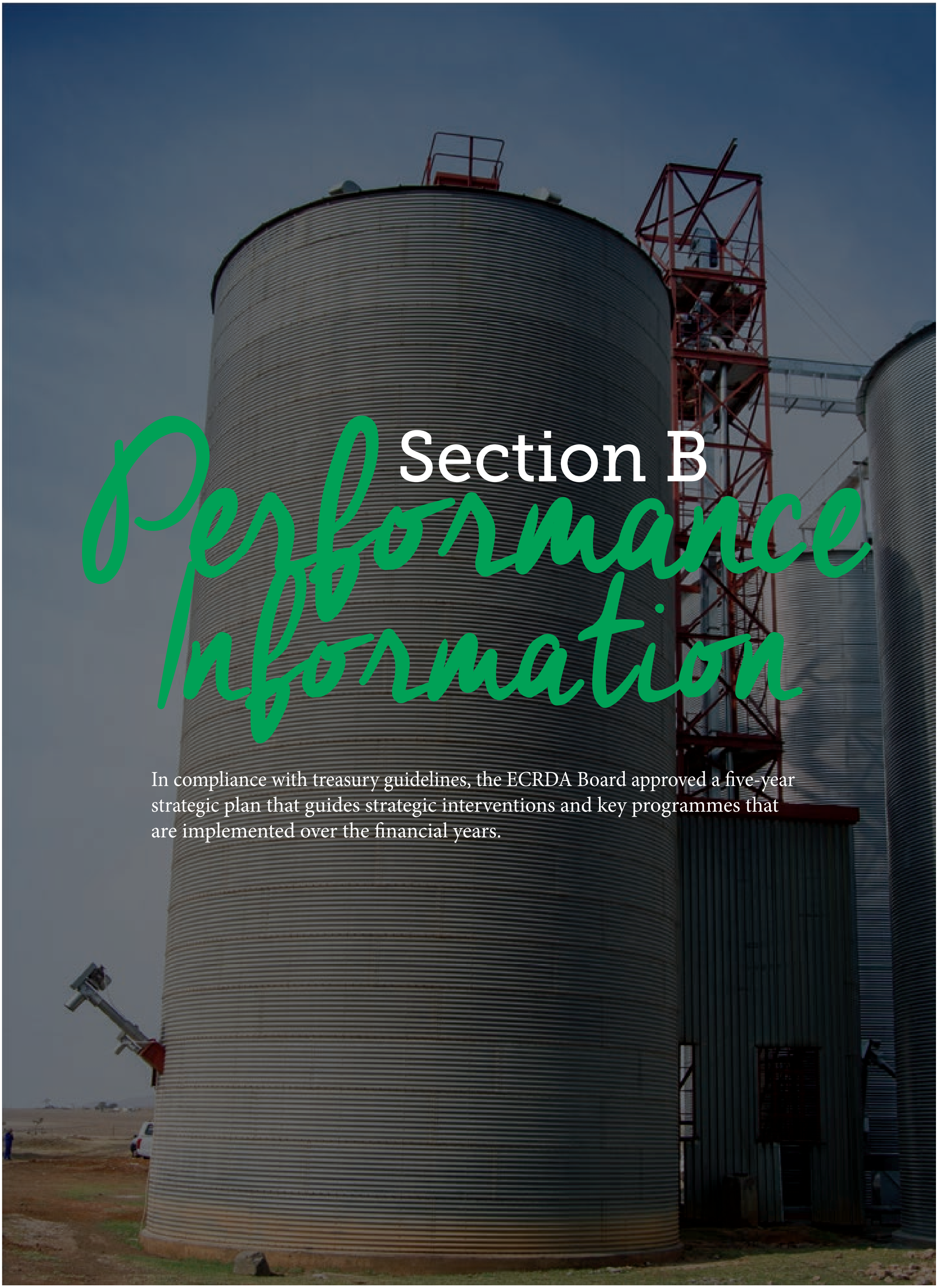
A due diligence report from Nations Capital has recommended the disposal of ECRDA equity in Kangela to make space for a new equity partner to assist in capital funding for expansion.

NCERA MACADAMIA

Ncera Macadamia is a public private partnership in which the land is owned by the community. The community has a 51% share of equity and 49% is in the hands of a private owner. The private owner brings the management skills and the technical acumen. In addition, the community also benefits from employment opportunities. The farm has created 129 permanent jobs for the community. At full capacity the farm will create a total of 325 permanent jobs on 300 hectares of macadamia nuts. Currently 150 hectares is under production. An expansion is being planned into the additional 150 hectares. A total of 123 community members have been trained on macadamia farming and management skills, nursery management, pruning, tree tendering while some staff have been promoted to management.

The Ncera operation boasts a world-class nursery which is ranked in the top five in South Africa. It will be the springboard to advance the expansion of macadamia farming from coastal communities from Willowvale to Mbizana. This nursery will provide the trees for this new expansion. Ncera has already received all required quality accreditation.

During the period under review, ECRDA transferred R7 million to expand the orchards for an additional 30 hectares and for the payment of wages for workers. Of the 150 hectares ha planted, the first 100 hectares are being harvested. The balance of 50 hectares is in its third harvest. In the period under review, some 49 tons were harvested. In the new financial year this is projected to grow to 80 tons.



Section B

Performance Information

In compliance with treasury guidelines, the ECRDA Board approved a five-year strategic plan that guides strategic interventions and key programmes that are implemented over the financial years.

1 Auditors report

PREDETERMINED OBJECTIVES

I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes as presented in the annual performance report of the entity for the year ended 31 March 2016. Pillar 1: Effective co-ordination and implementation of Agrarian-driven High Impact Priority Programmes (HIPPs) and Pillar 2: Promote entrepreneurship through rural finance and support programmes.

I evaluated the reported performance information against the overall criteria of usefulness and reliability.

I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes: Pillar1: Effective co-ordination and implementation of Agrarian-driven High Impact Priority Programmes (HIPPs) and Pillar 2: Promote entrepreneurship through rural finance and support programmes.

ADDITIONAL MATTERS

Although I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matters:

ACHIEVEMENT OF PLANNED TARGETS

Refer to the annual performance report on pages 38 to 59 for information on the achievement of the planned targets for the year.

2 Performance overview

The five-year Strategic plan and the Annual Performance Plan documents for 2015/16 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 is done through a quarterly reporting system, where individual quarterly reports are generated by management and submitted to the Audit and Risk Committee and further transmitted to the Board. All four quarterly reports were submitted to the shareholder (DRDAR) and Provincial Treasury.

Again a consolidated annual report on performance information has been compiled and it reflects the performance indicators and targets as depicted in the annual performance plan for 2015/16 financial year.

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

PILLAR 1: Effective coordination and implementation of agrarian driven High Impact Priority Programmes (HIPPs)

PILLAR 2: Promote entrepreneurship through rural finance and support programme

PILLAR 3: Develop, institutionalise and sustain an effective, capable and fit-for-purpose organisation including best-in-class project management, targeted research and innovation-driven agency

PILLAR 4: Leverage strategic partnerships towards implementation and funding of rural development initiatives

PILLAR 5: Develop sustainable, localised institutionalised rural framework

The annual performance plan contained twenty-three (23) performance targets against which ECRDA had to perform for the year under review. Twenty (20) (87%) of the targets were achieved whilst three (3) (13%) could not be achieved.

The areas where there has not been satisfactory performance relates to the feedstock production for the RED Hubs and Bio mass towards renewable energy initiatives due to the drought that negatively affected production during the season. Again the low recovery rate on loans disbursed remains an area of concern.

23 Performance targets for 2015/16 were set

20 (87%) of the 23 targets set were achieved for the period under review

3 Background & Introduction

3.1 Strategic Programmes Intervention

In compliance with Treasury guidelines, Government Departments and Public entities are encouraged to continuously review their Strategic Plans and Annual Performance Plans in preparation for the proceeding financial year. The current Strategic plan remain in force, however the Board is considering strategic review session with other stakeholders and this may lead to a reviewed strategic direction on the 2017/18 financial year going forward. ECRDA Board approved a five-year Strategic Plan that guides strategic interventions and key programmes that are implemented over the financial years. Again the Board approved Annual Performance Plan document that was submitted to the Department of Rural Development and Agrarian Reform (DRDAR) and subsequently presented to the Legislature by the Hon MEC Qoboshiyane in March 2015.

3.2 Governance, Financial & Institutional Interventions

ECRDA is continuously building on its solid foundation of governance and internal controls and strives to continue to provide service delivery in a responsible and effective manner. An ongoing concern is the reduction in the annual allocation from the Provincial Government and the trend is expected to continue over the MTEF.

From a governance perspective, the Board provides the essential oversight and guidance to the ECRDA through various committees, namely the Governance, Audit and Risk, Finance and Investment, Projects and Programmes and Human Capital and Remuneration committees. Governance at the entity is further strengthened through internal controls implemented by management and the internal audit function.

The approved organisational structure has been populated and in excess of 90% of positions in the approved organogram have been filled.

All the transfers allocated to the agency were transferred on time and as such ECRDA has been able to operate optimally and timely in meeting its budgeted financial obligations. A total of R172m was allocated and received during 2015/16 financial year in order to allow the ECRDA to perform its operations and implement its planned programmes.

R172m

was allocated to the agency during 2015/16

All the transfers allocated to the agency were transferred on time and as such ECRDA has been able to operate optimally and timely in meeting its budgeted financial obligations.

ANALYSIS OF INCOME FROM GOVERNMENT

Detail of account	Amount received	Purpose of fund
Government grants allocated to the ECRDA per the approved Budget	151 573 000.00	Operational grant
Government grant: Programme specific	1 390 192.00	Land Bank emerging markets paid on behalf of the DRDAR
Government grant: Programme specific	1 257 900.00	Female awards paid on behalf of the DRDAR
Government grant: Programme specific	353 458.00	Horse racing payments processed on behalf of the DRDAR
Office of the Premier	14 562 498.56	Magwa & Majola additional funding availed by Government
DRDAR	2 000 000.00	Magwa & Majola additional funding availed by Government
Coega Development Corporation	500 000.00	Youth Fund
Total	**171 637 048.56**	

The ECRDA made the following transfer payments to subsidiaries and entities supported by the Department of Rural Development and Agrarian Reform (DRDAR):

	Original budget	Additional Funding	Total funding	Total expended / released
Ncera Macadamia	7 000		7 000	7 000
Kangela	6 966		6 966	6 385
Magwa Tea Estate	2 862	13 803	16 665	16 665
Majola Tea Estate	1 710	3 307	5 017	5 017
Total	**18 538**	**17 110**	**35 648**	**35 648**

4 Programme Implementation

The agency is implementing two multi-year rural development projects relating to agro processing and forestry in partnership with the Jobs Fund and the Eastern Cape Development Corporation (ECDC).

Additional funding contribution was secured from Provincial Treasury which enabled the implementation of additional two agro-processing projects.

ECRDA continues to progressively implement the flagship programme of the Rural Enterprise Development Hubs (RED HUB's) covering in the main the agro-processing sector, also included are other sectors, Forestry and Timber development, Livestock development and Marketing, Rural finance, Renewable Energy, Support to subsidiaries and other entities.

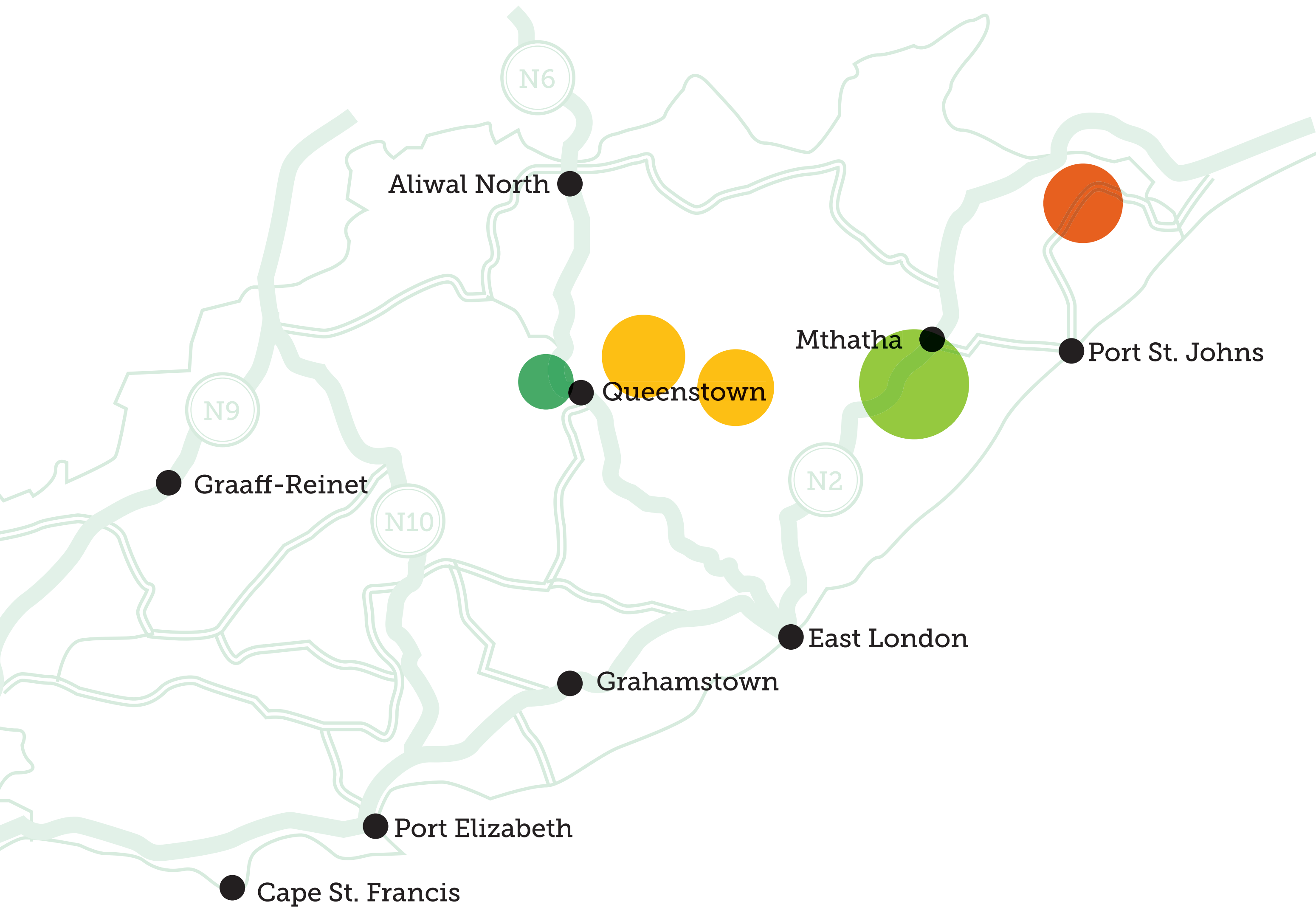
R.E.D HUBS

Rural Enterprise Development Hubs

NCORA
- 1003ha of white maize planted
- 10 participating cooperatives
- 60 people employed
- 2 silos with 2,000 ton capacity established
- Purchase of a new one-ton-per-hour processing capacity mill for Ncorha

EMALAHLENI
- 829ha of grain sorghum planted
- Six participating cooperatives
- 22 people employed
- 574 beneficiaries
- Establishment of mechanisation unit

MQANDULI
- 936ha of white maize planted
- Six participating cooperatives
- 37 people employed
- 2 silos with 1,500 ton capacity established
- Service of existing 1,5 ton-per-hour processing capacity mill in Mqanduli



MBIZANA
- 983ha of white maize planted
- 13 participating cooperatives
- 28 people employed
- 1,112 beneficiaries
- Establishment of mechanisation unit

4.1 AGRO PROCESSING PROGRAMME:

ECRDA established four (4) Rural Enterprise Development Hubs in the sites of Ncora, Mqanduli, Emalahleni, and Mbizana.

Towards feedstock supply to the RED HUBS: (primary production)

In Ncora harvesting of 1935.92 tons maize for 2015/16 crop production season was completed and 1759 tons were directly sold to Ncora Dairy, while in Mqanduli 399.31 tons were harvested from the six primary cooperatives and sold to the secondary corporative for milling. In Mbizana 316.7 tons of maize were harvested and 226.5 tons sold to Mqanduli milling plant.

Emalahleni, harvested 565 tons of sorghum and sold 472.24 tons to different buyers like Border Seed in Queenstown, PSP in Kokstad and OVK in Elliot.

The Department of Rural Development and Land Reform (DRDLR) supported Mqanduli and Mbizana RED Hubs with production inputs for 1000 ha in each site and will be used in the next season.

The Department of Rural Development and Agrarian Reform (DRDAR) committed to support primary production with R3200 per hectare for 2000 ha in all RED Hub sites for 2016/17 production season.

Infrastructure development:

Grain silos and sheds: In Mqanduli, additional capacity of 750 tons silo capacity has been completed leading to 1500 Silo capacity established. In Ncora, Emalahleni and Mbizana respectively, 2000-ton silo capacity has been created in each site. Construction of milling and trading sheds in all RED Hub sites have been completed.

Fencing: Department of Rural Development and Land Reform (DRDLR) is in a process to procure fencing material for both Mbizana and Ncora RED Hubs that is aimed at securing the crop and reduce significantly the damage of maize caused by livestock. While Department of Rural Development and Agrarian Reform (DRDAR) procured fencing material for the Mqanduli RED Hub.

Milling and Market Operations: Mqanduli milling operations commenced in the year under review producing three products, viz Super Maize Meal, Samp and Livestock feed. In conjunction with i-Spaza Foods Mqanduli RED Hub officially launched milling plant products in a commercial platform at Nicks Super Spar in King Williams Town.

1935.92 tons of maize were harvested in Ncora

1759 tons were directly sold to Ncora Dairy

399.31 tons in Mqanduli were harvested from the six primary cooperatives and sold to the secondary corporative for milling

Of the 316.7 tons harvested in Mbizana 226.5 tons were sold to Mqanduli Milling

565 tons of sorghum were harvested Emalahleni RED Hub.

472.24 tons were sold to different buyers in the Eastern Cape; PSP (Kokstad), Border Seed (Queenstown) and OVK (Elliot)

750 ton capacity additional silo in Mqanduli resulting in

1500 ton overall silo capacity in the hub

2000-ton silo capacity has been created in Emalahleni and Mbizana

Social facilitation and Training: Social Charters and Household Profiling for all the Rural Enterprise Development Hubs have been completed. Project beneficiaries and stakeholders have been kept up to date through Technical and Project Steering Committee meetings and Social Mobilisation programmes. Training on Corporate Governance, Tractor Driving, First Aid and Fire Fighting has been undertaken in the RED Hubs.

Mechanisation:

RED Hub sites have been supplied with mechanisation units consisting of 8 Tractors with equipment, Combine harvesters, Bakkies and delivery Trucks.

4.2 Livestock Marketing and Development:

ECRDA is focussed on two components namely, the Livestock Development & Support Programme (LDSP-commercialization of Livestock) and the Livestock Infrastructure Development Programme (LIDP- rehabilitation of dilapidated livestock infrastructure in communal areas).

ECRDA assists in the facilitation of livestock marketing through various approaches. By working with livestock marketing agencies auctions are attended and communal farmers are being exposed to the formal market. Again ECRDA also facilitate workshops to demonstrate the value of marketing livestock within certain timeframes to ensure optimal prices for animals.

During the period under review the sale of 1,322 livestock units has been facilitated in various communities. ECRDA is also working with the National Agricultural Marketing Council (NAMC) on the Custom Feeding Program.

4.3 Forestry Development:

ECRDA continues to support and facilitate development in the forestry projects in Mkambathi, Sinawo, Izinini, Gqukungqa and Sixhotyeni. An additional forestry project has been established in Lusikisiki covering an estimated 800 ha. The project consists of individual forestry growers in the Lusikisiki region of the Ngquza Hill Municipality and this brings the total of forest projects implemented by ECRDA to six.

A request to extend the forestry projects for an additional three years were submitted to the National Treasury, and thus far an extension of 6 months has been granted. ECRDA successfully facilitated the funding of two EIA projects for forestry enterprises, one funded by DAFF and the other by ECDC.

1129.83ha
new forestry plantations were planted during the period under review.

140 permanent jobs created in 2015/16 & 351 short terms jobs

4.4 Rural Finance and Investment:

During the period under review repayments of existing loans amounted to R13,3m and loans to the value of R12.4m were disbursed targeting mainly the rural communities. A review of the Rural Finance Strategy towards enhanced service delivery is required. The vision is to focus on a multi-faceted approach where entrepreneurs with viable business ideas can be supported through business and technical advice as well as access to loan finance.

4.5 Renewable Energy:

ECRDA, supported by the IDC, commenced work on the formulation of a feedstock development plan for the Bio-Ethanol Project based on the assumption that Regulatory Framework and the National Bio-Fuels Feedstock Protocol would be approved by December 2015. It was noted that, despite the uncertain regulatory environment, the political support and the massive contribution that the project will offer towards development in the Eastern Cape, was of such a nature that it could reasonably be expected that the regulatory issues will be resolved and the bio-fuels industry in general and the Cradock Project specifically will receive a green light to proceed. When this happens, there will be limited time available to put into place all that is necessary for final project development, feedstock development and the establishment of a feedstock aggregator. The development of a business plan for the establishment of a Feedstock Aggregator for the Eastern Cape in general and the Cradock Ethanol Plant specifically has also commenced.

Additional projects which have been brought on board during the year for consideration include assisting Qhayiya Development in setting up a solar/bio-digester solution to supply light and gas for cooking to rural households, and assisting New Auto Energy in the establishment of 50 MW power plants using Giant King Grass as bio-mass to produce electricity to be fed into the grid and assessing the possibility of establishing Giant Bamboo as a bio-mass crop for the Eastern parts of the province.

An agreement has also been reached with DEDEAT to implement modular alternative energy solutions for localized use to support the implementation of the RED Hubs and the long term plan is towards the development and implementation of a localized alternative energy solutions for RED Hubs sites and Agri Park Projects.

Additional projects which have been brought on board during the year for consideration include assisting Qhayiya Development in setting up a solar/bio-digester solution to supply light and gas for cooking to rural households, and assisting New Auto Energy in the establishment of 50 MW power plants using Giant King Grass as bio-mass to produce electricity

4.6 Supported Entities

Magwa and Majola Tea Estates: ECRDA facilitated a capacity building programme for management for both Magwa and Majola tea estates, who have been trained in business management by Productivity SA as part of its Turnaround Solutions Programme.

The ECRDA and DRDAR has worked jointly towards a Business Rescue Process (BRP) for Magwa and Majola and we are pleased to report that the Grahamstown High Court granted a judgement for Magwa to be placed under supervision and business rescue, and a Business Rescue Practitioner has been appointed. The outcome of the BRP will provide further guidance on capital injection, estate needs and the general treatment of current liabilities.

R17 million advanced by Eastern Cape Provincial Government for the purpose of Business Rescue for both Magwa and Majola Estates

A total of R17 million was advanced for the purpose of Business Rescue by the Eastern Cape Provincial Government through the Office of the Premier and DRDAR. From the allocation R5.8m was transferred to cover salaries in December 2015. A further R 10.7m was transferred to pay salary settlements and other liabilities.

R5,8m
from the 17m was transferred to cover salaries in December 2015

R10,7m
was then later transfered to pay salary settlements and other liabilities

Kangela Citrus Project: The project produced 223 263 export cartons during picking season, this exceeds the forecasted harvest. ECRDA has paid over R6 million during the period under review for goods and services ranging from purchase of tractors, boom sprayers, trailers and seedling for 14.9ha on the farm. Repairs to the main dam on the farm was also completed at the end of March 2016.

It is expected that the farm will have an additional new 50 ha planted with lemons and oranges in the next financial year. A due diligence exercise has been finalised and the report will assist and guide the ECRDA and Kangela Board of Directors on how to address some of the challenges identified that are hampering successful running of the farm so as to enhance the benefits for the farm beneficiaries.

223 263 cartons exported during picking season
exceeding the forecasted harvest

R6m paid by ECRDA over period under review
for purchase of tractors, boom sprayers and seedling for 14.9ha

5 Challenges

The drought that affected the entire country (hot and dry conditions) during the planting season resulted into limited hectares of land as only 810ha have effectively been planted. Due to the shortage of feedstock supply (maize) in Mqanduli mill, maize was sourced from suppliers outside the region in order to fill in grain storage silos and support running of mill.

The delays experienced with other entities of state in assisting with implementation of programmes are regrettable, such include Eskom who supplied a new transformer and connected electricity to the milling shed for only lights in February 2016 after numerous reminders.

Filling of critical vacancies remain a challenges, while change management initiatives have been introduced in order to create a sound organizational culture.

6 Impact

The severe underfunding of ECRDA is negatively impacting on the implementation of the key programmes. This includes support that could have been extended to key high value projects such as the Tea Estates, Citrus fruit projects, Renewable Energy initiatives and Rural Enterprise Development Hubs.

The facilities and infrastructure has added value to the communities as they now have immediate access to milling plant, storage silos, mechanisation sheds and mechanisation services.

Lands that have been lying fallow for years have now been put back into production covering a minimum of 1000 hectares per RED Hub site. The communities through their established cooperatives (primary and secondary) have also been empowered through skills development and capacity building interventions that have been conducted. The ability to market their surplus produce directly to the milling plants have increased rural incomes and also benefited the community through the creation of jobs.

7 Performance Information

Pillar/Strategic Goal: 1. Effective co-ordination and implementation of Agrarian-driven High Impact Priority Programmes (HIPP's)

Programme 1: Rural Development Programme

Purpose: The ECRDA recognizes that there are numerous rural development interventions therefore, in order to maximize the economic and social benefit to rural communities in the Eastern Cape, ECRDA will focus on HIPPs, effectively coordinate and implement rural development programmes, as well as monitor and evaluate implementation.

Programme 1: Rural Development Programme: This includes feed stock supply for agro processing (milling and biofuel) and forestry implementation projects.

Strategic Objective	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
1.1. Establish nine (9) agro-processing and marketing infrastructure projects to enhance value addition over a period of three years	Number of milling plants with silos completed and operational.	2 milling plants	2 Milling plants have been completed and are operational. (Mqanduli and Ncora Milling plants are completed)	No deviation	None
	Number of initiatives towards feedlot establishment.	1 x feedlot implementation plan developed	1 x Feedlot implementation plan was developed.	No deviation	None
	Number of initiatives towards establishing rural markets	1 feasibility study	1 feasibility study was developed and reviewed. Recommendations were made paving the way forward towards implementation.	No deviation	None
1.2. Increase the feedstock supply to an estimated yield of 13 200 tons to support the milling plants over a period of three years	Number of tons supplied to the milling plants in a production season.	10 560 tons	2611 tons	7949 tons not attained	The following reasons were noted for under-performance; • Drought between mid-January and mid-February 2015. • Crop damage by livestock and birds. • Most of the fields are not fenced. • Poor participation by primary cooperative members. Discussions between ECRDA, DRDAR and DRDLR resulted in quantifying the costs for fencing the lands to minimize the livestock damages. ECRDA has also embarked on strengthening social facilitation to address the poor non-participation of primary co-operative members.
1.3. Facilitate the establishment, support and oversight of community owned and operated forestry projects covering 20 000 ha by 2017/18	Number of new forestry hectares planted.	1065 ha planted	1129.83 ha of new forestry were planted.	An additional 64.83 ha were planted.	The over-achievement was due to the weather conditions being optimal for planting of additional hectares could be realised.

Programme 2: Renewable Energy Programme

Strategic Objective	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
1.4. Undertake eight (8) renewable energy research studies by 2017/18	Number of research studies conducted in renewable energy sources.	2	2 Research studies conducted. High level research studies were conducted on; • Alternative energy solution for Ncora and Emalahleni RED Hubs. • Solar and Bio-gas solutions for Siswe Zuma rural households.	No deviation	None
1.5. Facilitate the implementation of four (4) renewable energy and ancillary projects / enterprises by 2017/18	Number of renewable energy and ancillary projects / enterprises implementations facilitated	2	2 Renewable energy enterprise initiatives facilitated. The following initiatives were facilitated to commence; • Alternative energy solution for Ncora RED Hub. • Alternative energy solution for Emalahleni RED Hub.	No deviation	None
1.6. Facilitate the production / provision of 164 500 tons of feedstock for the bio-energy industry by 2017/18.	Number of tons of feedstock produced for the bio-energy industry	3000 tons	565 tons of sorghum were harvested.	2435 tons under-achieved	The under-performance was attributed to by the climatic conditions (severe drought) that were not conducive for production. This limited the productive potential in the targeted area.

Pillar /Strategic Goal 1: Budget and Expenditure

Description	Annual Allocation	Expenditure	Under/Over Expenditure
Cost of Employment			-
Goods and Services	15 633	14 150	1 483
Transfer	18 538	18 538	-
TOTAL	**34 171**	**32 688**	**1 483**

Pillar /Strategic Goal: 2. Promote entrepreneurship through rural finance and support programmes.

Programme 3: Rural Finance Programme

Purpose: The ECRDA introduces the concept of the RED Hubs (Rural Enterprise Development Hubs). The RED Hubs aims to stimulate entrepreneurship in rural areas by guiding and supporting communities through the stages of entrepreneurship by providing the opportunities, resources and organization thereof. ECRDA enable economic activity through micro-finance.

Programme 3:

Strategic Objective	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
2.1. Facilitate disbursements and recovery of loans to the value of R19.3m by 2017/18	% Recovery of ECRDA loans (effective from April 2012)	80% - 95%	Target not achieved: 70% has been recovered. (actual recovered was R13 324 872 against the expected recovery of R19 025 527)	10%	Due to economic factors clients are struggling to repay loans. A focused discussion session on Rural Finance is planned for Q1 of 2016 to develop a loan repayment and collection strategy for ECRDA in each specific region. To intensify post investment monitoring initiatives.
	Funds advanced in Rands for ECRDA beneficiaries.	R5.4m	R 12 464 081 of loans have been disbursed.	Over-achieved by R7 064 081	The over-achievement is due to the high demand for loans and this was made possible through utilization of recovered funds from previous loans.

Programme 4: Rural Development Support Programme

Purpose: The programme include provision and co-ordination of business, technical and related support and the establishment of most "fit-for-purpose" cooperatives. It is linked to the RED Hubs concept that links production, processing and marketing, and the ECRDA through this programme endeavor to support communities to become sustainable in all three components.

Programme 4:

Strategic Objective	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
2.2. Facilitate establishment of ninety (90) sustainable rural development enterprises by 2017/18 (cumulative)	Number of established and supported rural development legal entities.	15	47 legal entities have been registered and supported. Some entities form part of the Rural Enterprise Development Hub projects	32 additional legal entities	The high volume of legal entities was as a result of the RED Hub established projects.

Pillar / Strategic Goal 2: Budget and Expenditure

Description	Annual Allocation	Expenditure	Under/Over Expenditure
Cost of Employment			-
Goods and Services	5 724	12 617	(6 893)
Transfer			-
			-
TOTAL	**5 724**	**12 617**	**(6 893)**

Pillar/Strategic Goal 3: Develop, institutionalise and sustain an effective, capable and fit-for-purpose organisation including best-in-class project management, targeted research and innovation driven Agency.

Programme 5: Sustain an effective organisation

Purpose: The ECRDA recognises that in order to coordinate and implement efficient rural development programmes; it will need strong project management, and research & development capabilities. Therefore, programmes will need to be researched, planned and packaged. Further knowledge management will be the core of a growing and learning organisation.

Programme 5:

Strategic Objective	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
3.1 ECRDA compliance to corporate governance, risk management and fraud prevention measures annually.	Approved and implemented Risk Management Plan (inclusive of Fraud Prevention Plan)	1	1 Risk management and fraud prevention plan was developed.	No deviation	None
	Facilitate submission and approval of reviewed policies to the board. (% based on existing register of 20 policies)	100%	100% The ECRDA has a compendium of approved policies that are held in a policy register within the Office of the CEO.	No deviation	None
	Five-year Strategic Plan reviewed and approved	1	1 Five-year Strategic Plan was reviewed, updated, and amendments were approved.	No deviation	None
	Three-year Annual Performance Plan reviewed and approved	1	1 Three year Annual Performance Plan developed, approved and submitted to authorities	No deviation	None

Programme 5: Sustain an effective organisation

Strategic Objective	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
	Annual Report approved by the Board	1	1 Annual Report for 2014/15 was developed, approved by the Board and submitted to authorities.	No deviation	None
3.2. Establish and build a competent workforce within a conducive working environment over three years	% Population of the vacant and budgeted positions in the organisational structure filled.	90%	90% achieved	No deviation	None
	Approved and implemented Change Management strategy	1 Strategy approved and Roll out plan developed, implemented and monitored	1 Change Management Strategy and Roll out plan in place	No deviation	None
	Develop and implement a capacity building programme.	1 Programme developed and implemented	1 Capacity development programme has been developed and implemented.	No deviation	None

Programme 6: Establish and resource functional programme management unit

Purpose: The ECRDA recognises that in order to coordinate and implement efficient rural development programmes; it will need strong project management, and research & development capabilities. Therefore, programmes will need to be researched, planned and packaged. Further knowledge management will be the core of a growing and learning organisation.

Programme 6:

Strategic Objective	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
3.3. To promote culture of knowledge sharing, research and innovation inside and outside ECRDA.	Number of completed feasibility studies	1	1 Mid-term review study was conducted on the RED Hubs.	No deviation	None

Pillar / Strategic Goal 3: Budget and Expenditure

Description	Annual Allocation	Expenditure	Under/Over Expenditure
Cost of Employment	72 096	73 959	-1 863
Goods and Services	46 977	57 058	-10 081
Transfer		-	-
TOTAL	**119 073**	**131 017**	**-11 944**

Pillar 4: Leverage strategic partnerships towards implementation and funding of rural development initiatives

Programme 7: Co-ordinate and facilitate external funding and investments to co-fund MEGA projects

Purpose: The ECRDA recognises that in order to implement and galvanise support for projects appropriate partners must be attracted.

Programme 7:

Strategic Objective	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
4.1. Co-ordinate and facilitate external funding and investments to co-fund 6 RED Hub projects by 2017/18	Number of externally funded rural development projects facilitated	2	2 Rural development projects have been funded through facilitated interventions by external parties. The funding of a brickmaking machine for a youth co-operative in the Mhlontlo Municipality. Funding for the Business Rescue Process of Magwa / Majola Tea Estates were facilitated.	No deviation	None

Programme 8: Develop strategic implementation partnerships.

Purpose: ECRDA operates with Centre of Excellence (COE) supported with the necessary infrastructure such as strategic partnerships with financial institutions and foreign governments.

Programme 8:

Strategic Objective	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
4.2. Establish sixteen (16) strategic partnerships for implementation of rural development programmes by 2017/18 (cumulative)	Number of agreements signed with strategic partners for collaboration.	5	5 Agreements were signed strategic partners; • Ncedisizwe Co-operative • SASSA • Chris Hani Development Agency • Mhlontlo Local Municipality • East London IDZ	No deviation	None

Pillar / Strategic Goal 4: Budget and Expenditure

Description	Annual Allocation	Expenditure	Under/Over Expenditure
Cost of Employment			-
Goods and Services	400	0	400
Transfer			-
TOTAL	**400**	**-**	**400**

Pillar 5: Develop sustainable, localised and institutionalised framework

Programme 9: Establishment of rural development clusters and nodes

Purpose: The ECRDA recognises that in order to impact the livelihood of the communities within a specific geographical space, nodes and clusters will have to be identified and developed.

Programme 9:

Strategic Objective	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
5.1. Establish nine (9) rural development clusters across the six district municipalities in the Eastern Cape Province between 2015/16 and 2017/18	Number of rural development clusters	3	4 Rural development clusters established. The clusters that were established are; • Mabaleni cluster in Berlin – Buffalo City Metro Municipality • Amandungwane cluster in Cofimvaba – Intsika Yethu Municipality • Tanga cluster in Butterworth in Mnquma Municipality. • Tshabo cluster in King Williams Town- Buffalo City Metro Municipality	1 additional cluster was established.	The additional cluster could be established due to special funding that was approved.

Pillar / Strategic Goal 5: Budget and Expenditure

Description	Annual Allocation	Expenditure	Under/Over Expenditure
Cost of Employment			-
Goods and Services	400	374	26
Transfer			-
TOTAL	**400**	**374**	**26**

7.1 **Kangela** Citrus Farms Performance

Performance during 2015/2016

New orchard development: Kangela planned to plant 4 500 lemon trees during 2015/2016. The trees were part of a consignment of 14 500 trees procured during 2014/2015 for delivery in September 2015. Only 4 000 trees were delivered and planted during February 2016. The remaining 500 trees are due for delivery in September 2016. The variance against target was caused by a delay in settling the outstanding amount due to suppliers.

Ten thousand five hundred (10 500) lemon trees are due for delivery and planting after the harvesting period in September 2016.

10 500 lemon trees due for delivery and planting after September 2016

Removal of old trees: During the last quarter of 2015/2016, Kangela management planned to remove 9 680 old trees whose yields can no longer pay for the costs of maintaining them. The service provider managed to remove only all of these trees by the end of the fourth quarter.

Routine maintenance: Field work during the period immediately after, and leading to harvesting involved maintenance activities, namely: pruning in 119 hectares, sanitation, irrigation and chemical spraying to 146 hectares.

Other infrastructure development: Planned repairs to the supply dam at Mooivallei have been completed.

Replacement of old orchard: An order for the preparation of 31.6 hectares of land in areas with non-productive orchards, as well as the replacement irrigation equipment for the same hectares been secured, and paid for during 2015/2016. The project will be completed during 2016/2017.

Maintenance:

119ha to be pruned

146ha to be sanitised, irrigates & chemicaly sprayed

Removal:

9 680 old trees removed by 4th quarter of 2015/16

Summary of disbursements from the R6 966 000 budgeted transfer for 2015/2016

Item	Annual Allocation	Expenditure	Amount
	Earthworks	Disc, Rip & Plough 17.6ha & Pipe trenching 3 500m	658 420
	Earthworks	Preparing land for irrigation	
	Earthworks	Repair of dam at Mooivallei	100 377
	Irrigation system	Irrigation equipment	1 140 114
	Orchard replacement	Young Lemon, Novas & Valencia trees	880 000
	Orchard development	Lemon trees	255 500
	Capacity maintenance	Remove windbreakers/Erect fence at Oranjezicht	1 150 704
	Tractor equipment	12 Fruit trailers/Kabota 4WD Tractor	781 938
	Farm Buildings	Repair enclosure shed for fruit & farm equipment	594 000
	Security	Security fence at Silver Oaks	213 983
	Farm vehicles	Ford Double cab bakkie	343 557
TOTAL			**6 118 595.32**

2015/2016 harvest

The company had forecast to produce 220 720 export cartons of various fruit types. Kangela actual harvest exceeded this forecast by 2 543 export cartons. Due to bad weather conditions, the quality of the fruit harvested was not of high standard and this resulted in lower prices for the exports.

Actual revenue from fruit sales:	R26 156 278
Production costs	(R19 543 900)
Gross profit	R6 612 378
Administration and other costs	(R3 339 259)
Profit from operations before finance costs and income tax	R3 273 119

Working Capital from SAFE

After-tax cash from operations were not enough to enable Kangela pay off the working capital loan from SAFE during 2015/2016. As stated above, revenue receipts from exports were lower than anticipated. Enough cash from citrus sales revenue needs to be generated for Kangela to fund the working capital internally. The current position of the Working capital loan is shown in the table following:

At 31 March 2016, liability for the working capital loan from SAFE amounted to	R8 801 281
Cost of operations during April 2016 amounted to R765 677 of which R755 325 was financed from internal working capital.	
Portion of operating costs funded from SAFE loan	R10 352
At 30 April 2016 the balance on the Working Capital from SAFE amounted to	R8 811 633
Working capital requirements for the period 01 May 2016 to 31 March 2017 has been forecast at	R11 172 117
After-tax tax net profit needed to pay off the working capital loan approximates	R19 983 750

Assuming the working capital loan is paid off at the end of 2016/2017, Kangela Would still need credit to fund working capital requirements until cash flows in from export sales to pay off that credit facility.

Expansion of production capacity at Kangela: Farm equipment, infrastructure development, replacing ageing orchards and the development of virgin orchards is necessarily funded from equity or long term debt. So far such capital expenditure has been funded from Government transfer funding through the ECRDA.

The Kangela Board is considering various options of raising capital funds to expand the production capacity of the farm from the current 146 to 318 hectares of the 452-hectare farm.

The ECRDA has indicated that there will be no further Government grant to fund the production capacity of the farm. Alternate funding solutions have been provided in the recommendations of the due diligence report.

Kangela board is considering expansion of production capacity from 146 to 318 (ha)

Recommendations from the draft due diligence report: In essence the due diligence recommends the introduction of an investment partner which would inject funds necessary for the expansion of the production capacity of the farm, as well as providing the required working capital.

Development of an AOP and APP: With the assistance of the ECRDA Strategy Unit, management at Kangela developed an Annual Performance Plan for the 2015/2016 year. KCF management are populating the APP template with actual performance data and are working on the 2016/2017 AOP and APP templates.

ECRDA oversight function strengthened: KCF management have completed a PFMA Compliance Checklist for the year ending March 2016. This is a self-assessment by management of the subsidiary company. Action plans to address shortcomings identified on the checklist will be added onto the Internal and External audit plan to address identified weaknesses and noncompliance issues

Activities for April 2016: The first month of the first quarter in 2016/2017 involved maintenance activities building towards the first month of the citrus picking season. These activities involved:

- Sanitation :119 hectares
- Irrigation :146 hectares
- Chemical Spraying :146 hectares
- Fruit picking :Nil hectares – to start in May

Performance during 2015/2016

The liability in respect of the working capital from SAFE could not be paid off from lower than expected receipts from citrus exports. The liability reduced from R10 811 172 in 2014/15 to R8 801 281 in 2015/16.

Production capacity at Kangela is shrinking as the rate of replacing old orchards and new orchard developments are being hampered by the inability, so far, to secure debt capital with a term long enough to accommodate capital repayments a few years beyond the maturity of citrus orchards.

Kangela Citrus Farms is not yet being charged lease rental for use of the farm land. The Kangela Workers Trust offered to forego the rent as part of capitalisation until the working capital loan is paid off, and profits can absorb the lease rentals.

Strategic Objective 1	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
Remove 19 360 citrus trees that have reach maturity and do land preparation for the planting of new trees between 2015/16 and 2017/18.	Remove trees	9 680	Achieved 9 680 trees were removed.	No deviation	None

Strategic Objective 2	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
Install and maintain irrigation system for 35 ha of new established citrus between 2015/16 and 2017/18	Main lines and orchard (above ground) valves and drip lines	Purchase main lines and orchard (above ground) valves and drip lines for 14 ha	Achieved Main lines and above ground orchard lines and driplines for 14 ha were purchased.	No deviation	None
	Valves and above ground (in orchard) micro jets	Purchase valves and above ground (in orchard) micro jets for 15.6 ha	Achieved Valves and above ground micro jets for 15.6 ha were procured	No deviation	None
	Valves and above ground drip lines	Purchase valves and above ground drip lines for 2 ha	Achieved Purchase of equipment for 2 ha	No deviation	None
	Filter bank	Purchase of equipment for 1 filter bank	Achieved Purchase of equipment for 1 filter bank	No deviation	None
	Floating suction	Purchase of equipment of 1 floating suction	Achieved Purchase of equipment of 1 floating suction	No deviation	None

Strategic Objective 3	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
Purchase of 22 000 citrus trees between 2015/16	Purchase Lemon trees for 18.5 ha	7 550 trees	Achieved 7 550 Lemon trees were purchased	No deviation	None
	Purchase Novas for 15 ha	8 325 trees	Achieved 8 325 Nova trees were purchased	No deviation	None
	Purchase Valencias for 3.11 ha	6 125 trees	Achieved 6 125 Valencia trees were purchased	No deviation	None

Strategic Objective 4	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
Removal of all citrus trees, infrastructure and the building of a security trench for the area called Orangezicht between 2015/16	Phase 1: Remove all windbreak trees and stockpile to burn	Phase 1 initiated	Not achieved	Phase 1 not initiated	The service provider was under pressure and could not get to Kangela timeously and this will be done in the 2016/17 financial year
	Phase 2: Remove all concrete furrows, concrete bridges, derelict buildings etc.	Phase 2 initiated	Not achieved	Phase 2 not initiated	The service provider was under pressure and could not get to Kangela timeously and this will be done in the 2016/17 financial year
	Phase 3: Security Trench around boundary (4 070m)	Phase 3 initiated	Not achieved	Phase 3 not initiated	The service provider was under pressure and could not get to Kangela timeously and this will be done in the 2016/17 financial year

Strategic Objective 5	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
To purchase and plant 14 500 Lemon trees between 2014 and 2016	Balance owing on 14 500 Lemon trees 2015/16	Plant 4 500 trees	Not Achieved 4 000 trees planted	500	Nursery undersupplied by 500 plants. Kangela order offered to other buyers due to delay in invoice payment.

Strategic Objective 6	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
Purchase 12 fruit trailers to enable harvesting of additional volumes of citrus between 2014/15 and 2015/16	Fruit trailers	12	Achieved 12 fruit trailers were purchased.	No deviation	None

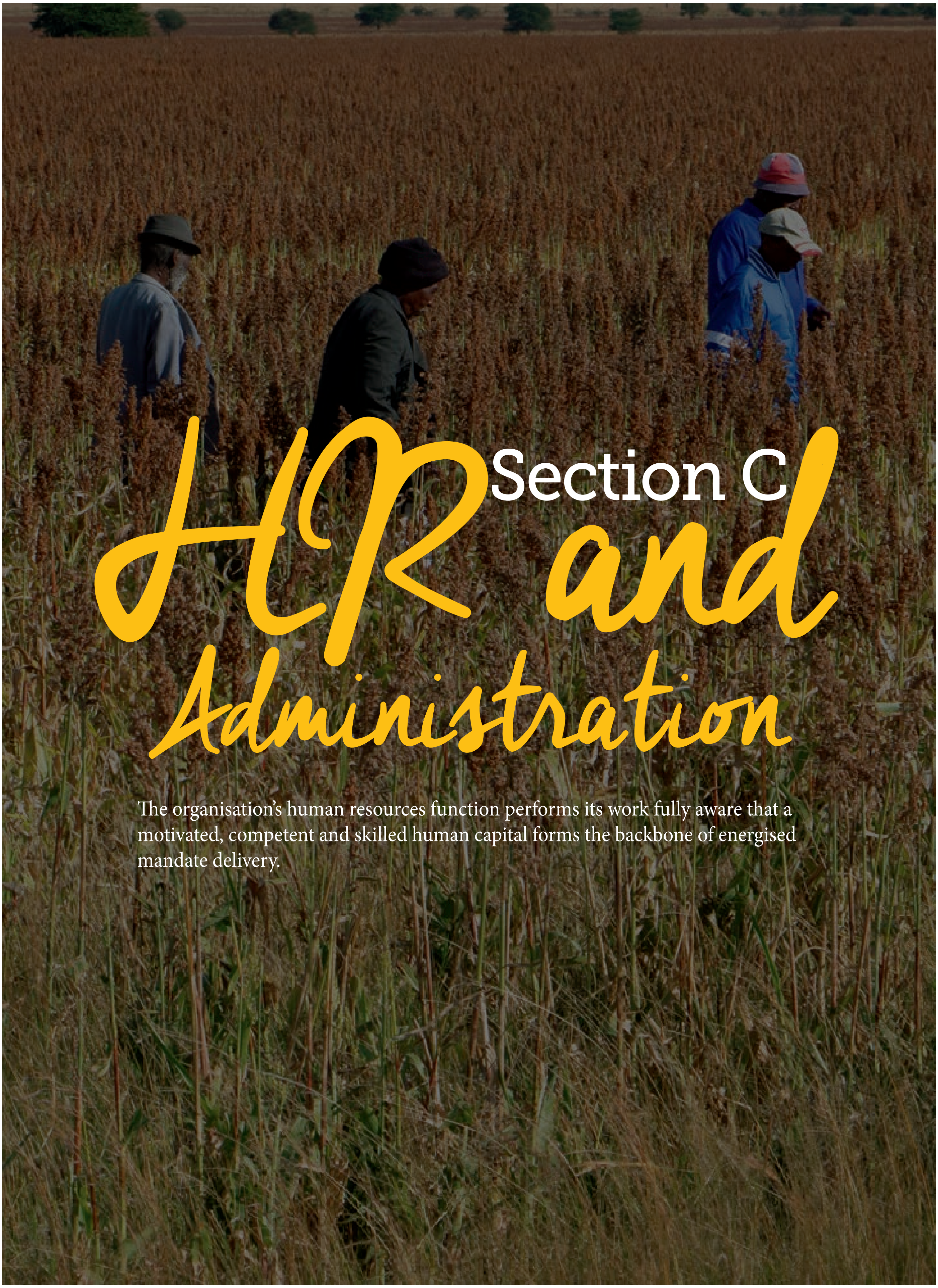
Strategic Objective 7	Performance Indi-cator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
Enclose existing equipment and fruit shed between 2014/15 and 2015/16	Repair and enclose equipment and fruit shed	2	Achieved 2 fruit sheds repaired and equipment enclosed.	No deviation	None

Strategic Objective 8	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
Dig a security trench to secure the portion known as Silver Oaks between 2015/16 and 2016/17	Security trench around Silver Oaks	1	Not achieved	1	The service provider was under pressure and could not get to Kangela timeously and this will be done in the 2016/17 financial year

Strategic Objective 9	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
Infrastructure development and maintenance over the MTEF period 2015/16 – 2017/18	Infrastructure develop-ment and maintenance over the MTEF period 2015/16 – 2017/18	Repair the leak-ing dam on the portion known as Mooivallei	Achieved 1 Leaking dam on the portion known as Mooivallei was repaired.	No deviation	None

Strategic Objective 10	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
Maintain equip-ment / assets lifecycle over the MTEF 2015/16 – 2017/18	Maintain equipment / assets lifecycle over the MTEF 2015/16 – 2017/18	1	Achieved All assets has been maintained as per the management agreement with SAFE.	No deviation	None


Zimmatic



Section C

HR and Administration

The organisation's human resources function performs its work fully aware that a motivated, competent and skilled human capital forms the backbone of energised mandate delivery.

1 **Overview** of HR matters

The Human Resources (HR) department is responsible for the day-to-day well-being of the agency's human capital. This role is taken care off through the application of ECRDAs human resources policy which encompasses recruitment, labour relations, employee wellness, skills development, talent management and code of conduct. The human resources department draws its mandate from pillar 3 of the strategic objectives of the ECRDA which is to ensure a fit for purpose organisation.

The HR Policy takes into consideration statutes such as the Basic Conditions of Employment Act (No. 75 of 1997), Employment Equity Act (No. 55 of 1998), Labour Relations Act (No. 66 of 1995), Occupational Health and Safety Act and Regulations (No. 85 of 1993), Skills Development Act (No. 97 of 1998) and Skills Development Levies Act (No. 9 of 1999).

2 **HR** priorities

The HR Division had set targets for the 2015/16 financial year most of which were achieved while others were partially achieved as a result of budgetary and time constraints. The agency's HR priorities in the review period are summarised below:

POPULATION OF THE ORGANISATIONAL STRUCTURE

The set target for the population of the organisational structure has been achieved through the filling of funded vacant prioritised posts taking into account the requirement from Treasury to tightly manage the cost of employees budget.

REDUCTION OF SKILLS GAP

In its efforts to address the capacity and skills gap of operational personnel of the entity, ECRDA has signed a Memorandum of Understanding with the University of Fort Hare to provide an Agri-Mentorship course which is a comprehensive SAQA accredited course with modules related to agri-business analysis, change management, vision and strategic alignment, as well as effective monitoring of beneficiary projects of the entity.

PERFORMANCE MANAGEMENT FRAMEWORK

The Performance Management Policy which sets out the guidelines for the implementation of a Performance Management System is in place. The Board appreciated the challenges with the rollout of the PMDS and determined that for 2015/16, performance agreements and reviews must be concluded for the executive with a rollout plan for middle management and the rest of staff commencing 2016/17. The executive management team has signed the performance agreements and this paves way for to rollout the PMDS throughout the organisation.

EMPLOYEE WELLNESS PROGRAMMES

The employee wellness programmes has been functioning well and the employee related issues referred to wellness are attended to with support from line management. Service providers with expertise in different fields are constantly invited to present in the areas to facilitate employee wellbeing.

HIGHLIGHTS

- Ninety percent (90%) funded vacant posts were filled
- Performance agreements and performance quarterly assessments were conducted between the Chief Executive Officer and the Executive Management team.
- ARDA staff have been integrated into ECRDA.
- A vehicle scheme policy was developed and approved.
- The harmonisation process of staff from the erstwhile ECRFC, AS-giSA and ARDA was initiated
- The change management programme was facilitated and delivered

CHALLENGES

- There is resistance of staff to implementation of the Performance Management System and implementation thereof on the basis that that they were not involved in its development and approval.
- Lack of ownership of middle management to manage and resolve human resources issues emanating from staff in their respective areas of management
- Access to information is an issue for some employees, proper use of internal communication channels and robust engagement of organisational issues to ensure healthy labour relations, productivity and alignment to strategy.

3 HR Statistics

Personnel Costs By Programme/Activity/Objective

Programme	No Of Employees	Personnel Cost Per Programme
CEO Office	11	8 972 469
Strategy Unit	4	2 166 275
Corporate Services	27	11 617 559
Finance, SCM & Treasury	16	13 918 124
PMU	105	37 284 894
TOTAL	**163**	**73 959 321**

Employment And Vacancies Per Progamme

Programme	No Of Employees	Vacancies	% of Vacancies
CEO Office	11	0	0
Strategy Unit	4	0	0
Corporate Services	27	0	0
Finance, SCM & Treasury	16	3	19
PMU	105	4	4
TOTAL	**163**	**7**	**23**

Employment and Vacancies Per Level

Programme	No Of Employees	Vacancies	% of Vacancies
Top Management	9	0	0
Senior Management	14	0	0
Middle Management	17	0	0
Specialists	4	0	0
Professional Qualified / Semi-skilled	94	7	7
Very Low Skilled	25	0	0
TOTAL	**163**	**7**	**4**

Training costs

Personnel Expenditure R'000	Training Expenditure	Training Expenditure As a % Of Personnel Cost	No Of Employees Training	Avg Training Cost Per Employee R'000
73 959	1 387	1,88	90	15

Vacancies in the organogram (not yet advertised)

Divison	Post	Grade	Status
Finance, SCM & Treasury	Senior Finance Clerk	11	To be evaluated for posts to be filled in new financial year
	Management Accountant	10	
	Vendor & Contract Officer	11	
PMU	2 x Customer Consultants	7	
	District Network Administrator	7	
	Senior Customer Consultant	10	

Employment Equity Status

	Male				Female			
Level	African	Coloured	Indian	White	African	Coloured	Indian	White
Top Management	5	0	0	1	2	0	0	1
Senior Management	7	0	0	2	3	0	0	2
Middle Management	8	0	0	1	7	0	0	1
Specialists	4	0	0	0	0	0	0	0
Professional Qualified / Semi-skilled	28	0	0	2	62	2	0	0
Very low skilled	5	0	0	0	18	2	0	0
TOTAL	**57**	**0**	**0**	**6**	**92**	**4**	**0**	**4**

Note: There was no specific targets set for the year
Disabled employees: 1
Performance Rewards: No performance rewards were paid during the financial year.

Labour Relations: Misconduct and Disciplinary Action

Status	No.
Full disciplinary process complete with dismissal as outcome	1
Full disciplinary process with outcome pending	2
CCMA cases pending	2
Labour court case pending	1
Pending Grievances	1

Reasons For Staff Leaving

Reason	No.	% of total No. of staff leaving
Death	1	50
Dismissals	1	50
Resignations	0	0
Retirements	0	0
TOTAL	**2**	**100**

Employment Changes

Salary Band	Employment at beginnig of period	Appointments/ secondments	Integration	Terminations	Employment at end of period
Top Management	8	0	1	0	9
Senior Management	13	0	1	0	14
Middle Management	15	1	1	0	17
Specialists	4	0	0	0	4
Professional Qualified / Semi-skilled	80	6	10	2	94
Very low skilled	20	0	5	0	25
TOTAL	**140**	**7**	**18**	**2**	**163**

Employment and vacancies per level

Level	Personnel expenditure	% Of personnel exp to total personnel costs	No of employees	Average personnel cost per employee
Top Management	11 850 286	16,21	9	1 316 698
Senior Management	12 571 325	17,20	14	897 952
Middle Management	10 366 130	14,18	17	609 772
Specialists	3 843 691	5,26	4	960 923
Professional Qualified / Semi-skilled	31 299 611	42,32	94	332 975
Very low skilled	4 028 278	5,51	25	161 131
TOTAL	**73 959 321**		**163**	**453 738**


45°

Section D

Governance

In addition to legislative requirements, ECRDA also endorses the code of corporate practices and conduct as contained in the King reports on corporate governance.

Certificate of the company secretary

I certify that the ECRDA is committed to good corporate citizenship and organisational integrity in the running of its affairs. The agency further subscribes to the corporate governance principles set out in the Public Finance Management Act (PFMA) and the Companies Act and has complied with all requirements.

In respect of the financial year ended 31 March 2016 all statutory reports and returns in terms of the above act are true, correct and up to date.

Yours faithfully

Company Secretary
G Koyana

1 Introduction

ECRDA is committed to good corporate citizenship and organisational integrity in the running of its affairs. The agency further subscribes to the corporate governance principles set out in the Public Finance Management Act (PFMA) and the Companies Act.

In addition to these legislative requirements, ECRDA also endorses the code of corporate practices and conduct as contained in the King Reports on Corporate Governance. The agency affirms its commitment to comply in all material respects with the principles incorporated in these reports, and as such embodies processes and systems by which it is directed, controlled and held to account. The Eastern Cape Provincial Legislature together with the executive of the organisation and its Board of Directors are the key custodians of the agency's corporate governance responsibility.

2 Portfolio committees

The agency made two presentation to the Portfolio Committee as detailed below:
15 May 2015
12 November 2015
ECRDA appreciates the support and guidance it has received from the Portfolio Committee. The committee has a holistic understanding of the agency, including its background and the challenges it faces in fulfilling its legislative mandate. This is evidenced through the continuous and unwavering support and guidance received from the committee in shaping ECRDAs quest and vision of reaching out to the rural poor.

3 Executive authority

ECRDA is compliant with all laws and regulations relevant to its space of operation. Performance information and monitoring thereof has become one of the priority pillars in the entity's operations. All reports due for submission to the shareholder and other authorities have been developed and submitted accordingly.

4 Accounting Authority

BOARD OF DIRECTORS AND COMPOSITION OF THE BOARD

ECRDA is governed by a Board of Directors which is appointed by the MEC for DRDAR. The board is comprised of ten (11) non–executive members and one ex officio representative (CEO). The current Board of Directors was appointed in February 2016 and was inaugurated accordingly.

The directors have the requisite skills, knowledge and experience to provide strategic leadership to the organisation. The meetings of the Board of Directors are regulated in terms of an approved annual calendar of meetings. This calendar provides for quarterly board meetings to deliberate issues as per a formal agenda. Detailed minutes are recorded of such meetings. A register of attendance and disclosure of interest is kept and maintained at every board meeting. Besides the scheduled board meetings, provision has been made for additional special board meetings as well as ad hoc engagements with stakeholders that are pursuant to the mission and objectives of ECRDA.

Board member	Appointment date
Dr. VM Mkosana (Chair)	February 2016
Ms FF Mkile (Deputy Chair)	February 2016
Mr V Jarana	February 2016
Ms B Kali	February 2016
Mr A. Le Roux	February 2016
Mr W S Mbalekwa	February 2016
Mrs Z Semane	February 2016
Mr M W Sogoni	February 2016
Mr M Ncwadi	February 2016
Mr X C George	February 2016
Mr C J Pietersen	February 2016
Mr T Gwanya (ex officio)	CEO

11 non-executive members

and 1 ex-officio representative (CEO)

MEETING ATTENDANCE OF THE BOARD

	Board meetings		Training and workshops	
Board member	**Scheduled**	**Attended**	**Scheduled**	**Attended**
Dr. VM Mkosana (Chair)	9	9	4	4
Ms FF Mkile (Deputy Chair)	8	7	4	1
Mr V Jarana	9	7	3	2
Ms B Kali	9	5	4	1
Mr A. Le Roux	9	9	4	3
Mr W S Mbalekwa	9	9	4	3
Mrs Z Semane	9	9	4	4
Mr M W Sogoni	1	1	0	0
Mr M Ncwadi	1	1	0	0
Mr X C George	9	7	3	2
Mr C J Pietersen	9	7	5	3
Mr T Gwanya (ex officio)	9	9	4	4
Total	91	80	39	27

BOARD COMMITTEES

The ECRDA Board of Directors has five functional board committees, namely the human capital and remuneration (HC & Remco), risk and audit, programmes and projects (P & P), finance and investment (Finvest) and governance committees respectively. These 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 also regulated in terms of an approved calendar and deliberations are minuted and implemented once they have been deliberated upon by the governance committee and ratified by the board.

The governance committee is the penultimate governance structure of the Board of Directors to which all the board committees report for oversight and to get guidance on their respective deliberations.

BOARD COMMITTEE COMPOSITION

Board members	Governance & Ethics Committee	Audit & Risk Committee	FINVEST Committee	Programmes & Projects Committee	HC&R Committee
Dr. VM Mkosana (Chair)	Dr V M Mkosana (Chair)	Mr W S Mbalekwa (Chair)	Mr V Jarana (Chair)	Mr C J Pietersen (Chair)	Mr XC George (Chair)
Ms FF Mkile (Deputy Chair)	Ms F F Mkile (Deputy)	Mr M W Sogoni	Mr W S Mbalekwa	Ms B Kali	Mr M W Sogoni
Mr V Jarana Ms B Kali	Mr V Jarana (Chair Finvest Committee)	Ms B Kali	Mr C J Pietersen	Mr M Ncwadi	Mr A Le Roux
Mr A. Le Roux Mr W S Mbalekwa	Mr W S Mbalekwa (Chair Audit & Risk Committee)	Mr A Le Roux	Ms F F Mkile	Mrs Z Semane	Mrs Z Semane
Mrs Z Semane Mr M W Sogoni	Mr C J Pietersen (Chair P&P Committee)		Mr M Ncwadi		
Mr M Ncwadi Mr X C George Mr C J Pietersen	Mr X C George (Chair HC & R Committee)				

BOARD COMMITTEE ATTENDANCE

	Audit & Risk Committee		FINVEST Committee		Governance & Ethics	
Board member	**Scheduled**	**Attended**	**Scheduled**	**Attended**	**Scheduled**	**Attended**
Dr V Mkosana					4	4
Prince Z Burns-Ncamashe					3	2
Mr X George	3	2			4	2
Mr V Jarana			4	1	1	0
Ms B Kali	4	4				
Mr A Le Roux	4	4				
Mr S Mbalekwa	4	3	4	4	4	3
Ms F Mkile			4	4	4	4
Mr CJ Pietersen			4	4	4	4
Ms Z Semane					1	1
Mr M Ncwadi			1	1		
Mr M Sogoni	1	0				
Total	**16**	**13**	**17**	**14**	**25**	**20**

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 here under:

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

HC&R Committee		P&P Committee		HC&R Committee (Adhoc - Unions)		Ad Hoc (Meetings)	Trips (Outside)	Total (Meetings)
Scheduled	Attended	Scheduled	Attended	Scheduled	Attended	Attended	RSA	Attended
						9		26
						2	1	13
5	5			1	1	2		21
4	1			1	0	0		8
		4	3			3		22
5	4			1	1	5		26
						5		28
		3	2			15		38
		4	4			1		23
5	5	4	4	1	1	3		23
		1	1					4
1	1							3
								0
20	**16**	**16**	**14**	**4**	**3**	**45**	**1**	**235**

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 MEMBER REMUNERATION

	Agency	Agency	Directors of agency paid by subsidiaries	
Board committee members*	**2016 (R)**	**2015 (R)**	**2016 (R)**	**2015 (R)**
Burn-Ncamashe Z., Prince (1 January 2010 - February 2016)	259 286	297 000	-	-
Kali B., Ms (appointed 1 January 2010)	306 922	283 500	-	76 844
Pietersen C.J., Mr (appointed 1 January 2010)	295 633	289 980	-	-
Mkile F.F., Ms (appointed 20 January 2010)	368 055	338 580	-	55 396
Mkosana V.M., Dr (appointed 15 November 2012)	367 311	365 580	-	-
George X., Mr (appointed 15 November 2012)	335 903	338 580	-	-
Jarana V., Mr (appointed 15 November 2012)	285 413	282 420	-	37 774
Le Roux A., Mr (appointed 15 November 2012)	284 842	283 500	-	-
Mbalekwa S.W., Mr (appointed 15 November 2012)	340 183	338 580	-	-
Semane Z., Ms (appointed 15 November 2012)	284 842	282 420	-	-
Sogoni M., Mr (appointed 1 February 2016)	46 040	-	-	-
Ncwadi M., Mr (appointed 1 February 2016)	46 041	-	-	-
Fees for services rendered	3 220 471	3 100 140	-	170 014

Note: * The Chief Executive Officer, Mr. T.T. Gwanya is also a member of the board.

5 **Risk** Management

- The organisation's board-approved Risk Management Policy was implemented throughout the financial year to ensure that risk management activities are being institutionalised.
- Risk assessments for all ECRDA business units were facilitated by the Internal Audit Unit and the results 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 systems and as such recommends suitable actions for mitigating unacceptable levels of risk identified.
- Risk registers are submitted by the Internal Audit Unit to the Audit & Risk Committee to ensure that there is independent monitoring of risk management practices within the agency.
- 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.

6 **Internal** Control Unit

ECRDA does not have an internal control unit. Internal controls are implemented and managed by the chief executive officer with the support of the executive management team.

7 **Internal Audit** & Audit Committees

KEY ACTIVITIES AND OBJECTIVES OF THE INTERNAL AUDIT

The internal audit function of ECRDA 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 internal audit are to:

- Provide an independent appraisal function to examine and evaluate ECRDAs activities as a value added service.
- Review the adequacy and effectiveness of systems of risk management, control and governance.
- Assist ECRDA 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.
- Promote effective control at reasonable cost.

SUMMARY OF AUDIT WORK DONE

The following audit areas were reviewed during the financial year:

- Information communication technology (ICT),
- Asset management,
- Compliance with laws and regulations,
- Audit of predetermined objectives (AOPO),
- Supply chain management,
- Agro-processing review,
- Rural Finance review
- Premier Intervention Projects
- Livestock review
- Corporate Governance review
- Financial Administration review
- Review of Subsidiary
- Follow up on AGSA findings.

KEY ACTIVITIES AND OBJECTIVES OF THE AUDIT & 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 aims to:

- Assist management in their evaluation of the adequacy and efficiency of the financial reporting process, the system of internal control and management of financial risks, the audit process, and the agency's process for monitoring compliance with laws and regulations and its own code of business conduct.
- Initiate such measures as in its opinion may best serve to enhance the reliability, integrity and objectivity of internal and external reporting as well as the adequacy and efficiency of any other aspect of the agency's operations.
- Maintain effective working relations with the Board of Directors, management, and the internal and external auditors

	Agency Committee	
Board member	**Scheduled**	**Attended**
1. Dr V Mkosana		
2. Prince Z Burns-Ncamashe		
3. Mr X George	3	2
4. Mr V Jarana		
5. Ms B Kali	4	4
6. Mr A Le Roux	4	4
7. Mr S Mbalekwa	4	3
8. Ms F Mkile		
9. Mr CJ Pietersen		
10. Ms Z Semane		
11. Mr M Ncwadi		
12. Mr M Sogoni	1	0
Total	**16**	**13**

8 Compliance with laws & regulations

ECRDA has performed to its utmost best and has been compliant with laws and regulations relevant to its area of operation. Performance information and monitoring thereof has become one of the priority plans in the entity's operations. All reports due for submission to the shareholder and other authorities have been developed and submitted accordingly.

9 Fraud & corruption

FRAUD PREVENTION PLAN

ECRDA's Fraud Prevention Policy has been approved by the Board of Directors and was implemented during the financial year. In addition to the policy, ECRDA has a Risk Management Plan which is inclusive of a Fraud Prevention Plan as required by Treasury Regulations. Although the plan was implemented during the financial year, there were no cases of alleged fraud and or corruption reported to management and the board. Internal Audit continued however to facilitate fraud awareness workshops with employees to ensure that they were familiar with the process to report fraud.

REPORTING FRAUD & CORRUPTION

In terms of the Fraud Prevention Policy, staff members are required to report fraud to their immediate line managers, Internal Audit Unit and Audit and Risk Committee. Staff members are also required to report fraud to Office of the Premier via the National Anticorruption Hotline. In all cases staff members are encouraged to remain anonymous to avoid victimisation by perpetrators of fraud.

10 **Minimising** conflict of interest

ECRDA staff is 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. The 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, ECRDA 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 Supply Chain Management Unit prevented conflict of interest by ensuring adherence to National Treasury's Code of Conduct for supply chain management practices. The code proves, inter alia, 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.

11 **Code** of conduct

ECRDA 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. There were no disciplinary hearings scheduled and presided over for the year under review.

12 **Health** and safety

Health and safety is paramount to the well-being of all employees and as such ECRDA found it prudent to conform to the rules as enshrined in the Occupational Health and Safety (OHS) Act. As such, the agency 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. For the year under review, there were no incidents reported and investigated.

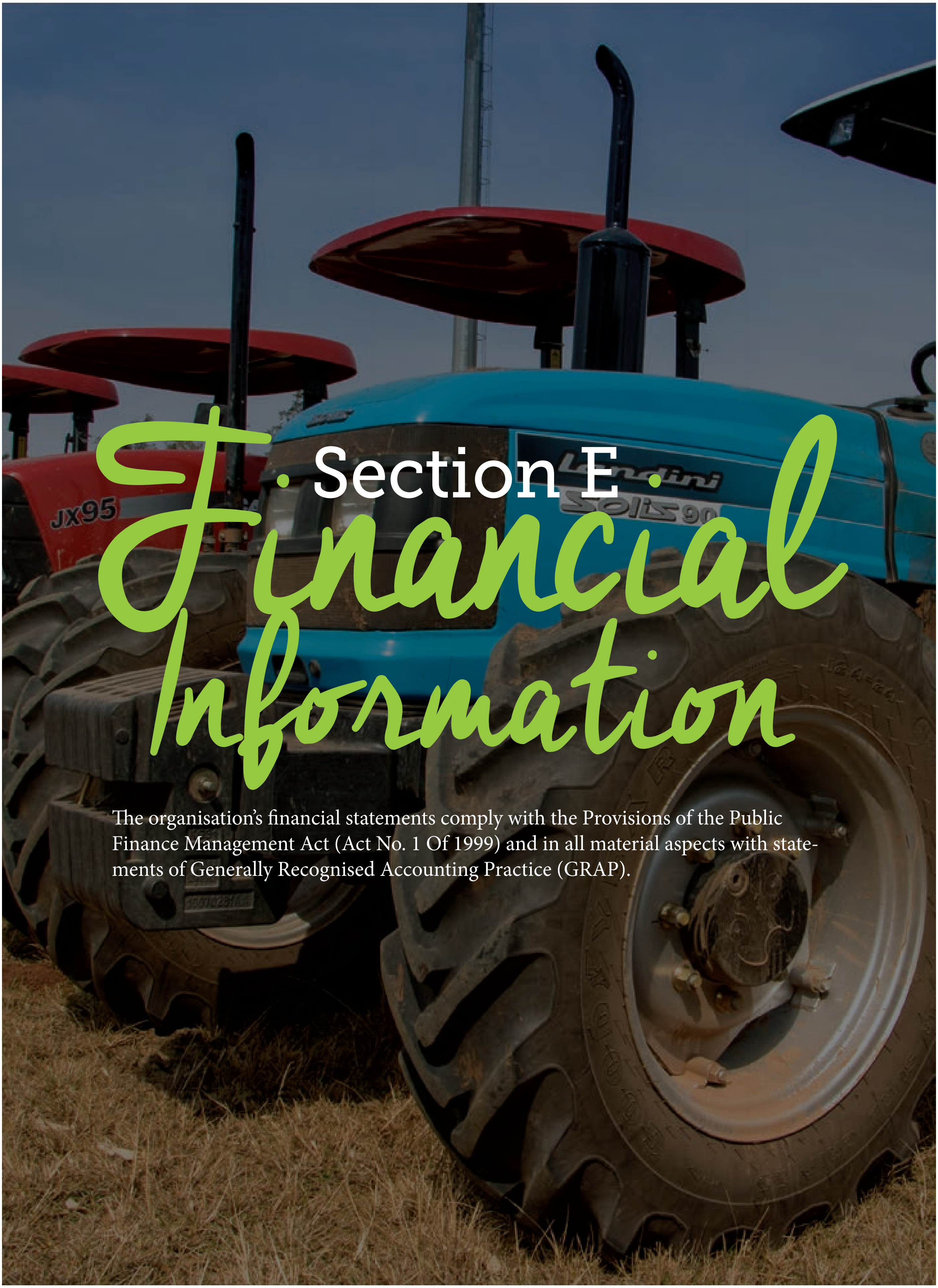
13 **Company** secretary

In the 2015/16 financial year, the organisation had a company secretary who performed all the functions of the company secretary as set out under section 88 of the Companies Act 71 of 2008 namely:

- Providing the directors of the organisation collectively and individually with guidance as to their duties, responsibilities and powers;
- Making the directors aware of any law relevant to or affecting the organisation;
- Reporting to the organisation's board any failure on the part of the organisation or a director to comply with the rules of the organisation or the Companies Act;
- Ensuring that minutes of all shareholders meetings, board meetings and the meetings of any committees of the directors, or of the company's audit and risk committee, are properly recorded in accordance with the Companies Act;
- Certifying in the organisation's annual financial statements whether the company has filed required returns and notices in terms of the Companies Act and whether all such returns and notices appear to be true, correct and up to date;
- Ensuring that a copy of the organisation's annual financial statements is sent, in accordance with the Company's Act, to every person who is entitled to it; and
- Carrying out the functions of a person designated in terms of section 33(3) of the Companies Act.

14 **Social** responsibility

Corporate Social Investment (CSI) is a cornerstone for good corporate citizenship. ECRDA also recognises its responsibility as a corporate citizen towards its stakeholders and the communities within which it operates. As such, ECRDA remains committed to sustainable development in aligning its strategic objectives to that of its performance as a corporate citizen. We are committed to making positive contributions to the benefit of local communities that strive under very hard conditions. ECRDA remains committed to enhancing relations with our strategic partners and stakeholders whilst at the same time making beneficial contributions to the local communities.



Section E

Financial Information

The organisation's financial statements comply with the Provisions of the Public Finance Management Act (Act No. 1 Of 1999) and in all material aspects with statements of Generally Recognised Accounting Practice (GRAP).

Contents Page

ECDRA CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

E | FINANCIAL INFORMATION

Supplementary schedule not forming part of the audited consolidated annual financial statements:

Report of the Auditor General

FOR THE YEAR ENDED 31 MARCH 2016

INTRODUCTION

1. I have audited the consolidated and separate financial statements of the Eastern Cape Rural Development Agency and its subsidiaries set out on pages 89 to 173, which comprise the consolidated and separate statement of financial position as at 31 March 2016, the consolidated and separate statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

The group has accumulated a deficit for the year and the Eastern Cape Provincial Government has confirmed funding for the Eastern Cape Rural Development Agency for the 2016/17 financial year.

The consolidated annual financial statements set out on pages 89 to 173, which have been prepared on the going concern basis, were approved by the board members on 31 May 2016 and were signed on its behalf by:

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

AUDITOR-GENERAL'S RESPONSIBILITY

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

OPINION

6. "In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Eastern Cape Rural Development Agency and its subsidiaries as at 31 March 2016 and their financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

EMPHASIS OF MATTER

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

RESTATEMENT OF CORRESPONDING FIGURES

8. As disclosed in note 36 to the consolidated annual financial statements, the corresponding figures for 31 March 2015 were restated due to the review of accounts by management for the current financial period ended 31 March 2016.

MATERIAL IMPAIRMENTS AND THE WRITE OFFS OF IRRECOVERABLE DEBTS

9. As disclosed in note 7 to the financial statements, material impairments of R21,0 million (2015: R15,3 million) were incurred for loans receivables.

10. The statement of financial performance to the consolidated financial statements, disclosed material write off of irrecoverable loans and advances of R7,6 million (2015: R17,5 million) due to writing off of in-duplum interest on loans.

ADDITIONAL MATTERS

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

UNAUDITED SUPPLEMENTARY INFORMATION

12. The supplementary information set out on pages 169 To 173 does not form part of the consolidated and separate financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

PREDETERMINED OBJECTIVES

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes as presented in the annual performance report of the entity for the year ended 31 March 2016. Pillar 1: Effective co-ordination and implementation of Agrarian-driven High Impact Priority Programmes (HIPPs) and Pillar 2: Promote entrepreneurship through rural finance and support programmes.

15. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

16. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

18. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes: Pillar1: Effective co-ordination and implementation of Agrarian-driven High Impact Priority Programmes (HIPPs) and Pillar 2: Promote entrepreneurship through rural finance and support programmes.

ADDITIONAL MATTERS

19. Although I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matters:

ACHIEVEMENT OF PLANNED TARGETS

20. Refer to the annual performance report on pages 38 to 59 for information on the achievement of the planned targets for the year.

ADJUSTMENT OF MATERIAL MISSTATEMENTS

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of pillar 2 – promote entrepreneurship through rural finance and support programmes. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

UNAUDITED SUPPLEMENTARY SCHEDULES OR INFORMATION

22. The supplementary information set out on page 169 to173 does not form part of the annual performance report and is presented as additional information. I have not audited this schedule and, accordingly, I do not express a conclusion thereon.

COMPLIANCE WITH LEGISLATION

23. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters.

24. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

INTERNAL CONTROL

25. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation.

26. I did not identify any significant deficiencies in internal controls.

Auditor-General

East London
30 July 2016

AUDITOR-GENERAL
SOUTH AFRICA

1 **Statement** of responsibilty

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 2016 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 deficit for the year and the Eastern Cape Provincial Government has confirmed funding for the Eastern Cape Rural Development Agency for the 2016/17 financial year.

The consolidated annual financial statements set out on pages 89 to 173, which have been prepared on the going concern basis, were approved by the board members on 31 May 2016 and were signed on its behalf by:

Dr. V. Mkosana (Chairperson of the Board)

2 **Audit** Committee Report

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

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

- Ensured compliance with its terms of reference and the provisions of the audit committee charter during the year under review;
- Reviewed the procedures for identifying business risks and managing their impact on the Eastern Cape Rural Development Agency (ECRDA) including the risk management functions;
- Reviewed the agency's policies and procedures for detecting and preventing fraud;
- Reviewed the operational effectiveness of the agency's policies, systems and procedures;
- Reviewed the effectiveness and adequacy of the internal audit services and adequacy of its annual work plan;
- Considered whether the independence, objectives, organisation, staffing plans, financial budget, audit plans and standing of the internal audit function provide adequate support to enable the committee to meet its objectives;
- Reviewed the results of the work performed by the internal audit services in relation to financial reporting, corporate governance, risk areas, internal control and any significant investigations and management response;
- Reviewed the coordination between the internal audit function and the external auditors;
- Reviewed the agency's compliance with significant regulatory provisions;
- Reviewed such significant transactions as the committee deemed appropriate;
- Reviewed the controls over significant financial and operational risks;
- Reviewed the adequacy, reliability and accuracy of financial information provided by management and other users of such information;
- Reviewed the accounting and auditing concerns identified by internal and external auditors;
- Reviewed the annual report and the consolidated annual financial statements, taken as a whole, to ensure they present a balanced and 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 2016, 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.

Mr. S. Mbalekwa
Board member and Chairperson of the Audit Committee

3 **Consolidated** statement of financial position as at 31 March 2016

Assets	Notes	Agency 2016 R	Agency 2015 R	Group 2016 R	Group 2015 R
CURRENT ASSETS					
Cash and cash equivalents	6	115 049 019	102 829 878	115 106 454	104 652 534
Development deposit	8.1	-	-	-	1 513 971
Trade and other receivables	8.1	14 016 433	26 677 750	17 212 171	27 437 748
Inventories	9	90 564	108 957	557 125	401 962
Biological assets and agricultural produce	10	-	-	8 597 536	7 487 877
Loans and advances to customers	7	47 506 949	67 824 362	47 506 949	67 824 362
		176 662 965	**197 440 947**	**188 980 235**	**209 318 454**
NON-CURRENT ASSETS					
Deferred tax	24	-	-	41 820	780 014
Biological assets and agricultural produce	10	-	-	9 518 352	7 492 203
Investment under contingency policy	12	8 579 830	8 168 006	8 579 830	8 168 006
Receivable from Arengo 316 (Pty) Ltd	8.2	7 097 346	-	7 097 346	7 469 957
Receivable from Sundays River Citrus	8.3	-	-	94 941	126 852
Investment property	13.1	1 802 041	1 840 258	1 802 041	1 840 258
Property, plant and equipment	13.2	15 356 429	23 202 506	23 923 240	25 886 076
Intangible assets	13.3	816 122	765 654	994 622	944 154
Work in progress	13.2	-	-	4 416 888	3 181 624
		33 651 768	33 976 424	56 469 080	55 889 143
Total Assets		**210 314 733**	**231 417 371**	**245 449 315**	**265 207 597**

LIABILITIES	Notes	Agency 2016 R	Agency 2015 R	Group 2016 R	Group 2015 R
CURRENT LIABILITIES					
Finance lease obligations	19	949 609	821 095	992 711	920 550
Deferred grant income arising from non-exchange transactions	15	8 773 485	16 720 927	8 773 485	29 250 970
Deferred tax	24	-	-	-	-
Trade and other payables	14	18 858 876	25 254 734	21 106 969	27 051 680
Loan from South African Fruit Exporters	17	-	-	8 801 281	10 811 172
Liabilities arising from non-exchange transactions	18	40 248 976	26 625 962	40 248 976	28 370 626
		68 830 946	**69 422 718**	**79 923 422**	**96 404 999**
NON-CURRENT LIABILITIES					
Finance lease obligations	19	1 120 345	1 500 408	1 120 345	1 540 122
Deferred tax	24	-	-	2 690 908	2 357 626
Provision for insurance contracts	20	-	-	-	-
		1 120 345	1 500 408	3 811 253	3 897 748
Total liabilities		69 951 291	70 923 126	83 734 675	100 302 747
Total assets less total liabilities		**140 363 442**	**160 494 245**	**161 714 640**	**164 904 850**
Net Assets					
Capital contributed	21	41 989 046	41 989 046	41 989 046	41 989 046
Accumulated surplus		98 374 396	118 505 200	119 725 594	122 915 804
Attributable to the minority shareholders		-	-	10 450 959	(260 338)
Attributable to net asset holder of the agency		140 363 442	160 494 245	151 263 681	165 165 188
Total Net Assets		**140 363 442**	**160 494 245**	**161 714 640**	**164 904 850**

Total of Kangela Citrus Farms

Total of Kangela		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	35 084 897	17 893 297	17 191 600	228 257 716	245 449 316
Total liabilities	13 756 410	7 015 769	6 740 641	(904 475 316)	(83 734 675)
Total net assets	21 328 487	10 877 528	10 450 959	151 263 681	161 714 640

The segments of the agency are detailed and reconciled to the consolidated statement of financial position as follows:
2016

	East London	King Williams Town & Butterworth	Port Elizabeth	Cradock	Mthatha & Lusikisiki	Queenstown & Engcobo
	Head Office Project management	Amathole	Nelson Mandela Metro	Karoo	OR Tambo	Chris Hani
Assets	R	R	R	R	R	R
Current Assets						
Cash and cash equivalents	51 458 908	15 942 151	3 558 029	109 744	6 715 002	6 959 649
Trade and other receivables	11 339 125	-	-	-	65 613	-
Inventories	-	-	-	-	-	-
Biological assets and agricultural produce	-	-	-	-	-	-
Loans and advances to customers	-	73 442 450	16 391 163	505 569	30 934 734	32 061 776
Less: Credit impairments on loans	-	(53 725 859)	(11 990 740)	(369 842)	(22 629 898)	(23 454 371)
Net loans and advances to customers	-	19 716 591	4 400 423	135 727	8 304 836	8 607 405
	62 798 032	35 658 742	7 958 452	245 471	15 085 450	15 567 054
Non-current assets						
Deferred tax	-	-	-	-	-	-
Biological assets and agricultural produce	-	-	-	-	-	-
Investment under contingency policy	-	-	-	-	-	-
Receivable from Arengo 316 (Pty) Ltd	-	-	-	-	-	-
Receivable from Sundays River Citrus	-	-	-	-	-	-
Investment property	-	-	-	-	1 802 041	-
Property, plant and equipment	75 217	4 263 249	277 655	1 176 719	293 911	104 779
Intangible assets	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-
	75 217	4 263 249	277 655	1 176 719	2 095 951	104 779
Total Assets	62 873 249	39 921 991	8 236 108	1 422 189	17 181 402	15 671 833

Kokstad	Agency Total	Subsidiaries			Group Total	Head Office - Admin (non-segment)	Statement of financial position
Alfred Nzo		Kangela Citrus	ARDA	North Pondoland Sugar			
R	R	R	R	R	R		
5 127 894	89 871 375	7 750	-	49 685	89 928 810	25 177 644	115 106 454
-	11 404 738	3 195 738	-	-	14 600 476	2 611 695	17 212 171
-	-	466 561	-	-	466 561	90 564	557 125
-	-	8 597 536	-	-	8 597 536	-	8 597 536
23 623 230	176 958 922	-	-	-	176 958 922	-	176 958 922
(17 281 263)	(129 451 973)	-	-	-	(129 451 973)	-	(129 451 973)
6 341 967	47 506 949	-	-	-	47 506 949	-	47 506 949
11 469 860	148 783 062	12 267 585	-	49 685	161 100 332	27 879 903	188 980 235
-	-	41 820	-	-	41 820	-	41 820
-	-	9 518 352	-	-	9 518 352	-	9 518 352
-	-	-	-	-	-	8 579 830	8 579 830
-	-	-	-	-	-	7 097 346	7 097 346
-	-	94 941			94 941	-	94 941
-	1 802 041	-	-	-	1 802 041	-	1 802 041
70 021	6 261 550	8 566 811	-	-	14 828 361	9 094 880	23 923 241
-	-	178 500	-	-	178 500	816 122	994 622
-	-	4 416 888	-	-	4 416 888	-	4 416 888
70 021	8 063 591	22 817 312		-	30 880 903	25 588 178	56 469 080
11 539 881	156 846 653	35 084 897		49 685	191 981 235	53 468 081	245 449 316

2016 (continued)						
	East London	King Williams Town & Butterworth	Port Elizabeth	Cradock	Mthatha & Lusikisiki	Queenstown & Engcobo
	Head Office - Project management	Amathole	Nelson Mandela Metro	Karoo	OR Tambo	Chris Hani
Liabilities	R	R	R	R	R	R
Current Liabilities						
Finance lease obligations	-	47 169	33 552	45 703	31 985	-
Deferred grant income arising from non-exchange transactions	-	3 641 219	812 661	25 066	1 533 720	1 589 598
Trade and other payables	866 704	-	-	-	69 688	-
Loan from South African Fruit Exporters	-	-	-	-	-	-
Liabilities arising from non-exchange transactions	39 680 215	568 761	-	-	-	-
	40 546 919	4 257 150	846 213	70 769	1 635 392	1 589 598
Non-current liabilities						
Finance lease obligations	-	135 501	96 382	140 970	98 361	-
Deferred Tax	-	-	-	-	-	-
	-	135 501	96 382	140 970	98 361	-
Total liabilities	40 546 919	4 392 651	942 595	211 738	1 733 754	1 589 598
Total assets less total liabilities	22 326 331	35 529 340	7 293 513	1 210 451	15 447 648	14 082 235

NET ASSETS						
Capital contributed	-	-	-	-	-	-
Accumulated surplus	-	-	-	-	-	-
Attributable to net asset holder and minority holder of the agency	-	-	-	-	-	-
Total net assets	-	-	-	-	-	-

	Kokstad	Agency Total	Subsidiaries			Group Total	Head Office - Admin (non-segment)	Statement of financial position
	Alfred Nzo		Kangela Citrus	ARDA	North Pondoland Sugar			
	R	R	R	R	R	R		
	-	158 409	43 102	-	-	201 511	791 200	992 711
	1 171 221	8 773 485	-	-	-	8 773 485	-	8 773 485
	-	936 392	2 221 119	-	26 973	3 184 484	17 922 485	21 106 968
	-	-	8 801 281	-	-	8 801 281	-	8 801 281
	-	40 248 976	-	-	-	40 248 976	-	40 248 976
	1 171 221	50 117 262	11 065 502	-	26 973	61 209 737	18 713 685	79 923 422
	-	471 214	-	-	-	471 214	649 131	1 120 345
	-	-	2 690 908	-	-	2 690 908	-	2 690 908
	-	471 214	2 690 908	-	-	3 162 122	649 131	3 811 253
	1 171 221	50 588 476	13 756 410	-	26 973	64 371 859	19 362 816	83 734 675
	10 368 660	106 258 177	21 328 487	-	22 712	127 609 376	34 105 265	161 714 641

	-	-	-	-	-	-	41 989 046	41 989 046
	-	-	21 328 488	-	22 712	21 351 200	98 374 396	119 725 594
	-	-	21 328 488	-	22 712	21 351 200	140 363 442	161 714 640
	-	-	21 328 488	-	22 712	21 351 200	140 363 442	161 714 640

The segments of the agency are detailed and reconciled to the consolidated statement of financial position as follows: 2015						
	East London	King Williams Town & Butterworth	Port Elizabeth	Cradock	Mthatha & Lusikisiki	Queenstown & Engcobo
	Head Office - Project management	Amathole	Nelson Mandela Metro	Karoo	OR Tambo	Chris Hani
Assets	R	R	R	R	R	R
Current Assets						
Cash and cash equivalents	28 132 159	17 761 649	4 311 985	-	8 969 062	8 412 758
Development deposit	-	-	-	-	-	-
Trade and other receivables	24 405 949	-	-	-	41 367	-
Inventories	-	-	-	-	-	-
Biological assets and agricultural produce	-	-	-	-	-	-
Loans and advances to customers	-	71 368 366	17 326 057	-	36 038 732	33 803 438
Less: Credit impairments on loans	-	(45 065 510)	(10 940 528)	-	(22 756 634)	(21 345 160)
Net loans and advances to customers	-	26 302 856	6 385 529	-	13 282 097	12 458 278
	52 538 108	44 064 506	10 697 514	-	22 292 527	20 871 037
Non-current assets						
Deferred tax	-	-	-	-	-	-
Biological assets and agricultural produce	-	-	-	-	-	-
Investment under contingency policy	-	-	-	-	-	-
Receivable from Arengo 316 (Pty) Ltd	-	-	-	-	-	-
Receivable from Sundays River Citrus	-	-	-	-	-	-
Investment property	-	-	-	-	1 840 258	-
Property, plant and equipment	6 523 098	7 621 354	323 145	318 662	320 534	126 688
Intangible assets	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-
	6 523 098	7 621 354	323 145	318 662	2 160 792	126 688
Total Assets	59 061 206	51 685 860	11 020 659	318 662	24 453 319	20 997 725

Kokstad	Agency Total	Subsidiaries			Group Total	Head Office - Admin (non-seg-ment)	Statement of financial position
Alfred Nzo		Kangela Citrus	ARDA	North Pondoland Sugar			
R	R	R	R	R	R		
6 344 611	73 932 225	13 760	1 760 484	48 411	75 754 881	28 897 653	104 652 534
-	-	1 513 972	-	-	1 513 972		1 513 972
-	24 447 316	705 388	54 611	-	25 207 315	2 230 433	27 437 747
-	-	293 004	-	-	293 004	108 957	401 962
-	-	7 487 877	-	-	7 487 877	-	7 487 877
25 493 382	184 029 975	-	-	-	184 029 975	-	184 029 975
(16 097 780)	(116 205 612)	-	-	-	(116 205 612)	-	(116 205 612)
9 395 602	67 824 363	-	-	-	67 824 363	-	67 824 363
15 740 213	166 203 904	10 014 002	1 815 094	48 411	178 081 412	31 237 043	209 318 455
-	-	780 014	-	-	780 014	-	780 014
-	-	7 492 203	-	-	7 492 203	-	7 492 203
-	-	-	-	-	-	8 168 007	8 168 007
-	-	-	7 469 957	-	7 469 957	-	7 469 957
-	-	126 852	-		126 852	-	126 852
-	1 840 258	-	-	-	1 840 258	-	1 840 258
62 817	15 296 299	1 743 261	940 308	-	17 979 868	7 906 209	25 886 077
-	-	178 500	-	-	178 500	765 654	944 154
-	-	3 181 624	-	-	3 181 624	-	3 181 624
62 817	17 136 557	13 502 454	8 410 265	-	39 049 275	16 839 870	55 889 145
15 803 030	183 340 461	23 516 455	10 225 359	48 411	217 130 687	48 076 914	265 207 600

2015 (continued)						
	East London	King Williams Town & Butterworth	Port Elizabeth	Cradock	Mthatha & Lusikisiki	Queenstown & Engcobo
	Head Office - Project management	Amathole	Nelson Mandela Metro	Karoo	OR Tambo	Chris Hani
Liabilities	R	R	R	R	R	R
Current Liabilities						
Finance lease obligations	-	51 621	36 718	120 720	35 003	-
Deferred grant income arising from non-exchange transactions	-	6 484 516	1 574 242	-	3 274 472	3 071 374
Trade and other payables	1 078 333	-	-	-	83 248	-
Loan from South African Fruit Exporters	-	-	-	-	-	-
Liabilities arising from non-exchange transactions	26 008 716	617 246	-	-	-	-
	27 087 049	**7 153 383**	**1 610 960**	**120 720**	**3 392 723**	**3 071 374**
Non-current liabilities						
Finance lease obligations	-	192 087	136 631	195 796	136 731	-
Deferred tax	-	-	-	-	-	-
	-	192 087	136 631	195 796	136 731	-
Total liabilities	27 087 049	7 345 470	1 747 591	316 516	3 529 454	3 071 374
Total assets less total liabilities	**31 974 157**	**44 340 390**	**9 273 068**	**2 146**	**20 923 865**	**17 926 351**

NET ASSETS						
Capital contributed	-	-	-	-	-	-
Accumulated surplus	-	-	-	-	-	-
Attributable to net asset holder and minority holders of the agency	-	-	-	-	-	-
Total net assets	-	-	-	-	-	-

Kokstad	Agency Total	Subsidiaries			Group Total	Head Office - Admin (non-segment)	Statement of financial position
Alfred Nzo		Kangela Citrus	ARDA	North Pondoland Sugar			
R	R	R	R	R	R	R	R
-	244 062	99 455	-	-	343 517	577 033	920 550
2 316 324	16 720 927	-	12 530 043	-	29 250 970	-	29 250 970
-	1 161 581	1 095 201	685 213	16 533	2 958 528	24 093 153	27 051 682
-	-	10 811 173	-	-	10 811 173	-	10 811 173
-	26 625 962	-	1 744 664	-	28 370 626	-	28 370 626
2 316 324	**44 752 532**	**12 005 829**	**14 959 920**	**16 533**	**71 734 814**	**24 670 186**	**96 405 001**
-	661 245	39 714	-	-	700 959	839 163	1 540 122
-	-	2 357 626	-	-	2 357 626	-	2 357 626
-	661 245	2 397 340	-	-	3 058 585	839 163	3 897 748
2 316 324	45 413 777	14 403 169	14 959 920	16 533	74 793 399	25 509 349	100 302 749
13 486 706	**137 926 684**	**9 113 286**	**(4 734 560)**	**31 878**	**142 337 288**	**22 567 565**	**164 904 850**

-	-	-	-	-	-	41 989 046	41 989 046
-	-	9 113 286	(4 734 560)	31 878	4 410 605	118 505 200	122 915 805
-	-	9 113 286	(4 734 560)	31 878	4 410 605	160 494 245	164 904 850
-	-	9 113 286	(4 734 560)	31 878	4 410 605	160 494 245	164 904 850

Consolidated statement of financial performance for the period ended 31 March 2016		Agency	Agency	Group	Group
		2016	2015	2016	2015
	Notes	R	R	R	R
Income		**192 341 580**	**249 906 559**	**234 830 746**	**298 333 716**
Revenue from non-exchange transactions		174 148 609	220 403 788	174 380 588	220 482 608
Government grant from the Eastern Cape Department of Rural Development and Agrarian Reform - operational		151 573 000	210 779 000	151 573 000	210 779 000
Government funding for additional specified transfers and payments		20 064 049	5 298 936	20 064 049	5 298 936
Impairment reversed		-	563 225	-	563 225
National Skills Fund		136 206	109 696	136 206	109 696
Other income	23.1	2 375 354	3 652 931	2 607 333	3 731 751
Revenue from exchange transactions		**18 192 971**	**29 502 771**	**60 450 158**	**77 851 108**
Interest income on cash and investments		2 179 753	1 980 053	2 182 367	2 009 804
Interest income on loans and advances		3 151 893	-	3 151 893	-
Interest income on concessionary loans		9 183 411	2 046 222	9 183 411	2 046 222
Commission fees for managing projects		2 519 142	3 621 726	2 519 142	3 621 726
Fair value adjustments		-	79 232	16 098 295	19 680 457
Loan initiation fees		122 000	86 400	122 000	86 400
Provisions for bad debts on loans reversed		-	20 820 194	-	20 820 194
Rental income from investment property		1 036 772	868 945	1 036 772	868 945
Sale of goods - produce		-	-	26 156 278	28 717 361
Expenses		**220 004 904**	**227 423 042**	**251 222 210**	**265 369 678**
Administrative expenses	23.2	10 336 315	14 056 758	10 646 915	14 936 081
Audit fees		3 643 604	3 151 659	3 828 332	3 437 232
Cost of sales		-	-	34 532 536	38 285 285

Consolidated statement of financial performance for the period ended 31 March 2016		Agency	Agency	Group	Group
		2016	2015	2016	2015
Expenses continued	Notes	R	R	R	R
Interest credit charge on loans and advances		-	240 953	-	240 954
Fee - MAFISA Scheme		359 877	451 377	359 877	451 377
Finance costs		44 574	25 036	75 166	262 005
Marketing and social facilitation		922 694	2 821 933	922 694	2 828 723
Other operating expenses	23.3	52 083 464	34 125 357	54 600 182	36 409 298
Project expenses		31 211 548	63 643 269	31 211 548	63 954 019
Skills levy		719 442	568 720	719 442	568 720
Staff costs	23.4	73 959 321	58 686 173	74 567 453	66 469 509
Grants paid to subsidiaries		6 966 224	14 724 074	224	2 598 741
- ARDA		-	8 035 800	-	14 718
- Kangela		6 966 000	6 640 000	-	2 584 023
- North Pondoland		224	48 274	224	-
Transfer payments		28 681 646	13 374 600	28 681 646	13 374 600
- Majola Tea		3 797 210	901 340	3 797 210	901 340
- Ncera Macadamia		7 000 000	7 500 000	7 000 000	7 500 000
- Magwa Tea		17 884 436	4 973 260	17 884 436	4 973 260
Social benefit from concessionary loans		3 521 413	4 099 319	3 521 413	4 099 319
Write off of irrecoverable debts		7 554 779	17 453 814	7 554 779	17 453 814
NET (DEFICIT)/SURPLUS		(27 663 324)	22 483 517	(16 391 464)	32 964 038
Sale and scrapping of property, plant and equipment		(550 362)	(494 466)	(550 362)	(502 530)
(DEFICIT)/SURPLUS BEFORE TAXATION		(28 213 685)	21 989 051	(16 941 825)	32 461 508
Taxation		-	-	(1 625 464)	(1 507 108)
(DEFICIT)/SURPLUS FOR THE YEAR		**(28 213 685)**	**21 989 051**	**(18 567 289)**	**30 954 400**

Total of Kangela Citrus Farms (Surplus/Deficit)

	Total of Kangela	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)
Surplus/(Deficit)	**9 655 564**	**4 924 338**	**4 731 226**	**-23 298 516**	**-18 567 289**

The segments of the agency are detailed and reconciled to the consolidated statement of financial position as follows: 2016						
	East London	King Williams Town & Butterworth	Port Elizabeth	Cradock	Mthatha & Lusikisiki	Queenstown & Engcobo
	Head Office - Project management	Amathole	Nelson Mandela Metro	Karoo	OR Tambo	Chris Hani
	R	R	R	R	R	R
INCOME	**35 647 870**	**5 961 647**	**1 787 731**	**368 894**	**4 078 690**	**2 415 130**
Revenue from non-exchange transactions	**35 647 870**	**229 575**	**-**	**363**	**10 000**	**978**
Government funding	35 647 870	-	-	-	-	-
National Skills Fund	-	-	-	-	-	-
Other income	-	229 575	-	363	10 000	978
Revenue from exchange transactions	**-**	**5 732 072**	**1 787 731**	**368 531**	**4 068 690**	**2 414 152**
Interest income on cash and investments	-	-	-	-	30 614	-
Interest income on loans and advances	-	849 815	701 259	334 197	922 844	250 660
Interest income on concessionary loans	-	3 811 349	850 631	26 237	1 605 380	1 663 869
Commission fees for managing projects	-	1 045 508	233 340	7 197	440 379	456 423
Fair value adjustments	-	-	-	-	-	-
Loan initiation fees	-	25 400	2 500	900	32 700	43 200
Rental income from investment property	-	-	-	-	1 036 772	-
Sale of goods - produce	-	-	-	-	-	-

Kokstad	Segments total	Subsidiaries			Group Total	Head Office - Admin (non-segment)	Statement of financial performance
Alfred Nzo		Kangela Citrus	ARDA	North Pondoland Sugar			
R	R	R	R	R	R	R	R
1 644 599	**51 904 561**	**42 486 632**	**-**	**2 534**	**94 393 727**	**140 437 019**	**234 830 746**
-	**35 888 786**	**231 979**	**-**	**-**	**36 120 765**	**138 259 823**	**174 380 588**
-	35 647 870	-	-	-	35 647 870	135 989 178	171 637 049
-	-	-	-	-	-	136 206	136 206
-	240 916	231 979	-	-	472 895	2 134 438	2 607 333
1 644 599	**16 015 775**	**42 254 653**	**-**	**2 534**	**58 272 962**	**2 177 197**	**60 450 158**
-	30 614	80	-	2 534	33 228	2 149 139	2 182 367
65 060	3 123 835	-	-	-	3 123 835	28 058	3 151 893
1 225 945	9 183 411	-	-	-	9 183 411	-	9 183 411
336 294	2 519 142	-	-	-	2 519 142	-	2 519 142
-	-	16 098 295	-	-	16 098 295	-	16 098 295
17 300	122 000	-	-	-	122 000	-	122 000
-	1 036 772	-	-	-	1 036 772	-	1 036 772
-	-	26 156 278	-	-	26 156 278	-	26 156 278

The segments of the agency are detailed and reconciled to the consolidated statement of financial position as follows: 2016						
	East London	King Williams Town & Butterworth	Port Elizabeth	Cradock	Mthatha & Lusikisiki	Queenstown & Engcobo
	Head Office - Project management	Amathole	Nelson Mandela Metro	Karoo	OR Tambo	Chris Hani
	R	R	R	R	R	R
EXPENSES	**88 306 486**	**5 680 312**	**3 820 732**	**4 014 025**	**6 550 992**	**4 379 845**
Administrative expenses	548 785	80 943	7 834	30 710	131 305	66 324
Audit fees	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-
Fee - MAFISA Scheme	-	149 358	33 334	1 028	62 911	65 203
Finance costs	-	-	-	-	-	-
Marketing and social facilitation	15 000	-	-	-	-	-
Other operating expenses	4 999 625	1 293 997	910 076	507 484	1 498 709	988 889
Project expenses	31 211 548	-	-	-	-	-
Skills levy	-	-	-	-	-	-
Staff costs	15 883 658	2 694 099	2 543 310	3 464 742	4 237 981	2 621 412
Subsidiaries and transfer payments	35 647 870	-	-	-	-	-
Social benefit from concessionary loans		1 461 476	326 178	10 061	615 589	638 017
Write off of irrecoverable debts	-	439	-	-	4 496	-
NET (DEFICIT)/ SURPLUS	(52 658 616)	281 335	(2 033 002)	(3 645 131)	(2 472 302)	(1 964 714)
Sale and scrapping of property, plant and equipment	-	-	-	-	-	-
(DEFICIT)/SURPLUS BEFORE TAXATION	(52 658 616)	281 335	(2 033 002)	(3 645 131)	(2 472 302)	(1 964 714)
Taxation	-	-	-	-	-	-
(DEFICIT)/SURPLUS FOR THE YEAR	**(52 658 616)**	**281 335**	**(2 033 002)**	**(3 645 131)**	**(2 472 302)**	**(1 964 714)**

	Kokstad	Segments total	Subsidiaries			Group Total	Head Office - Admin (non-segment)	Statement of financial performance
	Alfred Nzo		Kangela Citrus	ARDA	North Pondoland Sugar			
	R	R	R	R	R	R	R	R
	4 586 609	**117 339 001**	**31 205 604**	**-**	**11 702**	**148 556 307**	**102 665 904**	**251 222 210**
	24 268	890 168	309 085	-	1 515	1 200 768	9 446 147	10 646 915
	-	-	174 541	-	10 187	184 728	3 643 604	3 828 332
	-	-	34 532 536	-		34 532 536	-	34 532 536
	48 042	359 877	-	-	-	359 877	-	359 877
	-	-	30 592	-	-	30 592	44 574	75 166
	-	15 000	-	-	-	15 000	907 694	922 694
	859 805	11 058 585	2 516 718	-	-	13 575 303	41 024 879	54 600 182
	-	31 211 548	-	-	-	31 211 548	-	31 211 548
	-	-	-	-	-	-	719 442	719 442
	3 184 401	34 629 602	608 132	-	-	35 237 734	39 329 719	74 567 453
	-	35 647 870	(6 966 000)	-	-	28 681 870	-	28 681 870
	470 093	3 521 413	-	-	-	3 521 413	-	3 521 413
	-	4 935	-	-	-	4 935	7 549 844	7 554 779
	(2 942 010)	(65 434 440)	11 281 028		(9 168)	(54 162 580)	37 771 116	(16 391 464)
	-	-	-	-	-	-	(550 362)	(550 362)
	(2 942 010)	(65 434 440)	11 281 028	-	(9 168)	(54 162 580)	37 220 754	(16 941 826)
	-	-	(1 625 464)	-	-	(1 625 464)	-	(1 625 464)
	(2 942 010)	**(65 434 440)**	**9 655 564**	**-**	**(9 168)**	**(55 788 044)**	**37 220 754**	**(18 567 290)**

The segments of the agency are detailed and reconciled to the consolidated statement of financial position as follows: 2015

	East London	King Williams Town & Butterworth	Port Elizabeth	Cradock	Mthatha & Lusikisiki	Queenstown & Engcobo
	Head Office - Project management	Amathole	Nelson Mandela Metro	Karoo	OR Tambo	Chris Hani
	R	R	R	R	R	R
INCOME	**30 230 354**	**10 623 169**	**2 487 302**	**-**	**6 084 656**	**4 869 134**
Revenue from non-exchange transactions	30 151 033	338 920	-	-	14 400	6 011
Government funding	28 098 674	-	-	-	-	-
Impairment reversed	562 951	-	-	-	-	-
National Skills Fund	-	-	-	-	-	-
Other income	1 489 408	338 920	-	-	14 400	6 011
Revenue from exchange transactions	**79 321**	**10 284 249**	**2 487 302**	**-**	**6 070 256**	**4 863 123**
Interest income on cash and investments	-	-	-	-	3 736	-
Interest income on concessionary loans	-	793 542	192 648	-	400 713	375 859
Commission fees for managing projects	79 321	1 374 661	333 374	-	693 428	650 418
Fair value adjustments	-	-	-	-	-	-
Loan initiation fees	-	41 800	1 100	-	26 200	12 500
Provisions for bad debts on loans reversed	-	8 074 246	1 960 180	-	4 077 235	3 824 345
Rental income from investment property	-	-	-	-	868 945	-
Sale of goods - produce	-	-	-	-	-	-

	Kokstad	Segments total	Subsidiaries			Group Total	Head Office - Admin (non-segment)	Statement of financial performance
	Alfred Nzo		Kangela Citrus	ARDA	North Pondoland Sugar			
	R	R	R	R	R	R	R	R
	3 662 972	**57 957 587**	**48 414 530**	**10 309**	**2 317**	**106 384 743**	**191 948 972**	**298 333 714**
	-	30 510 365	75 224	3 596	-	30 589 185	189 893 423	220 482 608
	-	28 098 674	-	-	-	28 098 674	187 979 262	216 077 936
	-	562 951	-	-	-	562 951	274	563 225
	-	-	-	-	-	-	109 696	109 696
	-	1 848 740	75 224	3 596	-	1 927 560	1 804 192	3 731 751
	3 662 972	**27 447 222**	**48 339 306**	**6 713**	**2 317**	**75 795 558**	**2 055 549**	**77 851 106**
	-	3 736	20 721	6 713	2 317	33 487	1 976 317	2 009 804
	283 460	2 046 222	-	-	-	2 046 222	-	2 046 222
	490 523	3 621 726	-	-	-	3 621 726	-	3 621 726
	-	-	19 601 224	-	-	19 601 224	79 232	19 680 456
	4 800	86 400	-	-	-	86 400	-	86 400
	2 884 189	20 820 194	-	-	-	20 820 194	-	20 820 194
	-	868 945	-	-	-	868 945	-	868 945
	-	-	28 717 361	-	-	28 717 361	-	28 717 361

The segments of the agency are detailed and reconciled to the consolidated statement of financial position as follows: 2015

	East London Head Office - Project management	King Williams Town & Butterworth Amathole	Port Elizabeth Nelson Mandela Metro	Cradock Karoo	Mthatha & Lusikisiki OR Tambo	Queenstown & Engcobo Chris Hani
	R	R	R	R	R	R
EXPENSES	**106 109 832**	**19 556 134**	**3 465 511**	**331**	**8 916 518**	**5 302 875**
Administrative expenses	731 871	64 105	36 916	-	17 604	71 065
Audit fees	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-
Interest credit charge on loans and advances	(773 567)	143 157	31 015	-	400 713	181 502
Fee - MAFISA Scheme	-	175 048	42 496	-	88 394	82 911
Finance costs	-	-	-	-	-	-
Marketing and social facilitation	73 599	386 412	40 165	-	52 572	40 566
Other operating expenses	4 334 645	1 244 195	803 336	331	1 346 515	1 290 609
Project expenses	63 643 269	-	-	-	-	-
Skills levy	-	-	-	-	-	-
Staff costs	9 959 991	1 508 814	2 044 341	-	3 602 479	2 694 289
Subsidiaries and transfer payments	14 724 074	-	-	-	-	-
Transfer payments	13 374 600	-	-	-	-	-
Social benefit from concessionary loans	-	1 589 750	385 943	-	802 773	752 981
Write off of irrecoverable debts	41 350	14 444 653	81 298	-	2 605 469	188 953
NET (DEFICIT)/ SURPLUS	(75 879 478)	(8 932 964)	(978 209)	(331)	(2 831 861)	(433 741)
Sale and scrapping of property, plant and equipment	-	-	-	-	-	-
(DEFICIT)/SURPLUS BEFORE TAXATION	(75 879 478)	(8 932 964)	(978 209)	(331)	(2 831 861)	(433 741)
Taxation	-	-	-	-	-	-
(DEFICIT)/SURPLUS FOR THE YEAR	**(75 879 478)**	**(8 932 964)**	**(978 209)**	**(331)**	**(2 831 861)**	**(433 741)**

Kokstad	Segments total	Subsidiaries			Group Total	Head Office - Admin (non-segment)	Statement of financial performance
Alfred Nzo		Kangela Citrus	ARDA	North Pondoland Sugar			
R	R	R	R	R	R	R	R
4 382 945	**147 734 145**	**36 515 338**	**1 447 547**	**(16 252)**	**185 680 778**	**79 688 898**	**265 369 675**
69 990	991 552	144 983	732 536	1 805	1 870 875	13 065 206	14 936 081
-	-	148 701	124 286	12 585	285 572	3 151 659	3 437 231
-	-	38 285 285	-	-	38 285 285	-	38 285 285
283 460	266 280	-	-	-	266 280	(25 327)	240 953
62 529	451 377	-	-	-	451 377	-	451 377
-	-	236 794	-	175	236 969	25 036	262 005
58 736	652 050	-	6 789	-	658 839	2 169 884	2 828 723
752 148	9 771 778	667 039	1 599 445	17 457	12 055 719	24 353 579	36 409 298
-	63 643 269	-	310 750	-	63 954 019	-	63 954 019
-	-	-	-	-	-	568 720	568 720
2 575 431	22 385 344	1 088 513	6 694 823	-	30 168 680	36 300 828	66 469 508
-	14 724 074	(4 055 977)	(8 021 082)	(48 274)	2 598 741	-	2 598 741
-	13 374 600	-	-	-	13 374 600	-	13 374 600
567 872	4 099 319	-	-	-	4 099 319	-	4 099 319
12 779	17 374 502	-	-	-	17 374 502	79 311	17 453 814
(719 973)	(89 776 558)	11 899 192	(1 437 238)	18 569	(79 296 035)	112 260 074	32 964 039
-	-	8 064	-	-	8 064	494 466	502 530
(719 973)	(89 776 558)	11 891 128	(1 437 238)	18 569	(79 304 099)	111 765 608	32 461 508
-	-	(1 507 108)	-	-	(1 507 108)	-	(1 507 108)
(719 973)	**(89 776 558)**	**10 384 020**	**(1 437 238)**	**18 569**	**(80 811 207)**	**111 765 608**	**30 954 400**

Consolidated statement of changes in net assets for the year ended 31 March 2016	Agency Attributable to net asset holder of the agency			
	Notes	Capital contributed	Accumulated surplus	Total
		R	R	R
Balance at 31 March 2010		**41 989 046**	**84 776 911**	**126 765 957**
Surplus (deficit) for the year		-	127 632 122	127 632 122
Balance at 31 March 2011		**41 989 046**	**212 409 033**	**254 398 079**
Prior year adjustment: Surrender of funds to Treasury		-	(79 169 829)	(79 169 829)
Surplus (deficit) for the year		-	(95 906 069)	(95 906 070)
Restated Balance at 31 March 2012		**41 989 046**	**37 333 135**	**79 322 180**
Prior year adjustments	36		17 025 061	17 025 061
Surplus (deficit) for the year		-	36 891 723	36 891 723
Restated balance as at 31 March 2013		**41 989 046**	**91 249 919**	**133 238 965**
Surplus (deficit) for the year			(1 127 411)	(1 127 411)
Restatements			1 166 548	1 166 548
Derecognise prescribed liability			5 227 093	5 227 093
Balance as at 31 March 2014		**41 989 046**	**96 516 149**	**138 505 195**
Surplus (deficit) for the year			21 908 787	21 908 787
Restatements			80 264	80 264
Balance as at 31 March 2015		**41 989 046**	**118 505 200**	**160 494 246**
Surplus (deficit) for the year			(28 213 685)	(28 213 685)
ARDA merger			8 082 881	8 082 881
Balance as at 31 March 2016		**41 989 046**	**98 374 396**	**140 363 442**

Consolidated statement of changes in net assets for the year ended 31 March 2016		Group Attributable to net asset holder of the agency		
	Notes	Capital contributed	Accumulated Surplus	Total
		R	R	R
Balance at 31 March 2010		**41 989 046**	**85 960 029**	**127 949 075**
Surplus (deficit) for the year as previously reported		-	129 868 861	129 868 861
Balance at 31 March 2011 as previously reported		**41 989 046**	**215 828 890**	**257 817 936**
Effect of prior year adjustments:				
North Pondoland Sugar (Proprietary) Limited		-	73 023	73 023
AsgiSA - Eastern Cape (Proprietary) Limited		-	(1 944 854)	(1 944 854)
Kangela Citrus Farm (Proprietary) Limited		-	(87 539)	(87 539)
Restated balance at 31 March 2011		**41 989 046**	**213 869 520**	**255 858 566**
Prior year adjustment: Surrender of funds to Treasury			(79 169 829)	(79 169 829)
Surplus (deficit) for the year		-	(100 053 694)	(100 053 694)
Balance at 31 March 2012		**41 989 046**	**34 645 997**	**76 635 043**
Prior year adjustments by Kangela Citrus Farm		-	(327 198)	(327 198)
Restated balance at 31 March 2012		**41 989 046**	**34 318 799**	**76 307 845**
Revaluation adjustment by Kangela Citrus Farm		-	(4 245)	(4 245)
Surplus (deficit) for the year		-	27 957 856	27 957 856
Reserve of ARDA for Arengo from sale of assets		-	(30 015)	(30 015)
Prior year adjustments			22 743 042	22 743 042
Restated balance at 31 March 2013		**41 989 046**	**84 985 437**	**126 974 483**
Kangela Citrus Farms revaluation reserve			(29 750)	(29 750)
Shares of NPL and reserves account			319 080	319 080
Surplus (deficit) for the year			3 428 439	3 428 439
Derecognise prescribed liability			5 227 093	5 227 093
Prior year adjustments			1 226 492	1 226 492
Balance as at 31 March 2014		**41 989 046**	**95 156 791**	**137 145 837**
Revaluations and shares			(3 195 387)	(3 195 387)
Prior year adjustments			80 264	80 264
Surplus (deficit) for the year			30 874 137	30 874 137
Balance as at 31 March 2015		**41 989 046**	**122 915 804**	**164 904 850**
Surplus (deficit) for the year			(18 567 290)	(18 567 290)
Kangela Citrus Farms non-exchange transactions			1 920 458	1 920 458
ARDA merger			13 456 622	13 456 622
Balance as at 31 March 2016		**41 989 046**	**119 725 595**	**161 714 641**

Consolidated cash flow statement for the year ended 31 March 2016	Notes	Agency	Agency	Group	Group
		2016	2015	2016	2015
		R	R	R	R
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts		258 778 340	324 951 603	259 012 933	324 981 354
Grants received		151 573 000	210 779 000	151 573 000	210 779 000
Interest received on cash and cash equivalents (both on own funds and on liabilities)		5 331 646	1 980 053	5 334 260	2 009 804
Non-exchange transfers arising from administered funds		95 085 226	95 802 805	95 085 226	95 802 805
Net movement in loans and advances to customers before credit impairments		720 994	10 899 075	720 994	10 899 075
Other receipts from commission and fees		6 067 474	5 490 671	6 299 453	5 490 671
Less: Payments		237 440 590	288 825 290	234 093 352	300 351 241
Employee costs		73 959 321	58 686 173	74 567 453	66 469 509
Disbursements of non-exchange transactions from administered funds		90 751 564	99 022 298	90 751 564	115 855 834
Disbursed administered funds from own funds		-	11 135 000	-	11 135 000
Payments to suppliers		72 729 705	119 981 819	68 774 335	106 890 898
Cash (outflows) / inflows from operating activities	A	21 337 750	36 126 313	24 919 581	24 630 113
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition and transfer of property, plant and equipment		(7 480 355)	(18 970 777)	(12 192 951)	(22 152 401)
Acquisition of intangible assets		(929 662)	(581 178)	(929 662)	(581 178)
Cash invested under contingency policy and related admin fees on policy		(411 824)	(443 839)	(411 824)	(443 839)
Decrease in development deposit		-	-	1 513 971	-
Increase in receivable from Arengo 316 (Pty) Ltd		-	-	-	14 624
Cash inflows / (outflows) from investing activities		(8 821 842)	(19 995 794)	(12 020 466)	(23 162 794)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase / (decrease) in finance lease obligations		(251 549)	1 254 206	(347 616)	1 166 836
Loan repayment (SAFE)		-	-	(2 009 891)	(5 781 143)
Finance costs		(44 574)	(25 036)	(75 166)	(262 005)
Penalties and Fines		(644)	(680)	(12 521)	(1 624)
Cash (outflows) / inflows from financing activities		(296 767)	1 228 490	(2 445 194)	(4 877 936)
Net increase / (decrease) in cash and cash equivalents		12 219 141	17 359 009	10 453 920	(3 410 617)
Cash and cash equivalents at the beginning of the year	6	102 829 878	85 470 869	104 652 534	108 063 151
Cash and cash equivalents at the end of the year	**6**	**115 049 019**	**102 829 878**	**115 106 454**	**104 652 534**

Consolidated cash flow statement for the year ended 31 March 2016	Agency	Agency	Group	Group
A. Reconciliation of net cash flows from operating activities to surplus before taxation	2016	2015	2016	2015
	R	R	R	R
Surplus (Deficit) before taxation	(28 213 686)	21 989 051	(16 941 826)	32 461 508
Non cash flow items in surplus / (deficit) before taxation				
- Depreciation of investment property and property, plant and equipment	3 491 012	5 094 176	4 518 098	5 802 869
- Movement in provision for insurance contracts	-	(70 699)	-	(70 699)
- Discount received	-	(125 491)	-	(125 491)
- Movement in bad debt impairment (non-loans)	163 669	21 581	163 669	21 581
- Loss / (Gain) on scrapping of obsolete property, plant and equipment	550 362	494 466	550 362	502 530
- Work in progress capitalised to property, plant and equipment	-	-	(761 857)	(4 802 970)
- Fair value adjustments and impairments	(262 067)	(22 454 899)	(1 332 241)	(41 356 390)
- Cost of sales arising from a transfer from biological assets (harvesting)	-	-	14 988 636	17 721 840
- Increase in credit impairments	21 038 408	-	21 038 408	-
- Impairment adjustment in respect of interest recognised on loans and advances that are considered uncollectible	-	2 046 222	-	2 046 222
- Movement in allowance for bad debt impairment of loans and staff debtors, and impairment of subsidiaries	7 554 779	17 453 814	7 554 779	17 453 814
- Social benefit from concessionary loans (Subsidy cost fair value adjustment)	3 521 413	4 099 319	3 521 413	4 099 319
- Unwinding of subsidy cost / Concessionary loans interest	(9 183 411)	(2 046 222)	(9 183 411)	(2 046 222)
- Interest received on loan book and staff debtors	(3 151 893)	(1 805 269)	(3 151 893)	(1 805 269)
- Net of interest capitalised and expenses / fees on investment under contingency policy (non-cash)	(411 824)	(443 839)	(411 824)	(443 839)
- Penalties and fines	644	680	12 521	1 624
- Interest expense	44 574	25 036	75 166	262 005
Operating cash flows before items on following page	(4 858 020)	24 277 925	20 640 000	29 722 432

Consolidated cash flow statement for the year ended 31 March 2016	Agency	Agency	Group	Group
A. Reconciliation of net cash flows from operating activities to surplus before taxation (Cont.)	2016	2015	2016	2015
	R	R	R	R
Operating cash flows carried forward from previous page	(4 858 020)	24 277 925	20 640 000	29 722 432
Working capital changes				
-Increase / (decrease) in deferred grant income	4 582 601	2 885 442	(7 947 442)	2 825 863
- Decrease in development deposits held	-	-	1 513 971	456 029
- Transfer to biological assets	-	-	(325 789)	1 016 462
- Increase in deferred taxes	-	-	(404 912)	1 577 612
- Increase / (decrease) in payables	(6 395 858)	5 653 372	(5 944 710)	5 898 768
- Increase / (decrease) in Arengo receivable	7 097 346	-	(372 611)	(14 624)
- Increase / (decrease) in Work In Progress assets	-	-	1 235 264	(3 181 624)
- Increase / (decrease) in administered fund liabilities from non-exchange transfers	13 623 014	8 885 655	11 878 350	(7 947 879)
- (Increase) / Decrease in trade and other receivables	12 661 317	(527 186)	10 225 578	(389 081)
- Decrease in Sundays River receivable	-	-	(31 911)	-
- Increase / (decrease) in loans with credit balances	325 922	177 290	325 922	177 290
- (Increase) / decrease in inventories	18 393	(10 553)	(155 164)	(295 503)
Cash flows from operating activities before:	27 054 715	41 341 945	30 636 546	29 845 745
Lending cash flow movements				
- New loans granted during the year	13 421 521	(15 112 212)	13 421 521	(15 112 212)
- Loans repaid by customers	(19 138 485)	9 896 580	(19 138 485)	9 896 580
Cash (outflows) / inflows from operating activities	21 337 751	36 126 313	24 919 582	24 630 113

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

9 Notes to the consolidated annual financial statements

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 Reform). The agency is a Schedule 3C Provincial Public Entity and it 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 2016:

GRAP 20 - Related party disclosures
ASB Issue date: June 2011
Effective Date: To be determined by the Minister
The standard guide the disclosure of related party transactions and has been considered in the preparation of the financial statements, although not yet effective.

GRAP 32 - Service concession arrangements: Grantor
ASB Issue date: August 2013
Effective Date: To be determined by the Minister
The new standard of Generally Recognised Accounting Practice establishes principles for reporting on the service concession arrangements where a mandated function is performed on behalf of the grantor. The impact of implementing this standard is expected to be immaterial in the context of this agency's operations as the agency already report on the administered funds.

GRAP 108 - Statutory receivables
ASB Issue date: September 2013
Effective Date: To be determined by the Minister
The new standard of Generally Recognised Accounting Practice establishes principles for additional reporting on exchange and non exchange revenue when it relates to statutory receivables, being a receivable arising from legislation or supporting regulations. The impact of implementing this standard is expected to be immaterial in the context of this agency's operations as the agency already report on the receivables due and currently does not have any receivables accruing to the agency due to legislation.

GRAP 109 - Accounting by principles and agents
ASB issue date: July 2015
Effective date: To be determined by the Minister
The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The agency already reports on funds administered on behalf of third parties.

The agency adopted the following standards and interpretations that are effective from the current financial year and that are relevant to operations.

GRAP 18: Segment reporting

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 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 wich 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 Commision Income

Commision income is recognised on an accrual basis over the life of 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 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.

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 loss. 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 deprecation 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 seperately.

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

Useful life per item:
5 - 9 years
Computer equipment

30 - 50 years: Buildings
4-5 years: Vehicles
5-10 years: Plant and equipment
10 - 12 years: Office furniture and fittings
2-5 years (period of the lease): Leasehold improvements
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 does not require the agency to amend the previous estimate unless expectations differ from that previously applied.

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 recognised.

2.9 Biological assets

Initial recognition
The agency recognise a biological asset that forms part of an agricultural activity or agricultural produce 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
Biological assets are measured at their fair value less estimated point-of-sale costs. A gain or loss arising on initial recognition of agricultural produce 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, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

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

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

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

An intangible asset is recognised in the statement of financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the agency and the cost or fair value of the asset can be measured reliably. Intangible assets are initially recognised at cost.

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

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

Where an intangible asset is acquired by the agency at no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an intangible asset is acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of asset(s) given up. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Subsequent measurement
Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

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

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 member(s) or official(s) are 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 performance.

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 delivery 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.

2.15 Financial instruments (continued)

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.

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.

D**e-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 held by the agency with the primary objective of generating a commercial return. 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.

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.

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.

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.

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 are members of the Metropolitan Rainmaker Provident Fund and Sanlam. The agency contributes a fixed percentage of each employee's basic salary cost to the retirement benefit scheme to fund the benefits. Payments to this defined contribution retirement plan are expensed when they fall due.

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

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

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

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

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

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

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

2.23 Transfer of Functions between entities under common control

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

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

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

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

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

2.26 Comparative information
When the presentation or classification of items in the consolidated annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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

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

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

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

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

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

3. Critical Accounting Judgements and Key Sources Of Estimation Uncertainty

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

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

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
GR**AP 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 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 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

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	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Cash on call and deposits at commercial banks	40 109 906	46 616 309	40 109 906	46 616 309
Cash on current accounts at commercial banks	74 928 921	56 178 586	74 984 997	57 995 243
Uncleared reconciling items on bank recon	-	34 116	-	34 116
Cash on hand	10 192	867	11 551	6 866
	115 049 019	**102 829 878**	**115 106 454**	**104 652 534**

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 2016 were 6% (2015: 4,15%) for funds on call and 5% - 5,4% (2015: 3,75%) for funds on deposit. The administered funds taken over from the Agrarian Research and Development Agency (Proprietary) Limited during the merger on 1 April 2015 earns 5% (2015 at ARDA: 2,75%) on the funds on call, which are all placed at First National Bank. The other subsidiaries have limited cash resources.

Proprietary composition of cash and cash equivalents:				
Unspent funds received under non-exchange transactions (refer to Note 18)	40 248 976	26 625 962	40 248 976	28 370 626
Funds committed under conditional grants (refer to Note 15)	8 773 485	16 720 927	8 773 485	29 250 970
Funds at commercial banks and on hand for own commitments and onlending	66 026 558	59 482 989	66 083 993	47 030 937
	115 049 019	**102 829 878**	**115 106 454**	**104 652 534**

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	Agency and Group
	2016	2015
	R	R
Loans and advances to customers	152 178 170	159 249 661
Customers with credit balances	2 406 946	2 081 024
Gross loans and advances to customers	154 585 116	161 330 685
Less: Fair value adjustments arising on concessionary loans	(3 450 948)	(9 112 946)
Less: Specific credit impairments	(103 342 019)	(82 303 611)
	47 792 149	69 914 128
Less: Unallocated loan repayments	(285 200)	(2 089 766)
Net carrying amount	**47 506 949**	**67 824 362**

Detailed loans and advances granted to customers per type of loan	ECRDA	Mafisa	Uvimba
Loans granted at 31 March 2015	29 925 058	46 816 647	84 588 980
Less: Fair value adjustments arising on concessionary loans	(2 294 683)	(2 984 459)	(3 833 804)
Less: Specific credit impairments	(9 983 955)	(41 922 018)	(30 397 638)
Less: Unallocated loan repayments	-	(217 190)	(1 872 576)
Net granted balance at 31 March 2015	**17 646 420**	**1 692 980**	**48 484 962**
Loans granted at 31 March 2016	31 538 129	48 737 417	74 309 570
Less: Fair value adjustments arising on concessionary loans	(672 620)	(8 860)	(2 769 468)
Less: Specific credit impairments	(17 916 349)	(48 282 387)	(37 143 283)
Less: Unallocated loan repayments	(178 151)	(53 897)	(53 152)
Net granted balance at 31 March 2016	**12 771 010**	**392 273**	**34 343 667**

Movement in specific credit impairments:	Agency and Group	Agency and Group
	2016	2015
	R	R
Balance at the beginning of the year	82 303 611	95 631 263
New impairments created	21 038 408	(15 373 874)
Impairment adjustment in respect of interest recognised on loans and advances that are considered uncollectible	-	2 046 222
Balance at the end of the year	**103 342 019**	**82 303 611**
Balance at the end of the year expressed as a percentage of gross loans (ii/i) and advances to customers	67%	51%
Contractual maturity analysis:		
Repayable within 1 year and overdue	132 089 834	112 566 185
Repayable later than 1 year	22 495 282	48 764 500
	154 585 116	**161 330 685**

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:	Notes		
Agricultural		121 021 597	123 661 978
Non-agricultural		33 563 519	37 668 707
		154 585 116	161 330 685
Exposure to credit risk (A):			
Loans and advances neither past due nor impaired		18 041 886	20 438 716
Loans and advances past due but not impaired		-	-
Loans and advances individually assessed as impaired		136 543 230	140 891 969
	A	**154 585 116**	**161 330 685**

7. Loans And Advances To Customers (Continued)

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):		Agency and Group	Agency and Group
		2016	2015
		R	R
Loans and advances neither past due nor impaired		14 631 402	15 589 362
Loans and advances past due but not impaired		-	-
Loans and advances individually assessed as impaired		40 759 034	43 046 370
	B	55 390 436	58 635 732
Expressed as a percentage of the loan book	(B/A)	35.83%	36.35%

The collateral can be applied as stipulated in the individual loan agreements entered into with the customers. The agency does not hold any bought in collateral for the year ended 31 March 2016 (2015: Nil).

Net exposure to credit risk after deducting collateral held (A - B):			
Loans and advances neither past due nor impaired		3 410 484	4 849 354
Loans and advances past due but not impaired		-	-
Loans and advances individually assessed as impaired		95 784 196	97 845 599
		99 194 680	**102 694 953**

Net exposure after specific impairments		Agency and Group	Agency and Group
		2016	2015
		R	R
Loans and advances neither past due nor impaired		-	-
Loans and advances past due but not impaired		-	-
Loans and advances individually assessed as impaired		-	-
		-	**-**

7. Loans And Advances To Customers (Continued)

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. At reporting date, a total of 29 loans, with a total outstanding balance of R2 875 102, have expired (average 63 days past expiry) which have not been impaired. Impairment was not done as the fair valued collateral held at reporting date on these loans amounted to R4 913 410.

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 R710 153 (2015: R1 215 985).

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 is 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. Receivables	Agency	Agency	Group	Group
8.1 Trade And Other Receivables	2016	2015	2016	2015
	R	R	R	R
Interest accrued	216 846	233 986	216 846	233 986
Deposits	212 104	215 955	334 786	304 388
Rent receivable	759 536	460 482	759 536	460 482
Trade receivables	-	-	1 264 160	-
Funds owed by the Departments for Administered Functions	11 339 125	24 405 949	11 339 125	24 405 949
- Department of Agriculture, Forestry and Fisheries	10 646 368	21 758 444	10 646 368	21 758 444
- Office of the Premier	236 179	2 168 522	236 179	2 168 522
- Independent Development Trust	108 668	478 443	108 668	478 443
- Department of Rural Development and Agrarian Reform	347 910	540	347 910	540
Staff and other debtors	1 135 954	1 109 887	1 185 493	1 326 833
Eastern Cape Development Corporation (legal fees)	-	53 220	-	53 220
Prepaid expenses	1 046 792	617 387	1 046 792	617 387
South African Revenue Service - Value Added Tax	-	-	1 759 357	454 619
	14 710 356	27 096 865	17 906 094	27 856 863
Less: impairment of rent	(693 923)	(419 115)	(693 923)	(419 115)
Net carrying amount	14 016 433	26 677 750	17 212 171	27 437 748

Kangela Citrus Farms (Pty) Ltd paid a development deposit of nil (2015: R1 513 971) to suppliers for the development of assets.

The agency (former ECRFC) signed a once-off cession of R32 000 as security for a staff member in respect of a staff housing loan deposits. Should this result in a future claim against the agency, it will recover such claims from the staff member in question. 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.

The accrued administered fees due from Administered Funds (Liability from non exchange transactions) are recognised in accordance with the service level agreements. Settlement took take place during the 2015 financial year.

There are no trade and other receivables arising from non-exchange transactions at 31 March 2016 other than that disclosed in note 8.1

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:	R	R	R	R	R
Agency - 2016	65 612	53 498	48 248	592 177	759 535
Agency - 2015	41 367	24 674	43 104	351 337	460 482
Impairment of rent receivable					
Agency - 2016					**(693 923)**
Agency - 2015					**(419 115)**

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).

8.2 Receivable From Arengo 316 (Proprietary) Limited	Agency and Group 2016	Group 2015
The receivable from Arengo 316 (Proprietary) Limited comprises:	7 097 346	7 469 957
Initial subscription for shares in the company and linked shareholder funding loan	5 000 000	5 000 000
Expenses borne on behalf of the company and intended to be settled through additional investment in the company.	2 469 957	2 469 957
Impairment of receivable	(372 611)	-
	7 097 346	7 469 957

The operational payment relates to expenses paid on behalf of Arengo 316 Investments (Pty) Ltd, which will be converted to shares in the future once specific terms and conditions have been met. The amount is unsecured, does not bear interest and has no fixed terms of payment. The shares have not been issued to the merged Agrarian Research and Development Agency (Proprietary) Limited as at 31 March 2016.

8.3 Receivable From Sundays River Citrus Company	Group 2016	Group 2015
Unsecured loan: Sundays River Citrus Company	94 941	126 852

The loan is unsecured, bears interest at CPI plus 2% and is payable on or before 3 April 2018.

9. Inventories	Agency	Agency	Group	Group
Inventories comprise:	2016	2015	2016	2015
	R	R	R	R
Consumables and stationery	90 564	108 957	557 125	401 962
	90 564	**108 957**	**557 125**	**401 962**

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

Reconciliation of inventory				
Total carrying value of inventory valued at the lower of cost or NRV	90 564	108 957	557 125	401 962
Inventory carried at fair value less costs to sell	-	-	-	-
Opening balance of consumable inventory	108 957	98 404	401 962	106 459
Inventory recognised as an expense during the financial year	(402 143)	(314 038)	(380 736)	(331 424)
Fair value of harvested crop	-	-	14 988 636	17 721 840
Sale of harvested crop	-	-	(14 988 636)	(17 721 840)
Inventory written down	-	-	-	-
Inventory purchased during the financial year	383 750	324 591	535 899	626 927
Inventory pledged as security for liabilities	-	-	-	-

10. Biological Assets And Agricultural Produce	Agency	Agency	Group	Group
Biological assets and agricultural produce comprise:	2016	2015	2016	2015
	R	R	R	R
Citrus trees (non-current biological asset)	-	-	9 518 352	7 492 203
Crop/Fruits from trees (current biological asset)	-	-	8 597 536	7 487 877
	-	**-**	**18 115 888**	**14 980 080**

Reconciliation of biological assets - 2016	Opening balance	Additions	Gains or losses arising from changes in fair value	Cultivated during the year	Transfer from property, plant and equipment	Total
Citrus trees	7 492 203	325 789	-	-	1 700 360	9 518 352
Crop/Fruits from trees	7 487 877	-	16 098 295	(14 988 636)	-	8 597 536
	14 980 080	**325 789**	**16 098 295**	**(14 988 636)**	**1 700 360**	**18 115 888**

Reconciliation of biological assets - 2015	Opening balance	Additions	Gains or losses arising from changes in fair value	Cultivated during the year	Transfer from property, plant and equipment	Total
Citrus trees	6 475 741	-	1 016 462	-	-	7 492 203
Crop/Fruits from trees	5 608 493	-	19 601 224	(17 721 840)	-	7 487 877
	12 084 234	**-**	**20 617 686**	**(17 721 840)**	**-**	**14 980 080**

Non- financial information based on latest available valuation information (2014)		
Quantities of Citrus trees:	**Output: Agricultural produce (Citrus)**	
Lemons - 23 314 (2011: 23 314)	Lemon	48.59 (tons per Ha)
Navels - 54 250 (2011: 54 250)	Navels	26.98 (tons per Ha)
Valencias - 27 520 (2011: 27 520)	Valencias	36.68 (tons per Ha)
Soft Citrus - 4 530 (2011: 4 530)	Soft Citrus	30.40 (tons per Ha)
Other - 937 (2011 - 937)	Other	52.14 (tons per Ha)

Key assumptions applied to determine the fair value of the biological assets less costs to sell at year end are:		
Assumption	**2016**	**2015**
Expected area to harvest	102.84 ha	135.4 ha
Estimated yields	1 750 cartons/ha	1 608 cartons/ha
Average maturity of crop at 31 March	80%	80%
Estimated price per carton	R127,31	R127,81

Biological assets represent citrus fruit trees. Kangela Citrus Farms (Pty) Ltd is engaged in citrus production for the supply to mainly the export market.

The losses on the biological assets (fair value adjustments) is the variance between the fair value of the biological asset and the actual value realised from the sale of the biological assets. The losses as per the accounting standards should be considered in context with the group's mandate and schedule 3C listing status (thus implying a non-profit orientated focus). The group focuses on rural development and community participation thus entrenching cooperative, sustainable and forward looking attitudes towards agriculture, not the profitability of the group, or its projects per se.

The non-current biological assets refers to the citrus fruit trees on the Kangela Citrus Farms. At 31 March 2016 the company farmed 149,15 hectares (2015: 150,4) of planted citrus fruit trees of which 123,15 hectares (2015: 135,4) were bearing hectares.

The current biological assets are the citrus crop. The company produced 213 695 (2015: 217 659) cartons of citrus fruit with a fair value less costs to sell of R14 988 636 (2015: R17 721 840) at the time of harvest during the year ended 31 March 2016.

The estimated productive life of the biological assets are 30 years and an average market value per hectare of R63 817 (2015: R57 795) exist. The costs of additions during the financial year approximates fair value changes attributable to physical and price changes to the biological assets.

30 years estimated productive life of biological assets at Kangela

with a average market value of R63 817 per ha

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 March 2014 and has been carried at this value in the consolidated annual financial statements. The citrus trees are not insured. Management have not identified any change in legislation, market related demands, disasters or an improvement or deterioration of the trees to indicate a change in the fair value of the biological assets.

The biological assets held at 31 March 2016 by the ECRDA and it's subsidiaries consist of the fruit trees at the Kangela Citrus Estate only. These biological assets are held in the normal operations of the company. The title to these biological assets are restricted as Kangela Citrus Farms (Pty) Ltd cannot sell any of it's non-current biological assets.

11. INVESTMENTS IN SUBSIDIARIES

11. Investments In Subsidiaries		
Subsidiaries of the Eastern Cape Rural Development Agency	**2016**	**2015**
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
North Pondoland Sugar (Proprietary) Limited	100	100

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).

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. The financial position of Kangela Citrus (Pty) Ltd has improved in the 2014/2015 financial year which is part of the recapitalisation and improvement exercise funded from grants paid by the ECRDA.

The agency is considering the implications of the Provincial Treasury Instruction number 5 of 2013/2014, on its 51% shareholding in Kangela Citrus Farms (Pty) Ltd.

11.2 North Pondoland Sugar (Proprietary) Limited

On 22 June 2009 the Eastern Cape Department of Rural Development and Agrarian Reform transferred its 100% interest in North Pondoland Sugar (Proprietary) Limited to the agency. This company is dormant and not operating. This transfer is a common control transaction.

The fair value of the company's liabilities exceeded its assets at the date of acquisition and therefore a value of Nil has been placed on this investment in subsidiary.

The company is incorporated under registration number 1983/090159/07 in the Republic of South Africa and is based in the Eastern Cape Province. The company has a March year end and is currently in the process of deregistration.

11.3 Agrarian Research and Development Agency (Proprietary) Limited

In lieu of the Provincial Treasury Instruction number 5 of 2013/2014, the ECRDA's Board has resolved on 28 March 2014 to integrate ARDA into the operational structure of the ECRDA. This integration was on a going concern basis, as regulated by GRAP 105, as the operations, staff, assets and liabilities of the company will be transferred to the ECRDA and was finalised on 1 April 2015. The transfer of functions between entities under common control have not impacted on the going concern of the ARDA or the agency. The company (legal entity) is in the process of deregistration.

The agency is considering the implications of the Provincial Treasury Instruction number 5 of 2013/2014, on its 51% shareholding in Kangela Citrus Farms (Pty) Ltd.

11.4 AsgiSA - Eastern Cape (Proprietary) Limited

On 1 April 2010 the Eastern Cape Office of the Premier transferred to the agency its 100% interest in AsgiSA - Eastern Cape (Proprietary) Limited.

The company is incorporated under registration number 2005/008/163/07 in the Republic of South Africa and is based in the Eastern Cape Province.

The company has a March year-end, is now dormant and in the process of deregistration.

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 (6,71% at 31 March 2015). 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 2016 was R8 579 830 (2015: R8 168 006).

	Agency and Group	Agency and Group
	2016	2015
	R	R
Investment under contingency policy	8 579 830	8 168 006
	8 579 830	8 168 006

13. Investment Property And Property, Plant And Equipment	Agency	Agency	Group	Group
13.1 Investment property	2016	2015	2016	2015
	R	R	R	R
Carrying amount at beginning of the year	**1 840 258**	**1 878 368**	**1 840 258**	**1 878 368**
Cost	2 388 564	2 388 564	2 388 564	2 388 564
Accumulated depreciation	(548 306)	(510 196)	(548 306)	(510 196)
Accumulated impairment	-	-	-	-
Additions	-	-	-	-
Depreciation charge	(38 217)	(38 110)	(38 217)	(38 110)
Accumulated depreciation on disposal/transfer	-	-	-	-
Carrying amount at end of the year	**1 802 041**	**1 840 258**	**1 802 041**	**1 840 258**
Cost	2 388 564	2 388 564	2 388 564	2 388 564
Accumulated depreciation	(586 523)	(548 306)	(586 523)	(548 306)
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 latest valuation was performed in March 2015 by P. Lindstrom, a registered valuator, who valued the investment property at R11 900 000, using the discounted cash flow method on potential rent. 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 R22 015 (2015: R10 157) which arose from investment property that generated rental revenue of R1 036 772 (2015: R868 945) during the period. Pledged as security: No assets are pledged as security.

13.2 Property, plant and equipment	Agency	Agency	Group	Group
13.2.1 Land	2016	2015	2016	2015
	R	R	R	R
Carrying amount at beginning of the year	**558 808**	**558 808**	**622 608**	**622 608**
Cost	558 808	558 808	622 608	622 608
Accumulated impairment	-	-	-	-
Additions/Merger	160 000	-	96 200	-
Disposal	(3 808)	-	(3 808)	-
Impairment (recognised)/reversed	-	-	-	-
Carrying amount at end of the year	**715 000**	**558 808**	**715 000**	**622 608**
Cost	715 000	558 808	715 000	622 608
Accumulated impairment	-	-	-	-

Land consists of the cost of erven in King William's Town and Cradock. The erf previously held in Whittlesea, purchased for R3 808, was sold during the 2016 financial year.

13.2.2 Buildings	2016 R	2015 R	2016 R	2015 R
Carrying amount at beginning of the year	**5 226 455**	**2 603 755**	**5 373 483**	**2 762 092**
Cost	6 384 002	3 684 002	6 610 202	3 910 202
Accumulated depreciation	(724 042)	(646 742)	(803 214)	(714 605)
Accumulated impairment	(433 505)	(433 505)	(433 505)	(433 505)
Additions/Merger	580 000	2 700 000	432 972	2 700 000
Disposal	(3 177 627)	-	(3 177 627)	-
Depreciation charge	(98 228)	(77 299)	(98 228)	(88 609)
Accumulated depreciation on disposal	79 973	-	79 973	-
Accumulated depreciation on merger	(124 892)	-	(124 892)	-
Impairment (recognised)/reversed	433 505	-	433 505	-
Carrying amount at end of the year	**2 919 187**	**5 226 455**	**2 919 187**	**5 373 483**
Cost	3 786 375	6 384 002	3 786 375	6 610 202
Accumulated depreciation	(867 189)	(724 042)	(867 189)	(803 214)
Accumulated impairment	-	(433 505)	-	(433 505)

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 R4 650 000 by a registered valuator, P. Lindstrom in March 2015, 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 last valued in March 2015 by P. Lindstrom, registered valuators, at R850 000, using the comparable market sales method.

(3) A prefabricated structure consisting of office premises, shelter for security guards and perimeter security fence acquired during October 2007 in Whittlesea at a cost of R481 435 (allocated to land of R3 808 and buildings of R477 627). The building was subsequently written down by R433 505 as it did not meet normal building standards and did not comply with local municipality by-laws. The plot was valued at R38 000 by a registered valuator, P. Lindstrom in March 2015, comparable sales method. The building structures and the land in Whittlesea were sold during the 2016 financial year. The impairment loss was written back to account for the sale.

(4) Erf 9227 in King Williams Town, 13 Eales Street, was repossessed by the ECRDA at R2 700 000 when the loanee defaulted on his loan. The property was subsequently valued by P. Lindstrom, a registered valuer, at R2 600 000 in March 2015 using the comparable sales approach.

R7 039 720

Spent on the purchase of plant and machinery for the RED hub programmes during 2015 financial year

13.2.3 Plant and equipment (including all farming equipment)	Agency	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Carrying amount at beginning of the year	**7 604 777**	**871 556**	**8 526 010**	**1 750 189**
Cost	10 020 733	4 163 807	15 872 049	9 720 746
Accumulated depreciation	**(2 415 955)**	(3 292 251)	**(7 346 039)**	(7 970 557)
Accumulated impairment	-	-	-	-
Additions and Merger	2 594 643	7 929 930	3 957 678	7 929 930
Derecognition of cost in merger	-	-	(3 519 648)	302 442
Disposal - cost	(7 039 720)		(7 039 720)	(2 081 069)
Write -off/scrapping of obsolete assets	(20 944)	(2 073 005)	(20 944)	-
Depreciation charge	(507 412)	(1 160 041)	(825 493)	(1 411 819)
Accumulated depreciation on merger	(2 113 161)	-	1 406 488	-
Accumulated depreciation on disposal/transfer	701 915	2 036 337	701 915	2 036 337
Carrying amount at end of the year	**1 220 099**	**7 604 777**	**3 186 286**	**8 526 010**
Cost	5 554 712	10 020 733	9 249 415	15 872 049
Accumulated depreciation	(4 334 613)	(2 415 955)	(6 063 129)	(7 346 039)
Accumulated impairment	-	-	-	-

Plant and machinery of R7 039 720 was purchased during the 2015 financial year for the RED Hub programmes. At 31 March 2015 the carrying value of these assets are R6 370 715. The assets were transferred to the projects upon registration of the primary cooperation's during the 2016 financial year.

13.2.4 Equipment under finance leases	Agency	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Carrying amount at beginning of the year	**30 368**	**85 602**	**30 368**	**85 602**
Cost	1 045 793	1 640 453	1 045 793	1 640 453
Accumulated depreciation	(1 015 425)	(1 554 851)	(1 015 425)	(1 554 851)
Accumulated impairment	-	-	-	-
Additions	-	-	-	-
Write -off/scrapping of obsolete assets	(408 568)	(594 660)	(408 568)	(594 660)
Depreciation charge	(18 176)	(35 828)	(18 176)	(35 828)
Accumulated depreciation on disposal/transfer	408 562	575 254	408 562	575 254
Carrying amount at end of the year	**12 186**	**30 368**	**12 186**	**30 368**
Cost	637 225	1 045 793	637 225	1 045 793
Accumulated depreciation	(625 039)	(1 015 425)	(625 039)	(1 015 425)
Accumulated impairment	-	-	-	-

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

13.2.5 Vehicles	Agency	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Carrying amount at beginning of the year	**558 046**	**1 411 808**	**2 053 915**	**3 263 632**
Cost	4 486 341	4 494 965	8 521 864	8 530 488
Accumulated depreciation	(3 928 295)	(3 083 157)	(6 467 949)	(5 266 856)
Accumulated impairment	-	-	-	-
Additions and merger	1 988 525	-	5 705 350	-
Disposal - cost	-	(8 624)	-	(8 624)
Depreciation charge	(73 130)	(853 187)	(738 089)	(1 209 142)
Accumulated depreciation on merger	(1 146 389)	-	(177 074)	-
Accumulated depreciation on disposal/transfer		8 049	-	8 049
Carrying amount at end of the year	**1 327 052**	**558 046**	**6 844 102**	**2 053 915**
Cost	6 474 866	4 486 341	14 227 214	8 521 864
Accumulated depreciation	(5 147 814)	(3 928 295)	(7 383 112)	(6 467 949)
Accumulated impairment	-	-	-	-

13.2.6 Computer equipment	Agency	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Carrying amount at beginning of the year	**1 959 069**	**1 823 322**	**1 959 069**	**1 823 322**
Cost	5 920 475	6 057 188	6 981 340	6 068 621
Accumulated depreciation	(3 961 406)	(4 233 866)	(5 022 271)	(4 245 299)
Accumulated impairment	-	-	-	-
Additions/merger	2 049 169	1 079 490	928 680	1 079 490
Write -off/scrapping of obsolete assets	(119 058)	(1 216 201)	(119 058)	(1 216 201)
Depreciation charge	(741 645)	(776 971)	(741 645)	(776 971)
Accumulated depreciation on merger	(12 390)	-	1 108 099	-
Accumulated depreciation on disposal/transfer	59 624	1 049 430	59 624	1 049 430
Carrying amount at end of the year	**3 194 769**	**1 959 069**	**3 194 769**	**1 959 069**
Cost	7 850 586	5 920 475	7 850 586	6 981 340
Accumulated depreciation	(4 655 818)	(3 961 406)	(4 655 817)	(5 022 271)
Accumulated impairment	-	-	-	-

13.2.7 Office furniture and fittings				
Carrying amount at beginning of the year	**4 730 790**	**1 134 117**	**4 786 431**	**1 235 869**
Cost	6 021 185	2 291 028	6 277 376	2 547 219
Accumulated depreciation	(1 290 395)	(1 156 911)	(1 490 945)	(1 311 350)
Accumulated impairment	-	-	-	-
Additions and merger	108 018	4 448 883	(36 002)	4 448 883
Write -off/scrapping of obsolete assets	(17 338)	(718 726)	(17 338)	(718 726)
Depreciation charge	(609 264)	(556 383)	(627 273)	(602 493)
Accumulated depreciation on merger	(40 580)	-	67 347	-
Accumulated depreciation on disposal/scrap	15 505	422 898	15 505	422 898
Carrying amount at end of the year	**4 187 131**	**4 730 790**	**4 188 670**	**4 786 431**
Cost	6 111 865	6 021 185	6 224 035	6 277 376
Accumulated depreciation	(1 924 734)	(1 290 395)	(2 035 366)	(1 490 945)
Accumulated impairment	-	-	-	-

13.2.8 Leasehold	Agency	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Carrying amount at beginning of the year	**2 534 193**	**47 859**	**2 534 193**	**47 859**
Cost	2 841 884	381 854	2 841 884	381 854
Accumulated depreciation	(307 691)	(333 995)	(307 691)	(333 995)
Accumulated impairment	-	-	-	-
Additions	-	2 812 474	1 108 072	2 812 474
Write -off/scrapping of obsolete assets	(24 260)	(352 444)	(24 260)	(352 444)
Depreciation charge	(753 187)	(290 927)	(779 224)	(290 927)
Accumulated depreciation on disposal/transfer	24 260	317 231	24 260	317 231
Carrying amount at end of the year	**1 781 006**	**2 534 193**	**2 863 041**	**2 534 193**
Cost	2 817 623	2 841 884	3 925 695	2 841 884
Accumulated depreciation	(1 036 618)	(307 691)	(1 062 655)	(307 691)
Accumulated impairment	-	-	-	-

13.2.9 Total property, plant and equipment				
Carrying amount at beginning of the year	**23 202 506**	**8 536 827**	**25 886 077**	**11 591 173**
Cost	37 279 220	23 272 105	48 773 115	33 422 191
Accumulated depreciation	(13 643 209)	(14 301 773)	(22 453 534)	(21 397 513)
Accumulated impairment	(433 505)	(433 505)	(433 505)	(433 505)
Additions and merger with ARDA	7 480 355	18 970 777	12 192 951	18 970 777
Write -off/scrapping of obsolete assets	(590 169)	-	(590 169)	-
Disposal - cost	(10 221 154)	(2 890 656)	(13 740 803)	(4 971 724)
Impairment (recognised)/reversed	433 505	-	433 505	-
Transfers	-	-		302 442
Depreciation charge	(2 801 042)	(3 750 636)	(3 828 128)	(4 415 790)
Accumulated depreciation on merger	(3 437 412)	-	2 279 968	-
Accumulated depreciation on disposal/transfer	1 289 839	4 409 199	1 289 839	4 409 199
Carrying amount at end of the year	**15 356 429**	**23 202 506**	**23 923 240**	**25 886 076**
Cost	33 948 252	37 279 220	46 615 546	48 773 115
Accumulated depreciation	(18 591 823)	(13 643 209)	(22 692 306)	(22 453 534)
Accumulated impairment	-	(433 505)	-	(433 505)

No estimated useful lives were changed during the financial year (2014: 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 2016 is R12 016 880 (2015: R5 750 293). 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 R212 495 (2015: R63 075).

The work in progress of R4 416 888 (2015: R3 181 624) refers to assets under construction by Kangela Citrus Farms (Pty) Ltd that has been capitalised.

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.

13.3 Intangible assets	Agency	Agency	Group	Group
Computer software	2016	2015	2016	2015
	R	R	R	R
Carrying amount at beginning of the year	**765 654**	**1 489 905**	**944 154**	**1 668 405**
Cost	4 209 251	3 934 666	4 697 419	4 116 241
Accumulated depreciation	(3 443 597)	(2 444 761)	(3 753 265)	(2 447 836)
Accumulated impairment	-	-	-	-
Additions	929 662	581 178	929 662	581 178
Write -off/scrapping of obsolete assets	(167 773)	(137 815)	(167 773)	(137 815)
Depreciation charge	(844 439)	(1 305 429)	(844 439)	(1 305 429)
Accumulated depreciation on disposal/transfer	133 018	-	133 018	-
Accumulated depreciation on merger		137 815	-	137 815
Carrying amount at end of the year	**816 122**	**765 654**	**994 622**	**944 154**
Cost	4 971 140	4 209 251	5 627 081	4 697 419
Accumulated depreciation	(4 155 018)	(3 443 597)	(4 597 704)	(3 753 265)
Accumulated impairment	-	-	-	-

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

The intangible asset of R178 500 held 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	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
South African Revenue Service - Pay As You Earn (PAYE)	-	-	-	9 704
South African Revenue Service - Tax and VAT	-	-	553 988	-
Amounts due to customers with credit balances	2 406 946	2 081 024	2 406 946	2 081 024
Rent received in advance	48 759	35 101	48 759	35 101
Payables due to uncleared bank recon items	-	34 116	-	34 116
Other payables	8 423 111	15 258 985	9 396 124	16 147 007
Accruals	866 704	2 070 736	1 438 437	2 517 769
Leave Pay Accrual	5 164 248	4 023 397	5 313 607	4 475 584
Bonus Accrual	1 603 284	1 416 792	1 603 284	1 416 792
Operating lease straight line adjustments	345 824	334 583	345 824	334 583
	18 858 876	**25 254 734**	**21 106 969**	**27 051 680**

The budgeted funds allocated to Kangela Citrus has not been utilised in full. The payable relating to non-exchange transactions of Kangela at 31 March 2016 amounts to R1 726 125 (2015: R1 144 932) and is included in Note 18 on the liabilities from non-exchange transactions.

There are no trade and other payables with extended payment terms at 31 March 2016 (2015: 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.

15. Deferred Grant Income Arising From Non-Exchange Transactions	Agency	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Grant from the Eastern Cape Department of Rural Development and Agrarian Reform in respect of the investment into Arengo 316 (Proprietary) Limited.	-	-	-	12 530 043
MAFISA grant	8 773 485	16 720 927	8 773 485	16 720 927
Liability for an equitable 1/8th share in interest earned on MAFISA loans	2 744 445	2 384 568	2 744 445	2 384 568
Liability arising from interest earned on cash deposits on unspent funds	6 029 040	14 336 360	6 029 040	14 336 360
	8 773 485	16 720 927	8 773 485	29 250 970
Comprised of the following assets:				
Cash and cash equivalents (Refer to Note 6)	8 773 485	16 720 927	8 773 485	29 250 970
	8 773 485	**16 720 927**	**8 773 485**	**29 250 970**

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 R14 727 628 (2015: R10 859 155) which relates to projects implementation for which orders have been issued. Operational commitments of R5 582 315 existed at 31 March 2016. Kangela Citrus Farms Proprietary Limited had capital commitments of R2 376 158 (2015: R249 490) at the reporting date.

Contingent liabilities and contingent assets

Contractual agreements have been entered by the former board of the AsgiSA-EC with employees whom opted to not form part of the amalgamated agency, the ECRDA. Of the five contracts entered into, two were paid out to the senior management staff involved. The three staff members that were not paid out took the agency to court, but lost the lawsuit. The employees are liable for the legal costs related to the lawsuit which have not been settled as at reporting date. The legal fees in question amounts to R74 466.

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 is R4 353 883 which is the total amount of contributions received, but this is considered to be unlikely.

The agency (former ECRFC) signed a once-off cession as security for a staff member for a housing loan deposit of R32 000.
A disciplinary hearing was finalised in the matter of an employee who had been charged for not attending lectures and for causing the organisation to incur the costs on her behalf. The chairperson absolved the former employee from the charges and the ECRDA is currently challenging this outcome. The timing, outcome and legal fees to finalise the procceedings are unknown at reporting stage.

The timing, outcome and legal costs to the following cases are unknown at reporting date:
In February 2016, ECRDA was sued for an amount of R71 781 for leave encashment with effect from 1 February 2013. In 2015; a disciplinary hearing was referred to the CCMA for allegations of unlawful processing of irregular payments within the Finance and Supply Chain Unit. A case is outstanding at the CCMA for an employee who is challenging non appointment to a post. An employee is challenging dismissal at the CCMA.
The ECRDA has taken a case over from ARDA where ARDA sued Slabbert Boedery for non payment of lucerne feedstock supplied to Slabbert Boedery for an amount of R 437 253 and Slabbert Boedery sued for a counter claim as well and the two cases were consolidated.
The ECRDA has taken over a case from ARDA where ARDA was sued for in the amount of R245 027 with interest for payment of purchases of agricultural supplies from the plaintiff.
The ECRDA was sued in the Mthatha Magistrate Court for an amount of R30 233 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.
In terms of the Treasury Regulations, at each reporting date, the agency is required to surrender or to apply for a roll over of unspent grants to the relevant Treasury. Refer to Note 15 for unspent grants as at 31 March 2016.
Upon concluding the verification of the R12 530 043 incurred on the grant for the furtherance of biofuel from the Department of Rural Development and Agrarian Reform (by the former ARDA) by the IDC, a receivable can be recognised. The non-verification of this contingent asset may result in a liability for the group when the conditions of the funding is not fully met, resulting in a contingent liability.

17. Loans

Loan from South African Fruit Exporters (SAFE)
The loan of R8 801 281 (2015: R10 811 172) from South African Fruit Exporters (SAFE) is interest free, unsecured 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 Exporters takes cession of the produce once harvested.

The loan of R8 801 281 (2015: R10 811 172) from South African Fruit Exporters (SAFE) is interest free, unsecured and operated on a current account basis.

	Group	Group
	2016	2015
	R	R
South African Fruit Exporters (SAFE)	8 801 281	10 811 172

18. Liabilities Arising From Non-Exchange Transactions	Agency	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Total funds under administration and cash and cash equivalents belonging to administered funds (refer to note 6)	**40 248 976**	**26 625 962**	**40 248 976**	**28 370 626**
Reconciliation of total funds under administration:				
Balance at beginning of the year	26 625 962	17 740 305	28 370 626	36 318 505
Receipts from fund owners	95 085 226	95 802 805	93 340 562	95 802 805
Additional funding allocated	8 298 500	11 135 000	8 298 500	11 135 000
Interest capitalised on administered funds	990 851	970 150	990 851	970 150
Funds disbursed	(90 751 564)	(99 022 298)	(90 751 564)	(115 855 834)
Total administered funds	**40 248 976**	**26 625 962**	**40 248 976**	**28 370 626**
Comprising:				
Department of Rural Development and Land Reform - Provincial	-	846 792	-	846 792
Department of Rural Development and Land Reform - National	639 198	-	639 198	1 744 664
Job's Fund	37 286 281	23 968 039	37 286 281	23 968 039
Other administered funds	2 323 496	1 811 131	2 323 496	1 811 131
	40 248 976	**26 625 962**	**40 248 976**	**28 370 626**

Department of Rural Development and Land Reform Provincial	2016	2015
Balance of funds held to administer	846 792	4 269 376
Disbursements and interest earned on funds	(846 792)	(3 422 584)
Balance of administered fund at 31 March	-	846 792
The balance of R846 792 at 31 March 2015 relates to the private land claim of Tshatsu.		
Department of Rural Development and Land Reform National		
Balance of funds held to administer	-	127 459
Funds received to administer	2 339 600	20 769 550
Funds disbursed	(1 730 379)	(20 899 448)
Interest earned on ring-fenced funds	29 978	2 439
Balance of administered fund at 31 March	**639 198**	**-**

Job's Fund programme	Forestry	Agro Processing	Total
Contribution: Eastern Cape Rural Development Agency	4 934 000	5 431 500	10 365 500
Contribution: Development Bank of South Africa	5 298 906	16 482 000	21 780 906
Contribution: Eastern Cape Development Corporation	565 000	2 060 500	2 625 500
Disbursements for the year	(5 124 170)	(17 665 517)	(22 789 687)
Interest earned on ring-fenced funds	61 784	135 472	197 256
Balance of administered fund at 31 March 2014	**5 735 520**	**6 443 955**	**12 179 475**
Contribution: Eastern Cape Rural Development Agency	4 262 000	6 873 000	11 135 000
Contribution: Development Bank of South Africa	15 839 000	26 433 284	42 272 284
Contribution: Eastern Cape Development Corporation	4 262 000	4 582 000	8 844 000
Disbursements for the year	(17 273 541)	(33 936 412)	(51 209 953)
Interest earned on ring-fenced funds	227 712	519 521	747 233
Balance of administered fund at 31 March 2015	**13 052 691**	**10 915 348**	**23 968 039**
Contribution: Eastern Cape Rural Development Agency	8 298 500	-	8 298 500
Contribution: Development Bank of South Africa	43 116 000	9 164 000	52 280 000
Contribution: Eastern Cape Development Corporation	-	-	-
Other income	-	2 009 654	2 009 654
Disbursements for the year	(31 125 993)	(19 053 689)	(50 179 682)
Interest earned on ring-fenced funds	455 700	454 070	909 770
Balance of administered fund at 31 March 2016	**33 796 899**	**3 489 382**	**37 286 281**

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 2016 the administered fund amounted to R568 761 (2015: R617 246).

Land Claims Liabilities arising from non-exchange transactions

The Department of Land Affairs appointed the group and/or individual subsidiaries as an implementing agent for the payment of land claims to specified communities/beneficiaries in the Eastern Cape. The Department of Land Affairs remains responsible for identification and verification of the beneficiaries as well as the awarded amounts. The Department of Land Affairs requires that the funds be held in a ring-fenced account. The group and/or individual subsidiaries have no rights to the funds, except for the agency fee claimed. All remaining fund were disbursed during the 2015 financial year.

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.

18. Liabilities Arising From Non-Exchange Transactions (Continued)

This was done to accommodate the strict timeframes for the implementation of the project. The farm has since transfer, been under the control of the ultimate beneficiary community who have the risks and rewards of ownership. The R3.2 million purchase price was funded by the Eastern Cape Department of Rural Development and Agrarian Reform. The purchase agreement was dated 27 September 2007.

At 31 March 2016 (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	Agency	Group	Group
	2016	2015	2016	2015
Finance lease liabilities	R	R	R	R
Capitalised finance lease liability	2 069 954	2 321 503	2 113 056	2 460 672
Less: Current portion	(949 609)	(821 095)	(992 711)	(920 550)
Non-current portion	1 120 345	1 500 408	1 120 345	1 540 122

Reconciliation of future minimum lease payments to their present value	Agency			
	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	2016	2015
	R	R	R	R
No later than 1 year	1 054 533	832 969	949 609	821 095
Later than 1 year and not later than 5 years	1 200 214	1 507 475	1 120 345	1 500 408
	2 254 747	2 340 444	**2 069 954**	**2 321 503**
Less: future finance charges	(184 793)	(18 941)		
Present value of minimum lease payments	**2 069 954**	**2 321 503**		
Reconciliation of future minimum lease payments to their present value	Minimum lease payments		Present value of minimum lease payments	
No later than 1 year	1 099 009	940 703	992 711	920 550
Later than 1 year and not later than 5 years	1 200 214	1 570 320	1 120 345	1 540 122
	2 299 223	2 511 023	**2 113 056**	**2 460 672**
Less: future finance charges	(186 167)	(50 351)		
Present value of minimum lease payments	**2 113 056**	**2 460 672**		

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 finances 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 5 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 Nil (2015: R5 221) for the Nashua equipment contracts covering a period of 5 years. New 3 year contracts were entered into with Konica Minolta during the 2015 financial year for the lease of equipment. The monthly contractual instalment is R26 256 (2015: R26 256).

The Vodacom contracts are capitalised for a period of 2 years and the aggregate monthly instalment on the finance leases is R52 726 (2015: R24 985).

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 R35 742 (2015: R35 742). The new Telkom contracts covers a period of 5 years.

The finance lease of the subsidiary, Kangela Citrus Farms (Pty) Ltd, relates to tractors with a lease term of 5 years. The company has an option to purchase the assets for a nominal value at the conclusion of the lease agreement. The finance lease have fixed repayment terms on a monthly basis and bear interest at floating rates. The interest rate prevailing is ranging between 12,11% - 13,11% (2015: 10,03% - 14,08%) per annum.

20. Provision For Insurance Contracts	Agency and Group	Agency and Group
	2016	2015
	R	R
Balance at beginning of the year	-	70 699
Movement for the year	-	(70 699)
Balance at end of the year	**-**	**-**

21. Capital Contributed		
Capital consists of the value of the net of assets taken over from the Agricultural Bank of Transkei and the Ciskeian Agricultural Bank on 1 July 2000.	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 2016 (2015: nil).

22. Risk Management

22.1 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.

22.2 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.

22.3 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 for certain staff and former staff housing loans. 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.

The agency has ceded an amount of R32 000 with First National Bank in favour of an employee. This is not considered to be a material risk to the agency as should the employee default the loan the amount would be deducted from the employees monthly salary.

22.4 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.

22.5 Liquidity risk

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

As a result of a significant increase in loans and advances to customers over the past few years and an increase is 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.

As at 31 March 2016, approximately 38% (2015: 49%) 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 2016 were: Moody's Baa2/P-2 and Fitch BBB-/negative/A-3, both with negative investors outlook (2015: Moody's Baa2; Fitch Ratings BBB, both with a negative investors outlook). The remaining 62% (2015: 51%) 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.

22.6 Other risks

As set out in note 10 the biological assets are not insured for loss due to fire, theft or other loss.

23. Other Income And Expense Analysis	Agency	Agency	Group	Group
23.1 Other Income	2016	2015	2016	2015
	R	R	R	R
Discount received	-	125 491	-	**125 491**
Private telephone calls recovered	**363**	-	363	**-**
Recovery of loans and advances previously written off	**240 553**	359 332	240 553	**359 332**
Impairment of payable	-	1 000 000	-	**1 000 000**
Sundry income	**2 134 438**	2 168 108	2 366 417	**2 246 928**
	2 375 354	**3 652 931**	**2 607 333**	**3 731 751**

23.2 Administrative Expenses	Agency	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Accounting fees - internal audit	**301 451**	552 539	**301 451**	552 539
Accounting fees - subsidiaries	**85 867**	419 504	**85 867**	472 004
Administration costs	**14 016**	6 050	**14 016**	6 050
Bank charges	**242 302**	241 893	**248 726**	287 309
Contingent insurance policy administration fee	**84 000**	-	**84 000**	-
Directors' remuneration - fees	**3 220 470**	3 100 140	**3 220 470**	3 100 140
Directors' travelling and subsistence	**1 379 950**	1 424 959	**1 379 950**	1 441 824
Entertainment	**15 412**	55 708	**16 390**	68 350
Fines and Penalties	**644**	680	**12 521**	1 624
General expenses	**70 009**	48 229	**71 524**	57 827
Insurance	**238 632**	207 996	**355 308**	349 972
Legal expenses	**1 441 458**	1 643 265	**1 589 832**	1 646 556
Printing and stationery	**611 252**	1 314 495	**613 251**	1 364 989
Relocation - staff	**842 219**	2 653 234	**842 219**	2 891 375
Staff refreshments	**204 785**	161 320	**204 785**	161 320
Staff training	**1 387 933**	1 721 638	**1 388 533**	1 736 358
Staff ancillary costs	**94 464**	387 053	**115 871**	407 362
Subscriptions	**35 049**	101 619	**35 799**	102 219
Workers forum	**66 401**	16 436	**66 401**	16 436
Workmen's compensation	-	-	-	271 826
	10 336 315	14 056 758	**10 646 915**	14 936 081

23.3 Other Operating Expenses	Agency	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Bad debts - rental and other income	**163 669**	21 581	**163 669**	21 581
Bad debts - Loans	**21 038 408**	-	**21 038 408**	-
Cleaning	**326 186**	217 454	**326 186**	218 577
Community capacity development	**40 350**	-	**40 350**	-
Computer maintenance	**2 288 389**	3 593 873	**2 288 389**	3 606 596
Debt collection service fees	**2 295**	1 798	**2 295**	1 798
Depreciation of investment property and property, plant and equipment	**3 491 012**	5 094 176	**4 518 098**	5 802 869
Donations	**-**	-	**23 000**	-
DRDAR funded programme: Female Awards	**1 198 000**	1 476 190	**1 198 000**	1 476 190
DRDAR funded programme: Other	**1 743 650**	648 936	**1 743 650**	648 936
ECRDA Establishment cost	**437 168**	17 100	**437 168**	17 100
Fair value adjustment on receivables	**746 356**	543 472	**746 356**	543 472
Investment gain/loss	**-**	90	**-**	90
Leasing charges - operating lease for equipment	**249 713**	335 014	**264 772**	335 014
Loan application screening/Enquiry cost	**68 114**	28 389	**68 114**	28 389
Minor assets expensed and write off of insured assets stolen/damaged	**9 338**	91 054	**9 338**	97 239
Motor vehicles: fuel and maintenance	**993 093**	787 874	**993 093**	806 749
Municipal services - rates, water and electricity	**1 970 103**	1 641 134	**2 109 855**	1 729 379
Postages	**28 056**	61 197	**28 056**	62 849
Professional fees	**1 177 268**	2 088 886	**1 619 352**	2 175 674
Protective clothing and uniforms	**4 682**	38 544	**19 173**	52 895
Rental charges on land and buildings	**6 780 609**	6 319 954	**6 780 609**	6 319 954
Rent of equipment	**-**	-	**-**	65 082
Repairs and maintenance - buildings	**22 015**	10 157	**22 015**	10 157
Repairs and maintenance - general	**31 906**	986 278	**742 153**	1 532 922
Security	**768 817**	847 459	**831 617**	847 427
Stakeholder management	**35 000**	482 789	**35 000**	482 789
Telephone calls and data lines	**2 675 938**	1 955 610	**2 676 992**	2 013 040
Travelling and subsistence	**5 793 331**	6 836 348	**5 874 476**	7 512 530
	52 083 464	34 125 357	**54 600 182**	36 409 298

23.4 Staff Costs	Agency	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Salaries - medical aid contributions	**2 403 569**	1 701 411	**2 403 569**	1 701 411
Salaries - provident fund contributions	**5 810 167**	4 754 463	**5 810 167**	4 754 463
Salaries - travel allowances	**496 080**	-	**496 080**	-
Salaries and wages	**65 249 505**	52 230 299	**65 857 637**	60 013 635
	73 959 321	58 686 173	**74 567 453**	66 469 508

24. 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.

The subsidiary, North Pondoland Sugar (Proprietary) Limited, has an estimated tax loss of R2 274 533 (2014: R2 293 102) available for set off against future taxable income. A deferred tax asset has not been raised given the uncertainty of earning future income.

The subsidiary, Kangela Citrus Farms (Proprietary) Limited, has not been assessed for tax for an extended period of time and management is in the process of regularising its tax and audit affairs. Management of Kangela Citrus Farms (Proprietary) Limited recognised a tax expense of R1 625 464 (2015: R1 507 108) for the financial year ended 31 March 2016. The company recognised a deferred tax asset of R41 820 (2015: R780 014) and a deferred tax liability of R2 690 908 (2015: R2 357 626).

The subsidiary, Agrarian Research and Development Agency (Proprietary) Limited, is exempt from taxation in terms of s10(1)(cA)(ii) of the Income Tax Act.

	Group	Group
	2016	2015
	R	R
Income Tax Current year - normal taxation	**1 625 464**	1 507 109
Deferred tax		
Balance at the beginning of the year	**(1 577 612)**	-
Increase (decrease) in tax losses available for set off against future taxable income	**(758 251)**	(1 006 221)
Temporary differences on tangible fixed assets	**(9 687)**	(31 031)
Temporary differences on leave pay	**20 057**	(3 241)
Temporary differences on finance lease	**(12 891)**	(10 891)
Temporary difference on biological assets - current	**(310 704)**	(526 228)
Balance at end of the year	**(2 649 088)**	(1 577 612)
Comprising:		
Deferred tax asset	**41 820**	780 014
Deferred tax liability	**(2 690 908)**	(2 357 626)
	(2 649 088)	(1 577 612)

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

Current income tax	Group	Group
	2016	2015
	R	R
Balance at beginning of the year	-	-
Charge for the year	3 750 325	3 329 516
Adjustments - fair value	-	-
Adjustments - penalties and interest	3 326	264
Adjustments - utilise tax loss	-	(686 999)
Adjustments - revenue from non-exchange transactions	(2 523 430)	(1 135 672)
Adjustments - expenses relating to non-exchange revenue	286 936	-
Adjustments - donations	6 440	-
Adjustments - property, plant and equipment	62 326	-
Adjustments - legal fees	39 541	-
Balance at end of the year	**1 625 464**	**1 507 109**

Comprising:		
Assets in Kangela Citrus Farms (Proprietary) Limited	1 625 464	1 507 109
Liabilities in Agrarian Research and Development Agency (Proprietary) Limited	-	-
	1 625 464	**1 507 109**

25. 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	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Lease of office premises	9 346 658	12 262 433	9 346 658	12 262 433
Up to 1 year	4 805 918	6 626 801	4 805 918	6 626 801
1 to 5 years	4 540 741	5 635 632	4 540 741	5 635 632
More than 5 years	-	-	-	-

The statement of financial performance details the expenditure incurred by the agency on the operating leases.
A total of R6 780 609 (2015: R6 319 043) was paid during the financial year in respect of all lease expenses. A net straight lined operating lease liability of R345 824 (2015: R334 583) existed at reporting date.

The East London office lease contributes 74% (2015: 85%) of the lease expense for the next 12 months, with 63% for the period thereafter. This lease was signed for a fixed term and does not have escalation impacts. The lease expires 31 October 2016 and the agency has an option to renew the lease for a further 2,5 years.

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 R95 234 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.

26. Fruitless And Wasteful Expenditure	Agency	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Legal fees	-	-	-	-
Interest/Finance costs paid	3 050	610	3 050	610
No-show charges/accommodation	2 600	-	2 600	-
Fines and penalties	644	-	644	-
Total fruitless and wasteful expenditure for the year	6 294	610	6 294	610
Less: condoned by the board	-	-	-	-
Expenditure recovered	(322)	(610)	(322)	(610)
Expenditure not condoned by the board - carried forward	-	-	-	-
Expenditure condoned in current year for prior year	-	-	-	-
Expenditure not condoned by the board - brought forward	5 972	-	5 972	-

27. Irregular Expenditure/Payments (Own Funds)	Agency	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Procurement of goods and services where procurement procedures were not strictly applied	-	6 194 374	-	6 295 544
Total non-compliant expenditure for year (irregular expenditure upon payment)	-	6 194 374	-	6 295 544
Less: current year expenditure/payments condoned by the board	-	-	-	(101 170)
Expenditure/payments not condoned by the board - for the year	-	6 194 374	-	6 194 374
Expenditure/payments not condoned by the board - brought forward	6 194 374	-	6 194 374	-
Less: carried forward expenditure/payments condoned by the board	(6 194 374)	-	(6 194 374)	-
Expenditure / payments not condoned by the board - carried forward	-	6 194 374	-	6 194 374

The ECRDA issued bids for the construction of three steel sheds during the 2014/15 financial year. The same bidder was awarded all three sheds after a due process was followed for the evaluation and adjudication of the bids. The project manager, a qualified quantity surveyor, evaluated the ability of the highest scoring bidder to perform and indicated that:

- The bidder provided a performance guarantee;
- The bidder has been in the industry for more than 20 years;
- The bidder will have access to procure the required steel for the sheds.

The ECRDA thus concluded that the bidder has the ability to perform the required construction work for all three sheds and would not pose undue risk to the overall project. The bidder has a 4GB, 1CE and 1ME grading from the CIBD.

The value of all three bids combined is R6 194 374. The CIBD's 4GB allocation grading level is R4 000 000 and is used as a guideline for assessing irregular expenditure. The total value of GB works for all three bids is R3 549 973, but the CIBD's grading level is applied to the value of all categories combined. The goods (sheds) have been delivered.

28. Board Member And Senior Management Remuneration	Agency	Agency	Directors of agency paid by subsidiaries	
28.1 Board Member Remuneration	2016	2015		
Board committee members *	R	R	R	R
Burn-Ncamashe Z., Prince (1 January 2010 - February 2016)	259 286	297 000	-	-
Kali B., Ms (appointed 1 January 2010)	306 922	283 500	-	76 844
Pietersen C.J., Mr (appointed 1 January 2010)	295 633	289 980	-	-
Mkile F.F., Ms (appointed 20 January 2010)	368 055	338 580	-	55 396
Mkosana V.M., Dr (appointed 15 November 2012)	367 311	365 580	-	-
George X., Mr (appointed 15 November 2012)	335 903	338 580	-	-
Jarana V., Mr (appointed 15 November 2012)	285 413	282 420	-	37 774
Le Roux A., Mr (appointed 15 November 2012)	284 842	283 500	-	-
Mbalekwa S.W., Mr (appointed 15 November 2012)	340 183	338 580	-	-
Semane Z., Ms (appointed 15 November 2012)	284 842	282 420	-	-
Sogoni M., Mr (appointed 1 February 2016)	46 040	-	-	-
Ncwadi M., Mr (appointed 1 February 2016)	46 041	-	-	-
Fees for services rendered	**3 220 471**	**3 100 140**	**-**	**170 014**

* The Chief Executive Officer, Mr. T.T. Gwanya is also a member of the board.

28. Board Member And Senior Management Remuneration (Continued)	Agency	Agency	Directors of agency paid by subsidiaries	
28.2 Senior Management Remuneration	Salary & Bonus	Provident fund	Other benefits	Total
Agency - 2016	R	R	R	R
Gwanya T.T., Mr - Chief Executive Officer	1 872 147	219 641	36 537	2 128 325
Simukonda N., Mr - Chief Operations Officer	1 290 801	151 438	121 951	1 564 190
Baxter J., Mrs - Chief Financial Officer	1 581 097	-	26 774	1 607 871
Ntshanga G., Mr - Chief Strategy Officer	1 142 469	-	21 869	1 164 338
Mavuso N., Mrs - Executive Corporate Services	1 234 394	145 220	65 613	1 445 227
Koyana G., Mrs - Executive Legal Manager	952 610	111 732	5 625	1 069 967
Velani C., Mr - Executive Office Manager	726 869	85 388	40 963	853 219
Wobiya N., Mr - Internal Audit Manager	706 851	82 866	13 803	803 520
Crew R., Mr - Executive Renewable Energy	1 639 836	-	353 802	1 993 638
	11 147 074	**796 284**	**686 937**	**12 630 295**
Agency - 2015				
Gwanya T.T., Mr - Chief Executive Officer	1 767 920	205 465	85 718	2 059 103
Simukonda N., Mr - Chief Operations Officer	1 218 939	141 663	94 429	1 455 032
Baxter J., Mrs - Chief Financial Officer	1 491 601	-	24 070	1 515 670
Ntshanga G., Mr - Chief Strategy Officer	987 443	-	17 343	1 004 786
Mavuso N., Mrs - Executive Corporate Services Manager**	1 001 535	119 886	52 742	1 174 163
Koyana G., Mrs - Executive Legal Manager**	795 892	97 941	9 842	903 674
Velani C., Mr - Executive Office Manager**	595 044	73 225	48 186	716 455
Wobiya N., Mr - Internal Audit Manager	650 513	73 254	8 018	731 784
	8 508 886	**711 434**	**340 347**	**9 560 667**

Mr. R. Crew was the Chief Executive Officer of ARDA. ARDA did not have a Chief Financial Officer or Chief Operations Officer.
*ARDA was integrated into the ECRDA on 1 April 2015.
** The manager was appointed during the financial year ended 31 March 2015

	Gross Salary	Other Benefits	Allowances	Total
Subsidiaries - 2015	R	R	R	R
Crew R., Mr (ARDASA)	1 554 967	31 022	179 176	1 765 165
	1 554 967	**31 022**	**179 176**	**1 765 165**

29. Related Party Transactions	Agency	Agency
29.1 Summary of transactions during the year	2016	2015
	R	R
Department of Rural Development and Agrarian Reform (operating grant)	151 573 000	210 779 000
Department of Rural Development and Agrarian Reform (reimbursement of instructed payments and Tea Estates increased funding)	5 001 550	5 298 936
Department of Rural Development and Agrarian Reform (receivable at fair value)	347 910	540
Coega Development Corporation (Youth Fund contribution)	500 000	-
Department of Rural Development and Land Affairs - National (transfers)	-	20 769 550
Department of Agriculture, Forestry and Fisheries (receivable at fair value)	10 646 368	21 758 444
Industrial Development Trust - receipts	367 948	-
Industrial Development Trust - receivable (fair value)	108 668	478 443
Ncera Macadamia (transfer)	7 000 000	7 500 000
North Pondoland Sugar (payments on behalf of entity)	72 713	23 951
Summerpride pineapple (payments)	-	154 700
Agrarian Research and Development Agency (payments)	-	8 035 800
Kangela Citrus Farms (earmarked budget)	6 966 000	6 640 000
Kangela Citrus Farms (payable at reporting date)	1 726 125	1 144 932
Magwa Tea - budget allocation and additional funds transferred	16 337 683	4 973 260
Magwa Tea - own funds paid to suppliers	327 169	-
Majola Tea - budget allocation and additional funds transferred	4 796 816	901 340
Majola Tea - own funds transferred and payable	219 978	-
Office of the Premier (receivable at fair value)	236 179	2 168 522
Office of the Premier (receipts)	4 725 851	890 854
Office of the Premier (Tea Estate increased funding)	14 562 499	-
National Treasury (Job's fund project contribution)	52 280 000	42 272 284
Eastern Cape Development Corporation (receivable)	-	53 873
Eastern Cape Development Corporation (project contribution)	-	8 844 000

Transactions with board members and management are detailed in note 28. Note 7 contains staff loan disclosures.

29.2 Transactions with the Eastern Cape Provincial Government during the year

The agency received (and accrued) a grant of R151 573 000 (2015: R210 779 000) from the Eastern Cape Department of Rural Development and Agrarian Reform (DRDAR) during the year for operating activities. This amount includes transfer payments. Additional funding for disbursements on behalf of the Department to the value of R5 001 550 (2015: R5 298 936) was paid to the agency. At 31 March 2016 a balance of R347 910 (2015: R540) is due to the agency.

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

Department of Forestry and Fisheries
Project implementation and cropping expenditure of R22 205 303 was incurred by the agency on behalf of the Department in prior years. A total of R11 000 000 was repaid by the Department during the 2016 financial year. The balance due to the agency amounts to R10 758 444 (fair valued at R10 646 368) at 31 March 2016. Also refer to note 8.1

Industrial Development Trust
Cropping project implementation is done on behalf of the IDT prior the 2014 reporting date. At financial year-end the Industrial Development Trust owes the Eastern Cape Rural Development Agency R113 422 fair valued at R108 668 (2015: R481 370).

Department of Rural Development and Land Reform (National)
A total of nil (2015: R20 769 550) was paid to the agency and disbursed during the year to manage on behalf of the Department. Project implementation is done at Amadlelo Dairy for the Department.

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 R52 280 000 (2015: R42 272 284). Refer to note 18 for the split of the programme funding.

Eastern Cape Development Corporation (ECDC)
ECDC is a co-funder of the DBSA Job's Fund Agro-processing and Forestry Programmes. Contributions of nil (2015: R8 844 000) were paid towards the programmes. Expenses to the value of R53 873 was incurred in 2014 on behalf of the Eastern Cape Development Corporation (ECDC) relating to legal payments for the tea estate. The agency invoiced the ECDC for the expenses incurred and wrote off the debt during the 2016 financial year.

Office of the Premier
Programme expenditure of R4 516 057 (2015: R3 085 989) was incurred on behalf of the Office of the Premier. R4 275 774 (2015: R890 854) was received by the agency resulting in a receivable of R240 313, fair valued at R236 179 (2015: R2 195 135) at reporting date.

Summerpride Pineapple
A total of nil (2015: R154 700) was received from Summerpride for the pineapple rescue project of DRDAR and nil (2015: R303 700) was paid on the programme in the financial year.

Ncera Macadamia
A total of R7 000 000 (2015: R7 500 000) was allocated and paid to the programme as per the Provincial budget allocation.

Magwa Tea Enterprise (MTE)
A total of R2 862 000 (2015: R2 765 000) was allocated and paid to the MTE as per the Provincial Budget allocation from the Department of Rural Development and Agrarian Reform (DRDAR). In 2016 additional funding of R1 358 849 (2015: R2 198 660) was received from the Department and R12 116 834 from the Office of the Premier, which was disbursed to the estate. The ECRDA incurred expenses to the value of R327 169 on behalf of the Estate in the 2016 financial year.

The total Government assistance for the year ended 31 March 2016 to the Estate amounted to R16 664 852.

Majola Tea
A total of R1 710 000 (2015: nil) was received and paid to the tea establishment as per the Provincial Budget allocation. Additional funding of R641 151 (2015: R901 340) was received from the Department and R2 445 602 from the Office of the Premier to disburse to the estate. The ECRDA incurred expenses to the value of R219 978 on behalf of the Estate in the 2016 financial year, resulting in total Government assistance of R5 016 794 towards the Estate for the year ended 31 March 2016.

29.3 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 12). 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).

29.4 Transactions between the agency and Agrarian Research and Development Agency (Proprietary) Limited

A grant transfer of nil (2015: nil) was paid to the subsidiary as per the Provincial Budget allocation and the subsidiary was integrated into the ECRDA on 1 April 2015. In 2015 payments of R10 700 348 was processed on behalf of the subsidiary.

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

The voted funds of R6 966 000 (2015: R6 640 000) was received from the Department as part of the operational grant of the agency. Transfers were not processed to Kangela as payments was made on their behalf. The agency has a 51% shareholding in the subsidiary and considers Kangela Citrus Farms as a Rural Enterprise Development Hub. A payable of R1 726 125 (2015: R1 144 932) is included in note 18 as at 31 March 2016.

29.6 Transactions between the agency and North Pondoland Sugar (Proprietary) Limited

Payments to a supplier for the completion of statutory documentation on behalf of the company was paid by the Eastern Cape Rural Development Agency to the value of R72 713 (2015: R23 951).

30. Retirement Funding

Defined contribution plan
Employees of the agency are members of either the non-contributory Rainmaker Provident Fund or the Sanlam Provident Fund. At 31 March 2016 the membership of the Eastern Cape Rural Development Agency's employees of the provident fund was as follows:

	Agency		Agency	
	2016		2015	
	Number of employees		Number of employees	
Members of Rainmaker Plus Provident Fund	127	77%	112	75%
Sanlam Provident Fund	22	13%	21	14%
Non-members	15	9%	17	11%
Total staff complement	164	100%	150	100%
Members of Rainmaker Plus Provident Fund	5 810 167		4 754 463	
The agency contributed as follows to the defined contribution plans during the financial year:	**5 810 167**		**4 754 463**	

Retirement benefits
Provident fund benefits are related to the member's fund credit at retirement. The fund credit consists of the employer's contribution plus declared yield on such contributions.

Funding
The provident fund is a defined contribution plan where contributions are made as a percentage of the total salary package of the employee. Contributions are part of the total cost to company of individuals.

	Fund contribution
Rainmaker Plus Provident Fund	15%
Sanlam Provident Fund	10%

The subsidiary companies do not have any post retirement obligations.

31. Reconciliation Between Budget Deficit With The Deficit In The Statement Of Financial Position

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	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
(Deficit)/ for the year (refer to the statement of financial performance)	(28 213 686)	21 989 051	(18 567 290)	30 954 400
Adjusted for:				
Initiation fees & net margin on loans	(5 143 078)	15 202 813	(5 143 078)	15 202 813
Subsidy costs on concessionary loans	3 521 413	4 099 319	3 521 413	4 099 319
Profit / loss on disposal of property, plant and equipment	550 362	494 466	550 362	502 530
Bad debts - rental and other income	163 669	21 581	163 669	21 581
Fair value adjustments - biological assets	-	-	(16 098 295)	(19 601 224)
Fee - MAFISA Scheme	359 877	451 377	359 877	451 377
Minor assets expensed	9 338	91 054	9 338	97 239
Commission fees for managing projects (accrued)	(2 519 142)	(3 621 726)	(2 519 142)	(3 621 726)
Revenue from non-exchange transaction	-	(1 000 000)	-	(1 000 000)
Provision for bad debts on loans reversed	-	(20 820 194)	-	(20 820 194)
Fair value adjustments	746 356	534 939	746 356	534 939
Bad debts - loans	21 038 407	-	-	-
Impairments reversed	-	(633 924)	-	(633 924)
Net under/(over) budgeting of expenses/over/(under) budgeting of income	-	-	-	-
(Deficit)/Surplus per approved budgets	(9 486 483)	16 808 756	(36 976 789)	6 187 130

Also refer to the 'Statement of comparison of budget and actual amounts'. Budget information is not included for North Pondoland Sugar (Proprietary) Limited and Kangela Citrus Farms (Proprietary) Limited as it is included under transfers.

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	2015/16	Basis	Agency	Timing
Net Cash Flows from Operating Activities				
Per AFS	21 337 750			
Per MTEF Budget estimated outcomes	8 234 000			
Difference	13 103 750	x		
Net Cash Flows from Investing Activities				
Per AFS	(8 821 842)			
Per MTEF Budget estimated outcomes	(3 460 000)			
Difference	(5 361 842)	x		
Net Cash Flows from Financing Activities				
Per AFS	(296 767)			
Per MTEF Budget estimated outcomes	-			
Difference	(296 767)	x		
Total	**7 445 141**			

32. 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.

33. STANDARDS AND INTERPRETATION NOT YET EFFECTIVE AS AT 31 MARCH 2015

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 20	Related Party Disclosure
GRAP 32	Service concession arrangements: Grantor
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents

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

34. Going Concern

The Eastern Cape Rural Development Agency depends on government grants from the Department of Rural Development and Agrarian Reform to finance operations and projects. The agency prepares financial statements on a going concern basis as the budget allocation from the Department enables the agency to function. In terms of the PFMA excess funds should be surrendered to the Provincial Treasury. Provincial Treasury took action to ensure compliance on this requirement during the 2013 financial year.

The excess funds and all administrative funds controlled on behalf of other Government Departments were surrendered to the Provincial Treasury. The agency has a legal obligation to perform in terms of the entered agreements with the Land Claims Department and the Department of Rural Development and Agrarian Reform. Subsequent to the surrender of the funds, the agency had to use own funds to facilitate these committed expenses.

An assessment on the going concern of the subsidiaries is detailed in note 11 as National Treasury instructed all Public Entities to dissolve the subsidiaries held. ARDA was integrated into the agency on 1 April 2015.

35. Financial Instruments Per Category

	Agency	Agency	Group	Group
35.1 Financial liabilities by category	2016	2015	2016	2015
The accounting policies for financial instruments have been applied to the line items below	Amortised Cost	Amortised Cost	Amortised Cost	Amortised Cost
Trade and other payables	18 858 876	25 254 734	21 106 969	27 051 680
Loan from South African Fruit Exporters (SAFE)	-	-	8 801 281	10 811 172
	18 858 876	25 254 734	29 908 250	37 862 852

35.2 Financial Assets by Category	Agency 2016		
The accounting policies for financial instruments have been applied to the line items below	Fair Value	Amortised Cost	Cost
Cash and cash equivalents	-	-	115 049 019
Trade and other receivables	14 016 433	-	-
Loans and advances to customers	-	47 506 949	-
Investments under contingency policy	-	8 579 830	-
	14 016 433	**56 086 779**	**115 049 019**

	Agency 2015		
	Fair Value	Amortised Cost	Cost
Cash and cash equivalents	-	-	102 829 878
Trade and other receivables	26 677 750	-	-
Loans and advances to customers	-	67 824 362	-
Investments under contingency policy	-	8 168 006	-
	26 677 750	**75 992 368**	**102 829 878**

	Group 2016		
	Fair Value	Amortised Cost	Cost
Cash and cash equivalents	-	-	115 106 454
Trade and other receivables	17 212 171	-	-
Loans and advances to customers	-	47 506 949	-
Investments under contingency policy	-	8 579 830	-
Receivable owing from Arengo 316 (Proprietary) Limited		7 097 346	-
	17 212 171	63 184 125	115 106 454

	Group 2015		
	Fair Value	Amortised Cost	Cost
Cash and cash equivalents	-	-	104 652 534
Trade and other receivables	27 437 748	-	-
Loans and advances to customers	-	67 824 362	-
Investments under contingency policy	-	8 168 006	-
Receivable owing from Arengo 316 (Proprietary) Limited	-	7 469 957	-
	27 437 748	83 462 325	104 652 534

36. Comparative Figures

The following changes were made to the comparative figures:

(a) Project expenditure decreased with R2 400 as the invoice was incorrectly accounted for twice.
(b) Municipal services decreased with R75 643,64 as invoices were received post financial statement submission from the supplier and the double recording of one invoice.
(c) Security services decreased with R250,20 following an account reconciliation when the statement was received from the supplier.
(d) Refreshments decreased with R2300,35 after discovering that the supplier submitted two invoices for the same service.
(e) Repairs and maintenance increased with R330,60 when an invoice was submitted post financial statement submission.

(f) The administered fund liability relating to the DRDLR of R5 227 092,84 decreased as the liability was derecognised and the accumulated surplus was amended accordingly. The entry relates to the surrender made to Treasury in August 2013 where the funds to the administered projects were returned but the liability was retained by the agency. The DRDLR confirmed that the project will not continue and the liability was derecognised accordingly.
(g) The job's fund agro-processing administered fund increased with R4 000 as an invoice was accounted for twice, while the forestry programme decreased with R22 500 as an invoice was received from a supplier post financial statement submission.
(h) As a result of the corrections detailed above, the supplier control account decreased with R61 762,98.
(i) The loan from SAFE, previously reported as a non-current loan, was reclassified to a current liability by Kangela Citrus Farms (Pty) Ltd. The value of the loan is R10 811 172.
(j) The Sundays River Citrus debtor (Kangela Citrus Farms (Pty) Ltd) of R126 852 was reclassified from a current asset to a non-current asset as the repayment date of 3 April 2018 was finalised.

Statement of Financial Performance	Balance previously reported (Group)	Restated balance (Group)	Error corrected
Expenses			
Municipal services - rates, water and electricity	1 805 023	1 729 379	(75 644)
Project expenses	63 956 419	63 954 019	(2 400)
Staff refreshments	163 621	161 320	(2 301)
Repairs and maintenance - general	1 532 591	1 532 922	331
Security	847 677	847 427	(250)
	68 305 331	**68 225 067**	**(80 264)**
Statement of Financial Position	**Balance previously reported (Group)**	**Restated balance (Group)**	**Error corrected**
Current assets			
Trade and other receivables	27 564 599	27 437 748	(126 851)
Non-current assets			
Sundays River Citrus Company	-	126 851	126 851
Current liabilities			
Trade and other payables	27 113 442	27 051 680	(61 762)
Liabilities arising from non-exchange transactions	33 616 219	28 370 626	(5 245 593)
Loan from SAFE	-	10 811 172	10 811 172
Non-current liabilities			
Loan from SAFE	10 811 172	-	(10 811 172)
Equity			
Accumulated Surplus	117 608 448	122 915 804	5 307 356

Statement of comparison of budget and actual amounts

The Eastern Cape Rural Development Agency (ECRDA) publicly disclosed budget is prepared on the cash basis whilst the financial statements is prepared on the accrual basis. The budget is classified per strategic goal regardless of the underlying operating expenditure items whereas the ECRDA consolidated annual financial statements is based per income and expenditure line items. Both the financial statements and the budget covers the period 1 April 2015 to 31 March 2016. 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 and the Eastern Cape Provincial Treasury.

	Actual 2014/15	Actual 2015/16	Budget 2015/16	Variance
Revenue	**221 330 229**	**177 124 580**	**165 687 000**	**11 437 580**
Sale of goods and services (i)	-	-	-	-
Interest, dividends and rentals (ii)	2 848 997	3 216 525	3 914 000	(697 475)
Other non-tax revenue (iii)	2 403 295	2 271 006	10 200 000	(7 928 994)
Transfer received (iv)	216 077 936	171 637 049	151 573 000	20 064 049
Expenses	**204 521 472**	**186 611 063**	**165 687 000**	**20 924 063**
Compensation of employees (v)	58 686 173	73 959 321	72 096 000	1 863 321
Goods and services (vi)	103 642 512	71 581 925	63 410 000	8 171 925
Depreciation (vii)	5 094 176	3 491 012	5 123 000	(1 631 988)
Interest, dividends and rentals (viii)	6 344 990	6 825 184	6 520 000	305 184
Transfers and Subsidies (iv)	30 753 621	30 753 621	18 538 000	12 215 621
SURPLUS/(DEFICIT)	**16 808 756**	**(9 486 483)**	**-**	**(9 486 483)**

Reason(s) for material variances

(i) The agency classifies commissions earned and agency fees as other non tax revenue. There was no sale of biological assets during the 2015/16 financial year at agency level.
(ii) Interest earned on cash holdings were less than the income estimates as:
-additional administered fund projects from which the agency earns interest could not be secured during the year;
- renovations of the King William's Town offices in order to derive rental income were postponed to the 2016/2017 financial year.
(iii) Other non-tax revenue were less than the revised income estimates as:
- new administered fund projects from which the agency earns commissions/agency fees could not be secured during the year; - unimpaired revenue generated from the ECRDA loan book was less than expected.
(iv) Transfers received exceeded the budget due to:
- additional funding allocated to Magwa Enterprise Tea - R14 562 498, Majola Tea Estate - R2 000 000;
- expenditure incurred on behalf of DRDAR relating to the Berlin horse racing event - R353 458 and female farmers' awards of R1 257 900
(v) Compensation of employees (COE) were more than expected due to the filling of critical positions during the financial year, secondments and the regrading of existing positions.
(vi) The expenditure on goods and services were more than what was budgeted. The additional expenditure related primarily to project related goods and services funded from debtors repayments.
(vii) Depreciation was below expectation due to the disposal/ transfer of property, plant and equipment to the Rural Enterprise Development Hubs during the financial year.
(viii) The expenditure on rentals was higher than budgeted for. The ECRDA rented offices in the Nelson Mandela Metropole as part of the geographical spread of its offices and rental costs of suitable office accommodation exceeded original estimates.

Reconciliation between the detailed income statement and the budget versus actual comparison:	Actual 2015/16	Actual 2014/15
Total Income as per Income Statement	184 786 801	232 211 792
Results from Lending activities	(5 143 078)	15 202 813
Fair value adjustments and Reversal of impairments and provisions	-	(22 462 651)
Commission fees for managing projects (accrued)	(2 519 142)	(3 621 726)
Total Income for comparison of budget and actual income	**177 124 580**	**221 330 229**
Total Expenses as per Income Statement	213 000 486	210 222 742
Bad debts - rental and other income	(163 669)	(21 581)
Fee - MAFISA Scheme	(359 877)	(451 377)
Fair value adjustments and impairments	(746 356)	(543 472)
Scrapping of obsolete property, plant and equipment	(550 362)	(494 466)
Minor assets expensed	(9 338)	(91 054)
Social benefit from concessionary loans	(3 521 413)	(4 099 319)
Total Expenses for comparison of budget and actual income	**186 611 063**	**204 521 472**
Net result	**(9 486 483)**	**16 808 756**

Detailed consolidated statements of financial performance as at 31 March 2016
(unaudited schedule to financial statements)

Income	Agency	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Interest income on loans and advances	3 151 893	1 805 269	3 151 893	1 805 269
Net credit impairment charge	1 869 185	(17 094 482)	1 869 185	(17 094 482)
Credit impairment charge	-	(2 046 222)	-	(2 046 222)
Write off of irrecoverable debts	(7 554 779)	(17 453 814)	(7 554 779)	(17 453 814)
Interest on concessionary loans	9 183 411	2 046 222	9 183 411	2 046 222
Recovery of loans and advances previously written off	240 553	359 332	240 553	359 332
Net interest margin on lending activities	5 021 078	(15 289 213)	5 021 078	(15 289 213)
Loan initiation fees	122 000	86 400	122 000	86 400
Result from lending activities	**5 143 078**	**(15 202 813)**	**5 143 078**	**(15 202 813)**
Interest income on loans and advances / Average gross loans and advances	0.50%	0.29%	0.50%	0.29%
Other income	**8 006 674**	**31 336 669**	**50 495 840**	**79 763 826**
Commission fees for managing projects	2 519 142	3 621 726	2 519 142	3 621 726
Discount received	-	125 491	-	125 491
Fair value adjustment: Guardrisk	-	8 533	-	8 533
Fair value adjustment: Biological assets	-	-	16 098 295	19 601 224
Interest income on cash and investments	2 179 753	1 980 053	2 182 367	2 009 804
Impairment reversed	-	563 225	-	563 225
Impair contingency insurance contract	-	70 699	-	70 699
National Skills Fund	136 206	109 696	136 206	109 696
Private telephone calls recovered	363	-	363	-
Rental income from investment property	1 036 772	868 945	1 036 772	868 945
Revenue from non-exchange transactions	-	1 000 000	-	1 000 000
Provision for bad debts on loans reversed	-	20 820 194	-	20 820 194
Sale of goods	-	-	26 156 278	28 717 361
Sundry income	2 134 438	2 168 108	2 366 417	2 246 928
Government grant and additional program specific funding	**171 637 049**	**216 077 936**	**171 637 049**	**216 077 936**
TOTAL INCOME and balance carried forward	**184 786 801**	**232 211 792**	**227 275 967**	**280 638 949**

Detailed consolidated statements of financial performance as at 31 March 2016
(unaudited schedule to financial statements)

	Agency	Agency	Group	Group
	2016	2015	2016	2015
	R	R	R	R
Balance brought forward	**184 786 801**	**232 211 792**	**227 275 967**	**280 638 949**
EXPENSES				
Administration fee - Guardrisk	84 000	-	84 000	-
Administration Costs	14 016	6 050	14 016	6 050
Accounting fees - subsidiaries	85 867	419 504	85 867	472 004
Audit fees	3 643 604	3 151 659	3 828 332	3 437 231
Internal Audit Fees	301 451	552 539	301 451	552 539
Bad debts - rental and other income	163 669	21 581	163 669	21 581
Bad debts - Loans	21 038 408	-	21 038 408	-
Bank charges	242 302	241 893	248 726	287 309
Cleaning	326 186	217 454	326 186	218 577
Community capacity development	40 350	-	40 350	-
Computer maintenance	88 341	1 547 582	88 341	1 560 305
Computer software maintenance	2 200 048	2 046 290	2 200 048	2 046 290
Cost of Sales	-	-	34 532 536	38 285 285
Donations	-	-	23 000	-
Debt collection service fees	2 295	1 798	2 295	1 798
Depreciation of investment property and property, plant and equipment	3 491 012	5 094 176	4 518 098	5 802 869
Directors' remuneration and fees	3 220 470	3 100 140	3 220 470	3 100 140
Directors' travelling and subsistence - non executive	1 379 950	1 424 959	1 379 950	1 441 824
DRDAR funded programme: Female Awards	1 198 000	1 476 190	1 198 000	1 476 190
DRDAR funded programme: Other	1 743 650	648 936	1 743 650	648 936
ECRDA Establishment costs	437 168	17 100	437 168	17 100
Entertainment	15 412	55 708	16 390	68 350
Enquiry Fees	68 114	28 389	68 114	28 389
Fair value adjustment on receivables and assets	746 356	543 472	746 356	543 472
Fee - MAFISA Scheme	359 877	451 377	359 877	451 377
Finance costs	44 574	25 036	75 166	262 005
General expenses	70 009	48 229	71 524	57 827
Insurance	238 632	207 996	355 308	349 972
Investment gain/loss	-	90	-	90
Leasing charges	249 713	335 014	264 772	335 014
Legal expenses	1 441 458	1 643 265	1 589 832	1 646 556
Scrapping of obsolete property, plant and equipment	550 362	494 466	550 362	502 530
Marketing and functional partnerships	922 694	2 821 933	922 694	2 828 723
Minor assets expensed	9 338	91 054	9 338	97 239
Balance carried forward	**44 417 326**	**26 713 882**	**80 504 294**	**66 547 575**

Detailed consolidated statements of financial performance as at 31 March 2016
(unaudited schedule to financial statements)

Income	Agency 2016 R	Agency 2015 R	Group 2016 R	Group 2015 R
Balance Brought Forward	**44 417 326**	**26 713 882**	**80 504 294**	**66 547 575**
Motor vehicles: fuel and maintenance	993 093	787 874	993 093	806 749
Municipal services - rates, water and electricity	1 970 103	1 641 134	2 109 855	1 729 379
Penalties and Fines	644	680	12 521	1 624
Postages	28 056	61 197	28 056	62 849
Printing and stationery	611 252	1 314 495	613 251	1 364 989
Professional Fees	1 177 268	2 088 886	1 619 352	2 175 674
Project expenses	31 211 548	63 643 269	31 211 548	63 954 019
Protective clothing and uniforms	4 682	38 544	19 173	52 895
Relocation - staff and offices	842 219	2 653 234	842 219	2 891 375
Rental charges on land and buildings	6 780 609	6 319 954	6 780 609	6 319 954
Rental of equipment	-	-	-	65 082
Repairs and maintenance - general	31 906	986 278	742 153	1 532 922
Repairs and maintenance - buildings	22 015	10 157	22 015	10 157
Subsidiary grants	35 647 870	28 098 674	28 681 870	15 973 344
Salaries - medical aid contributions	2 403 569	1 701 411	2 403 569	1 701 411
Salaries - provident fund contributions	5 810 167	4 754 463	5 810 167	4 754 463
Salaries - travel allowances	496 080	-	496 080	-
Salaries and wages	65 249 505	52 230 299	65 857 637	60 013 635
Security	768 817	847 459	831 617	847 427
Skills levy	719 442	568 720	719 442	568 720
Staff refreshments	204 785	161 320	204 785	161 320
Staff training	1 387 933	1 721 638	1 388 533	1 736 358
Staff ancillary cost	94 464	387 053	115 871	407 362
Stakeholder management	35 000	482 789	35 000	482 789
Subscriptions	35 049	101 619	35 799	102 219
Social benefit from concessionary loans	3 521 413	4 099 319	3 521 413	4 099 319
Telephone calls and data lines	2 675 938	1 955 610	2 676 992	2 013 040
Travelling, accommodation and subsistence	5 793 331	6 836 348	5 874 476	7 512 530
Worker's forum	66 401	16 436	66 401	16 436
Workmen's compensation	-	-	-	271 826
Total Expenses	213 000 486	210 222 742	244 217 792	248 177 441
(Deficit) / Surplus Before Taxation	(28 213 686)	21 989 051	(16 941 826)	32 461 508
Taxation	**-**	**-**	**(1 625 464)**	**(1 507 108)**
(Deficit) /Surplus After Taxation	**(28 213 686)**	**21 989 051**	**(18 567 290)**	**30 954 400**

Composition:	Group 2016 R	Group 2015 R
Eastern Cape Rural Development Agency	(28 213 686)	21 989 051
Agrarian Research and Development Agency (Pty) Ltd	-	(1 437 239)
Kangela Citrus Farms (Pty) Ltd	9 655 564	10 384 020
North Pondoland Sugar (Pty) Ltd	(9 168)	18 569
	(18 567 290)	**30 954 400**

Transfer of functions between entities under common control

The ECRDA acquired ARDA on 1 April 2015. ECRDA owned all the shares of the transferred entity and the provisions of the relevant GRAP, Transfer of functions between entities under common control, were applied. The operational functions of ARDA ceased and the entity is being deregistered. The assets, liabilities, employees and contingencies of ARDA are now owned and controlled by ECRDA. The ECRDA did not take over the functions of ARDA but incorporated their operations into the existing functions of ECRDA. Assets and liabilities were taken on at the audited balances as at 31 March 2015, at the values calculated and applied for the group's consolidation.

Effect on ECRDA	Asset	Liability	Equity
Computer equipment	12 391	-	-
Accumulated depreciation on computer equipment	(12 390)	-	-
Furniture and fittings	88 801	-	-
Accumulated depreciation on furniture and fittings	(40 580)	-	-
Buildings	580 000	-	-
Accumulated depreciation on buildings	(124 892)	-	-
Land	160 000	-	-
Motor vehicles	1 340 728	-	-
Accumulated depreciation on motor vehicles	(1 146 389)	-	-
Office equipment	41 677	-	-
Accumulated depreciation on office equipment	(30 073)	-	-
Plant and machinery	2 477 048	-	-
Accumulated depreciation on plant and machinery	(2 094 880)	-	-
Transfer of functions/Accumulated surplus of ECRDA	-	-	(1 251 441)

Transfer of property, plant and equipment from ARDA to ECRDA at cost	Asset	Liability	Equity
Arengo receivable	7 469 957	-	-
ECRDA receivable	-	-	-
Telkom deposit receivable	2 100	-	-
VAT receivable	28 775	-	-
Transfer of functions/Accumulated surplus of ECRDA	-	-	(7 500 832)

Transfer receivables to ECRDA after eliminating the inter-entity receivable	Asset	Liability	Equity
Cash and cash equivalents	1 782 514	-	-
Administered funds	-	(1 766 694)	-
Transfer of functions/Accumulated surplus of ECRDA	-	-	(15 820)

Take-over cash and liabilities on the administered funds	Asset	Liability	Equity
Leave accrual/payable	-	(-374 460)	-
Cradock Saad payable	-	(-310 750)	-
Arengo loan	-	(-12 530 043)	-
Transfer of functions/Accumulated surplus of ECRDA	-	-	13 215 254
Take-over the liabilities of ARDA	-	-	-

Take over of functions impact on the ECRDA:	Asset
Non-current assets	**1 251 441**
Property plant and equipment	1 251 441
Current assets	**9 283 346**
Receivables	7 500 832
Cash and cash equivalents	1 782 514
Total assets	**10 534 787**
Equity	
Accumulated surplus	(-4 447 161)
Current liabilities	**14 981 948**
Arengo loan	12 530 043
Liabilities from administered funds	1 766 694
Other payables	685 210
Total equity and liabilities	**10 534 787**

ECRDA

Eastern Cape Rural Development Agency

Unit 12D, Beacon Bay Crossing,
Cnr N2 Bonza Bay Road
Beacon Bay, East London, 5201
www.ecrda.co.za