Annual Report
2016/17
ECRDA
Eastern Cape Rural Development Agency

ABBREVIATIONS

AFS	Annual Financial Statements
APP	Annual Performance Plan
ARDA	Agrarian Research and Development Agency
ASGISA	Accelerated Shared Growth Initiative of South Africa
BRP	Business Rescue Process
CEO	Chief Executive Officer
DAFF	Department of Agriculture, Forestry and Fisheries
DRDAR	Department of Rural Development and Agrarian Reform
DRDLR	Department of Rural Development and Land Reform
EC	Eastern Cape
ECDC	Eastern Cape Development Corporation
ECRDA	Eastern Cape Rural Development Agency
ECRFC	Eastern Cape Rural Finance Corporation
EIA	Environmental Impact Assessment
GRAP	Generally Recognised Accounting Practice
GDP	Gross Domestic Product
HA	Hectare
HIPPs	High Impact Priority 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

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ECRDA

Eastern Cape Rural Development Agency

"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.

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 2016 to 31 March 2017.

Dr Vanguard Mkhosana
Chairperson

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.

ABOUT ECRDA

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

LEGISLATIVE MANDATE

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

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

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

"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 other strategies and 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.

VISION

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

MISSION

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

VALUES 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 and integrity: we will strive to remain consistent, trustworthy and demonstrate respect and commitment in our intentions by setting an example of true professionalism and ethical propriety in 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.

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STRATEGIC PILLARS

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

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.

CORNELIUS PIETERSEN

Reappointed February 2016
Committees:
Governance & Ethics, FINVEST, Programmes & Projects (Chairperson)

XOLILE GEORGE

Reappointed February 2016
Committees:
Governance & Ethics, Human Capital & Remuneration (Chairperson)

SABATHA MBALEKWA

Reappointed February 2016
Committees:
Governance & Ethics, Audit & Risk (Chairperson), FINVEST

FEZEKA FAITH MKILE

Reappointed February 2016
Committees:
Governance & Ethics, Finvest

DR VANGUARD MKOSANA

Chairperson:
Reappointed February 2016
Committees:
Governance and Ethics

ECRDA BOARD OF DIRECTORS

ABSENT

MBULELO SOGONI

Appointed February 2016
Committees: Audit and Risk, Human Capital & Remuneration

BONGIWE KALI

Reappointed February 2016
Committees: Audit and Risk, Programmes and Projects

ZANELE SEMANE

Reappointed February 2016
Committees: Programmes and Projects, Human Capital and Remuneration

MPUMELELO NCWADI

Appointed February 2016
Committees: Committees: FINVEST, Programmes & Projects Committee

THOZAMILE GWANYA (Ex Officio)

Chief Executive Officer:
Appointed June 2013

ABRAHAM LE ROUX

Reappointed February 2016
Committees: Audit and Risk, Human Capital and Remuneration

VUYANI JARANA

Reappointed February 2016
Committees: Governance & Ethics, FINVEST (Chairperson)

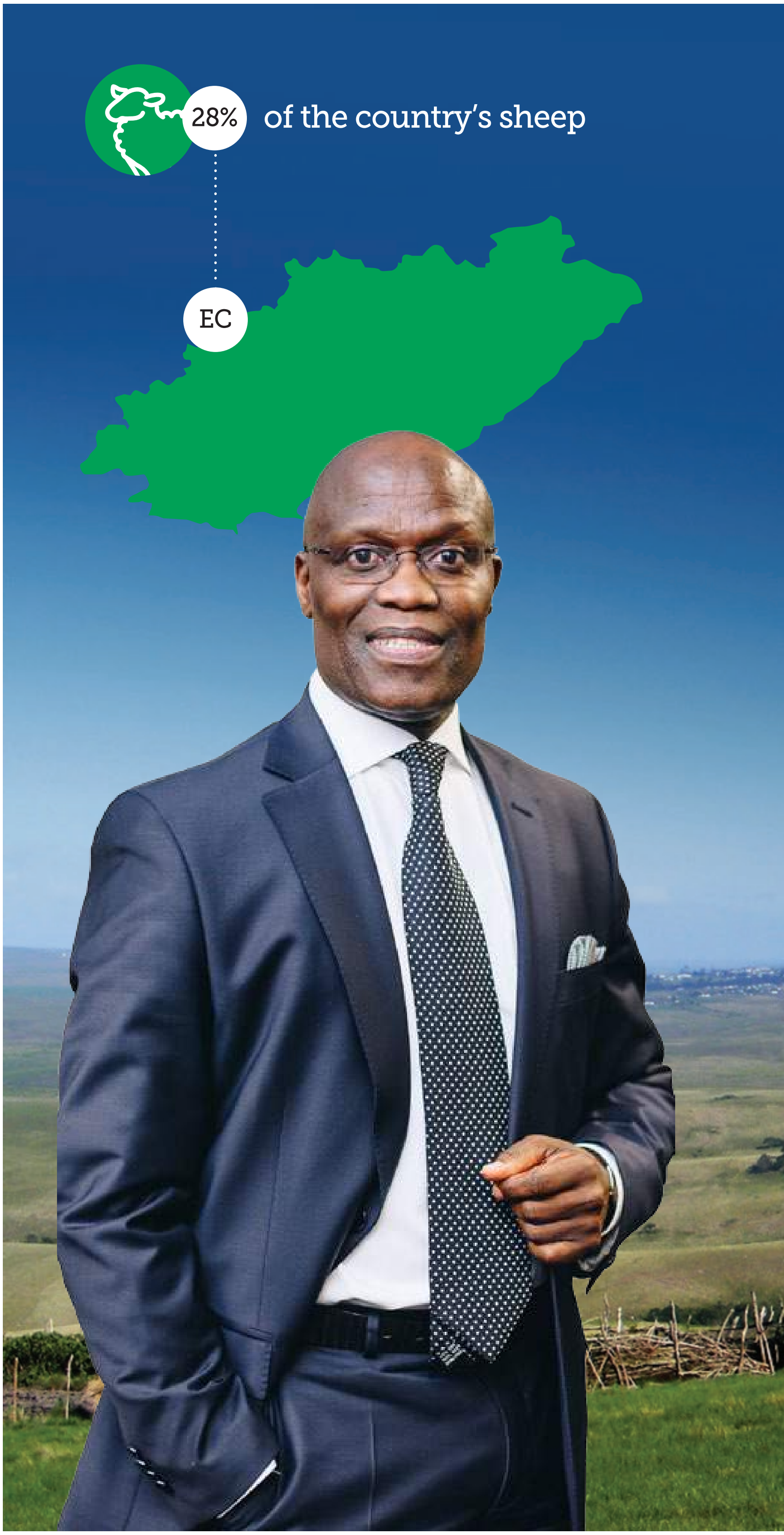
Chairman's Foreword

The Eastern Cape Rural Development Agency (ECRDA) is consistent in its pursuit of a vision to realise a sustainable rural economy that improves the livelihoods of the people of the Eastern Cape. This report affords us an opportunity to assess progress made against all the challenges encountered in the course of implementation.

Based on the developments since our last report we are confident that the fundamentals are in place and there is no pressing need for change of policy and strategic direction of the organisation. However, the high levels of inequality, poverty and unemployment prevalent in the Eastern Cape make it necessary that we continue to search for innovative ways to change the status quo. Looking beyond the confines of our province, it is clear that with an enabling mandate like ours, we should begin to cast our eyes on big-ticket ventures. In this regard, we envisage a move towards comprehensive rural industrialisation in line with national rural development imperatives.

The Eastern Cape is uniquely positioned to be the food basket of South Africa if its agricultural potential is properly harnessed. Currently the Eastern Cape is home to 21% of the country's cattle, 28% of its sheep and 46% of South African goats. The Province is also a world leader in the production of mohair. It is therefore imperative that we begin to leverage the natural endowments of the Eastern Cape such as land, including communal land, livestock, the pristine coastline and human capital in a manner that begins to slant towards championing rural industrialisation. To realise this imperative, we need to cultivate, grow and sustain empowering high-value partnerships with the public and private sectors in the quest for robust mandate delivery. One of the imperatives in this regard is making the rural areas attractive to investors.

We are also pleased to report that the agency has registered meaningful strides towards the realisation of the goals as set out in its strategic plan. The RED Hubs are a flagship programme that has begun to impact positively on the quality of life of the target population. However, we are aware of the fact that RED Hubs operated in isolation of the broader communities around them. This had the potential of limiting the desired impact on a sustainable basis.



21% of the country's cattle | 46% of the country's goats

The Red Hubs have also been confined to maize products. Experience gained thus far instructs us to consider adding more products and increase the number of feedstock growers. This way the communal farmers will be able to sell their produce to the nearby RED Hubs as long as they meet the prescribed standards.

We take pride at reporting that ECRDA is managing its affairs in line with the expectations of good governance. Testimony to this is the Auditor General's clean audit opinion given to ECRDA. All the good work done thus far could not be possible without the dedication of the management and staff of ECRDA under the stewardship of the chief executive officer, Thozamile Gwanya.

Our gratitude goes to the Hon MEC Mlibo Qhoboshiyane for his able leadership and guidance he continues to give to the Board. We thank the chairperson and the members of the Portfolio Committee for Rural Development & Agrarian Reform for their keen interest in ECRDA. Without their oversight the agency would not have been where it is now.

Vanguard Mkosana
Chairperson of the Board

ROAK
CREW

Executive Manager:
Renewable Energy

CHUMA
VELANI

Executive Office
Manager:
Office of the CEO

THOZAMILE
GWANYA

Chief Executive
Officer

GCOBANI
NTSHANGA

Executive Manager:
Strategic Management

ECRDA EXECUTIVE TEAM

JANINE BAXTER
Chief Financial Officer

NAVY SIMUKONDA
Chief Operations Officer

ABSENT

GWEN KOYANA
Executive Manager: Legal Services and Company Secretariat

NWABISA MAVUSO
Executive Manager: Corporate Services

Organisational Structure

ECRDA has provided for a fit-for-purpose organisational structure in support of attaining the Vision, Mission and strategic objectives of the organisation. Currently 164 employees are employed by the ECRDA and 99% of funded positions in the organisational structure has been populated. The organisation will continue to strive to fill all vacant funded positions and to review the structure so as to ensure optimal utilisation of resources, attract the necessary human capital and develop its talent to ensure improved performance and job satisfaction.

Chief Executive Officer's Report

The 2016/17 financial year presented the organisation with the platforms and channels from which to launch a spirited attack on the socio-economic challenges which characterise the Eastern Cape rural landscape. As an organisation with a broad and varied rural development mandate, we began the review period with the overarching objective of consolidating the work we have done thus far in the inspired implementation of identified high impact priority programmes (HIPPS).

In furtherance of this objective and in order to enhance its developmental impact, ECRDA also sought to sharpen the requisite tools and instruments that would allow the organisation to coordinate and implement high impact priority programmes. The execution of the ECRDA mandate therefore requires the mobilisation of public and private resources as well as strategic high-value partnerships in order to effect the desired socio-economic change.

RESOURCE ALLOCATION

In addition, while there was no major policy shifts in the period under review, it has become increasingly important to ensure that there is greater alignment between grand national goals and resource allocation. While the developmental ideals spelled out in various policy postures are noble in character, they often fail the implementation test due to inadequate funding commitments. As such, agents of government such as ECRDA continuously strive to deliver the desired socio-economic returns within increasing budgetary constraints. However, the organisation is also mindful that effective mandate discharge will require increased government funding in the long-term if is to meet the demands of its formidable mandate.

Furthermore, ECRDA is continuously engaged with the shareholder to address the pressing issue of the availability of land for developmental purposes in communal areas. There is a need for improved access to communal land assets which are secure and fenced in order to prevent livestock damage which erodes our developmental efforts. In addition, there is a challenge of finding quality communal land for primary production purposes.

RESOURCE ALLOCATION (CONT.)

Currently, the majority of available land is of a poor quality characterised by erosion which affects the productive capacity. If we want to improve production, greater attention needs to be paid into an investment in liming to improve the quality of the soil in order to meet feedstock requirements so that processing plants at ECRDA projects can run optimally and profitably.

STRATEGIC PARTNERSHIPS

ECRDA is equally cognisant of the fact that well-thought out partnerships which deliver value are required to assist in the realisation of a vibrant and robust rural economy. While there are partnerships in place with public and private partners in support of ECRDA programmes, I am pleased that commercial enterprises such as Anglo-American are showing interest in assisting our Rural Enterprise Development (RED) Hubs with primary production. In addition, the Whiphold agricultural initiative in Centane has committed to providing feedstock to the ECRDA RED Hubs in the new financial year.

INTERNAL ENVIRONMENT

However, ECRDA is not oblivious to the fact that it needs to continuously sharpen its internal instruments and human capital capabilities to derive maximum shareholder value. ECRDA has an abiding commitment to ensure its people are fit-for-purpose to deliver the best possible product and service offering to rural enterprise development which we agree as central to the realisation of improving rural livelihoods, improved food security and income generation.

To do this, we require capacitated human capital. While we have people with the energy to discharge our mandate, we are on a journey of continuous improvement. When we improve our skill levels we perform better. In this regard, ECRDA has adopted a more integrated approach to the work of the organisation which ensures all business units are in sync toward the realisation of a common objective.

MANDATE DELIVERY

In pursuit of this, the Board of Directors impressed on the organisation a need to revolutionise ECRDA's rural finance instruments so that they are able to stimulate economic growth and development in rural communities. The plan is to increase and improve our reach to more rural entrepreneurs and communities in order to spread the development impact.

In practice, this means ECRDA has to increase the number of beneficiaries of its loan instruments as well as improving loan repayment patterns. In addition, greater focus is needed in dealing with delays in disbursements of loan funding which impact on the ability of rural entrepreneurs to implement their projects. There is also a need to review the credit policy especially in the area of collateral in order to broaden access to loan finance as an economic stimulant.

Furthermore, ECRDA set itself a target to improve feedstock supply to its RED Hubs in order to support processing and value addition activities at the milling plants. The plan is to ensure that there is improved revenue generation, self-sufficiency and job creation at the mills. This means there needs to be improved primary production which is able to meet the demands of the mills. In this regard, I am pleased that ECRDA was able to plant 3,912 hectares of maize at the Ncora, Mqanduli and Mbizana RED Hubs.

ha

3,912 ha of maize was planted at the Ncora, Mqanduli and Mbizana RED Hubs

There was a further 187 hectares of grain sorghum planted at the Emalahleni RED Hub despite challenging and persisting drought conditions. The R25 million budget set aside for the agro-processing function also resulted in the commissioning of two mills at Emalahleni and Mbizana RED Hubs in the period under review. The Ncora and Mqanduli mills also became fully operational. These mills produce processed products such as samp, maize meal and honey chop. These mills are establishing new markets which should improve income generation.

ha

187 ha of grain sorghum was planted at the Emalahleni RED Hub despite drought

2

R25 million agro-processing budget resulted in two mills at Emalahleni and Mbizana

In addition, ECRDA set itself a target of ensuring that there is improved participation by rural communities in commercial forestry production which is dominated by large commercial enterprises. In this regard, ECRDA has identified Category B and C forests which are not performing optimally.

ECRDA's contribution in turning around these forests for community benefit is improving their management and planting new trees so that they can become viable. ECRDA is already working on the creation of fire belts in these forests to prevent destruction from fires, ensuring proper planting and harvesting of timber as well as maintenance activities. In pursuit of this objective, ECRDA exceeded its annual target and planted 1,287.7ha of trees in the period under review.

A total of R44,5 million was spent in planting activities. A total of R26 million was spent on the employment of 1,129 people as well as on operational costs. The balance of the amount was spent on the procurement of seedlings, fertilisers, herbicides and stock absorbers. A further R9,8 million was spent on the procurement of machinery such as four bakkies, four labour trucks, 13 shipping containers for storage, construction of five office complexes, two tractors with trailers and 11 fire-fighting trailers as well as a tractor-drawn grader.

Greater focus was also placed on the renewable energy high impact priority project specifically on promoting the establishment of the bio ethanol plant in Cradock. The organisation also conducted research studies on the different types of feedstock required to feed the bio-fuels industry. The studies confirmed the usefulness of algae and bamboo as feedstock. Studies were also done to find alternative crops for crop rotation with bio-fuels feedstock crops such as cannabis for oil extraction.

As a result, the renewable energy function spent R380 000 of its R1,5 million budget in 2016/17 building bankable business plans to support the roll-out of renewable energy power supply to the ECRDA's Rural Enterprise Development (RED) Hubs in Emalahleni and Ncora. These business plans revealed a need for an energy mix in order to bring down the electricity costs needed to run the RED Hubs optimally.

The business plans proposed an energy mix comprising of renewable energy in the form of solar panels and Eskom power. The costs of going to pure renewable energy proved to be excessive and not viable. It was proposed that the RED Hubs use solar power during the day when there is sunlight and Eskom power in the evenings.

I am also pleased to announce that progress is being made in the marketing of livestock in the hands of communal subsistence farmers as well as emerging commercial farmers. In 2016/17, ECRDA spent R350,000 in the construction of three loading ramps on livestock marketing. These ramps helped in the marketing and sale of 1,766 livestock units belonging to communal and emerging commercial farmers in the Ngqushwa area. The livestock marketing exercise generated about R8,5 million in income for these farmers. ECRDA supported the marketing exercise by linking up with Grahamstown-based livestock marketing agent Hobson and Company.

AGRO-PROCESSING

ZAR

R44,5 million was spent in planting activities

R26 million was spent on the employment of 1,129 people as well as on operational costs

R9,8 million was spent on the procurement of machinery such as bakkies, labour trucks

RENEWABLE ENERGY

ZAR

R380,000 of R1,5 million renewable energy budget spent in the year 2016/17

That amount was spent building bankable business plans to support the roll-out of renewable energy power supply to the ECRDA's RED Hubs in Emalahleni and Ncora

LIVESTOCK

ZAR

R350,000 was spent on the construction of three livestock loading ramps

These ramps helped in the marketing and sale of 1,766 livestock units with R8,5 million generated income

Moving forward, ECRDA intends to ensure that rural industrialisation should form the epicentre of our rural development agenda in the Eastern Cape.
This should impact on all industries including forestry, agro-processing, livestock, manufacturing and mining.

FUTURE OUTLOOK

Greater focus will be placed in supporting milling plants to ensure that they produce food for the communities they operate in through commercial primary production. There is a need to broaden our focus beyond maize production which has low profit margins, and thus begin to look at more lucrative initiatives such as essential oils, vegetables, fruits and renewable energy. The ultimate objective is the creation of vibrant rural economies, income generation improved food security and job creation.

APPRECIATION

I would like to extend my appreciation to the Board of Directors for their encouragement and oversight role. Further allow me to thank the ECRDA executive management team for their continued support as well as all ECRDA staff who continue to exert their energy in pursuit of a broader and wider rural development impact. DRDAR, both at head office and in the Districts have continued to work so well with ECRDA in support of rural community development initiatives.

Thozamile Gwanya
Chief Executive Officer

Chief Financial Officer's Report

ECRDA's results for the year are evidence of management's commitment to utilise funding, provide rural finance and implement projects. The year was characterised by a strong focus on improving organisational performance, financially and in terms of achieving performance targets. As in the prior financial year, the ECRDA obtained an unqualified "clean" audit opinion which is a further indication of the organisation's commitment to a strong internal control environment and exemplary administration.

As a Schedule 3C public entity, the ECRDA is not profit driven and surrenders unspent funds at the end of the financial year to Provincial Treasury. This hampers the building up of reserves to reduce government dependency, long term planning and to an extent, participation in multi-year projects.

This review provides further insight into the financial position and performance of the ECRDA, and should be read in conjunction with the annual financial statements presented on pages 90 to 183

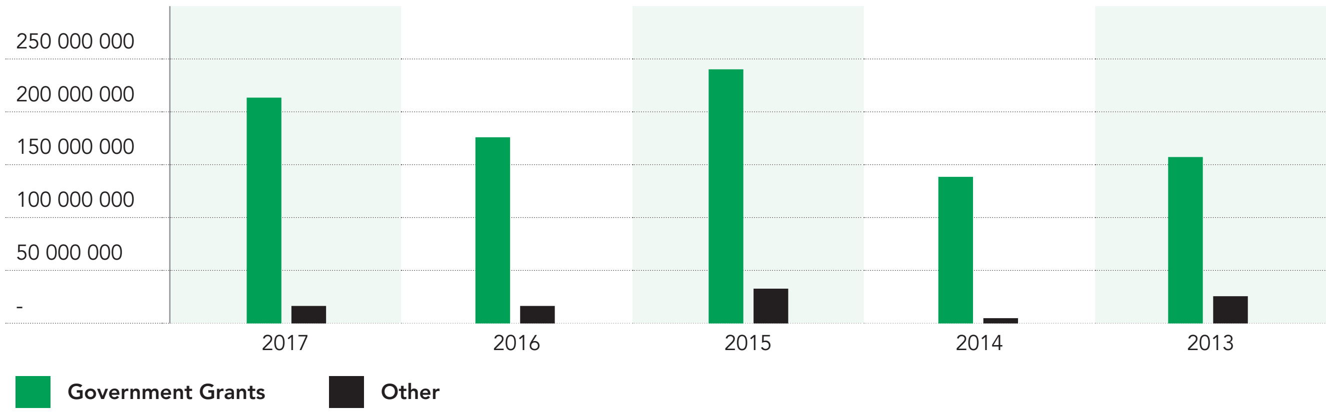
REVENUE & TRANSFER PAYMENTS

The funding allocated to the ECRDA group for the 2016/17 financial year increased by 14% from R173.6m to R198.6m and includes transfer payments. The growth in allocation included funding to implement projects on behalf of the Office of the Premier and the Department of Rural Development and Agrarian Reform. Support for the Ncera Macadamia project was demonstrated by the increase in transfer payments to R16,7m as compared to R7m in the prior year. Funding to the Magwa and Majola Tea Estates, currently under business rescue, decreased significantly from R21,7m in the prior year to R4,8m.

Kangela Citrus, a subsidiary of the ECRDA, continued its trend of improved performance with an operating surplus generated of R5,8m and full repayment of the R8m working capital loan. Given the recapitilisation project involving new orchards, the outlook for Kangela Citrus is positive in the coming years.

The year was characterised by a strong focus on improving organisational performance, financially and in terms of achieving performance targets. As in the prior financial year, the ECRDA obtained an unqualified "clean" audit opinion

ECRDA Revenue Streams



The ECRDA's revenue streams consists mainly of government funding, constituting 93% of total revenue for year compared to 89% in the prior year. Other revenue streams include income from finance provided (loan books) and rentals earned from its commercial property in Mthatha. The decline in own revenue generated, attributable mainly to the lacklustre performance of the organisation's loan books, is a cause of concern. The ECRDA is currently engaged in the review of the rural finance strategy and operating model to find the equilibrium between improving financial returns and providing developmental finance at a low cost to the clients in a high credit risk environment. The ECRDA acknowledges that the continuous optimisation of own generated revenue streams and development of partnerships are key to further entrench the relevance of the organisation through service delivery.

Revenue sources	Estimated (2017)	Actual	(Over)/Under collection	Estimated (2016)	Actual	(Over)/Under collection
Government Grants	165 021	198 586	33 565	151 573	171 637	20 064
Interest on cash, dividends and rentals	4 031	4 436	405	3 914	3 216	(698)
Other revenue	6 705	1 149	(5 556)	10 200	17 755	7 555
Total Revenue	175 757	204 171	28 414	165 687	192 608	26 921

EXPENDITURE & PROJECT IMPLEMENTATION

During the year, the ECRDA focused mainly on operationalising the Mqanduli and Ncora Rural Enterprise Development (RED) Hubs and commissioning the Mbizana and Emalahleni RED Hubs. These hubs include mills, storage facilities, trading facilities and mechanisation equipment.

The implementation of the multi-year Jobs Fund Agro-processing and Forestry projects continued during the year and is expected to conclude in the 2017/18 financial year. Disbursements relating to these projects amounted to R57,2m (2016: R50,2m). The co-funders of these projects are the ECRDA, ECDC and National Treasury. Total disbursements on projects where ECRDA is the implementing agent amounted to R88,6m (2016: R90,8m). Expenditure on own projects of R30,7m (2016: R21,2m) remained fairly constant compared to the prior year.

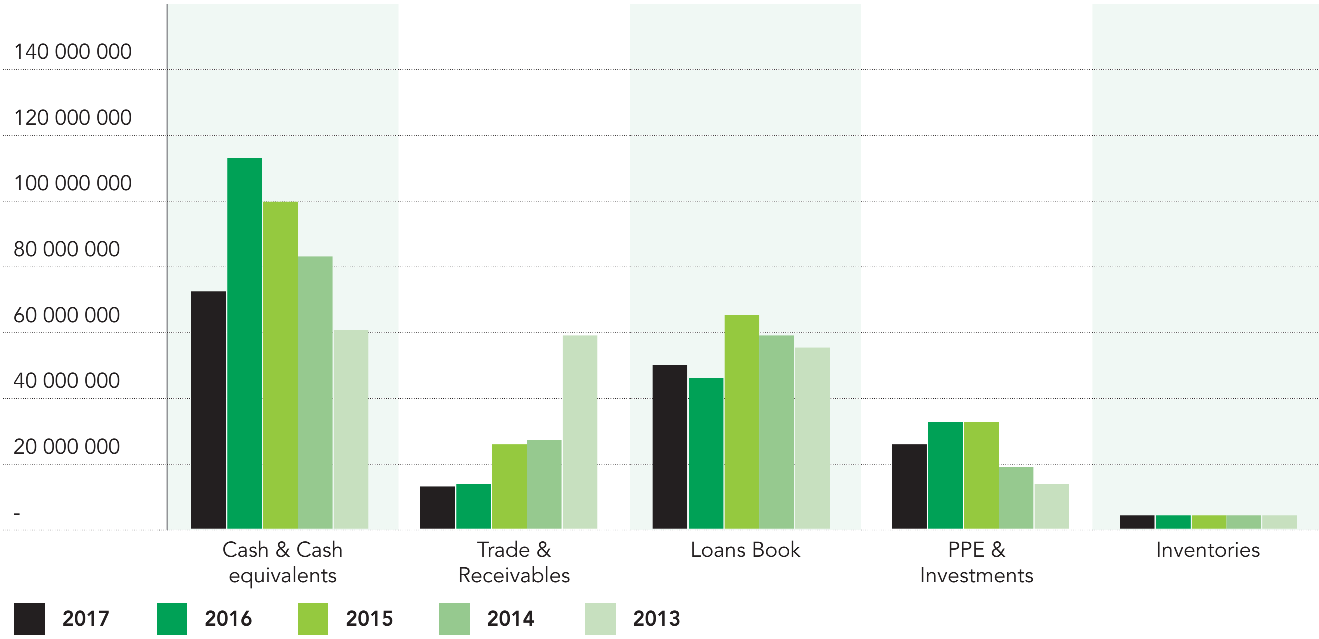
The current economic climate and constraints on the fiscus is acknowledged and is expected to reduce available funding for projects going forward. Against this backdrop, the ECRDA continues to identify and implement ways to reduce its operational costs. Administrative expenses of R8,8m (2016: R8,9m), excluding staff training, decreased by 2% year on year. Cost of Employment of R80,6m (2016: R74m) increased by 9% year on year which constituted 38% of the expenditure for the year. Managing COE remains a priority of the ECRDA, coupled with maximising operational efficiencies.

OPERATIONAL COSTS

Administrative expenses of R8,8m (2016: R8,9m) decreased by 2% year on year.

FINANCIAL POSITION

Asset Base Growth



The asset base of the ECRDA decreased with R45m (22%) year-on-year. The decrease stems mainly from the impairment of the Investment in Arengo by R7m after assessing the likelihood of the Cradock Bio-ethanol plant materialising in the foreseeable future and the reduction in cash and cash equivalents as administered funds were utilised for project implementation. Correspondingly, the ECRDA's liabilities arising from administered fund holdings decreased in the current year. The ability of ECRDA to pay its trade liabilities from own cash holdings decreased from the previous year. Regardless, the ECRDA is still able to pay its debts as they fall due.

Key Ratios	2017	2016	2015	2014	2013
Current Ratio	3,0	2,6	2,6	2,8	2,5
Own Cash vs Current Trade Liabilities	0,8	1,9	1,1	1,0	0,8
Administered funds vs cash holdings	0,8	0,7	0,7	0,8	0,7
Total Assets vs Total Liabilities	3,6	3,0	3,0	3,3	2,8

Despite the limited budget available for rural finance and the annual surrender of reserves, the ECRDA's loan book grew by R3,4m (7%) year on year post impairments. The impairment rate improved from 67% to 66%. The ECRDA aims to improve collections through the provision of aftercare services by deploying rural development officers to assist clients with their agricultural and trading activities.

CAPITAL INVESTMENT & MAINTANANCE

Capital investments during the year comprised of the replacement of some fleet vehicles and obsolete computer equipment. Extensive maintenance is required at the Mthatha, King William's Town and Cradock properties owned by the ECRDA. The maintenance has been placed on hold based on an instruction received from Provincial Treasury. This maintenance and refurbishment is required to improve revenue streams.

ECRDA maintains a fixed asset register which is updated and verified quarterly. During the verification process, assets in need of repair and/or maintenance are identified. The condition of the majority of ECRDA's assets are considered to be good. The internal controls over assets and the fixed asset register are 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	2017	2016	2015	2014	2013
PPE	15 320 446	15 356 429	23 202 506	8 536 826	10 016 908
Investment Property	1 763 716	1 802 041	1 840 258	1 878 368	1 913 533
Intangible Assets	265 596	816 122	765 654	1 489 905	2 453 017
Total	17 349 758	17 974 592	25 808 418	11 905 099	14 383 457

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

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

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 2017.

Yours faithfully

Thozamile Gwanya
Chief Executive Officer

Vanguard Mkosana
Chairperson of the Board

Operational Overview

AGRO-PROCESSING REPORT

During the period under review, ECRDA used its agro-processing function to consolidate primary production at its Rural Enterprise Development (RED) Hubs which were hard-hit by the drought in the previous financial year. In addition, ECRDA set itself a goal of commissioning and operationalising milling plants at the four RED Hubs in order to boost their processing capability and value addition activities.

ZAR

R25 million budget was set aside in 2016/17 for the realisation of the above objectives

A total of R22,1 million was subsequently spent in the execution of the various agro-processing programmes. At the beginning of the review period, ECRDA targeted to operationalize the Ncora and Mqanduli RED Hubs milling plants to process white maize into super maize meal and hominy chop as by-product which is used as animal feed.

MQANDULI RED HUB

During the year, Mqanduli primary co-operatives delivered to the Mqanduli RED Hub storage silos 257,7 tons of white maize from the 165 hectares planted in the 2015/16 season. The maize was only planted in two of the 13 primary co-operatives at the RED Hub because of severe drought conditions. The harvest was processed into super maize meal for local spaza shops and to Umtiza Farmers Corp. A total of R755,834 was generated from the sale of the maize feedstock to the milling plant. A portion of the revenue was reinvested into the next planting season.

In 2016/17, 899 hectares were planted with white maize by 10 primary co-operatives in Mqanduli. Preliminary yield estimates at the end of the financial year stood at 1,6 tons per hectare.

MQANDULI RED HUB

tons

257,7 tons of white maize delivered to the Mqanduli hub storage silos from 165 ha planted in the 2015/16 season

The harvest was processed into super maize meal for local spaza shops and to Umtiza Farmers Corp. A total of R755,834 was generated from the sales

In 2016/17, 899 hectares were planted with white maize by 10 primary co-operatives in Mqanduli.

tons

The Mqanduli mill which has a 0,9 ton processing capacity per hour was fully-operational in the period under review

The mill building was also extended to store the finished products. New offices for staff were built, lab equipment was procured as well as a packaging line to make the mill more effective. Routine repair and maintenance was also done on machinery (tractors) and implements. Mqanduli RED Hub Mechanization unit was also contracted in Tsolo to conclude the planting of the remaining 210 hectares. The Department of Rural Development and Agrarian Reform (DRDAR) also assisted with maize fields fencing of about 42kms in Mqanduli.

NCORA RED HUB

In 2016/17, the total yield delivered to the silos was 135,5 tons from the 306 hectares of white maize planted by seven out of 10 primary co-operatives in Ncora in the 2015/16 season. Of the 306 hectares, only 149 hectares germinated due to the drought conditions. Revenue recorded from the sale of maize to the milling plant was R436,999. A portion of the revenue was reinvested into the 2016/17 planting season. At the Ncora mill, super maize meal and animal feed was produced from the primary produce. This produce was also sold to Umtiza Farmers Corp and local residents.

In 2016/17, 1,849 hectares of maize were planted with preliminary yield estimates set at 1,9 tons per hectare by the end of the financial year. Of this total planted land size, 1,150 hectares is white maize and 699 hectares is yellow maize.

The Ncora one-ton-per-hour processing capacity mill was commissioned and it became operational in July 2016. Eskom solved the electricity challenges in order to allow for optimal performance of the mill. ECRDA procured lab equipment for the mill, packaging material as well as a silo inventory management system. A point-of-sale system was also installed. Computers were also bought for staff. In Ncora the Department of Rural Development and Land Reform (DRDLR) erected 77kms of fence for maize fields at the Ncora RED Hub.

NCORA RED HUB

tons

135 ton yield of white maize delivered to the Ncora storage silos from 306 ha planted in the 2015/16 season

R436,999 revenue recorded from the sale of maize to the milling plant.

In 2016/17, 1,849 hectares of white and yellow maize were planted with yield estimates set at 1,9 tons per hectare

MBIZANA RED HUB

In the 2015/16 season the Mbizana RED Hub planted 488 hectares of white maize from six of the 13 primary co-operatives because of the drought. Planting was done very late in the last quarter of 2015/16. The maize harvested had a very high moisture content for it to be stored at the RED Hub silos. The secondary co-operative took a decision that each co-operative must harvest its own maize and it was therefore never measured.

In 2016/17, 1,164 hectares of white maize were planted in Mbizana. The preliminary yield estimates were 2,7 tons per hectare. DRDLR has assisted the RED Hub with fencing of more than 2,000 hectares of maize field in Mbizana.

The Mbizana RED Hub mill was also commissioned during the period under review. The mill has a one-ton-per-hour processing capacity which can be increased to four tons per hour. The RED Hub was launched by South African President Jacob Zuma in March 2017. There was also a water treatment facility installed to improve the quality of super maize meal.

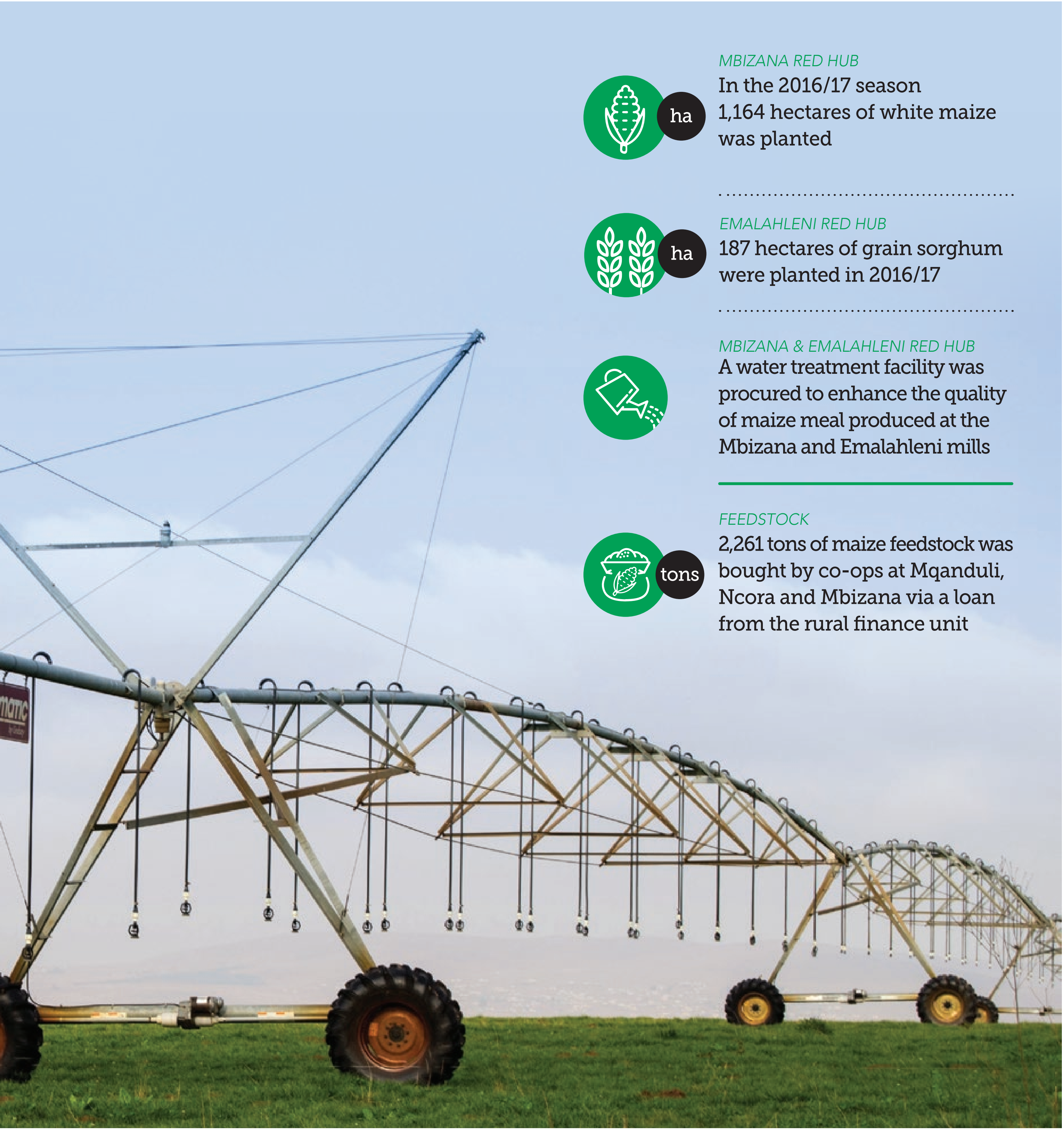
EMALAHLENI RED HUB

At the Emalahleni RED Hub there was no planting or soil preparation in the 2015/16 season because of severe drought that affected that area.

In 2016/17, 187 hectares of grain sorghum were planted at three primary co-operatives because of a persisting drought. The mill was also commissioned in the period under review. Lab equipment as well as a water treatment facility was procured to enhance the quality of maize meal produced at the mill.

FEEDSTOCK

ECRDA also set itself the target of securing feedstock for all the mills. As a result, additional maize was procured for the mills for processing. Co-operatives at the Mqanduli, Ncora and Mbizana RED Hubs took out a loan from ECRDA for the procurement of maize feedstock. A total of 2,261 tons of maize was bought from Farmwise, Fundi rite, Waicopion and Lethabo Milling.



MBIZANA RED HUB

ha

In the 2016/17 season 1,164 hectares of white maize was planted

EMALAHLENI RED HUB

ha

187 hectares of grain sorghum were planted in 2016/17

MBIZANA & EMALAHLENI RED HUB

A water treatment facility was procured to enhance the quality of maize meal produced at the Mbizana and Emalahleni mills

FEEDSTOCK

tons

2,261 tons of maize feedstock was bought by co-ops at Mqanduli, Ncora and Mbizana via a loan from the rural finance unit

LIVESTOCK DEVELOPMENT

During the period under review, the livestock development function placed great emphasis on promoting and discharging the organisation's focus on value-addition and beneficiation of primary produce in the Eastern Cape. This support is particularly useful for those emerging commercial and subsistence farmers in the rural parts of the province.

ECRDA's support for the rural communal and emerging commercial farmer livestock sector in the province is informed by the stark reality that although this segment of the market accounts for half of available livestock units in the province, it only accounts for 10% of revenue generation in the industry. This is largely because communal farmers hold onto their livestock units until they are old and of no economic value. ECRDA is therefore hard at work to change attitudes toward a commercial livestock farming mindset which should derive greater economic benefit for our subsistence farmers in particular.

As such, during the review period, ECRDA set aside a R2,8 million budget to put in place value-addition infrastructure which supports communal and emerging commercial farmers to improve their revenue generating capabilities.

In this regard, ECRDA planned to establish one feedlot in order to improve the physical condition and marketability of rural communal and emerging commercial farmer livestock units. ECRDA also planned to help farmers sell 2,000 livestock units to the market. In order to support livestock marketing, ECRDA also put plans in place to establish three loading ramps in Wesley, Niri and Mqheleni in the Ngqushwa municipal area where there is active livestock marketing by rural communal farmers.

ZAR

R350,000 was spent on the construction of three livestock loading ramps

These ramps helped in the marketing and sale of 1,700 livestock units with R8,5 million generated income

LIVESTOCK MARKETING

ECRDA is pleased to report that in the 2016/17 financial year it spent R350,000 in the construction of three loading ramps and on livestock marketing. These ramps helped in the marketing and sale of 1,766 livestock units belonging to communal and emerging commercial farmers in the Ngqushwa area. The livestock marketing exercise generated about R8,5 million in income for these farmers. ECRDA supported the livestock marketing programme by linking up with Grahamstown-based livestock marketing agent Hobson and Company.

IMPROVING CONDITION OF LIVESTOCK

ECRDA could not implement a feedlot at the Mqanduli RED Hub due to differences between farmers in the area. Due to the community not resolving the matter, ECRDA had to prioritise the Ncora custom feedlot. At Ncora, the organisation spent R1,5 million building feeding kraals and supplying feedlot machinery such as a tractor, hammer mill and a feed mixer. By the end of the financial year, there were 60 cattle from local farmers that were being fed at the feedlot. About R450,000 of this amount was used for livestock feed.

The establishment of the feedlot is particularly important in the former Transkei area where there is minimal livestock marketing activity. The two main reasons for this were the poor condition of the animals as well as the attitude of the farmers who don't see their livestock as economic assets and end up not selling. The feedlot is intended to improve the condition of these animals so that they are marketable and to fetch better prices for their owners.

ZAR

R1,5 million building feeding kraals and supplying feedlot machinery such as a hammer mill, tractor and feed mixer

In this regard, ECRDA ran four livestock marketing workshops in the former Transkei in the period under review. This was targeted at changing the mindset of communal farmers so that they view the ownership of livestock as a business.

DAM DESILTING PROGRAMME

In addition, ECRDA also executed a dam desilting programme in Middledrift in the Raymond Mhlaba Local Municipality.

The desilting process should help communal and emerging commercial livestock farmers address water availability for livestock use. Once you address water availability you limit the burden of livestock travelling long distances to find suitable water sources. This conserves livestock energy and improves their condition and fat content.

A total of R1 million was spent in the dam desilting process at two dams in Phewuleni and one in Qhomfo in Middledrift.

FUTURE PLANS

Finally, ECRDA will continuously improve its focus on processing and value addition to ensure that livestock assets generate economic value for their rural owners. It will continue to drive an educational exercise to ensure that rural farmers realise the value of the economic assets they produce. This should allow them to break the cycle of poverty by using their livestock wisely and wield its inherent economic power.

FORESTRY DEVELOPMENT

At the core of the forestry development programme lays a genuine commitment to help rural communities exploit the economic value inherent in their vast and largely unproductive land assets. The Eastern Cape has a substantial forestry development potential which is ready to be utilised for improved income generation. In this regard, ECRDA continues to support those communities which hold a potential for forestry development by providing the requisite interventions geared for sustained economic growth and development.

In the past, the forestry development sector has been the foray and mainstay of large and commercial enterprises with little or no skills transfer to communal and emerging timber landowners. ECRDA's role is premised on the need to bridge this gap and to ensure that empowering partnerships and skills transfer programmes are established with commercial forestry growers and enterprises.

ECRDA aims to ensure that communities extend their participation in the sector beyond primary production in the long-term. The plan is to include processing and value-addition activities. The participation in beneficiation activities will improve revenue generation prospects. Currently, because there are no processing plants in these communities, they have to sell the primary timber products to PG Bison and SAPPI.

sappi PG BISON

HIGH VALUE PARTNERSHIPS

The organisation began the financial year with the launch of the Mkhambathi project raising awareness about the significant economic growth benefits in the sector. The launch was concluded with a Memorandum of Understanding with SAPPI to work together in the development of forestry projects in the northern parts of the Eastern Cape. ECRDA also developed five business plans for all the projects which were presented to Provincial Treasury for funding purposes.

The ultimate objective is to ensure that communities run profitable forestry businesses that will create jobs and boost the local economies in which they exist.

As such, in the beginning of the financial year ECRDA set itself a target of planting 1,000 hectares (ha) of hardwood trees across six projects. These are community-driven projects in which the landowners contribute their land pockets under a legal entity to manage their assets in the form of trusts, co-operatives and Communal Property Associations. At the four coastal projects ECRDA supports Sinawo, Izinini, Mkhambathi and Lusikisiki. ECRDA planted eucalyptus grandis europhylla and eucalyptus dunnii tree species to supply SAPPI. In Gqukunqa and Sixhotyeni, eucalyptus nitens were planted targeting the PG Bison market.

PROJECT IMPLEMENTATION

ECRDA forestry development programme exceeded its annual target and planted 1,287.7ha of trees in the period under review. A total of 526 hectares were planted in Sinawo, 206,9 ha in Sixhotyeni, 143 ha in Gqukunqa, 59,3 ha in Izinini, 200,9 ha in Mkhambathi and 151,6 ha in Lusikisiki.

A total of R44,5 million was spent in planting activities. A total of R26 million was spent on the employment of 1,129 people and on operational costs. The balance of the amount was spent on the procurement of seedlings, fertilisers, herbicides and stock-absorbers. A further R9,8 million was spent on the procurement of machinery such as four bakkies, four labour trucks, 13 shipping containers for storage, construction of five office complexes, two tractors with trailers and 11 fire-fighting trailers as well as a tractor-drawn grader.

A bakkie, labour truck, three shipping containers, a tractor with trailer and two fire-fighting trailers were bought for Gqukunqa. An office complex was also built for the project. In Sixhotyeni a bakkie was bought, a labour truck, two shipping containers and two fire-fighting trailers. An office complex was also built for the project. For Sinawo a bakkie was bought, a labour truck, four shipping containers as well as two fire-fighting trailers. An office complex was also constructed.

One bakkie and a labour truck were bought for Mkhambathi as well as two shipping containers and two fire-fighting trailers. An office complex was also built. Two shipping containers were bought for Lusikisiki, a tractor with trailer as well as two fire-fighting trailers. An office complex was built at the project. A fire-fighting trailer was bought for Izinini.

There still remains a challenge at Izinini which does not have a legal structure in place to receiving procured goods. This resulted in no capital equipment being procured for the project. Land Affairs is in the process of resuscitating the legal structure.

Expenditure per project stood at R8,95 million in Mkhambathi, R15,7 million in Sinawo, R3,9 million in Izinini, R11,9 million in Gqukunqa, R7,9 million in Sixhotyeni and R6 million in Lusikisiki.

ZAR

PLANTING
R44,5 million spent on planting activities

MKHAMBATHI
R8,95 million expenditure

SINAWO
R15,7 million

IZININI
R3,9 million

GQUKUNQA
R11,9 million

SIXHOTYENI
R7,9 million

LUSIKISIKI
R6 million

TARGET EXCEEDED
1,287.7 ha of trees planted in the period under review

SINAWO: 526 hectares planted
SIXHOTYENI: 206,9 hectares planted
GQUKUNQA: 143 hectares planted
IZININI: 59,3 hectares planted
MKHAMBATHI: 200,9 hectares planted
LUSIKISIKI: 151,6 hectares planted

JOB CREATION

Employment per project was 179 (119 permanent and 60 temporal) in Mkhambathi, 321 (210 permanent and 11 temporal) in Sinawo, 69 (54 permanent and 15 temporal) in Izinini, 268 (80 permanent and 188 temporal) in Gqukunqa, 166 (75 permanent and 91 temporal) in Sixhotyeni and 126 temporal employees in Lusikisiki.

RENEWABLE ENERGY

In 2016/17, the ECRDA renewable energy programme placed special focus on building its research and innovation capabilities in order to effectively respond to business strategy and objectives.

This was premised on the acknowledgment that effective and efficient delivery of renewable energy solutions for the rural part of the province should be based on sound research, business plans and models which are able to deliver the required shareholder value.

This shareholder value is measured on ECRDA's ability to use renewable energy resources to respond to prevailing socio-economic realities that define the Eastern Cape rural landscape. In particular, renewable energy sources are geared to provide a platform for improved economic activity in the rural areas and those in the margins of the formal economy. These communities and rural enterprises in particular should benefit from ECRDA's interventions in renewable energy to reduce high input business costs that come with high electricity prices. This should improve their viability, commercial sustainability and income generation capabilities.

RENEWABLE ENERGY ROLL-OUT

As a result, the renewable energy function spent R380,000 of its R1,5 million budget in 2016/17 building bankable business plans to support the roll-out of renewable energy power supply to the ECRDA's Rural Enterprise Development (RED) Hubs in Emalahleni and Ncora. These business plans revealed a need for an energy mix in order to bring down the electricity costs needed to run the RED Hubs optimally. The business plans proposed an energy mix comprising of renewable energy generated from solar and Eskom power.

The costs of going to pure renewable energy proved to be excessively high and not viable. It was proposed that the RED Hubs use solar power during the day when there is sunlight and Eskom power in the evenings and to cater for energy consumption spikes during start up.

These business plans are expected to be implemented in the new financial year subject to funding availability. The unit requires at least R900,000 for each RED Hub to roll out the renewable energy solutions. This could be extended to all four RED Hubs or to any other agro-processing facility in future.

ROLLOUT EXPENDITURE

R900,000 is required for each RED Hub for the roll out of renewable energy solutions

An attempt was made to implement the solutions at four RED Hubs but the requirement for local content could not be met by any of the suppliers which were engaged through a public bidding process as per Treasury regulations. Part of the requirements was that the frames to the solar panels should be manufactured locally and there were none available at the time of tender. ECRDA is engaging other partners such as the East London IDZ and the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) to address local content issues and requirements as they too will need to meet the same stringent requirements in their renewable energy projects.

The organisation also conducted research studies on the different types of feedstock required to feed the bio-fuels industry. The studies confirmed the usefulness of algae and bamboo as feedstock for bio-fuels production. ECRDA has partnered with DEDEAT and the Province of Lower Saxony in Germany, to place a mini-grid at Blinkwater adjacent to the Mpofu Game Reserve. This community was selected because it is improbable that Eskom will be able to connect them to the electricity grid in the next ten years. The solution will provide renewable energy solutions to power the small community to Eskom standards so that they are able to plug-into the grid when Eskom reaches them.

CRADOCK BIO-FUELS PROJECT

It was expected that the Cradock Bio-ethanol project would kick-off during the review period. However, the bio-fuels feedstock protocol has not been bedded down. It was envisaged that sorghum trials as feedstock would be established as well as a feedstock aggregator established to procure feedstock for the Cradock Bio-Ethanol Project.

RURAL FINANCE

During 2016/17, ECRDA intensified its efforts in providing rural finance instruments which are a powerful stimulant of rural economic activity. ECRDA extends these credit lines to deserving entrepreneurs in the Eastern Cape rural setting with the view of ensuring ongoing and vibrant economic activity. It is common cause that a lack of access to finance plays a significant role in derailing economic activity particularly in the rural and peri-urban areas of the Eastern Cape.

Furthermore, ECRDA is mindful of the fact that the market it serves is risky and as an agent of socio-economic change it has to take on a higher risk appetite in servicing this largely unbankable sector of the market. This higher risk appetite is important in taking into account that private lenders are averse and do not adequately service this segment which often has no collateral.

As a result, in the period under review, ECRDA identified two focus areas for immediate improvement. The focus was therefore on improving loan disbursements and recoveries and to ensure that the service we offer is two-pronged – the provision of loan finance to clients and to encourage, support and promote project development where it is needed.

The focus on loan finance is an important and empowering undertaking as it realises that the business grants create an undue dependence on government. Loan finance creates responsibility and it allows business owners to take ownership of their businesses through loan repayments. ECRDA is also working with the Department of Rural Development and Agrarian Reform (DRDAR) and non-governmental organisations to amplify our efforts. This allows us to offer complementary services to other government institutions acting as a single unit rather than competitors.

RED HUB SUPPORT

During 2016/17, the organisation stationed rural finance officers from its regions at the RED Hubs on a daily basis. This continuous presence allows rural finance officers to resolve emerging issues on site and escalate other issues to relevant authorities. These officers also service clients at the RED Hubs as a first point of contact. This improves ECRDA's effectiveness and its ability to reach its clients.

As such, ECRDA has disbursed loans to primary co-operatives at the RED Hubs for crop production for two successive seasons. Loan funding was also extended to the milling plants at the hubs to acquire feedstock from outside the province due to severe drought conditions.

ECRDA is continuously improving the capacity of its regional and satellite offices to reach more clients. The regions allocate rural finance officers to all the local municipalities in order to extend our impact and outreach. These officers provide outreach services to clients with the objective of attracting a quality pipeline of loan beneficiaries. Each region holds information days in order to inform people about ECRDA services. ECRDA also takes advantage of the public platforms provided by other government entities to market ECRDA services.

During the review period, ECRDA also assisted farmers who received subsidies from DRDAR with loan funding where subsidies were inadequate. Production loans were also provided to the land beneficiaries who received farms from the Department of Rural Development and Land Reform.

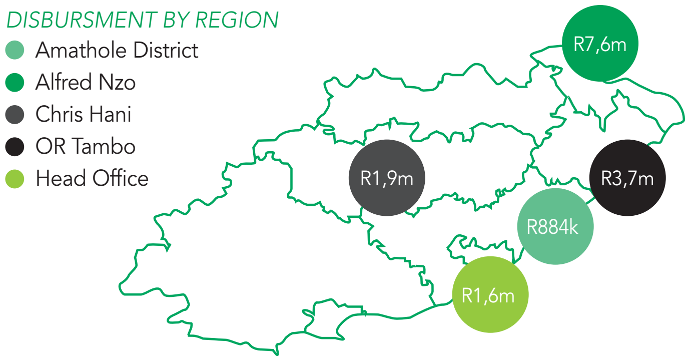
LOAN DISBURSEMENTS & COLLECTIONS

ECRDA is pleased to report that it approved R18,7 million for disbursement to 159 clients in 2016/17. Actual disbursements were R15,7 million to 159 clients. The bulk of the loan disbursements went to agricultural loans which accounted for R14,4 million and the balance was allocated to non-agricultural loans.

R15,7 million in disbursments went to 159 clients. R14,4 million were agricultural loans

A total of R884,000 was disbursed to the Amathole District Municipality, R7,6 million to Alfred Nzo, R1,98 million to Chris Hani, R3,7 million to OR Tambo, R514,000 to the Sarah Baartman District Municipalities and R527,059 to the Karoo region and R1,6 million to the head office region.

DISBURSMENT BY REGION

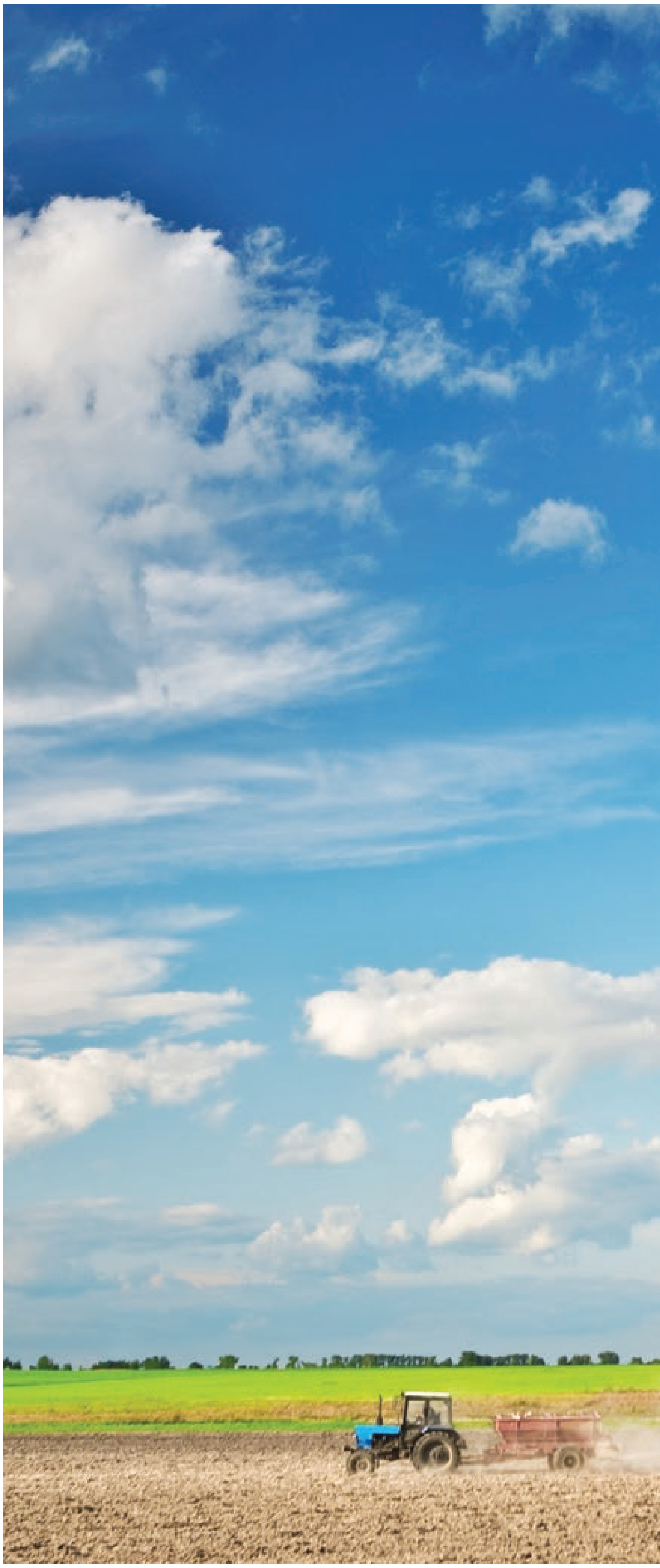


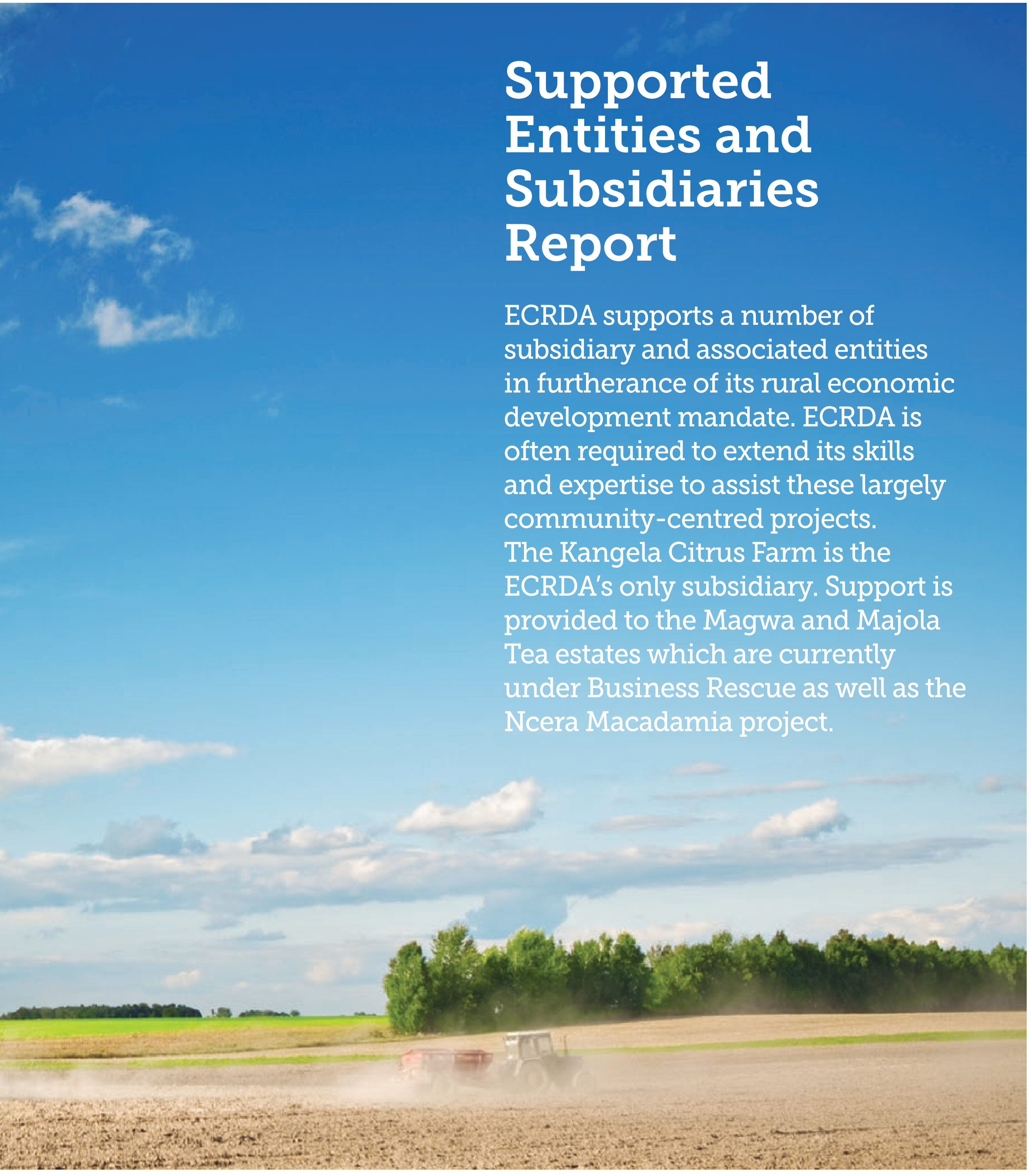
The bulk of disbursements went to primary co-operatives in the RED Hubs as well as to secondary co-operatives to buy feedstock for milling.

ECRDA is also intensifying its loan repayment efforts and procedures. The organisation continues to offer aftercare support to identify challenges early in the client businesses which may impact on loan repayments. This allows ECRDA to put measures in place to rectify rising challenges. As such in 2016/17, loan collections R 13,6 million.

FUTURE OUTLOOK

In future, ECRDA plans to increase its support to RED Hubs activities in order to entrench and extend our footprint in those areas. ECRDA will continue to support partner entities to offer a complementary support not only on loan funding but on project development technical advice. There will also be intense borrower education around the benefits of loan funding and the obligations which come with it.





Supported Entities and Subsidiaries Report

ECRDA supports a number of subsidiary and associated entities in furtherance of its rural economic development mandate. ECRDA is often required to extend its skills and expertise to assist these largely community-centred projects.
The Kangela Citrus Farm is the ECRDA's only subsidiary. Support is provided to the Magwa and Majola Tea estates which are currently under Business Rescue as well as the Ncera Macadamia project.

MAGWA ENTERPRISE TEA (PTY) LTD

Magwa Enterprise Tea (Pty) Ltd is a wholly-owned subsidiary of the Eastern Cape Development Corporation (ECDC). During the period under review, the ECRDA transferred a R2,9 million government grant to the business rescue account of Magwa Enterprise Tea. The Business Rescue Practitioner used the transfers received in 2015/16 and 2016/17 to fund repairs to the factory buildings and the processing plant, as well as the maintenance of the tea plantation. Maintenance involved the pruning of 560 of the 1,803 hectare tea plantation and the tabling and tipping of trees pruned in the previous tea season. Magwa Enterprise Tea employs the largest number of people in the Ngquza Hill Local Municipality area.

MAJOLA TEA (PTY) LTD

During 2016/17, the ECRDA transferred R1,8 million to Majola Tea (Pty) Ltd for operations. These were mainly for pruning 107 of the 362,5 hectares of black tea plantations. These estates are an important engine of development and job creation. Majola Tea is the biggest single employer in the Port St. Johns municipal area.

MAGWA AND MAJOLA TEA ESTATES UNDER BUSINESS RESCUE

The Magwa and Mojola Tea Estates were placed under business rescue in 2015/16. In 2016/17 a business rescue plan was developed and accepted by Cabinet. The plan proposes the diversification of the estates by introducing activities such as tea bagging and the production of organic tea, green tea, macadamia nuts and avocado plantations.

One of the key proposals is the unbundling of the shareholding structure. Currently the estate is wholly-owned by government. It proposes that future shareholders to be the private sector, communities, workers and government (minority shareholding).

The business rescue process has two phases – a preparatory phase which proposes that R8,4 million be made available for Majola and R23 million for Magwa. These funds would be used for repairs to mechanisation and the procurement of new equipment, renovations to the factory and for the maintenance of tea fields.

PHASE ONE

R23 million to be made available for Magwa & R8,4 million for Majola

The second phase proposes an allocation of R87 million for Magwa and R29,3 million for the Majola Enterprise Tea Estates over the MTEF period for expansion and diversification of production. Local stakeholders such as traditional leaders, Communal Property Associations and local municipalities are also in support of the business rescue process.

PHASE TWO

R87 million allocation for Magwa & R29,3 million for Majola for expansion of production

NCERA MACADAMIA

Ncera Macadamia Farming (Pty) Ltd is a private company with a 51% shareholding by the Ncera community. The company is a producer of macadamia nuts and it operates a world-class nursery which is ranked in the top five in South Africa. During the financial year ended 30 April 2017, the company produced 80 tons of macadamia nuts from orchards on 98 hectares. Revenue from Macadamia nuts amounted to R4,5 million during the year.

ZAR

REVENUE

R4,5 million revenue from 80 tons produced by the 30 April 2017

In addition to the 98 hectares which were harvested during the year, the company has a further 76 hectares of young trees which are not yet producing nuts plus a further 126 hectares which is available for Macadamia plantation development.

The ECRDA transferred Government subsidies amounting to R16,7 million (2015/2016: R7 million) for use in operations, infrastructure and macadamia orchard development.

ZAR

OPERATIONS

R16,7 million transfered by the ECRDA for use in operations, infrastructure and orchard development

The company had a workforce of 150 permanent workers during the year and has capacity to employ as much as 325 workers when the 300hectare farm capacity is fully planted with Macadamia trees.

150

EMPLOYEES

150 permanent workers during the year and has capacity to employ as much as 325 workers

KANGELA CITRUS FARM

ECRDA also extends its support to Kangela Citrus Farm. Government, through ECRDA owns a 51% shareholding in Kangela.

The total size of the farm is 450 hectares of which 60 hectares are trees planted but not yet producing.

A total of 175,534 export cartons of citrus such as lemons and oranges were sold during the period under review.

ECRDA provides governance and management support to Kangela in the form of the ECRDA CEO and three non-executive directors who serve on the Kangela Board of Directors. The board provides strategic direction to the company. Further support is also extended to management functions such as internal audit, company secretariat services as well as strategic planning and monitoring.

The company had 159 hectares of citrus plantation under production at the end of 2016/2017 of which 100 hectare orchards were harvested during the period under review yielding 175,534 export cartons which brought in revenue amounting to R29 million. Sales to citrus juice producers amounted to R3 million. Sales revenue is expected to increase when the approximately 59 hectares of new citrus trees planted during the last three planting seasons start bearing fruit.

The company earned a profit of R5 million during the year (2016: R11,57m).

The current management company's contract with Kangela expired in February 2017 and it has subsequently been extended to the 31st of October 2017. Kangela is planning to appoint a full time General Manager to oversee the overall operations and management of the farm. A suitable marketing company to market Kangela Citrus produce which are all export market oriented will also be identified.

Section B

PERFORMANCE INFORMATION (PRE-DETERMINED OBJECTIVES)

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.

Auditor General's Report: Pre-determined Objectives

INTRODUCTION AND SCOPE

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

2. My procedure address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information. Accordingly, my findings do not extend to these matters.

3. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2017:

Programmes

Programme 1 – Agro processing (PG 52 - 53)
Programme 2 – Renewable energy (PG 53 - 54)
Programme 3 – Rural finance and entrepreneurial development (PG 55)
Programme 5 – Strategic partnerships (PG 58)
Programme 6 – Rural development nodes and clusters (PG 59 - 64)

4. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

Auditor General's Report (Cont.)

5. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:

Programme 1 – Agro processing
Programme 2 – Renewable energy
Programme 3 – Rural finance and entrepreneurial development
Programme 5 – Strategic partnerships
Programme 6 – Rural development nodes and cluster

OTHER MATTERS

6. I draw attention to the matters below.

Achievement of planned targets

7. Refer to the annual performance report on pages 44 to 60 for information on the achievement of planned targets for the year and the explanations provided for the underachievement of a number of targets.

Adjustment of material misstatements

8. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the rural finance and entrepreneurial development programme. 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 information

9. The supplementary information set out on pages 180 to 183 does not form part of the annual performance report and is presented as addition information. I have not audited this schedule and, accordingly, I do not express a conclusion thereon.

Performance Report
(Pre-determined Objectives)

The five-year Strategic plan and the Annual Performance Plan documents for 2016/17 financial year remain the source documents for the compilation of the annual report on performance information of the ECRDA.

Performance monitoring and evaluation on implementation of the ECRDA five-year Strategy and the Annual Performance Plan is done through a quarterly reporting system, where individual quarterly reports are compiled by management and shared with the internal audit to perform audit function. The reports are then submitted to the Audit and Risk Committee and further transmitted to the Board for approval. All four quarterly reports were thereafter submitted to the shareholder (DRDAR) and Provincial Treasury.

The annual report on performance information reflects all the performance indicators and targets as depicted in the annual performance plan for 2016/17 financial year.

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

Pillar 1: Effective co-ordination and implementation of Agrarian-driven High Impact Priority Programmes (HIPP's)
Pillar 2: Promote entrepreneurship through rural finance and support programmes
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-nine (29) performance targets against which ECRDA had to perform for the year under review. Twenty-seven (27) (93%) of the targets were achieved whilst two (2) (7%) could not be achieved.

The areas where there has not been satisfactory performance relates to the feedstock supply to support the RED Hubs and the development of a Feedstock Aggregation Business Plan.

"The Annual Performance Plan contained twenty-nine (29) performance targets against which ECRDA had to perform for the year under review. Twenty-seven (27) (93%) of the targets were achieved whilst two (2) (7%) could not be achieved.

Securing sufficient feedstock to enable the RED Hubs to perform production at optimal capacity remains a challenge and one of the main reasons relates the scarcity of feedstock (White Maize) in the country at present. This is a direct result of the previous season's (2015/16) drought that was experienced. The negative effects are that the feedstock (White Maize) is not easily obtained (as there could not be sufficient planting of grain crops due to drought) and the secondly the feedstock that is available is expensive and not always of the correct quality.

The feedstock aggregation business plan was also not finalised as envisioned due to the following reasons. With the ongoing delays in the submission of the Bio-fuels Regulatory Framework and the National Bio-Fuels Feedstock Protocol to parliament, the IDC, in the middle of 2016, adopted a wait and see approach towards further development of the project and did not release the promised funds.

ECRDA could have followed the IDC's approach and parked all further development of any aspects of the Cradock Ethanol Project to avoid incurring unnecessary costs. After due consideration, it was decided that the establishment of a feedstock aggregator would be beneficial for the development of farmers and the establishment of agro-processing industries in the Eastern Cape and would not only benefit the Cradock Ethanol Project. It was therefore decided to proceed with the development of a formal business plan for the establishment of a feedstock aggregator for submission to, and approval by, the Board of ECRDA.

Procurement processes commenced in October, however on the first two occasions no responses were obtained and only in December 2016 which, due to Treasury regulations prohibiting the closing of bids over the holiday period, could only be completed in January 2017. A single bid was received during this third round and the bidder was appointed and commenced work in February 2017.

This was too late in the year to complete the business plan and submit to the Board for consideration before the end of the financial year. A first draft of the plan was available by end March 2017. After further development, the plan will be going to the relevant Board committee for consideration and further approval in the next financial year 2017/18.

Background and Introduction

STRATEGIC PROGRAMME INTERVENTION

The 2016/17 financial year saw the ECRDA Board and management team taking an in depth look at the strategic direction and organisational capacity to bring a fresh dimension and trajectory going forward in response to several threats facing the agency which include but not limited to the Government Technical Advisory Centre (GTAC) review of all the Development Finance Institutions in South Africa.

The Board session saw a review and updating of the 5 Year Strategic Plan, as this would enable the ECRDA to be purposefully aligned with government policy decisions and being a more agile organisation strategically positioned to implement, facilitate and manage government projects in the rural development sphere.

GOVERNANCE, FINANCIAL & INSTITUTIONAL MATTERS

The ECRDA has continued to maintain governance institutional structures to ensure that the governance and compliance of the ECRDA to legislative requirements are being adhered to and that the organisational structures function smoothly.

The board continued to perform its oversight function diligently, and adhered to its approved year calendar for its meetings. It is through the same guidance that the agency continued to maintain performance on financial and non- financial areas.

There has been an improvement policy environment as evidenced by the approval of the IT governance framework among others. ECRDA continues to invest in its human capital through aggressive skills development as a number of staff attended relevant trainings.

The transfers received by the ECRDA amounted to R198,586,431 during the financial year which included funding for own operations, transfer payments and special projects to be implemented on behalf of the Office of The Premier(OTP) and the Department of Rural Development and Agrarian Reform (DRDAR).

The following transfer payments were made during the financial year under review:

MAGWA ENTERPRISE TEA
R3 million

MAJOLA TEA ESTATE
R1,8 million

CHRIS HANI DEVELOPMENT AGENCY
R2,6 million

NCERA MACADAMIA PROJECT
R16,7 million

Project Implementation funding received included R3,6m from OTP and R7m from DRDAR. These projects are still underway. The ECRDA Group, which includes the results of Kangela Citrus Farms (Pty) Ltd, reflects a deficit of R32,6m for the year which arises mainly from the movement in the provision for bad debts (R17m), the impairment of the Arengo 316 (Pty) Ltd receivable (R7m) and Bad Debts Written Off (R5,5m). As the deficit includes non-cash entries, it does not equate to a cash deficit at year end and an application for rollover of funds will be made to Provincial Treasury as detailed in note 2,21, Contingent Liabilities, of the financial statements.

Programme Implementation

AGRO PROCESSING PROGRAMME:

During the 2016/17 financial year two of the four established RED Hubs, Ncora and Mqanduli, were fully operationalised and two, Mbizana and Emalahleni, were finalised and handed over to the communities ready for operations.

Feedstock Supply: A total of 4,245 hectares of grain (maize and sorghum) has been planted across the RED Hub sites. Preliminary crop yield assessments have been conducted and the indication is that additional feedstock would need to be sourced from outside the primary co-operatives to enable milling operations to be optimised.

A total of 2,701 tons of maize feedstock was delivered to the two operating Hubs (Ncora and Mqanduli).

Infrastructure development: The upgrading of the Emalahleni milling plant was completed as well as the construction of a mechanisation shed to be utilised as a workshop and storage facility of machinery and implements. The refurbishment of the office space has been completed with the concrete slab around the sheds.

At Mbizana the new milling plant was commissioned and this RED Hub was handed over to the community during a Launch event attended by the President of South Africa. This includes the completion of the infrastructure such as the grain intake pit cover, electricity supply with 100KVA capacity connection, the ground water reservoir and the water treatment plant.

LIVESTOCK MARKETING AND DEVELOPMENT

During the year under review the ECRDA desilted three stock dams that are mainly used as source of water for livestock in the Middledrift area.

Furthermore, towards feedlot implementation the ECRDA improved an existing custom feeding project at Ncora through broadening ownership, improving operational methodologies and management all to enhance the project economic viability. The following assets were also purchased as part of the improvement effort; One tractor, a hammer mill and a feed-mixer as well as a complete beef finisher to feed the cattle. In partnership with the Intsika Yethu Municipality renovations of kraals also commenced.

Three loading ramps were built, one each in the areas of, Wesley, Niri and Mqheleni villages. During the period under review the ECRDA facilitated the sales of 1,766 livestock units through auctions (formal and informal).

On behalf of the Office of the Premier the ECRDA is implementing a piggery project and for this designs of the piggery structures and a bill of quantities were developed.

FORESTRY DEVELOPMENT

The ECRDA continued to implement the six forestry projects in Gqukunqa, Sixhotyeni, Mkambathi, Sinawo, Izinini and Lusikisiki. During the 2016/17 financial year, a total of 1287.7 ha new forestry was planted across these projects. The Mkambathi Forestry project received a boost when its Environmental Impact Assessment application for an additional 1,200 hectares was approved.

ECRDA and SAPPI continued to work together and the relationship is guided by the memorandum of understanding signed between the two parties.

The ECRDA developed a consolidated business plan for forestry development in the Province as well as individual forestry project plans and these were shared with the Agricultural Budget Task Team with a view to source funds from the provincial fiscus.

ECRDA received a recognition award as the best performing project of the year under the enterprise development category from the Jobs Fund Learning programme.

RURAL FINANCE

The recovery of loans disbursed after the 2012 financial year continues to improve as a result of the loan recovery workshops that the ECRDA facilitates for its clients and possible future clients. The recovery rate for the period under review was higher than anticipated, with a total of R9,682,226.97 realised.

The disbursement of funding has increased and especially the fourth quarter showed a good amount being disbursed to clients. ECRDA disbursed a total of R15,729,182. The production loans made to the RED Hubs also contributed significantly to the loans disbursed.

RENEWABLE ENERGY

The South African Bio-fuels industry will remain in flux until the National Parliament consider the Bio-fuels Framework and the Bio-fuels Feedstock Protocol. This has effected the Cradock Ethanol Project negatively as it cannot move forward without these pieces of legislation in place.

The development of a Feedstock Aggregation business plan for the Cradock Ethanol Plan has continued, with the inclusion of other projects as such a plan would have a positive impact on all the ECRDA projects that require grain as a feedstock.

The ECRDA has developed alternative energy solutions for two of the four RED Hubs and they will be implemented in the 2017/18 financial year. ECRDA in collaboration with FMT Global is investigating the possibility of utilising bamboo as a possible source of renewable energy.

Lastly two research studies were conducted during the period under review, the first on the utilisation of Algae for bio-fuels and the second on establishing alternating crops to bio-fuel feedstock crop rotation programmes.

SUPPORTED ENTITIES

Magwa Tea Estates' current shareholding structure is that the Eastern Cape Development Corporation (ECDC) holds 100%. ECRDA facilitated a business rescue process, which remains a challenge as funding for such could not be confirmed and the Business Rescue Practitioner applied for the review and liquidation of both the Magwa and Majola Tea Estates.

ECRDA furthermore continued to facilitate the process to investigate alternative arrangements such as the government offloading shares to a private sector investor and towards this a public procurement process would be engaged into in order to invite the expression of interest and source a private investor who would therefore partner with the community to operate the Tea Estates.

Kangela Citrus Farms have appropriate governance structures in place that are functional. Kangela sold 175,534 cartons to export destinations in December 2016. The management contract with SAFE expired in February 2017 and a call for proposals for a management and marketing company was advertised in December 2016. Bids were evaluated and the appointment of a new management company will be finalised in due course.

Challenges

Agro processing: The ongoing effect of the severe drought that the country experienced continues to be the biggest challenge for milling plant operations.

Forestry: Funding for forestry development remains a challenge despite business plans and supporting documentation to source funding have been submitted to both DAFF and DRDAR.

Renewable Energy: Without the Cabinets finalisation of the Protocols in the Bio-fuels industry, the bio-fuels sector will continue to remain in limbo and this will have a negative impact on all bio-fuels projects in the Province and more specifically on the Cradock Ethanol Plan and the community where it is planned.

Magwa & Majola: If no positive solution is found to support the Business Rescue Plan, the High Court may rule in favour of the liquidation process which has serious negative implications for both tea estates and the communities surrounding it.

Impact

From the social investment aspect, legal structures (Cooperatives) have been established in the communities where RED Hubs have been established, this brought a capacity building programme with variety of skills being impacted through training of the beneficiaries. A total of 35 corporative structures have been established with 2,385 beneficiaries across the RED Hubs. Training provided included training on; Baking, Juice making, Livestock Feeding and Diseases, Financial Literacy and Management, Mechanisation Management and Maintenance, Mechanisation Supervisor training and Tractor & Combine operator training, Corporate Governance and Conflict Management, First Aid and Firefighting.

Infrastructure investment: a lot of investment has been made in the areas where RED Hubs are, these include grain storage facilities (Silos) with the capacity of 9,500 tons across the Red Hubs. Included in are the Sheds that house the milling equipment and mechanisation sheds.

Mechanisation: Full mechanisation equipment such as tractors with trailers, combine harvesters and bakkies have started to be utilised as contractors for the RED Hubs and by DRDAR in other areas. This increases the revenue generated by communities operating locally.

ZAR

RED HUBS

35 corporative structures have been established with 2,385 beneficiaries across the RED Hubs.

INVESTMENT

Investment in grain storage facilities (Silos) with the capacity of 9,500 tons across the Red Hubs

Performance Information

PILLAR/STRATEGIC GOAL 1.

Effective co-ordination and implementation of Agrarian-driven High Impact Priority Programmes (HIPP's)

Programme 1: Agro -Processing

Purpose: The ECRDA recognises that there are numerous rural development interventions. Therefore, in order to maximise 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: AGRO-PROCESSING SUB-PROGRAMME 1.1: RED HUB IMPLEMENTATION					
Strategic Objective	**Performance Indicator**	**Annual Target**	**Actual Annual Achievement**	**Deviation from Planned Target**	**Comment on Deviations**
1. Establish six (6) agro-processing and marketing infrastructure projects to enhance value addition over a period of three years. (2016/17 – 2018/19)	1. Number of milling plants with silos completed and operational. (Provincial Treasury)	2 (Commissioning and handing over of Mbizana & Emalahleni).	Target Achieved Mbizana and Emalahleni ready for operations and handed over to communities.	No deviation	None
	2.Number of milling plants with silos completed and operational (Jobs Fund / National Treasury)	2 (Operationalise completed mills (Ncora and Mqanduli)	Target Achieved Ncora and Mqanduli both completed and are operational.	No deviation	None
	3.Number of completed feasibility studies for RED Hubs	1	Target Achieved Feasibility study for Tshabo RED Hub was developed.	No deviation	None
	4. Number of initiatives towards establishing rural markets.	Funding secured for the establishment of 1 rural market.	Target Achieved 1 Rural market was initiated at Amandungwane and funding has been secured in the allocated 2017/18 budget of ECRDA.	No deviation	None

PROGRAMME 1: AGRO-PROCESSING SUB-PROGRAMME 1.1: RED HUB IMPLEMENTATION					
Strategic Objective	**Performance Indicator**	**Annual Target**	**Actual Annual Achievement**	**Deviation from Planned Target**	**Comment on Deviations**
2. Increase the feedstock supply to 12 000 tons to support the milling plants by 2018/19.	5. Number of tons of feedstock secured for milling plants.	6 000 tons	Target partially achieved. Total 2520.26 tons secured for milling plants.	Shortfall of 3 479.74 tons	The country is experiencing a shortage of maize due to drought. Mitigating plans to source feed-stock not only locally but nationally has been actioned.
PROGRAMME 1: AGRO-PROCESSING SUB-PROGRAMME 1.2: LIVESTOCK DEVELOPMENT AND MARKETING					
3. Facilitate marketing of 13 000 livestock units (cumulative) over a three-year period (2016/17 – 2018/19)	6. Number of livestock infrastructure project sites developed for value additions (feedlots and stock dams)	1 Feedlot project ready for estab-lishment	Target Achieved • Ncora Feedlot established & 3 Stock dams rehabilitated at Middledrift.	No deviation	None
	7. Number of livestock sold through ECRDA facilitation.	2 000	Target partially achieved. Total 1766 live-stock unit sales were facilitated by ECRDA.	There is a shortfall of 234 Livestock units. 88% of the target was performed. This target is therefore considered as being achieved for the year.	The ECRDA facilitates auction attendance, however the market determines sales. Continued workshops to share information about the benefits of selling livestock at a certain age are ongoing. ECRDA is also facilitating informal sales within communities.
PROGRAMME 1: AGRO-PROCESSING SUB-PROGRAMME 1.3: FORESTRY AND TIMBER DEVELOPMENT					
4.Facilitate the establishment, support and oversight of commu-nity owned and operated forestry projects covering 20 000 ha by 2018/19	8. Number of new forestry hectares planted.	1 000ha	Target Achieved 1287.7 ha of new forestry planted during the period under review.	287.7 ha more planted than the planned.	Extensive negotiations with communities resulted in additional land being made available for afforestation.

Programme 2: Renewable Energy Programme

Purpose: The ECRDA recognises that there are numerous rural development interventions. Therefore, in order to maximise 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 2: RENEWABLE ENERGY SUB-PROGRAMME 2.1: ALTERNATIVE ENERGY					
Strategic Objective	**Performance Indicator**	**Annual Target**	**Actual Annual Achievement**	**Deviation from Planned Target**	**Comment on Deviations**
5. Position ECRDA as a Bio-mass aggregator over the MTEF Period (2016/17 – 2018/19)	9. Number of business plans developed for bio-mass aggregator.	1	Target partially achieved A final draft business plan has been developed however it could not be approved during the period under review.	Final business plan could not be achieved with all inputs received and approved.	The development of the business plan took longer than anticipated as the tender had to be advertised three times before a supplier could be secured this impacted on the planned timing of delivery.
PROGRAMME 2: RENEWABLE ENERGY SUB-PROGRAMME 2.2: RESEARCH					
6. Undertake eight (8) renewable energy research studies by 2018/19.	10. Number of research studies conducted in renewable energy sources.	2	Target Achieved Research studies were conducted in the following areas: • Algae for bio-fuels • Alternating crops to bio-fuel feedstock crop rotation programmes.	No deviation	None
7. Facilitate implementation of six (6) renewable energy and/or ancilliary enterprises between 2016/17 and 2018/19.	11. Number of alternative energy solutions developed for RED Hubs.	2	Target Achieved Alternative energy solutions were developed for 2 RED Hubs (Ncora & Emalahleni).	No deviation	None

PILLAR /STRATEGIC GOAL 1: BUDGET AND EXPENDITURE			
Description	**Annual Allocation**	**Expenditure**	**Under/Over Expenditure**
Cost of Employment	16 796	18 722	(1 926)
Goods and Services	53 460	42 913	10 547
Transfer Payments	24 064	24 064	-
TOTAL	**94 320**	**85 699**	**8 621**

PILLAR/STRATEGIC GOAL 2.

Promote entrepreneurship through rural finance and support programmes.

Programme 3: Rural Finance and Entrepreneurial development.

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: RURAL FINANCE AND ENTREPRENEURIAL DEVELOPMENT					
Strategic Objective	**Performance Indicator**	**Annual Target**	**Actual Annual Achievement**	**Deviation from Planned Target**	**Comment on Deviations**
8. Facilitate disbursements and recovery of loans to the value of R16.9m by 2018/19.	12.Recovery rate increased by 20% per annum from a baseline of 40% (loan portfolio of ECRDA effective from 2012)	60%	Target Achieved Expected recovery of loans disbursed after 2012 was: R9 291 785.17 Actual recovery of loans disbursed after 2012 was: R9 682 226.97 Recovery rate of 104% was achieved.	Overachieved with 44%	The workshops (Borrower education) on loan recovery are starting to show rewards.
	13. Amount of loans disbursed.	R4 338 816	Target Achieved. The total amount disbursed for the period under review was R15 729 182	An additional amount of R11 390 366 was disbursed, this has been made possible by the increased recoveries and more loans made to the RED Hubs.	The demand for production loans was high in Quarters 3 and 4 which resulted to increased amount of loans disbursed.
	14. Number of established and supported rural development legal entities	15	Target achieved. 16 rural development legal entities established and supported.	One additional legal entity was established.	The demand to assist with establishment of legal entities was high in Q4 which led to the additional registration of the legal entity.

PILLAR /STRATEGIC GOAL 2: BUDGET AND EXPENDITURE			
Description	**Annual Allocation**	**Expenditure**	**Under/Over Expenditure**
Cost of Employment	25 235	23 984	1 251
Goods and Services	10 051	10 197	(146)
Transfer Payments	5 239	15 729	(10 490)
Capital	-	-	-
TOTAL	**40 525**	**49 910**	**(9 385)***

*Note that the over-expenditure is funded from loan repayments (over-recovery) and under-expenditure on other programmes. CEO is allocated on employee function and may be reallocated during the year as a result.

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 4: Administration

Purpose: Clean Administration

PROGRAMME 4 ADMINISTRATION SUB-PROGRAMME 4.1: OFFICE OF THE CEO					
Strategic Objective	**Performance Indicator**	**Annual Target**	**Actual Annual Achievement**	**Deviation from Planned Target**	**Comment on Deviations**
9. Provide leadership and strategic direction to ECRDA over the MTEF term (2016/17 – 2018/19)	15. Brand awareness created with target market.	6 Publications developed.	Target achieved • Inkqubela Stakeholder publication. • Forestry Project Booklet. • Pulse News Letter • Annual Results Summary Booklet • Rural Finance Brochure. • RED Hub Brochure (Livestock, Agro-processing and Renewable Energy).	No deviation	None
PROGRAMME 4 ADMINISTRATION SUB-PROGRAMME 4.2: STRATEGIC MANAGEMENT					
10. Ensure good corporate governance and legislative compliance through organisational performance monitoring and evaluation over the MTEF period (2016/17 – 2018/19)	16. Number of strategic compliance documents developed.	2 (Strategic Plan,APP)	Target Achieved Strategic Suite of Documents developed (Strategic Plan and Annual Performance Plan) approved and submitted to authorities.	No deviation	None
	17. Number of performance reports developed.	6	Target Achieved • 4 Quarterly Reports • 1 Midterm Report • 1 Annual Report (2015/16).	No deviation	None

Strategic Objective	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
PROGRAMME 4 ADMINISTRATION SUB-PROGRAMME 4.3: LEGAL SERVICES AND COMPANY SECRETARY					
11. Ensure good corporate governance and legislative compliance by maintaining a functional board over the MTEF period (2016/17 – 2018/19)	18. Number of Board and Committee meetings convened.	4 Board committee meetings 20 Committee meetings	Target Achieved • 4 Board meetings convened. • 20 Committee meetings convened.	No deviation	None
	19. Policy register developed.	1	Target Achieved • 1 Policy register developed	No deviation	None
	20. Number of legal documents developed for ECRDA and Shareholders (DRDAR) (Shareholders compact and SLA).	2	Target Achieved Shareholders Compact and a Service Level Agreement (SLA) developed and approved.	No deviation	None
PROGRAMME 4 ADMINISTRATION SUB-PROGRAMME 4.4: INTERNAL AUDIT AND RISK MANAGEMENT					
12. Evaluate and improve the effectiveness of risk management, control measures and governance processes through Risk management and fraud prevention over the MTEF period (2016/17 – 2018/19)	21.Risk Management and Fraud prevention plan developed and approved.	1	Target Achieved Risk Management and Fraud prevention plan developed, approved and implemented.	No deviation	None
PROGRAMME 4 ADMINISTRATION SUB-PROGRAMME 4.5: FINANCE					
13. Effective financial management through asset management, needs based budget planning and supply chain management over the MTEF period (2016/17 – 2018/19)	22. Annual Financial Statements developed.	1	Target Achieved Annual Financial Statements developed, audited and approved.	No deviation	None
	23. SCM Annual Procurement Plan developed.	1	Target Achieved Annual Procurement Plan developed, approved and implemented.	No deviation	None
PROGRAMME 4 ADMINISTRATION SUB-PROGRAMME 4.6: CORPORATE SERVICES					
14. Overall human resource management in a conducive working environment provided to ECRDA over the MTEF period (2016/17 – 2018/19)	24.95% of vacant and budgeted positons on the organogram filled.	95%	Target Achieved 99% of vacant and budgeted positions on the organogram filled.	4% Positive deviation	Critical posts were filled
	25. Development and implementation of a capacity building plan.	1	Target Achieved A capacity building plan was developed and implemented.	No deviation	None

PILLAR / STRATEGIC GOAL 3: BUDGET AND EXPENDITURE			
Description	**Annual Allocation**	**Expenditure**	**Under/Over Expenditure**
Cost of Employment	36 253	36 762	(509)
Goods and Services	22 921	24 008	(1 087)
Transfer	-	-	-
Capital	3 971	3 412	559
TOTAL	**63 145**	**64 182**	**(1 037)**

*Note that the over-expenditure is funded from under-expenditure on other programmes. CEO is allocated on employee function and may be reallocated during the year as a result.

PILLAR 4.

Leverage strategic partnerships towards implementation and funding of rural development initiatives

Programme 5: Strategic Partnerships

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

PROGRAMME 5: CO-ORDINATE AND FACILITATE EXTERNAL FUNDING AND INVESTMENTS TO CO-FUND MEGA PROJECTS					
Strategic Objective	**Performance Indicator**	**Annual Target**	**Actual Annual Achievement**	**Deviation from Planned Target**	**Comment on Deviations**
15. Co-ordinate and facilitate external funding and investments to co-fund 6 RED Hub projects over the MTEF period (2016/17 – 2018/19)	26.Number of externally funded rural development projects facilitated	2	Target achieved Externally funded projects facilitated: • Youth development Project (OTP) • Nyandeni Cropping programme facilitated.	No deviation	None
	27. Number of agreements signed with strategic partners for collaboration.	5	Target achieved. Agreements signed with the following strategic partners for collaboration; • Alfred Nzo District Municipality • Office of the Premier (OTP) • Chris Hani Development Agency • EThala Management Services • South African Wine Industry Trust and Vineyard Academy	No deviation	None

PILLAR / STRATEGIC GOAL 4: BUDGET AND EXPENDITURE			
Description	**Annual Allocation**	**Expenditure**	**Under/Over Expenditure**
Cost of Employment	1 094	1 093	1
Goods and Services	565	158	407
Transfer	-	-	-
Capital	-	-	-
TOTAL	**1 659**	**1 251**	**408**

*Note that the under-expenditure is funding over-expenditure on other programmes. CEO is allocated on employee function and may be reallocated during the year as a result.

PILLAR 5.

Develop sustainable, localised and institutionalised framework

Programme 6: Rural Development Nodes and Clusters

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 6: RURAL DEVELOPMENT NODES AND CLUSTERS					
Strategic Objective	**Performance Indicator**	**Annual Target**	**Actual Annual Achievement**	**Deviation from Planned Target**	**Comment on Deviations**
16. Establish nine (9) rural development clusters across the six district municipalities in the Eastern Cape Province over the MTEF period (2016/17 – 2018/19)	28.Number of rural development clusters (Linked to RED Hubs)	3	Target Achieved Clusters developed at: • KwaKula • Tshatshu • Vuselela Community Cluster	No deviation	None
	29. Develop and implement a capacity development programme of communities (Linked to RED Hubs)	3	Target achieved Capacity building took place in the following communities: • Tshabo – Monitoring & Evaluation training • Thanga – Baking course • Mabaleni – Governance and conflict management training • Amandungwane – Livestock feeding and diseases.	1 additional capacity development programme was facilitated.	Amandungwane community received capacity building from the ECRDA in-house livestock specialist in addition to the other training facilitated from accredited service providers.

PILLAR / STRATEGIC GOAL 4: BUDGET AND EXPENDITURE			
Description	**Annual Allocation**	**Expenditure**	**Under/Over Expenditure**
Cost of Employment	1 094	1 093	1
Goods and Services	565	158	407
Transfer	-	-	-
Capital	-	-	-
TOTAL	**1 659**	**1 251**	**408**

*Note that the under-expenditure is funding over-expenditure on other programmes. CEO is allocated on employee function and may be reallocated during the year as a result.

KANGELA CITRUS FARMS (PTY) LTD

REG: 2003/030011/07

Annual Report - Performance Information
1 April 2016 – 31 March 2017

Strategic Objective 1	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
Remove citrus trees that have reached maturity and do land preparation for the planting of new trees between 2015/16 and 2017/18	Remove trees	10 028	13 989 trees removed	Target exceeded by 3 961	Positive deviation
	Stockpile of citrus trees for burning	31.6 ha	31.60	No deviation	None
	Disc, ridge and grade	14 ha	14 ha	No deviation	None
	Disk, rip and plough	30.5 ha	30.5 ha	No deviation	None
	Pipe trenching	3 500 m	3 500 m	No deviation	None
Strategic Objective 2					
Install and maintain irrigation system for newly established citrus between 2015/16 and 2017/18	Install under-ground main lines and valves and drip lines above ground in orchard	Install under-ground main lines and valves and drip lines above ground on 14 ha	14 ha	No deviation	None
	Install valves and micro jets	Install valves and micro jets on 15.6 ha	15.6 ha	No deviation	None
	Install valves and drip lines	Install valves and drip lines on 2 ha	2 ha	No deviation	None
	Install filter bank	Install filter bank	1 unit	No deviation	None
	Install floating suction	Install floating suction	1 unit	No deviation	None
Strategic Objective 3					
Purchase and plant young trees	18.5 HA Lemon trees	7 550 Lemon trees planted	7 550	No deviation	None
	15 ha Novas trees	8 325 Nova trees planted	6 100	Variance of 2 225	Average delivery time after payment is 2 years. Short deliv-ered due to delayed payment
	3.11 ha Valencia trees	6 125 Valencia trees planted	3 850	Variance of 2 275	Average delivery time after payment is 2 years. Short deliv-ered due to delayed payment

Strategic Objective 4	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
Removal of windbreak trees, infrastructure and the building of a security trench for the area called Oranjezicht between 2015/16 and 2016/17	Phase 1: Remove all windbreak trees and stock-pile to burn	Phase 1 complete 100%	100%	No deviation	None
	Phase 2: Remove all concrete furrows, concrete bridges, derelict buildings etc.	Phase 2 Complete 100%	0%	Variance 100%	Supplier's machinery broken. Completed during April 2017.
	Phase 3: Security Trench around boundary (4 070m)	Phase 3 complete 4 070m	4 070 m	No deviation	None
Strategic Objective 5					
To purchase and plant 14 500 Lemon trees between 2014/15 and 2016/17	Balance owing on 14 500 Lemon trees 2015/16	Plant 10 500 trees	3 100	Variance 7 400	Average delivery time after payment is 2 years. Short delivered due to delayed payment.
Strategic Objective 6					
Improve security at the Silver Oaks orchard	Dig a security trench around the Silver Oak orchard	2 035 m	2 035 m	No deviation	None
Strategic Objective 7					
Remove citrus trees that have reach maturity and do land preparation for the planting of new trees between 2015/16 and 2017/18	Chemical Sprays on 115.3Ha – Number of spray months	7	7	No deviation	None
	Irrigation on 136.3Ha at 4 & 8 hours per week – Number of irrigation hours	288	288	No deviation	None
	Pruning of orchards – Hectares pruned	115.3 ha	25 ha	Variance of 90.3	Could not commit funds that may not be recovered, as SAFE contract coming to an end in February 2017.
	Sanitation on 115.3Ha – Number of sanitation days	187 days	207 days	Positive deviation Target exceeded by 20	Splint ends more than normal.

Strategic Objective 8	Performance Indicator	Annual Target	Actual Annual Achievement	Deviation from Planned Target	Comment on Deviations
Fruit picking (Bin units)	Nova Soft Citrus (NOV) picked – in bins	127	80	Target not achieved. Variance of 47	Target 37% under-achieved due to theft of produce.
	Valencia (VAL) picked -in bins	1 733	2 850	Target exceeded by 1 117	None
	Eureka Lemons (EUR) picked – in bins	3 451	3 091	Target not achieved. Variance of 360	Target 10% under-achieved due to theft.
	Navel (NAV) picked – in bins	5 779	3 072	Target not achieved Variance of 2707	Target 47% under-achieved. Due to theft, fruit flies and false codling moth attacking early navel oranges resulting in low quality non-export harvest.

Strategic Objective 9					
Export fruit (cartons)	Nova Soft Citrus (NOV)	2 211	1 472	Target not achieved Variance of 739	Theft of produce
	Red Navel Orange (CAR)	15 792	12 690	Target not achieved Variance of 3 102	Quality and size not fit for export. Sold to local juice producers
	Delta Valencia (DEL)	19 771	-	Target not achieved Variance of 19 771	Quality and size not fit for export. Sold to local juice producers
	Midnight Valencia (MKN)	22 839	30 120	Target exceeded by 7 281	Less False Codling Moths (FCM)
	Eureka Lemons (EUR)	59 153	65 034	Target exceeded by 5 881	More exports than local sales
	Turkey Valley Valencia (TUR)	3 923	31 680	Target exceeded by 27 757	Less FCM
	Navel Early Oranges (NAV)	38 014	15 170	Target not achieved Variance of 22 844	Adverse variance due to Foodstuffs, Cosmetics and Disinfectants (FCD)
	Navel Late (NLT)	16 807	19 368	Target exceeded by 2 561	Less FCM
	Grape Fruit (GF)	1 490	-	Target not achieved Variance of 1 490	Non-productive aged-trees

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.

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 ECRDA's human resources policy which encompasses recruitment, labour relations, employee wellness, skills development, talent management and code of conduct. The human resources business unit 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).

HR priorities

The HR Division had set targets for the 2016/17 financial year most which were achieved. The agency's HR priorities in the review period are summarised below:

POPULATION OF THE ORGANISATIONAL STRUCTURE

At the end of the financial year under review, 99% of the funded organogram was filled and the ECRDA's focus continuous to be that critical positions remain filled.

REDUCTION OF SKILLS GAP

In its efforts to address the capacity and skills gap of operational personnel of the entity, the ECRDA facilitates the attendance of training courses by personnel at accredited training service providers and supports personnel who wishes to study further by means of study loans, which are expensed if employees pass.

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 a phased approach may be followed.

Performance agreements for the 2016/17 financial year were in place for executive management. As at 31 March 2018, the PMS is expected to be rolled out for the entire 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-nine percent (99%) funded vacant posts were filled.

Performance agreements and performance quarterly assessments were conducted between the Chief Executive Officer and the Executive Management team.

CHALLENGES

There is resistance of staff to implementation of the Performance Management System and implementation thereof on the basis that they were not involved in its development and approval.

HR Statistics

PERSONNEL COSTS BY PROGRAMME/ACTIVITY/OBJECTIVE		
Programme	**No Of Employees**	**Personnel Cost Per Programme R'000**
CEO Office	12	11 340
Strategy Unit	4	2 170
Corporate Services	36	14 880
Finance, SCM & Treasury	27	14 975
PMU	85	37 196
TOTAL	**164**	**80 561**

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	14 670	18	9	1 630
Senior Management	14 459	18	14	1 033
Middle Management	10 930	14	15	729
Specialists	4 189	5	4	1 047
Professional Qualified / Semi-skilled	32 597	40	96	340
Very low skilled	3 717	5	26	143
TOTAL	**80 561**		**164**	**491**

PERFORMANCE REWARDS

No performance rewards were paid during the financial year

EMPLOYMENT AND VACANCIES PER LEVEL					
Programme	**Personnel Expenditure**	**Training Expenditure**	**Training Expenditure as a % of Personnel Cost**	**No of Employees Trained**	**Avg Training Cost Per Employee**
	R'000	R'000			R'000
	80 561	2 517	3%	102	25

EMPLOYMENT AND VACANCIES PER PROGAMME			
Programme	**No of employees**	**Vacancies (funded)**	**% of vacancies in unit**
CEO Office	12	0	0%
Strategy Unit	4	0	0%
Corporate Services	36	1	3%
Finance, SCM & Treasury	27	1	4%
PMU	85	0	0%
	164	**2**	1%
EMPLOYMENT AND VACANCIES PER LEVEL			
Top Management	9	0	0
Senior Management	14	0	0
Middle Management	15	0	0
Specialists	4	0	0
Professional Qualified / Semi-skilled	96	2	100
Very Low Skilled	26	0	0
TOTAL	**164**	**2**	**100**

PERMANENT AND FULL-TIME CONTRACTED EMPLOYEES							
	2013/2014 Actual	**2014/2015 Actual**	**2015/2016 Actual**	**2016/2017 Actual**	**2017/2018 Budget estimate**	**2018/2019 Budget estimate**	**2019/2020 Budget estimate**
Personnel Costs (R thousand)	49 654	58 686	73 959	80 561	85 605	90 964	96 967
Personnel numbers (Head count)	136	150	168	164	164	164	164
UNIT COST	**365**	**391**	**440**	**491**	**522**	**555**	**591**

VACANCIES IN THE ORGANOGRAM (NOT FUNDED 2016/17)			
Divison	**Post**	**Grade**	**Status**
Finance, SCM & Treasury	Senior Finance Clerk	11	To be filled as/when funding and/or savings are available
	Management Accountant	10	To be filled as/when funding and/or savings are available
	Vendor & Contract Officer	11	Suitable candidate could not be found
PMU	2 x Customer Consultants	7	To be filled as/when funding and/or savings are available
	Senior Customer Consultant	10	To be filled as/when funding and/or savings are available

EMPLOYMENT CHANGES

Salary band	Employment at beginning of period	Appointments/ secondments	Integration	Terminations	Employment at end of period
Top Management	9	0	0	0	9
Senior Management	16	0	0	2	14
Middle Management	15	0	0	0	15
Specialists	4	0	0	0	4
Professional Qualified / Semi-skilled	97	2	0	3	96
Very low skilled	27	0	0	1	26
TOTAL	**168**	**2**	**0**	**6**	**164**

REASONS FOR STAFF LEAVING

Reason	Number	% Of total no of staff leaving
Death	0	0
Dismissals	1	17
Resignations	4	67
Retirements	1	17
TOTAL	**6**	**100**

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Status	Number
Full disciplinary process complete with dismissal as outcome	1
Full disciplinary process with outcome pending	0
CCMA cases pending	1
Labour court case pending	0
Pending Grievances	0

EMPLOYMENT EQUITY

	Male				Female			
	African	Coloured	Indian	White	African	Coloured	Indian	White
Top Management	5	0	0	1	2	0	0	1
Senior Management	8	0	0	0	4	0	0	2
Middle Management	10	0	0	1	3	0	0	1
Specialists	4	0	0	0	0	0	0	0
Professional Qualified / Semi-skilled	28	0	0	3	65	1	0	0
Very low skilled	5	0	0	0	18	2	0	0
TOTAL	**60**	**0**	**0**	**5**	**92**	**3**	**0**	**4**

*Note that there was no specific targets set for the year

Section D

CORPORATE 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 Eastern Cape Rural Development Agency has lodged with the Companies and Intellectual Property Commission (previously the Companies and Intellectual Property Registration Office) all returns required of a public company in terms of the Companies Act 2008, in respect of the financial year ended 31 March 2017 and that all such returns are true, correct and up to date.

Yours faithfully

Company Secretary
G Koyana

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.

Portfolio Committees

The agency appeared four times before the Portfolio Committee as detailed below:
17 May 2016 – Budget Vote meeting.
25 October 2016 – Financial Oversight meeting.
22 November 2016 – Report on Financial Oversight
14 March 2017 – MEC Policy speech
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 ECRDA's quest and vision of reaching out to the rural poor.

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.

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 (10) non–executive members and one ex officio representatives (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

MEETING ATTENDANCE OF THE BOARD

Board Member	Board Meetings		Training & Workshops	
	Scheduled	Attended	Scheduled	Attended
1. Dr V Mkosana	4	4	1	0
2. Mr X George	4	4	1	1
3. Mr V Jarana	4	3	1	1
4. Ms B Kali	4	3	1	1
5. Mr A Le Roux	4	4	2	2
6. Mr S Mbalekwa	4	3	2	2
7. Ms F Mkile	4	4	1	1
8. Mr CJ Pietersen	4	4	1	1
9. Ms Z Semane	4	4	1	1
10. Mr M Ncwadi	4	4	2	2
11. Mr M Sogoni	4	3	3	3
TOTAL	**44**	**40**	**16**	**15**

BOARD COMMITTEES

The ECRDA Board of Directors has five functional board committees, namely the human capital and remuneration (HC & Remco), audit and risk, programmes and projects (P & P), finance and investment (Finvest) and governance and ethics 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 and ethics committee and ratified by the board.

The governance and ethics 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)	●				
Ms FF Mkile (Deputy Chair)	●		●		
Mr V Jarana	●		●		
Ms B Kali		●		●	
Mr A. Le Roux		●			●
Mr W S Mbalekwa	●	●	●		
Mrs Z Semane				●	●
Mr M W Sogoni		●			●
Mr M Ncwadi			●	●	
Mr X C George	●				●
Mr C J Pietersen	●		●	●	

• Chair of Committee

BOARD COMMITTEE ATTENDANCE

	Board Meetings		Training & Workshops		Audit & Risk Committee		FINVEST Committee		Governance & Ethics	
Board member	Scheduled	Attended	Scheduled	Attended	Scheduled	Attended	Scheduled	Attended	Scheduled	Attended
Dr V Mkosana	4	4	1	0					4	3
Mr X George	4	4	1	1					4	0
Mr V Jarana	4	3	1	1			4	1	4	1
Ms B Kali	4	3	1	1	4	4				
Mr A Le Roux	4	4	2	2	4	4				
Mr S Mbalekwa	4	3	2	2	4	4	4	4	4	4
Ms F Mkile	4	4	1	1			4	3	4	4
Mr CJ Pietersen	4	4	1	1			4	4	4	4
Ms Z Semane	4	4	1	1						
Mr M Ncwadi	4	4	2	2			4	4		
Mr M Sogoni	4	3	3	3	4	4				
Total	**44**	**40**	**16**	**15**	**16**	**16**	**20**	**16**	**24**	**16**

FUNCTIONING OF BOARD COMMITTEES AND RISK MANAGEMENT

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

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

HC&R Committee		P&P Committee		HC&R Committee (With Unions)		Ad Hoc (Meetings)	Trips (Outside)	Total (Meetings)
Scheduled	Attended	Scheduled	Attended	Scheduled	Attended	Attended	RSA	Attended
						2		9
4	4					1		10
						4		10
		4	3			2		13
4	3					1		14
						4		21
						5		17
		4	4			3		20
4	3	4	4			1		13
		4	4			4		18
4	2					1		13
16	**12**	**16**	**15**	**0**	**0**	**28**	**0**	**158**

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

Board committee members *	Directors of agency paid by subsidiaries	
	2017 (R)	**2016 (R)**
Kali B., Ms (appointed 1 January 2010)	299 604	306 922
Pietersen C.J., Mr (appointed 1 January 2010)	411 814	295 633
Mkile F.F., Ms (appointed 20 January 2010)	405 814	368 055
Mkosana V.M., Dr (appointed 15 November 2012)	389 270	367 311
George X., Mr (appointed 15 November 2012)	309 430	335 903
Jarana V., Mr (appointed 15 November 2012)	308 552	285 413
Le Roux A., Mr (appointed 15 November 2012)	333 259	284 842
Mbalekwa S.W., Mr (appointed 15 November 2012)	363 616	340 183
Semane Z., Ms (appointed 15 November 2012)	300 820	284 842
Sogoni M., Mr (appointed 1 February 2016)	312 021	46 040
Ncwadi M., Mr (appointed 1 February 2016)	302 376	46 041
FEES FOR SERVICES RENDERED	**3 736 576**	**3 220 471**

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

Risk Management

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

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

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

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

Internal 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.

Internal Audit and Audit Committees

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

SUMMARY OF AUDIT ASSIGNMENTS PERFORMED

The following audit areas were reviewed during the financial year:

- Information communication and technology (ICT),
- Asset management,
- Compliance with laws and regulations,
- Audit of predetermined objectives (AOPO),
- Supply chain management,
- Agro-processing, Rural Finance,
- Annual Financial Statements,
- Forestry, Livestock,
- Renewable Energy,
- Human resources management, and
- 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, performance information, information communication & technology and compliance with laws and regulations.

Review the work performed by the agency's Internal Audit which comprises mainly internal audit assignments and risk management activities.

Maintain effective working relations with the Board, management, and the internal and external auditors.

ATTENDANCE OF AUDIT & RISK COMMITTEE MEETINGS BY MEMBERS

Board Member	Audit Committee	
	Scheduled	Attended
1. Ms B Kali	4	4
2. Mr A Le Roux	4	4
3. Mr S Mbalekwa	4	4
4. Mr M Sogoni	4	4
TOTAL	**16**	**16**

Compliance with Laws and Regulations

The agency 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.

Fraud and Corruption

FRAUD PREVENTION PLAN

Fraud Prevention Policy has been approved by the Board and was implemented during the financial year. In addition to the policy, the agency 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 or the Board. Internal Audit continued to facilitate fraud awareness workshops with employees to ensure that they were familiar with the process to report fraud.

REPORTING FRAUD AND 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 & Risk Committee. Staff members are also required to report fraud to Office of the Premier via the free National Anticorruption Hotline. In all cases staff members are encouraged to remain anonymous to avoid victimisation by perpetrators of fraud.

Minimising Conflict of Interest

The agency's staff are required to declare their interests in other businesses/organisations on a regular basis. In addition to this declaration, all bid evaluation and adjudication committee members are required to declare any potential conflict of interest at each committee meeting. 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, the agency requires all suppliers registered on its database to declare its shareholders and any conflict of interest upon registration to avoid the inadvertent use of suppliers in an irregular manner. The 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.

Company Secretary

In the 2016/17 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.

Code of Conduct

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

Health and Safety

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.

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).

ECRDA

Eastern Cape Rural Development Agency

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Report of the auditor-general

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

1. I have audited the consolidated and separate financial statements of the Eastern Cape Rural Development Agency and its subsidiaries set out on pages 94 to 183, to which comprise the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Eastern Cape Rural Development Agency and its subsidiaries as at 31 March 2017, and their financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act NO. 1 of 1999) (PFMA).

BASIS FOR OPINION

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibility under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board of Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

EMPHASIS OF MATTER

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

Material write-off of irrecoverable debt

7. The statement of financial performance to the consolidated financial statements discloses the material write-off of irrecoverable loans and advances of R5,6 million (2016: R7,6 million).

OTHER MATTER

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

UNAUDITED SUPPLEMENTARY INFORMATION

9. The supplementary information set out on pages 180 to 183 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY

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

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

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

13. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to the auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

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

15. My procedure address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information. Accordingly, my findings do not extend to these matters.

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2017:

Programmes

Programme 1 – Agro processing (PG 52 - 53)
Programme 2 – Renewable energy (PG 54)
Programme 3 – Rural finance and entrepreneurial development (PG 55)
Programme 5 – Strategic partnerships (PG 58)
Programme 6 – Rural development nodes and cluster (PG 59 - 64)

17. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

18. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:

Programme 1 – Agro processing
Programme 2 – Renewable energy
Programme 3 – Rural finance and entrepreneurial development
Programme 5 – Strategic partnerships
Programme 6 – Rural development nodes and cluster

OTHER MATTERS

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages 44 to 60 for information on the achievement of planned targets for the year and the explanations provided for the underachievement of a number of targets.

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 the rural finance and entrepreneurial development programme. 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 information

22. The supplementary information set out pages 180 to 183 does not form part of the annual performance report and is presented as addition information. I have not audited this schedule and, accordingly, I do not express a conclusion thereon.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

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

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.

Other information

25. The entity and its subsidiaries' accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.

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

27. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

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

INTERNAL CONTROL DEFICIENCIES

29. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies is internal control.

OTHER REPORTS

30. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

31. The forensic auditors compile a report on transactions in respect of the relocation of staff and travel allowances relating to the 2014-15 financial year. At the date of auditors report, the report was still in draft format and needed to be presented to senior management and the accounting authority for their attention and approval.

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

Auditor-General

East London
01 August 2017

AUDITOR-GENERAL
SOUTH AFRICA

Statement of responsibilty

STATEMENT OF BOARD MEMBERS' RESPONSIBILITY FOR FINANCIAL REPORTING

The board members are required by the Public Finance Management Act, Act No. 1 of 1999, (as amended by Act No. 29 of 1999) and the Eastern Cape Rural Finance Corporation Amendment Act, Act No. 1 of 2012 to maintain adequate accounting records; while they are responsible for the content and integrity of the consolidated annual financial statements and the related financial information in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the agency and group as at the end of the financial year and the results of their operations and cash flows for the year then ended, in conformity with the prescribed Standards of Generally Recognised Accounting Practice.

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

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

the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The board members have reviewed the group's cash flow forecast for the year ended 31 March 2017 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 94 to 183, which have been prepared on the going concern basis, were approved by the board members on 31 May 2017 and were signed on its behalf by:

Dr. V. Mkosana
Chairperson of the Board

Audit & Risk Committee Report

FOR THE YEAR ENDED 31 MARCH 2017

Report by the Audit and Risk 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 and Risk 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 and Risk 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 2017, 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 and Risk Committee concurs that the adoption of the going concern premise in framing the consolidated annual financial statements is appropriate. The Audit and Risk 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

Consolidated statement of financial position as at 31 March 2017

Assets	Notes	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
CURRENT ASSETS					
Cash and cash equivalents	6	74 642 220	115 049 019	74 649 434	115 107 085
Trade and other receivables	8.1	12 667 372	14 016 433	13 470 963	17 212 171
Inventories	9	123 971	90 564	512 563	557 125
Biological assets and agricultural produce	10	-	-	7 602 369	8 597 536
Loans and advances to customers	7	50 932 562	47 506 949	50 932 562	47 506 949
		138 366 126	**176 662 966**	**147 167 892**	**188 980 866**
NON-CURRENT ASSETS					
Deferred tax	23	-	-	60 862	41 820
Biological assets and agricultural produce	10	-	-	15 947 000	9 518 352
Investment under contingency policy	12	9 216 355	8 579 830	9 216 355	8 579 830
Receivable from Arengo 316 (Pty) Ltd	8.2	-	7 097 346	-	7 097 346
Receivable from Sundays River Citrus	8.3	-	-	124 791	94 941
Investment property	13.1	1 763 716	1 802 041	1 763 716	1 802 041
Property, plant and equipment	13.2	15 320 446	15 356 429	22 989 380	23 923 240
Intangible assets	13.3	265 596	816 122	444 096	994 622
Work in progress	13.2	-	-	-	4 416 888
		26 566 113	33 651 767	50 546 201	56 469 080
Total assets		**164 932 239**	**210 314 732**	**197 714 094**	**245 449 946**

Liabilities	Notes	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
CURRENT LIABILITIES					
Finance lease obligations	19	595 508	949 609	595 508	992 711
Deferred grant income arising from non-exchange transactions	15	12 149 079	8 773 485	12 149 079	8 773 485
Trade and other payables	14	19 209 157	18 858 876	23 267 696	21 093 403
Loan from South African Fruit Exporters	17	-	-	-	8 801 281
Liabilities arising from non-exchange transactions	18	13 827 551	40 248 976	13 827 551	40 248 976
		45 781 295	**68 830 945**	**49 839 834**	**79 909 856**
NON-CURRENT LIABILITIES					
Finance lease obligations	19	619 484	1 120 345	619 484	1 120 345
Deferred tax	23	-	-	2 365 431	2 690 908
		619 484	1 120 345	2 984 915	3 811 253
Total liabilities		46 400 779	69 951 290	52 824 749	83 721 109
Total assets less total liabilities		**118 531 460**	**140 363 442**	**144 889 345**	**161 728 837**

NET ASSETS					
Capital contributed	20	41 989 046	41 989 046	41 989 046	41 989 046
Accumulated surplus		76 542 414	98 374 396	102 900 299	119 739 792
Attributable to the minority shareholders		-	-	12 915 363	10 450 959
Attributable to net asset holder of the agency		118 531 460	140 363 442	131 973 982	151 277 878
Total net assets		**118 531 460**	**140 363 442**	**144 889 345**	**161 728 837**

TOTAL OF KANGELA CITRUS (PTY) LTD ('R)

Total		Attributable to the ECRDA (51%)	Attributable to the minority share (49%)	Total of the ECRDA group (exc Minority)	Total of the ECRDA group (inc Minority)
Total assets	32 781 854	16 718 745	16 063 108	181 650 985	197 714 094
Total liabilities	6 423 970	(3 276 225)	(3 147 745)	(49 677 004)	(52 824 749)
Total net assets	26 357 884	13 442 521	12 915 363	131 973 982	144 889 345

Consolidated segment report of financial position as at 31 March 2017

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

	2017					
	Head Office - Admin (non-segment)	East London	Branches	Segments total	Subsidiaries	Statement of financial performance
		Head Office - Project management	Rural Finance		Kangela Citrus	
ASSETS	R	R	R	R	R	R
Current Assets						
Cash and cash equivalents	15 940 730	17 357 602	41 343 889	58 701 491	7 214	74 649 434
Trade and other receivables	2 458 168	10 140 546	68 659	10 209 204	803 591	13 470 963
Inventories	123 971	-	-	-	388 592	512 563
Biological assets and agricultural produce	-	-	-	-	7 602 369	7 602 369
Loans and advances to customers	-	-	154 039 428	154 039 428	-	154 039 428
Less: Credit impairments on loans	-	-	(103 106 866)	(103 106 866)	-	(103 106 866)
Net loans and advances to customers	-	-	50 932 562	50 932 562	-	50 932 562
	18 522 869	**27 498 148**	**92 345 110**	**119 843 257**	**8 801 766**	**147 167 892**
Non-current assets						
Deferred tax	-	-	-	-	60 862	60 862
Biological assets and agricultural produce	-	-	-	-	15 947 000	15 947 000
Investment under contingency policy	9 216 355	-	-	-	-	9 216 355
Receivable from Arengo 316 (Pty) Ltd	-	-	-	-	-	-
Receivable from Sundays River Citrus	-	-	-	-	124 791	124 791
Investment property	-	-	1 763 716	1 763 716	-	1 763 716
Property, plant and equipment	9 578 574	-	5 741 871	5 741 871	7 668 935	22 989 380
Intangible assets	265 596	-	-	-	178 500	444 096
Work in progress	-	-	-	-	-	-
	19 060 526	-	7 505 587	7 505 587	23 980 088	50 546 201
Total Assets	**37 583 395**	**27 498 148**	**99 850 696**	**127 348 844**	**32 781 854**	**197 714 093**

	2016							
	Head Office - Admin (non-segment)	East London	Branches	Segments total	Subsidiaries		Subsidiary Total	Statement of financial performance
		Head Office - Project management	Rural Finance		Kangela Citrus	North Pondoland Sugar		
	R	R	R	R	R	R	R	R
	25 177 644	51 458 908	38 412 467	89 871 375	7 750	50 316	58 066	115 107 085
	2 611 695	11 339 125	65 613	11 404 738	3 195 738	-	3 195 738	17 212 171
	90 564	-	-	-	466 561	-	466 561	557 125
	-	-	-	-	8 597 536	-	8 597 536	8 597 536
	-	-	176 958 922	176 958 922	-	-	-	176 958 922
	-	-	(129 451 973)	(129 451 973)	-	-	-	(129 451 973)
	-	-	47 506 949	47 506 949	-	-	-	47 506 949
	27 879 903	**62 798 033**	**85 985 029**	**148 783 062**	**12 267 585**	**50 316**	**12 317 901**	**188 980 866**
	-	-	-	-	-	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
	9 094 880	75 217	6 186 334	6 261 551	8 566 811	-	8 566 811	23 923 241
	816 122	-	-	-	178 500	-	178 500	994 622
	-	-	-	-	4 416 888	-	4 416 888	4 416 888
	25 588 178	75 217	7 988 375	8 063 592	13 162 199	9 655 113	22 817 312	56 469 081
	53 468 081	**62 873 250**	**93 973 403**	**156 846 653**	**25 429 784**	**9 705 429**	**35 135 213**	**245 449 947**

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

	2017					
	Head Office - Admin (non-segment)	East London	Branches	Segments total	Subsidiaries	Statement of financial performance
		Head Office - Project management	Rural Finance		Kangela Citrus	
LIABILITIES	**R**	**R**	**R**	**R**	**R**	**R**
Current liabilities						
Finance lease obligations	595 508	-	-	-	-	595 508
Deferred grant income arising from non-exchange transactions	12 149 079	-	-	-	-	12 149 079
Trade and other payables	19 090 750	45 742	72 665	118 407	4 058 539	23 267 696
Loan from South African Fruit Exporters	-	-	-	-	-	-
Liabilities arising from non-exchange transactions	-	13 250 731	576 820	13 827 551	-	13 827 551
	31 835 337	**13 296 473**	**649 485**	**13 945 958**	**4 058 539**	**49 839 834**
Non-current liabilities						
Finance lease obligations	148 270	-	471 214	471 214	-	619 484
Deferred tax	-	-	-	-	2 365 431	2 365 431
	148 270	-	471 214	471 214	2 365 431	2 984 915
Total liabilities	31 983 607	13 296 473	1 120 699	14 417 172	6 423 970	52 824 749
Total assets less total liabilities	**5 599 788**	**14 201 675**	**98 729 997**	**112 931 672**	**26 357 884**	**144 889 344**
NET ASSETS						
Capital contributed	41 989 046	-	-	-	-	41 989 046
Accumulated surplus	76 542 414	-	-	-	26 357 884	102 900 298
Attributable to net asset holder of the agency	118 531 460	-	-	-	26 357 884	144 889 344
Total net assets	**118 531 460**	**-**	**-**	**-**	**26 357 884**	**144 889 344**

2016							
Head Office - Admin (non-segment)	East London	Branches	Segments total	Subsidiaries		Subsidiary Total	Statement of financial performance
	Head Office - Project management	Rural Finance		Kangela Citrus	North Pondoland Sugar		
R	R	R	R	R	R	R	R
791 200	-	158 409	158 409	43 102	-	43 102	992 711
-	-	8 773 485	8 773 485	-	-	-	8 773 485
17 922 485	866 704	69 688	936 392	2 221 119	13 407	2 234 526	21 093 403
-	-	-	-	8 801 281	-	8 801 281	8 801 281
-	39 680 215	568 761	40 248 976	-	-	-	40 248 976
18 713 685	**40 546 919**	**9 570 343**	**50 117 263**	**11 065 502**	**13 407**	**11 078 909**	**79 909 858**
649 131	-	471 214	471 214	-	-	-	1 120 345
-	-	-	-	2 690 908	-	2 690 908	2 690 908
649 131	-	471 214	471 214	2 690 908	-	2 690 908	3 811 253
19 362 816	40 546 919	10 041 557	50 588 477	13 756 410	13 407	13 769 817	83 721 110
34 105 265	**22 326 331**	**83 931 846**	**106 258 176**	**11 673 374**	**9 692 022**	**21 365 396**	**161 728 837**
41 989 046	-	-	-	-	-	-	41 989 046
98 374 396	-	-	-	21 328 488	36 907	21 365 395	119 739 791
140 363 442	-	-	-	21 328 488	36 907	21 365 395	161 728 837
140 363 442	**-**	**-**	**-**	**21 328 488**	**36 907**	**21 365 395**	**161 728 837**

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

	2017 Rural Finance Segment Breakdown					
	King Williams Town & Butterworth	Port Elizabeth	Cradock	Mthatha & Lusikisiki	Queenstown & Engcobo	Kokstad
	Amathole	Nelson Mandela Metro	Karoo	OR Tambo	Chris Hani	Alfred Nzo
ASSETS	**R**	**R**	**R**	**R**	**R**	**R**
Current Assets						
Cash and cash equivalents	7 201 266	15 776 475	7 323 108	233 317	3 732 973	7 076 750
Trade and other receivables	-	-	-	68 659	-	-
Inventories	-	-	-	-	-	-
Biological assets and agricultural produce	-	-	-	-	-	-
Loans and advances to customers	26 868 332	58 862 920	27 322 930	653 559	13 927 933	26 403 755
Less: Credit impairments on loans	(17 984 418)	(39 400 115)	(18 288 705)	(437 462)	(9 322 714)	(17 673 452)
Net loans and advances to customers	8 883 914	19 462 805	9 034 225	216 097	4 605 219	8 730 303
	16 085 180	**35 239 280**	**16 357 333**	**518 072**	**8 338 192**	**15 807 053**
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	-	-	-	1 763 716	-	-
Property, plant and equipment	3 908 016	338 100	1 034 148	227 802	86 824	146 980
Intangible assets	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-
	3 908 016	338 100	1 034 148	1 991 517	86 824	146 980
Total assets	19 993 196	35 577 380	17 391 481	2 509 590	8 425 017	15 954 033

2016 Rural Finance Segment Breakdown					
King Williams Town & Butterworth	Port Elizabeth	Cradock	Mthatha & Lusikisiki	Queenstown & Engcobo	Kokstad
Amathole	Nelson Mandela Metro	Karoo	OR Tambo	Chris Hani	Alfred Nzo
R	R	R	R	R	R
15 942 151	3 558 029	109 744	6 715 002	6 959 649	5 127 894
-	-	-	65 613	-	-
-	-	-	-	-	-
-	-	-	-	-	-
73 442 450	16 391 163	505 569	30 934 734	32 061 776	23 623 230
(53 725 859)	(11 990 740)	(369 842)	(22 629 898)	(23 454 371)	(17 281 263)
19 716 591	4 400 423	135 727	8 304 836	8 607 405	6 341 967
35 658 742	**7 958 452**	**245 471**	**15 085 450**	**15 567 054**	**11 469 861**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1 802 041	-	-
4 263 249	277 655	1 176 719	293 911	104 779	70 021
-	-	-	-	-	-
-	-	-	-	-	-
4 263 249	277 655	1 176 719	2 095 952	104 779	70 021
39 921 991	8 236 107	1 422 190	17 181 402	15 671 833	11 539 881

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

	2017 Rural Finance Segment Breakdown					
	King Williams Town & Butterworth	Port Elizabeth	Cradock	Mthatha & Lusikisiki	Queenstown & Engcobo	Kokstad
	Amathole	Nelson Mandela Metro	Karoo	OR Tambo	Chris Hani	Alfred Nzo
LIABILITIES	**R**	**R**	**R**	**R**	**R**	**R**
Current liabilities						
Finance lease obligations	-	-	-	-	-	-
Deferred grant income arising from non-exchange transactions	-	-	-	-	-	-
Trade and other payables	-	-	-	72 665	-	-
Loan from South African Fruit Exporters	-	-	-	-	-	-
Liabilities arising from non-exchange transactions	576 820	-	-	-	-	-
	576 820	**-**	**-**	**72 665**	**-**	**-**
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	**712 321**	**96 382**	**140 970**	**171 026**	**-**	**-**
Total assets less total liabilities	19 280 874	35 480 998	17 250 511	2 338 564	8 425 017	15 954 033
NET ASSETS						
Capital contributed	-	-	-	-	-	-
Accumulated surplus	-	-	-	-	-	-
Attributable to net asset holder of the agency	-	-	-	-	-	-
Total net assets	-	-	-	-	-	-

	2016 Rural Finance Segment Breakdown					
	King Williams Town & Butterworth	**Port Elizabeth**	**Cradock**	**Mthatha & Lusikisiki**	**Queenstown & Engcobo**	**Kokstad**
	Amathole	**Nelson Mandela Metro**	**Karoo**	**OR Tambo**	**Chris Hani**	**Alfred Nzo**
	R	**R**	**R**	**R**	**R**	**R**
	47 169	33 552	45 703	31 985	-	-
	3 641 219	812 661	25 066	1 533 720	1 589 598	1 171 221
	-	-	-	69 688	-	-
	-	-	-	-	-	-
	568 761	-	-	-	-	-
	4 257 150	**846 213**	**70 769**	**1 635 393**	**1 589 598**	**1 171 221**
	135 501	96 382	140 970	98 361	-	-
	-	-	-	-	-	-
	135 501	96 382	140 970	98 361	-	-
	4 392 651	**942 595**	**211 739**	**1 733 754**	**1 589 598**	**1 171 221**
	35 529 340	7 293 512	1 210 451	15 447 648	14 082 235	10 368 660
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-

Consolidated statement of financial performance for the period ended 31 March 2017

31 March 2017	Notes	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
INCOME		**213 823 955**	192 608 477	**267 640 303**	234 830 746
Revenue from non-exchange transactions		**200 100 878**	174 148 609	**200 273 790**	174 380 588
Government grant from the Eastern Cape Department of Rural Development and Agrarian Reform - operational		**186 267 000**	151 573 000	**186 267 000**	151 573 000
Government funding for additional specified transfers and payments		**12 319 431**	20 064 049	**12 319 431**	20 064 049
National Skills Fund		**160 395**	136 206	**160 395**	136 206
Other income	22.1	**1 354 052**	2 375 354	**1 526 964**	2 607 333
Revenue from exchange transactions		**13 723 077**	18 459 869	**67 366 513**	60 450 158
Interest income on cash and investments		**3 222 450**	2 179 753	**3 276 447**	2 182 367
Interest income on loans and advances		**2 561 391**	3 151 893	**2 561 391**	3 151 893
Interest income on concessionary loans		**1 653 881**	9 183 411	**1 653 881**	9 183 411
Commission fees for managing projects		**3 507 396**	2 519 142	**3 507 396**	2 519 142
Fair value adjustments		**1 021 235**	266 898	**20 677 348**	16 098 295
Gain on disposal of property, plant and equipment		**256 440**	-	**256 440**	-
Loan initiation fees		**51 200**	122 000	**51 200**	122 000
Provisions for bad debts on loans reversed		**235 153**	-	**235 153**	-
Rental income from investment property		**1 213 932**	1 036 772	**1 213 932**	1 036 772
Revenue from non-exchange transactions		**-**	-	**1 636 201**	-
Sale of goods - produce		**-**	-	**32 297 125**	26 156 278

31 March 2017	Notes	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
EXPENSES		**213 159 253**	220 271 800	**260 411 717**	251 222 209
Administrative expenses	22.2	**11 279 389**	10 336 315	**11 862 493**	10 646 914
Audit fees		**3 414 480**	3 643 604	**3 576 855**	3 828 333
Cost of sales		**-**	-	**43 088 695**	34 532 536
Fee - MAFISA Scheme		**496 500**	359 877	**496 500**	359 877
Finance costs		**16 613**	44 574	**74 591**	75 166
Marketing and social facilitation		**838 628**	922 694	**838 628**	922 694
Other operating expenses	22.3	**54 931 189**	52 350 361	**57 405 690**	54 600 181
Project expenses		**30 653 876**	31 211 548	**30 653 876**	31 211 548
Skills levy		**763 983**	719 442	**763 983**	719 442
Staff costs	22.4	**80 561 087**	73 959 321	**81 446 898**	74 567 454
Grants paid to subsidiaries		**-**	6 966 224	**-**	224
- Kangela		**-**	6 966 000	**-**	-
- North Pondoland		**-**	224	**-**	224
Transfer payments		**24 064 000**	28 681 646	**24 064 000**	28 681 646
- Majola Tea		1 800 000	3 797 210	1 800 000	3 797 210
- Ncera Macadamia		16 700 000	7 000 000	16 700 000	7 000 000
- Chris Hani Development Agency		2 550 000	-	2 550 000	-
- Magwa Tea		3 014 000	17 884 436	3 014 000	17 884 436
Social benefit from concessionary loans		**553 308**	3 521 413	**553 308**	3 521 413
Write off of irrecoverable debts		**5 586 200**	7 554 779	**5 586 200**	7 554 779
NET SURPLUS/(DEFICIT)		**664 702**	(27 663 323)	**7 228 586**	(16 391 464)
Sale and scrapping of property, plant and equipment		**-**	(550 362)	**-**	(550 362)
SURPLUS/(DEFICIT) BEFORE TAXATION		**664 702**	(28 213 685)	**7 228 586**	(16 941 825)
Taxation		**-**	-	**(1 534 489)**	(1 625 464)
SURPLUS/(DEFICIT) FOR THE YEAR		**664 702**	(28 213 685)	**5 694 097**	(18 567 289)
Attributable to:					
ECRDA (51%)		**664 702**	(28 213 685)	**3 229 693**	(23 298 516)
Minority Share (49%)		**-**	-	**2 464 404**	4 731 227

Consolidated segment report of financial performance for the year ended 31 March 2017

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

	2017					
	Head Office - Admin (non-segment)	East London	Branches	Segments total	Subsidiaries	Statement of financial performance
		Head Office - Project management	Rural Finance		Kangela Citrus	
	R	R	R	R	R	R
INCOME	**188 820 311**	**18 356 981**	**6 646 662**	**25 003 643**	**53 816 348**	**267 640 302**
Revenue from non-exchange transactions	**181 484 615**	**18 299 431**	**316 832**	**18 616 263**	**172 912**	**200 273 790**
Government funding	180 317 000	18 269 431	-	18 269 431	-	198 586 431
National Skills Fund	160 395	-	-	-	-	160 395
Other income	1 007 220	30 000	316 832	346 832	172 912	1 526 964
Revenue from exchange transactions	7 335 696	57 550	6 329 830	6 387 380	53 643 436	67 366 512
Interest income on cash and investments	2 509 628	25 653	687 169	712 822	53 997	3 276 447
Interest income on loans and advances	72 895	-	2 488 496	2 488 496	-	2 561 391
Interest income on concessionary loans	-	-	1 653 881	1 653 881	-	1 653 881
Commission fees for managing projects	3 475 498	31 897	-	31 897	-	3 507 396
Fair value adjustments	1 021 235	-	-	-	19 656 113	20 677 348
Loan initiation fees	-	-	51 200	51 200		51 200
Provisions for bad debts on loans reversed	-	-	235 152	235 152		235 152
Rental income from investment property	-	-	1 213 932	1 213 932		1 213 932
Gain on disposal of property, plant and equipment	256 440	-	-	-		256 440
Revenue from non-exchange transactions	-	-	-	-	1 636 201	1 636 201
Sale of goods - produce	-	-	-	-	32 297 125	32 297 125

	2016							
	Head Office - Admin (non-segment)	East London	Branches	Segments total	Subsidiaries		Subsidiary Total	Statement of financial performance
		Head Office - Project management	Rural Finance		Kangela Citrus	North Pondoland Sugar		
	R	R	R	R	R	R	R	R
	140 437 019	**35 647 870**	**16 256 691**	**51 904 561**	**42 486 632**	**2 534**	**42 489 166**	**234 830 746**
	138 259 822	**35 647 870**	**240 916**	**35 888 786**	**231 979**	**-**	**231 979**	**174 380 587**
	135 989 178	35 647 870	-	35 647 870	-	-	-	171 637 048
	136 206	-	-	-	-	-	-	136 206
	2 134 438	-	240 916	240 916	231 979	-	231 979	2 607 333
	2 177 197	-	16 015 775	16 015 775	42 254 653	2 534	42 257 187	60 450 159
	2 149 139	-	30 614	30 614	80	2 534	2 614	2 182 367
	28 058	-	3 123 836	3 123 836	-	-	-	3 151 894
	-	-	9 183 411	9 183 411	-	-	-	9 183 411
	-	-	2 519 141	2 519 141	-	-	-	2 519 141
	-	-	-	-	16 098 295	-	16 098 295	16 098 295
	-	-	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 performance as follows:

	2017					
	Head Office - Admin (non-segment)	**East London**	**Branches**	**Segments total**	**Subsidiaries**	**Statement of financial performance**
		Head Office - Project management	**Rural Finance**		**Kangela Citrus**	
	R	**R**		**R**	**R**	**R**
EXPENSES	**103 920 453**	**66 408 786**	**42 830 014**	**109 238 800**	**47 252 464**	**260 411 717**
Administrative expenses	8 777 888	1 063 804	1 437 698	2 501 501	583 104	11 862 493
Audit fees	1 561 788	376 822	1 475 870	1 852 692	162 375	3 576 855
Cost of sales	-	-	-	-	43 088 695	43 088 695
Fee - MAFISA Scheme	-	-	496 500	496 500	-	496 500
Finance costs	16 058	528	28	555	57 978	74 591
Marketing and social facilitation	812 674	-	25 954	25 954	-	838 628
Other operating expenses	32 071 672	14 373 142	7 637 075	22 010 217	2 474 501	56 556 390
Project expenses	24 500	31 521 376	-	31 521 376	-	31 545 876
Skills levy	763 983	-	-	-	-	763 983
Staff costs	35 791 011	19 073 115	25 696 962	44 770 076	885 811	81 446 898
Subsidiaries and transfer payments	24 064 000	-	-	-	-	24 064 000
Social benefit from concessionary loans	-	-	553 308	553 308	-	553 308
Write off of irrecoverable debts	36 879	-	5 506 621	5 506 621	-	5 543 500
NET (DEFICIT)/SURPLUS	84 899 858	(48 051 805)	(36 183 352)	(84 235 157)	6 563 884	7 228 585
Sale and scrapping of property, plant and equipment	-	-	-	-	-	-
(DEFICIT)/SURPLUS BEFORE TAXATION	**84 899 858**	**(48 051 805)**	**(36 183 352)**	**(84 235 157)**	**6 563 884**	**7 228 585**
Taxation					(1 534 489)	(1 534 489)
(DEFICIT)/SURPLUS FOR THE YEAR	**84 899 858**	**(48 051 805)**	**(36 183 352)**	**(84 235 157)**	**5 029 395**	**5 694 096**

2016							
Head Office - Admin (non-segment)	East London	Branches	Segments total	Subsidiaries		Subsidiary Total	Statement of financial performance
	Head Office - Project management	Rural Finance		Kangela Citrus	North Pondoland Sugar		
R		R	R	R	R		
102 665 903	**88 306 486**	**29 032 515**	**117 339 001**	**31 205 604**	**11 702**	**31 217 306**	**251 222 210**
9 446 147	548 785	341 384	890 169	309 085	1 515	310 600	10 646 916
3 643 604	-	-	-	174 541	10 187	184 728	3 828 332
-	-	-	-	34 532 536	-	34 532 536	34 532 536
-	-	359 877	359 877	-	-	-	359 877
44 574	-	-	-	30 592	-	30 592	75 166
907 694	15 000	-	15 000	-	-	-	922 694
41 024 879	4 999 625	6 058 960	11 058 585	2 516 718	-	2 516 718	54 600 182
-	31 211 548	-	31 211 548	-	-	-	31 211 548
719 442	-	-	-	-	-	-	719 442
39 329 719	15 883 658	18 745 945	34 629 603	608 132	-	608 132	74 567 454
-	35 647 870	-	35 647 870	(6 966 000)	-	(6 966 000)	28 681 870
-	-	3 521 414	3 521 414	-	-	-	3 521 414
7 549 844	-	4 935	4 935	-	-	-	7 554 779
37 771 116	(52 658 616)	(12 775 824)	(65 434 440)	11 281 028	(9 168)	11 271 860	(16 391 464)
							26 156 278
(550 362)	-	-	-	-	-	-	(550 362)
37 220 754	**(52 658 616)**	**(12 775 824)**	**(65 434 440)**	**11 281 028**	**(9 168)**	**11 271 860**	**(16 941 826)**
				(1 625 464)		(1 625 464)	(1 625 464)
37 220 754	**(52 658 616)**	**(12 775 824)**	**(65 434 440)**	**9 655 564**	**(9 168)**	**9 646 396**	**(18 567 290)**

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

	2017 Rural Finance Segment Breakdown					
	King Williams Town & Butterworth	Port Elizabeth	Cradock	Mthatha & Lusikisiki	Queenstown & Engcobo	Kokstad
	Amathole	Nelson Mandela Metro	Karoo	OR Tambo	Chris Hani	Alfred Nzo
	R	R	R	R	R	R
INCOME	3 671 130	110 010	307 103	2 289 918	99 466	169 036
Revenue from non-exchange transactions	306 895	-	-	9 900	38	-
Other Income	306 895	-	-	9 900	38	-
Revenue from exchange transactions	3 364 235	110 010	307 103	2 280 018	99 428	169 036
Interest income on cash and investments	687 169	-	-	-	-	-
Interest income on loans and advances	775 433	107 910	303 303	1 050 686	91 128	160 036
Interest income on concessionary loans	1 653 881	-	-	-	-	-
Commission fees for managing projects	-	-	-	-	-	-
Loan initiation fees	12 600	2 100	3 800	15 400	8 300	9 000
Provisions for bad debts on loans reversed	235 152	-	-	-	-	-
Rental income from investment property	-	-	-	1 213 932	-	-
EXPENSES	13 985 280	4 446 206	4 708 536	7 174 283	5 739 914	6 775 796
Administrative expenses	732 198	167 392	73 670	128 990	200 710	134 736
Audit fees	319 116	194 476	277 618	155 881	290 411	238 368
Fee - MAFISA Scheme	496 500	-	-	-	-	-
Finance costs	-	-	28	-	-	-
Marketing and social facilitation	-	12 769	-	-	-	13 185
Other operating expenses	1 737 151	1 187 357	640 640	1 702 160	1 327 148	1 042 619
Project expenses	-	-	-	-	-	-
Skills levy	-	-	-	-	-	-
Staff costs	7 806 646	2 884 213	3 716 580	3 868 160	3 920 809	3 500 554
Social benefit from concessionary loans	553 308	-	-	-	-	-
Surrender to Treasury	-	-	-	-	-	-
Write off of irrecoverable debts	2 340 361	-	-	1 319 092	836	1 846 333
NET (DEFICIT)/SURPLUS	**(10 314 150)**	**(4 336 196)**	**(4 401 433)**	**(4 884 365)**	**(5 640 448)**	**(6 606 760)**
(DEFICIT)/SURPLUS BEFORE TAXATION	**(10 314 150)**	**(4 336 196)**	**(4 401 433)**	**(4 884 365)**	**(5 640 448)**	**(6 606 760)**
Taxation						
(DEFICIT)/SURPLUS FOR THE YEAR	**(10 314 150)**	**(4 336 196)**	**(4 401 433)**	**(4 884 365)**	**(5 640 448)**	**(6 606 760)**

2016 Rural Finance Segment Breakdown					
King Williams Town & Butterworth	Port Elizabeth	Cradock	Mthatha & Lusikisiki	Queenstown & Engcobo	Kokstad
Amathole	Nelson Mandela Metro	Karoo	OR Tambo	Chris Hani	Alfred Nzo
R	R	R	R	R	R
4 040 924	850 631	26 600	1 615 380	1 664 847	1 225 945
229 575	-	363	10 000	978	-
229 575	-	363	10 000	978	-
5 732 072	1 787 730	368 531	4 068 690	2 414 152	1 644 599
-	-	-	30 614	-	-
849 815	701 259	334 197	922 844	250 660	65 060
3 811 349	850 631	26 237	1 605 380	1 663 869	1 225 945
1 045 508	233 340	7 197	440 379	456 423	336 294
25 400	2 500	900	32 700	43 200	17 300
-	-	-	-	-	-
-	-	-	1 036 772	-	-
5 680 312	3 820 732	4 014 025	6 550 991	4 379 845	4 586 610
80 943	7 834	30 710	131 305	66 324	24 268
-	-	-	-	-	-
149 358	33 334	1 028	62 911	65 203	48 043
-	-	-	-	-	-
-	-	-	-	-	-
1 293 997	910 076	507 484	1 498 709	988 889	859 805
-	-	-	-	-	-
-	-	-	-	-	-
2 694 099	2 543 310	3 464 742	4 237 981	2 621 412	3 184 401
1 461 476	326 178	10 061	615 589	638 017	470 093
-	-	-	-	-	-
439	-	-	4 496	-	-
(1 639 388)	**(2 970 101)**	**(3 987 425)**	**(4 935 611)**	**(2 714 998)**	**(3 360 665)**
(1 639 388)	**(2 970 101)**	**(3 987 425)**	**(4 935 611)**	**(2 714 998)**	**(3 360 665)**
-	-	-	111 346 885	111 346 885	111 346 885
(1 639 388)	**(2 970 101)**	**(3 987 425)**	**(116 282 496)**	**(114 061 883)**	**(114 707 550)**

Consolidated statement of changes in net assets for the year ended 31 March 2017

		Agency (Attributable to net asset holder of the agency)		
	Notes	Capital contributed (R)	Accumulated surplus (R)	Total (R)
Balance at 31 March 2010		**41 989 046**	**84 776 911**	**126 765 957**
Surplus 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)
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 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 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 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 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**
Surplus for the year		-	664 702	664 702
Surrender to Treasury		-	(22 547 000)	(22 547 000)
North Pondoland Sugar merger		-	50 316	50 316
Balance as at 31 March 2017		**41 989 046**	**76 542 414**	**118 531 460**

	Notes	Group (Attributable to net asset holder of the agency)		
		Capital contributed (R)	Accumulated surplus (R)	Total (R)
Balance at 31 March 2010		**41 989 046**	**85 960 029**	**127 949 075**
Surplus 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)
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 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 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 for the year		-	30 874 137	30 874 137
Balance as at 31 March 2015		**41 989 046**	**122 915 805**	**164 904 851**
Surplus for the year		-	(18 567 290)	(18 567 290)
Prior year adjustments		-	14 197	14 197
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**	**119 739 792**	**161 728 838**
Surplus for the year		-	5 694 097	5 694 097
Surrender to Treasury		-	(22 547 000)	(22 547 000)
North Pondoland Sugar merger		-	13 410	13 410
Balance as at 31 March 2017		**41 989 046**	**102 900 299**	**144 889 345**

Statement of comparison of budget & actual amounts for year ended 31 March 2017

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 2016 to 31 March 2017. 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, thus budgets that are publicly available.

	Actual 2015/16	Actual 2016/17	Budget 2016/17	Variance
Revenue	**177 124 581**	**204 171 724**	**175 757 000**	**28 414 724**
Sale of goods and services (a)	-	-	-	-
Interest, dividends and rentals (b)	3 216 525	4 436 382	4 031 000	405 382
Other non-tax revenue (c)	2 271 007	1 148 911	6 705 000	(5 556 089)
Transfer received (d)	171 637 049	198 586 431	165 021 000	33 565 431
Expenses	183 386 949	178 995 289	166 548 000	12 447 289
Compensation of employees (e)	73 959 321	80 561 087	79 378 000	1 183 087
Goods and services (f)	73 920 798	67 257 901	70 588 000	(3 330 099)
Interest, dividends and rentals (g)	6 825 184	7 112 301	6 764 000	348 301
Transfers and Subsidies (h)	28 681 646	24 064 000	9 818 000	14 246 000
SURPLUS/(DEFICIT) (i)	**(6 262 368)**	**25 176 435**	**9 209 000**	**15 967 435**

Budgeted items of statement of financial position nature	Budget 2016/17	Actual 2016/17	Variance
Capital Expenditure, including intangibles (j)	3 971 000	3 411 631	559 369
Loans Disbursed (k)	5 238 000	15 729 182	(10 491 182)
SURPLUS/(DEFICIT) (l)	**9 209 000**	**19 140 813**	**(9 931 813)**

Reason(s) for material variances

(a) The agency classifies commissions earned and agency fees as other non tax revenue. There was no sale of biological assets during the 2016/17 financial year at agency level.

(b) Interest earned on cash holdings were more than the income estimates due to the timing on the outflow of cash relating mainly to projects being implemented later than anticipated.

(c) Other non-tax revenue were less than the revised income estimates as the income derived from new administered fund projects implemented by the ECRDA on behalf of other entities were below expectation and unimpaired revenue generated from the ECRDA loan book was less than expected.

(d) Transfers received exceeded the budget due to additional funding allocated to the Ncera Macadamia Project (R11.7m) and funding made available to the Chris Hani Development Agency (R2.6m) by the Department of Rural Development and Agrarian Reform (DRDAR) during the financial year. This was not included in the published budget at the beginning of the financial year. Also included in transfers received are the funding for the implementation of specific projects on behalf of the Office of the Premier (OTP) and DRDAR.

(e) 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.

(f) The expenditure on goods and services were more less than what was budgeted, mainly due to delayed/slower than expected implementation of projects.

(g) The expenditure on rentals was higher than budgeted for as the rental costs of suitable office accommodation in Queenstown and Kokstad exceeded original estimates.

(h) Transfers and subsidies paid include the transfers paid to Magwa and Majola Tea Estates, the Ncera Macadamia project and Chris Hani Development Agency. The ECRDA has allocated funding utilised for the Female Farmers Awards and other specific expenditures such as the Berlin Horse Racing prizes (prior year) as goods and services and not transfer payments paid out to other companies/individuals to ensure alignment to DRDAR.

(i) Depreciation is no longer included in the budget templates from 2016/17 onwards and has thus been included in the reconciliation between the income statement and the annual budget.
The budgeted surplus for the current year is allocated to balance sheet items, namely the provision of loan finance and capital expenditure.

(j) Improvements to investment property did not take place during the financial year as planned due to intervention from Provincial Treasury.

(k) Loans disbursed exceeded the annual allocation for the year and the additional loans disbursed were funded from loan repayments received during the year. Also refer to the notes to the Cash Flow Statement.

Reconciliation between the detailed income statement and the budget versus actual comparison:	Agency 2017 (R)	Agency 2016 (R)
Total Income as per Income Statement	**208 237 755**	**185 053 699**
Results from Lending activities	954 193	(5 143 078)
Fair value adjustments and Reversal of impairments and provisions	(1 256 388)	(266 898)
Commission fees for managing projects (accrued)	(3 507 396)	(2 519 142)
Gain on disposal of assets	(256 440)	-
Total Income for comparison of budget and actual income	**204 171 723**	**177 124 581**
Total Expenses as per Income Statement	207 573 053	**213 267 383**
Add:		
Depreciation	(3 770 040)	(3 491 012)
Bad debts - rental and other income	(665)	(163 669)
Bad debts - Loans	-	(21 038 408)
Fair value adjustment on sale of biological assets	-	-
Fee - MAFISA Scheme	(496 500)	(359 877)
Impairment loss	(7 172 446)	-
Fair value adjustments and impairments	(142 649)	(746 356)
Scrapping of obsolete property, plant and equipment	-	(550 362)
Minor assets expensed	(12 324)	(9 338)
Project implemented on behalf of funders (DRDAR & OTP)	(16 429 832)	-
Social benefit from concessionary loans	(553 308)	(3 521 412)
Total Expenses for comparison of budget and actual income	**178 995 289**	**183 386 949**
Net result	**25 176 434**	**(6 262 368)**

Consolidated cash flow statement for the year ended ended 31 March 2017

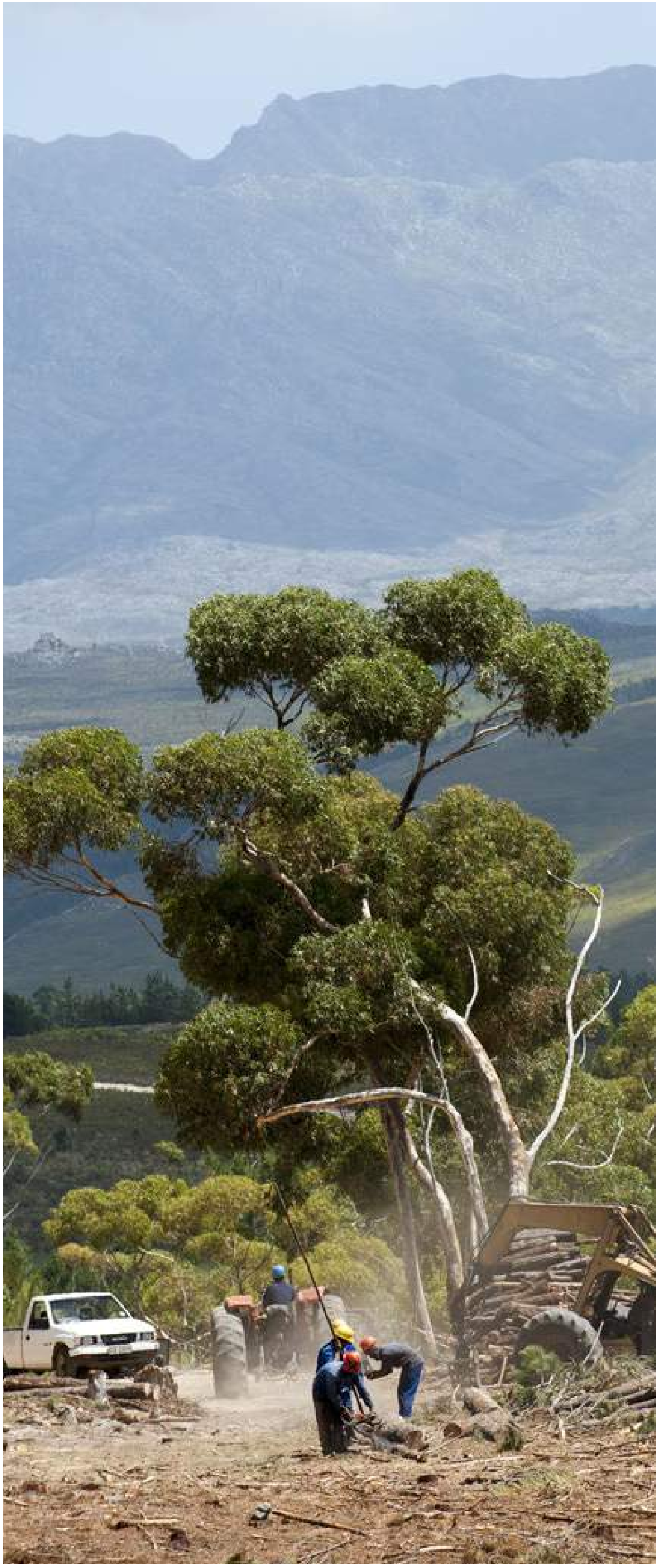
Cash Flows From Operating Activities	Notes	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Receipts		262 652 096	258 778 340	264 515 206	259 012 932
Grants received		186 267 000	151 573 000	186 267 000	151 573 000
Interest received on cash and cash equivalents (both on own funds and on liabilities arising from non-exchange transactions)		5 783 841	5 331 646	5 837 838	5 334 260
Non-exchange transfers arising from administered funds		61 175 020	95 085 226	61 175 020	95 085 226
Net movement in loans and advances to customers before credit impairments		3 190 461	720 994	3 190 461	720 994
Other receipts from commission and fees		6 235 774	6 067 474	8 044 887	6 299 453
Less: Payments		298 395 604	237 440 590	290 929 785	234 093 353
Employee costs		80 561 087	73 959 321	81 446 898	74 567 454
Disbursements of non-exchange transactions from administered funds		88 565 199	90 751 564	88 565 199	90 751 564
Disbursed administered funds from own funds		-		-	-
Payments to suppliers		129 269 318	72 729 705	120 917 688	68 774 335
Cash (outflows) / inflows from operating activities	A	(35 743 507)	21 337 750	(26 414 579)	24 919 580
Cash flows from investing activities					
Acquisition and transfer of property, plant and equipment		(3 268 161)	(7 480 355)	(3 463 519)	(12 192 951)
Proceeds on disposal of property, plant and equipment and intangible assets		256 440	-	256 440	-
Acquisition of intangible assets		(143 470)	(929 662)	(143 470)	(929 662)
Cash invested under contingency policy and related admin fees on policy		(636 525)	(411 824)	(636 525)	(411 824)
Decrease in development deposit		-	-	-	1 513 971
Cash inflows / (outflows) from investing activities		(3 791 716)	(8 821 841)	(3 987 075)	(12 020 466)
Cash flows from financing activities					
Decrease in finance lease obligations		(854 962)	(251 549)	(898 064)	(347 616)
Loan repayment (SAFE)		-	-	(8 801 281)	(2 009 891)
Finance costs		(16 613)	(44 574)	(74 591)	(75 166)
Penalties and Fines		-	(644)	(281 430)	(12 521)
Cash (outflows) / inflows from financing activities		(871 575)	(296 767)	(10 055 366)	(2 445 194)
Net increase / (decrease) in cash and cash equivalents		**(40 406 799)**	**12 219 141**	**(40 457 020)**	**10 453 920**
Cash and cash equivalents at the beginning of the year	6	**115 049 019**	**102 829 878**	**115 106 454**	**104 652 534**
Cash and cash equivalents at the end of the year	6	**74 642 220**	**115 049 019**	**74 649 434**	**115 106 454**

A. Reconciliation of net cash flows from operating activities to surplus before taxation	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Surplus (Deficit) before taxation	664 702	(28 213 685)	7 228 586	(16 941 826)
Adjusted for:				
Non cash flow items in surplus / (deficit) before taxation				
- Depreciation of investment property and property, plant and equipment	3 770 040	3 491 012	5 011 475	4 518 098
- Loan written off to income	(2 800)	-	(2 800)	-
- Discount received	(294)	-	(294)	-
- Movement in bad debt impairment (non-loans)	665	163 669	665	163 669
- Loss / (Gain) on scrapping of obsolete property, plant and equipment	20	550 362	20	550 362
- Gain on sale of property, plant and equipment	(256 440)	-	(256 440)	-
- Work in progress capitalised to property, plant and equipment	-	-	-	(761 857)
- Fair value adjustment on biological assets	-	-	805 237	-
- Fair value adjustments and impairments	6 293 860	(262 067)	(12 700 607)	(1 332 241)
- Cost of sales arising from a transfer from biological assets (harvesting)	-	-	19 846 043	14 988 636
- Decrease in credit impairments	(235 152)	21 038 408	(235 152)	21 038 408
- Movement in allowance for bad debt impairment of loans and staff debtors, and impairment of subsidiaries	5 586 200	7 554 779	5 586 200	7 554 779
- Social benefit from concessionary loans (Subsidy cost fair value adjustment)	553 308	3 521 413	553 308	3 521 413
- Unwinding of subsidy cost / Concessionary loans interest	(1 653 881)	(9 183 411)	(1 653 881)	(9 183 411)
- Interest received on loan book and staff debtors	(2 561 391)	(3 151 893)	(2 561 391)	(3 151 893)
- Net of interest capitalised and expenses / fees on investment under contingency policy (non-cash)	(636 525)	(411 824)	(636 525)	(411 824)
- Penalties and fines	-	644	281 430	12 521
- Interest expense	16 613	44 574	74 591	75 166
Surrender to Treasury	(22 547 000)	-	(22 547 000)	-
Operating cash flows before items on following page	(11 008 075)	(4 858 019)	(1 206 535)	20 640 000

A. Reconciliation of net cash flows from operating activities to surplus before taxation (continued)	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Operating cash flows carried forward from previous page	(11 008 075)	(4 858 019)	(1 206 535)	20 640 000
Working capital changes				
-Increase / (Decrease) in deferred grant income	3 375 594	4 582 601	3 375 594	(7 947 442)
- Decrease in development deposits held	-	-	-	1 513 971
- Purchase of biological assets	-	-	-	(325 789)
- Increase in deferred taxes	-	-	(306 435)	(404 912)
- Increase / (Decrease) in payables	389 382	(6 395 858)	2 213 394	(5 944 710)
- (Decrease) / Increase in Arengo receivable	(7 097 346)	7 097 346	(7 097 346)	(372 611)
- Increase (Decrease) in Work In Progress assets	-	-	(4 416 888)	1 235 264
- Increase / (Decrease) in administered fund liabilities from non-exchange transfers	(26 421 425)	13 623 014	(26 421 425)	11 878 350
- (Increase) / Decrease in trade and other receivables	1 349 061	12 661 317	3 909 094	10 225 578
- Decrease in Sundays River receivable	-	-	(29 850)	(31 911)
- Increase in SAFE Farm Exports Proprietary Limited			(167 886)	
- Increase / Decrease in loans with credit balances	(39 100)	325 922	(39 100)	325 922
- (Increase) / Decrease in inventories	(33 407)	18 393	44 562	(155 164)
Cash flows from operating activities before:	(39 485 316)	27 054 716	(30 142 821)	30 636 546
Lending cash flow movements				
- New loans granted during the year	15 729 182	13 421 521	15 729 182	13 421 521
- Loans repaid by customers	(11 987 374)	(19 138 485)	(11 987 374)	(19 138 485)
Cash (outflows) / inflows from operating activities	(35 743 508)	21 337 752	(26 401 013)	24 919 582

B. NON-CASH TRANSACTIONS ASIDE FROM:

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



Notes to the consolidated annual financial statements for the year ended 31 March 2017

NATURE OF BUSINESS AND OPERATIONS

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

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

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

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 2017:

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.

GRAP 34 -Separate Financial Statements
ASB issue date: March 2017
Effective date: To be determined by the Minister
The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. The ECRDA does not prepare separate financial statements for its subsidiaries.

GRAP 35 - Consolidated Financial Statements
ASB issue date: March 2017
Effective date: To be determined by the Minister
The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The ECRDA already consolidates its subsidiaries based on the principles as contained in this Standard.

GRAP 36 – Investments in Associates and Joint Ventures
ASB issue date: March 2017
Effective date: To be determined by the Minister
The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. No significant impact is anticipated on the implementation of this Standard. The ECRDA does not have investments in associates or joint ventures as defined by the Standard.

GRAP 37 – Joint Arrangements
ASB issue date: March 2017
Effective date: To be determined by the Minister
The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements). No significant impact is anticipated on the implementation of this Standard. The ECRDA does not have investments in associates or joint ventures as defined by the Standard.

GRAP 38 – Disclosures of Interests in Other Entities
ASB issue date: March 2017
Effective date: To be determined by the Minister
The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. No significant impact is anticipated on the implementation of this Standard based on the current status of the ECRDA.

GRAP 110 – Living and Non-Living Resources
ASB issue date: March 2017
Effective date: To be determined by the Minister
The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources. No significant impact is anticipated on the implementation of this Standard as the ECRDA Group accounts for living resources, namely its biological assets related to agricultural activity, in terms of GRAP 27.

2.2 BASIS OF CONSOLIDATION

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

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

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

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

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

2.3 INVESTMENT IN SUBSIDIARIES

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

2.4 GOODWILL

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

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

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

2.5 TAXATION

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

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

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

assets. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

2.6 REVENUE

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

2.6.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the agency directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates. Interest is recognised, in surplus or deficit, using the effective interest rate method.

SALE OF GOODS

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

- The agency has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The agency retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the agency; and
- The costs incurred, or to be incurred, in respect of the transaction can be measured reliably. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

RENDERING OF SERVICES

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

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

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

2.6.2 INTEREST INCOME

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

2.6.3 LOAN INITIATION FEES

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

2.6.4 COMMISSION INCOME

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

2.6.5 RENTAL INCOME

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

2.6.6 FEES FROM ADMINISTERED FUNDS

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

2.6.7 SALE OF GOODS

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

2.6.8 INSURANCE CONTRACTS

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (policy holder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The agency issues insurance contracts on its borrowers against the payment of an insurance premium (the insured event) adversely affect the policyholder. The agency issues insurance contracts on its borrowers against the payment of insurance premium to cover death, insolvency and certain other risks. Given the market that the agency services, the only insurance event that triggers performance by the agency is the death of the insured.

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

PREMIUMS

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

BENEFITS AND CLAIMS

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

MOVEMENT IN THE PROVISION FOR INSURANCE CONTRACTS

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

2.7 INVESTMENT PROPERTY

INITIAL RECOGNITION

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

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

SUBSEQUENT MEASUREMENT

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the depreciable amount (after taking residual value into account), using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the estimate useful lives for each asset and component. In the case of buildings classified as investment properties, the estimated average asset life is 30 to 50 years. Land is not depreciated.

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

2.8 PROPERTY, PLANT AND EQUIPMENT

INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset when:
- It is probable that future economic benefits or service potential associated with the item will flow to the agency; and
- The cost of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the agency. Trade discounts and rebates are deducted in arriving at the cost.

If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located are also included in the cost of property, plant and equipment, where the agency is obliged to incur such expenses and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Where assets are acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an item of property, plant and equipment is acquired in exchange for non-monetary or monetary assets, or a combination of both, the asset acquired is initially recognised at fair value. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the assets given up.

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

SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Land is not depreciated as it is deemed to have an indefinite useful life. Where the agency replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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

DEPRECIATION AND IMPAIRMENT

Property, plant and equipment are depreciated on the straight-line method over their expected useful lives to their estimated residual value. The 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 separately.

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

BUILDINGS
30-50 years

COMPUTER EQUIPMENT
5-9 years

OFFICE FURNITURE AND FITTINGS:
10-12 years

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

VEHICLES
4-5 years

PLANT AND EQUIPMENT
5-10 years

EQUIPMENT UNDER FINANCE LEASE
Period of the lease term

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

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

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

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

The estimation of the useful life of the asset is a matter of judgement based on the experience of the entity with similar assets. An entity considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Depreciation is recognised even if the fair value of the asset exceeds its carrying amount, as long as the asset's residual value does not exceed its carrying amount. Repairs and maintenance of an asset do not negate the need to depreciate it.

The depreciable amount of an assets is determined after deducting its residual value. In practice, the residual value of an asset is often insignificant and therefore immaterial in the calculation of the depreciable amount. The residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

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

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

If the cost of land includes the cost of site dismantlement, removal and restoration, the portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs. In some cases, the land itself may have a limited useful life, in which case it is depreciated in a manner that reflects the benefits or service potential to be derived from it. The agency tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is recognised in the statement of financial performance.

DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial performance. The gain or loss is included in the surplus or deficit when the asset is derecognised.

2.9 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 the asset(s) given up.

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

SUBSEQUENT MEASUREMENT

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

AMORTISATION AND IMPAIRMENT

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

COMPUTER SOFTWARE

3 years/purchased licencing term

An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the statement of financial performance.

DERECOGNITION

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

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

2.11 INVENTORIES

INITIAL RECOGNITION

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

SUBSEQUENT MEASUREMENT

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

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

2.12 PROVISIONS

Provisions are recognised when the agency has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

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

Provisions are not recognised for future operating deficits.

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

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

2.13 REVENUE FROM NON-EXCHANGE TRANSACTIONS (TAXES AND TRANSFERS)

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

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

PRESENT OBLIGATIONS ARISING FROM NON-EXCHANGE TRANSACTIONS

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the settlement amount. A nonexchange 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 nonexchange 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.

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

On subsequent measurement the agency measures all financial instruments as either –
(a) Financial instruments at fair value; or
(b) Financial instruments at amortised cost; or *
(c) Financial instruments at cost. *
* Financial assets that are measured at amortised cost or cost are subject to annual impairment reviews.

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

FINANCIAL ASSETS

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

Financial assets are initially recognised by applying trade date accounting.

Cash and cash equivalents

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

Receivables from exchange transactions

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

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

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

Loans to subsidiaries

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

Loans to customers

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

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

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

FINANCIAL LIABILITIES

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

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

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

NET ASSETS

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

FAIR VALUE

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

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

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 noncash assets transferred or liabilities assumed, is recognised in profit or loss for the period.

OFFSETTING

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

2.16 IMPAIRMENT OF ASSETS

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

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

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

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

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

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

CASH-GENERATING ASSETS

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

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

NON-CASH-GENERATING ASSETS

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

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

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

2.17 RETIREMENT BENEFITS

A defined contribution plan is a post-employment benefit plan under which an agency pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution retirement plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The agency's employees 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 nonoccurrence of one or more uncertain future events not wholly within the control of the group. Contingent liabilities are not recognised and only disclosed in the notes to the financial statements.

COMMITMENTS

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

2.22 CONTINGENT ASSETS

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

2.23 TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

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

WHEN THE AGENCY IS THE ACQUIRER:

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

WHEN THE AGENCY IS THE TRANSFEROR:

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

2.24 FRUITLESS AND WASTEFUL EXPENDITURE

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

2.25 IRREGULAR EXPENDITURE

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

2.26 COMPARATIVE INFORMATION

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

2.27 STATEMENT OF COMPLIANCE

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

2.28 CASH FLOW STATEMENT

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

2.29 BUDGET INFORMATION

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

2.30 SEGMENT REPORTING

The agency regards the geographical offices, where loans are initiated to customers, the projects unit and the subsidiaries as the reportable segments to the consolidated financial statements. These segments generates economic benefits for the ECRDA group and such results are monitored and reviewed by management. The segments per geographical area allows the users to comprehend the loans disbursed and the clients serviced at the branches. The projects department and the activities of the subsidiaries are disclosed as separate segments as per the operational requirements of the group. Segment reporting is included in the consolidated financial statements of the group as entities are required to use allocated resources efficiently and effectively to achieve the entity's objectives. As the consolidated financial statements provides an overview of the assets controlled and the liabilities incurred, the cost of the services provided and the budget allocations and cost recoveries generated to fund the provision of those services, such aggregate reporting may not provide information about the specific operational objectives and major activities devoted to and the costs of those objectives and activities.

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

CRITICAL ACCOUNTING JUDGEMENTS

Going concern basis of preparation

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

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.

Fair value estimation

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

4. CHANGES IN PRESENTATION

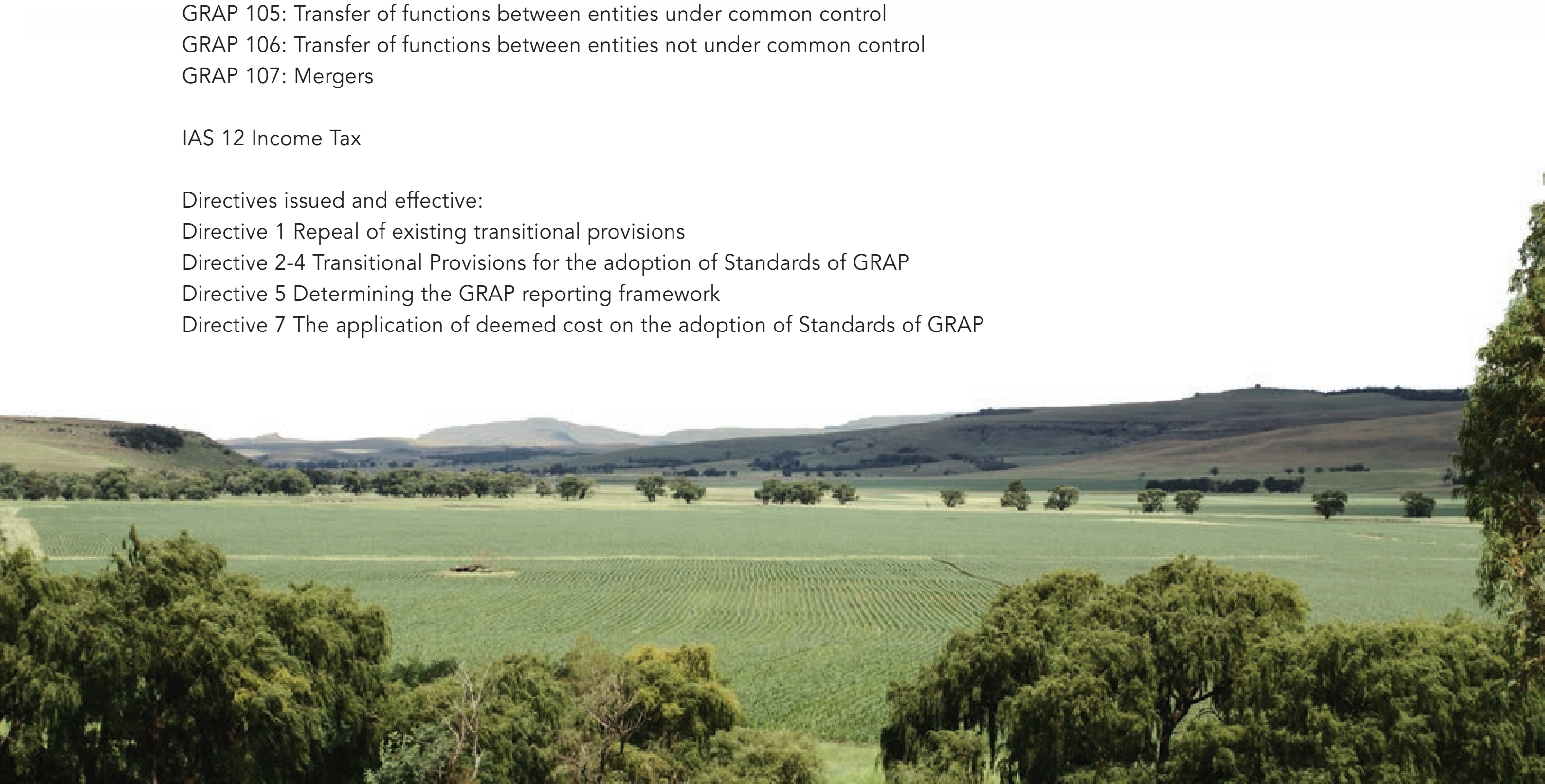
Changes to prior year information are disclosed in the notes to the consolidated annual financial statements as and when they occur.

5. GRAP STANDARDS

Accounting Standards which have been approved and are effective:
GRAP 1: Presentation of financial statements
GRAP 2: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors
GRAP 4: The effects of changes in foreign exchange rates
GRAP 5: Borrowing costs
GRAP 6: Consolidated and separate financial statements
GRAP 7: Investments in associates
GRAP 8: Interest in joint ventures
GRAP 9: Revenue from exchange transactions
GRAP 10: Financial reporting in hyperinflationary economies
GRAP 11: Construction contracts
GRAP 12: Inventories
GRAP 13: Leases
GRAP 14: Events after the reporting date
GRAP 16: Investment property
GRAP 17: Property, plant and equipment
GRAP 18: Segment reporting
GRAP 19: Provisions, contingent liabilities and contingent assets
GRAP 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 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Cash on call and deposits at commercial banks	37 659 842	40 109 906	37 659 842	40 109 906
Cash on current accounts at commercial banks	36 971 994	74 928 921	36 977 975	74 984 997
Cash on hand	10 384	10 192	11 617	11 551
	74 642 220	**115 049 019**	**74 649 434**	**115 106 454**

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 2017 were 6% (2016: 6%) for funds on call and 5% - 5% (2016: 5,4%) for funds on deposit. The administered funds taken over from the Agrarian Research and Development Agency (Proprietary) Limited during the merger on 1 April 2016 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.

RATES OF INTEREST

Rates of interest at 31 March 2017 were 6% (2016: 6%) for funds on call and 5% - 5% (2016: 5,4%) for funds on deposit

ADMINISTERED FUNDS

Funds taken over from ARDA during the merger on 1 April 2016 earns 5% (2015 at ARDA: 2,75%) on the funds on call

Proprietary composition of cash and cash equivalents:	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Unspent funds received under non-exchange transactions (refer to Note 18)	13 827 551	40 248 976	13 827 551	40 248 976
Funds committed under conditional grants (refer to Note 15)	12 149 079	8 773 485	12 149 079	8 773 485
Funds at commercial banks and on hand for own commitments and onlending	48 665 590	66 026 558	48 672 804	66 083 992
	74 642 220	**115 049 019**	**74 649 434**	**115 106 454**

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 2017 (R)	Agency and Group 2016 (R)
Loans and advances to customers	154 333 792	152 178 170
Customers with credit balances	2 367 846	2 406 946
Gross loans and advances to customers	156 701 637	154 585 116
Less: Fair value adjustments arising on concessionary loans	(2 350 376)	(3 450 948)
Less: Specific credit impairments	(103 106 866)	(103 342 019)
	51 244 395	47 792 149
Less: Unallocated loan repayments	(311 833)	(285 200)
Net carrying amount	**50 932 562**	**47 506 949**

Detailed loans and advances granted to customers per type of loan	ECRDA	Mafisa	Uvimba
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	**12 771 009**	**392 273**	**34 343 667**
Loans granted at 31 March 2017	38 596 936	52 405 603	65 699 098
Less: Fair value adjustments arising on concessionary loans	(604 259)	(2 089)	(1 744 028)
Less: Specific credit impairments	(21 027 708)	(51 787 535)	(30 291 624)
Less: Unallocated loan repayments	(238 116)	(46 897)	(26 820)
Net granted balance at 31 March 2017	**16 726 854**	**569 082**	**33 636 626**

Movement in specific credit impairments:	Agency and Group 2017 (R)	Agency and Group 2016 (R)
Balance at the beginning of the year	103 342 019	82 303 611
New impairments created	(235 153)	21 038 408
Impairment adjustment in respect of interest recognised on loans and advances that are considered uncollectible	-	-
Balance at the end of the year	103 106 866	103 342 019
Balance at the end of the year expressed as a percentage of gross loans (ii/i) and advances to customers	66%	67%
Contractual maturity analysis:		
Repayable within 1 year and overdue	114 365 856	132 089 834
Repayable later than 1 year	42 335 781	22 495 282
	156 701 637	154 585 116

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.

7. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Sectoral analysis:	Agency and Group 2017 (R)	Agency and Group 2016 (R)
Agricultural	126 863 934	121 021 597
Non-agricultural	29 837 703	33 563 519
	156 701 637	**154 585 116**

Exposure to credit risk (A):		
Loans and advances neither past due nor impaired	2 664 201	18 041 886
Loans and advances past due but not impaired	2 842 222	-
Loans and advances individually assessed as impaired	151 195 215	136 543 230
	156 701 637	**154 585 116**

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 2017 (R)	Agency and Group 2016 (R)
Loans and advances neither past due nor impaired	2 664 201	14 631 402
Loans and advances past due but not impaired	2 842 222	-
Loans and advances individually assessed as impaired	50 856 223	40 759 034
	56 362 645	55 390 436
Expressed as a percentage of the loan book	**35,97%**	**35,83%**

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 2017 (2016: Nil).

Net exposure to credit risk after deducting collateral held (A - B):	Agency and Group 2017 (R)	Agency and Group 2016 (R)
Loans and advances neither past due nor impaired	-	3 410 484
Loans and advances past due but not impaired	-	-
Loans and advances individually assessed as impaired	100 338 992	95 784 196
	100 338 992	99 194 680
Net exposure after specific impairments:		
Loans and advances neither past due nor impaired	-	-
Loans and advances past due but not impaired	-	-
Loans and advances individually assessed as impaired	-	-

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 34 loans, with a total outstanding balance of R3 059 685, have expired (average 64 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 R5 076 635.

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 R275 426 (2016: R710 153).

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

8.1 TRADE AND OTHER RECEIVABLES	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Interest accrued	261 096	216 846	261 096	216 846
Deposits	104 885	212 104	277 658	334 786
Rent receivable	465 071	759 536	465 071	759 536
Trade receivables	-	-	146 529	1 264 160
Funds owed by the Departments for Administered Functions	10 140 546	11 339 125	10 140 546	11 339 125
- Department of Agriculture, Forestry and Fisheries	10 140 546	10 646 368	10 140 546	10 646 368
- Office of the Premier	-	236 179	-	236 179
- Independent Development Trust	-	108 668	-	108 668
- Department of Rural Development and Agrarian Reform	-	347 910	-	347 910
Staff and other debtors	958 157	1 135 954	1 197 899	1 185 493
Eastern Cape Development Corporation (legal fees)	-	-	-	-
Prepaid expenses	1 134 029	1 046 792	1 134 029	1 046 792
South African Revenue Service - Value Added Tax	-	-	244 547	1 759 357
	13 063 782	14 710 357	13 867 373	17 906 094
Less: impairment of rent	(396 412)	(693 923)	(396 412)	(693 923)
Net carrying amount	12 667 372	14 016 433	13 470 963	17 212 171

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 2017 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:					
Agency - 2017	68 659	34 260	33 504	328 648	465 071
Agency - 2016	65 612	53 498	48 248	592 177	759 535
Impairment of rent receivable					
Agency - 2017					(396 412)
Agency - 2016					(693 923)

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 2017 (R)	Group 2016 (R)
	-	7 097 346
The receivable from Arengo 316 (Proprietary) Limited comprises: Initial subscription for shares in the company and linked shareholder	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 - current year	(7 469 957)	(372 611)
	-	**7 097 346**

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 2017.

The mandate of Arengo 316 Investments (Pty) Ltd was to develop the business case for and manage the implementation of the Cradock Ethanol Project. The expected economic benefit to be derived from the shareholding in Arengo 316 Investments (Pty) Ltd has been impaired to nil as the Promulgation of the Bio-fuels Regulatory Framework and the National Bio-Fuels Feedstock Protocol have not yet taken place which impacts negatively on the prospective investor confidence.

8.3 RECEIVABLE FROM SUNDAYS RIVER CITRUS COMPANY	Group 2017 (R)	Group 2016 (R)
Unsecured loan: Sundays River Citrus Company (Note 1)	124 791	94 941
Unsecured loan: SAFE Farm Exports Proprietary Limited (Note 2)	167 886	-
	292 677	**94 941**

Note 1: The loan is unsecured, bears interest at CPI plus 2% and is payable on or before 3 April 2018.
Note 2: The loan is unsecured, bears interest at rates determined by the directors from time to time and has no terms of repayment negotiated.

9. INVENTORIES	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Inventories comprise:				
Consumables and stationery	123 971	90 564	512 563	557 125
	123 971	90 564	512 563	557 125

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

Reconciliation of inventory	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Total carrying value of inventory valued at the lower of cost or NRV	123 971	90 564	512 563	557 125
Opening balance of consumable inventory	90 564	108 957	557 125	401 962
Inventory recognised as an expense during the financial year	(225 090)	(402 143)	(225 090)	(380 736)
Fair value of harvested crop	-	-	-	14 988 636
Sale of harvested crop	-	-	-	(14 988 636)
Inventory purchased during the financial year	258 497	383 750	180 528	535 899

10. BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Biological assets and agricultural produce comprise:				
Citrus trees (non-current biological asset)	-	-	15 947 000	9 518 352
Crop/Fruits from trees (current biological asset)	-	-	7 602 369	8 597 536
	-	**-**	**23 549 369**	**18 115 888**

	Opening balance	Additions	Gains or losses arising from changes in fair value	Cultivated during the year	Transfer from property, plant and equipment	Total
Reconciliation of biological assets - 2017						
Citrus trees	9 518 352	-	805 237	-	5 623 411	15 947 000
Crop/Fruits from trees	8 597 536	-	18 850 876	(19 846 043)	-	7 602 369
	18 115 888	-	**19 656 113**	**(19 846 043)**	**5 623 411**	**23 549 369**
Reconciliation of biological assets - 2016						
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**

Non- financial information based on latest available valuation information (2017)

Reconciliation of biological assets - 2017	
Quantities of Citrus trees:	Output: Agricultural produce (Citrus)
Lemons - 45 094 (2014: 23 314)	Lemon - 58,23 (tons per Ha)
Oranges - 57 490 (2014:86 300)	Oranges - 30,72 (tons per Ha)
Other - 6 429 (2014 - 937)	Other - 38,96 (tons per Ha)

LEMONS

58 tons of lemons were produced from 45,094 trees

ORANGES

31 tons of oranges were produced from 57,490 trees

Key assumptions applied to determine fair value of biological assets less costs to sell are:	Agency and Group 2017 (R)	Group 2016 (R)
Expected area to harvest	94,4	102.84 ha
Estimated yields	1 821 cartons/ha	1 750 cartons/ha
Average maturity of crop at 31 March	80%	80%
Estimated price per carton	**R144,42**	**R127,31**

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 2017 the company farmed 161,32 hectares (2016: 149,15) of planted citrus fruit trees of which 103,05 hectares (2016: 123,15) were bearing hectares.

The current biological assets are the citrus crop. The company produced 175 534 (2016: 213 695) cartons of citrus fruit with a fair value less costs to sell of R19 846 043 (2016: R14 988 636) at the time of harvest during the year ended 31 March 2017.

The estimated productive life of the biological assets are 30 years and an average market value per hectare of R80 000 (2016: R63 817) exist. The costs of additions during the financial year approximates fair value changes attributable to physical and price changes to the biological assets.

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 2017 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 2017 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

KANGELA CITRUS FARMS (PTY) LIMITED

ECRDA holds 51% of the subsidiary Kangela at the effective year (2017) as well as the previous year (2016)

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) for the financial year under review.

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 since the 2014/2015 financial year as a result 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.

12. INVESTMENT UNDER CONTINGENCY POLICY

This represents accumulated amounts paid to Guard Risk Insurance Company Limited under a contingency policy. The investment earns interest at wholesale money market rates of 8,67% as at March 2017 (7,64% at 31 March 2016). 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 2017 was R9 216 355 (2016: R8 579 830).

	Agency and Group 2017 (R)	Group 2016 (R)
Investment under contingency policy	9 216 355	8 579 830
Estimated price per carton	**9 216 355**	**8 579 830**

13. INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

13.1 INVESTMENT PROPERTY	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Carrying amount at beginning of the year	**1 802 041**	**1 840 257**	**1 802 041**	**1 840 257**
Cost	2 388 564	2 388 564	2 388 564	2 388 564
Accumulated depreciation	(586 523)	(548 307)	(586 523)	(548 307)
Depreciation charge	(38 325)	(38 217)	(38 325)	(38 217)
Carrying amount at end of the year	**1 763 716**	**1 802 041**	**1 763 716**	**1 802 041**
Cost	2 388 564	2 388 564	2 388 564	2 388 564
Accumulated depreciation	(624 848)	(586 523)	(624 848)	(586 523)
Accumulated impairment	-	-	-	-

INVESTMENT PROPERTY CONSISTS OF:

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

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

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

(a) The most significant use and main purpose of the property is to earn rentals from the tenants who entered into operating leases with the ECRDA;

(b) The renting of the office space is not incidental to the use of the building but planned as the building is held for the operational requirements of a branch/district office, where the intention is to provide office space to external parties;

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

(d) The rented space and the office space occupied for administrative purposes cannot be sold separately as there is one title deed to the building and it is regarded as one property/asset.

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

Included in the profit for the year is operating expenditure, inclusive of repairs and maintenance of R91 542 (2016: R22 015) which arose from investment property that generated rental revenue of R1 213 932 (2016: R1 036 772) during the period. The direct operating expenditure incurred on the Investment Property did not directly generate rental revenue during the financial period. No expenses that directly generated rental revenues were incurred.

Pledged as security: No assets are pledged as security.

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

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

13.2 PROPERTY, PLANT AND EQUIPMENT	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
13.2.1 Land				
Carrying amount at beginning of the year	715 000	558 808	715 000	622 608
Cost	715 000	558 808	715 000	622 608
Additions/Merger	-	160 000	-	96 200
Disposal	-	(3 808)	-	(3 808)
Carrying amount at end of the year	715 000	715 000	715 000	715 000
Cost	715 000	715 000	715 000	715 000

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.

Restrictions on the title of the land: None
Land pledged as security: None
Contractual commitments for the acquisition of land: None
Compensation from third parties for land that was impaired, lost or given up that is included in the surplus/deficit: None

13.2.2 BUILDINGS				
Carrying amount at beginning of the year	2 919 186	5 225 755	2 919 186	5 373 483
Cost	3 786 375	6 384 002	3 865 547	6 610 202
Accumulated depreciation	(867 189)	(724 742)	(946 361)	(803 214)
Accumulated impairment	-	(433 505)	-	(433 505)
Additions/Merger	-	580 000	-	432 972
Disposal	-	(3 177 627)	-	(3 177 627)
Depreciation charge	(75 940)	(98 228)	(75 940)	(98 228)
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	2 843 246	2 919 186	2 843 246	2 919 186
Cost	3 786 375	3 786 375	3 786 375	3 865 547
Accumulated depreciation	(943 128)	(867 189)	(943 128)	(946 361)

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 bylaws. 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.

Restrictions on the title of the buildings: None
Buildings pledged as security: None
Contractual commitments for the acquisition of buildings: None
Compensation from third parties for buildings that were impaired, lost or given up that is included in the surplus/deficit: None

13.2.3 PLANT & EQUIPMENT (INCLUDING ALL FARMING EQUIPMENT)	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Carrying amount at beginning of the year	1 220 099	7 604 778	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)
Additions and Merger	135 081	2 594 643	135 081	3 957 678
Derecognition of cost in merger	-	-	-	(3 519 648)
Disposal - cost	(901 280)	(7 039 720)	(901 280)	(7 039 720)
Write -off/scrapping of obsolete assets	-	(20 944)	-	(20 944)
Depreciation charge	(315 116)	(507 412)	(688 189)	(825 493)
Accumulated depreciation on merger	-	(2 113 161)	-	1 406 488
Accumulated depreciation on disposal/transfer	830 538	701 915	830 538	701 915
Carrying amount at end of the year	969 322	1 220 099	2 562 436	3 186 286
Cost	4 788 513	5 554 712	8 483 216	9 249 415
Accumulated depreciation	(3 819 191)	(4 334 613)	(5 920 780)	(6 063 129)

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.

PLANT AND MACHINERY

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R7 039 720 was purchased during the 2015 financial year for the RED Hub programmes

Restrictions on the title of the plant and equipment: None
Plant and equipment pledged as security: None
Contractual commitments for the acquisition of plant and equipment: None

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

13.2.4 EQUIPMENT UNDER FINANCE LEASES	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Carrying amount at beginning 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)
Additions	148 200	-	148 200	-
Write -off/scrapping of obsolete assets	-	(408 568)	-	(408 568)
Depreciation charge	(28 637)	(18 176)	(28 637)	(18 176)
Accumulated depreciation on disposal/transfer	-	408 562	-	408 562
Carrying amount at end of the year	131 749	12 186	131 749	12 186
Cost	785 424	637 225	785 425	637 225
Accumulated depreciation	(653 676)	(625 039)	(653 676)	(625 039)
Accumulated impairment	-	-	-	-

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

Restrictions on the title of the equipment under finance lease: None
Equipment under finance lease pledged as security: None

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

13.2.5 VEHICLES				
Carrying amount at beginning of the year	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)
Additions and merger	2 240 422	1 988 525	2 583 980	5 705 350
Disposal - cost	(1 217 975)	-	(1 217 975)	-
Depreciation charge	(287 040)	(73 130)	(1 098 461)	(738 089)
Accumulated depreciation on merger	-	(1 146 389)	-	(177 074)
Accumulated depreciation on disposal/transfer	1 061 578	-	1 061 578	-
Carrying amount at end of the year	3 124 036	1 327 052	8 173 224	6 844 102
Cost	7 497 313	6 474 866	15 593 219	14 227 214
Accumulated depreciation	(4 373 276)	(5 147 814)	(7 419 995)	(7 383 112)

Restrictions on the title of the vehicles: None
Vehicles pledged as security: None
Contractual commitments for the acquisition of vehicles: None
Compensation from third parties for vehicles that were impaired, lost or given up that is included in the surplus/deficit: None

13.2.6 COMPUTER EQUIPMENT	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Carrying amount at beginning 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)
Additions/merger	691 752	2 049 169	691 752	928 680
Write -off/scrapping of obsolete assets	(1 485 671)	(119 058)	(1 485 671)	(119 058)
Depreciation charge	(1 063 025)	(741 645)	(1 063 025)	(741 645)
Accumulated depreciation on merger	-	(12 390)	-	1 108 099
Accumulated depreciation on disposal/transfer	1 454 459	59 624	1 454 459	59 624
Carrying amount at end of the year	2 792 284	3 194 769	2 792 285	3 194 769
Cost	7 056 668	7 850 586	7 056 667	7 850 586
Accumulated depreciation	(4 264 384)	(4 655 818)	(4 264 383)	(4 655 817)

Restrictions on the title of the computer equipment: None
Computer equipment pledged as security: None
Contractual commitments for the acquisition of computer equipment: None

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

13.2.7 OFFICE FURNITURE AND FITTINGS				
Carrying amount at beginning 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)
Additions and merger	52 706	108 018	52 706	(36 002)
Write -off/scrapping of obsolete assets	(27 041)	(17 338)	(27 041)	(17 338)
Depreciation charge	(591 515)	(609 264)	(593 053)	(627 273)
Accumulated depreciation on merger	-	(40 580)	-	67 347
Accumulated depreciation on disposal/scrap	18 989	15 505	18 989	15 505
Carrying amount at end of the year	3 640 269	4 187 131	3 640 271	4 188 670
Cost	6 137 529	6 111 865	6 249 700	6 224 035
Accumulated depreciation	(2 497 260)	(1 924 734)	(2 609 429)	(2 035 366)

Restrictions on the title of the office furniture and fittings: None
Office furniture and fittings pledged as security: None
Contractual commitments for the acquisition of office furniture and fittings: None

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

13.2.8 LEASEHOLD	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Carrying amount at beginning of the year	1 781 006	2 534 193	2 863 041	2 534 193
Cost	2 817 623	2 841 884	3 925 696	2 841 884
Accumulated depreciation	(1 036 618)	(307 691)	(1 062 655)	(307 691)
Additions	-	-	-	1 108 072
Write -off/scrapping of obsolete assets	-	(24 260)	-	(24 260)
Depreciation charge	(676 468)	(753 187)	(731 871)	(779 224)
Accumulated depreciation on disposal/transfer	-	24 260	-	24 260
Carrying amount at end of the year	1 104 538	1 781 006	2 131 170	2 863 041
Cost	2 817 623	2 817 623	3 925 696	3 925 696
Accumulated depreciation	(1 713 085)	(1 036 618)	(1 794 526)	(1 062 655)

Restrictions on the title of the leasehold assets: None
Leasehold assets pledged as security: None
Contractual commitments for the acquisition of leasehold assets: None
Compensation from third parties for leasehold assets that were impaired, lost or given up that is included in the surplus/deficit: None

13.2.9 TOTAL PROPERTY, PLANT AND EQUIPMENT				
Carrying amount at beginning of the year	15 356 429	23 361 807	23 585 934	25 982 277
Cost	33 948 252	37 279 221	46 694 718	48 773 116
Accumulated depreciation	(18 591 823)	(13 643 909)	(22 771 478)	(22 453 534)
Accumulated impairment	-	(273 505)	(337 305)	(337 305)
Additions and merger with ARDA	3 268 161	7 480 355	3 463 519	12 192 950
Write -off/scrapping of obsolete assets	(1 512 712)	-	(1 512 712)	-
Disposal - cost	(2 119 255)	(10 786 572)	(901 280)	(10 786 571)
Transfers	-	-		302 442
Depreciation charge	(3 037 740)	(2 801 042)	(4 279 175)	(3 828 129)
Accumulated depreciation on merger	-	(1 679 656)	-	1 839 993
Accumulated depreciation on disposal/transfer	3 365 564	1 209 866	2 303 986	1 209 866
Carrying amount at end of the year	15 320 446	15 356 429	22 989 380	23 923 238
Cost	33 584 446	33 948 252	46 595 297	46 694 718
Accumulated depreciation	(18 264 000)	(18 591 823)	(23 605 917)	(22 771 478)

No estimated useful lives were changed during the financial year (2016: 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 2017 is R5 396 933 (2016: R12 016 880). 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: R212 495).

The work in progress of R nil (2015: R4 416 888) 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.

Expenses to the value of R398 081 (2016: R53 922) was incurred to repair and maintain the property, plant and equipment of the ECRDA. Repairs and maintenance includes amounts paid to service providers and monies spent on materials. Time spent by employees in repairing and maintaining the assets are not regarded as such costs as it is reported as staff costs in note 23.

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EXPENSES

R398 081 in expenses was incurred to repair and maintain the property, plant and equipment of the ECRDA

13.3 INTANGIBLE ASSETS (COMPUTER SOFTWARE)	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Carrying amount at beginning of the year	816 122	765 654	994 622	944 154
Cost	4 971 140	4 209 251	5 459 308	4 697 419
Accumulated depreciation	(4 155 018)	(3 443 597)	(4 464 686)	(3 753 265)
Additions	143 470	929 662	143 470	929 662
Write -off/scrapping of obsolete assets	(125 362)	(167 773)	(125 362)	(167 773)
Depreciation charge	(693 976)	(844 439)	(693 976)	(844 439)
Accumulated depreciation on disposal/transfer	125 342	133 018	125 342	133 018
Carrying amount at end of the year	265 596	816 122	444 096	994 622
Cost	4 989 249	4 971 140	5 477 417	5 459 308
Accumulated depreciation	(4 723 652)	(4 155 018)	(5 033 320)	(4 464 686)

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 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
South African Revenue Service - Tax and VAT	-	-	2 753 364	553 988
Amounts due to customers with credit balances	2 367 846	2 406 946	2 367 846	2 406 946
Rent received in advance	25 111	48 759	25 111	48 759
Other payables	8 868 920	8 423 111	9 765 654	9 396 124
Accruals	45 742	866 704	236 820	1 424 871
Leave Pay Accrual	5 862 268	5 164 248	6 079 631	5 313 607
Bonus Accrual	1 678 424	1 603 284	1 678 424	1 603 284
Operating lease straight line adjustments	360 846	345 824	360 846	345 824
	19 209 157	18 858 876	23 267 696	21 093 403

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 2017 amounts to R326 125 (2015: R1 726 125) 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				
MAFISA grant	12 149 079	8 773 485	12 149 079	8 773 485
Liability for an equitable 1/8th share in interest earned on MAFISA loans	3 240 945	2 744 445	3 240 945	2 744 445
Liability arising from interest earned on cash deposits on unspent funds	8 908 134	6 029 040	8 908 134	6 029 040
	12 149 079	8 773 485	12 149 079	8 773 485
Comprised of the following assets:				
Cash and cash equivalents (Refer to Note 6)	12 149 079	8 773 485	12 149 079	8 773 485
	12 149 079	8 773 485	12 149 079	8 773 485

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 R10 670 547 (2016: R14 727 628) which relates to projects implementation for which orders have been issued. Operational commitments of R2 343 767 existed at 31 March 2017. Kangela Citrus Farms Proprietary Limited had capital commitments of R452 500 (2016: R2 376 158) at the reporting date.

Contingent liabilities and contingent assets

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

An employee is challenging dismissal at the CCMA. The case has been finalised subsequent to year end and the CCMA has found in favour of the employee. The Agency is however persuing the matter in the labour court.

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 claim has been settled subsequent to year end for an amount of R 260 000, which included the interest portion. The court has ordered that the agency shall pay the plaintiff's cost of suit, this amount is unknown as at reporting date.

The ECRDA was sued in the Mthatha Magistrate Court for an amount of R30 234 being for a motor vehicle damages claim due to an accident that occurred between the plaintiff's vehicle and that driven by an employee of the ECRDA.

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 and Note 18 for Administered Funds as at 31 March 2016. Approval will be requested from the relevant Treasury to retain surpluses amounting to R2 935 804.

The agency (former ECRFC) signed a once-off cession as security for a staff member for a housing loan deposit of R32 000.

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

17. LOANS

Loan from South African Fruit Exporters (SAFE)

The loan from South African Fruit Exporters (SAFE) (2016: R8 801 281) 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.

	Group 2017 (R)	Group 2016 (R)
South African Fruit Exporters (SAFE)	**-**	**8 801 281**

18. LIABILITIES ARISING FROM NON-EXCHANGE TRANSACTIONS	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Total funds under administration and cash and cash equivalents belonging to administered funds (refer to note 6)	13 827 551	40 248 976	13 827 551	40 248 976
Reconciliation of total funds under administration:				
Balance at beginning of the year	40 248 976	26 625 962	40 248 976	28 370 626
Receipts from fund owners	61 175 020	95 085 226	61 175 020	93 340 562
Additional funding allocated	-	8 298 500	-	8 298 500
Interest capitalised on administered funds	968 754	990 851	968 754	990 851
Funds disbursed	(88 565 199)	(90 751 564)	(88 565 199)	(90 751 564)
Total administered funds	13 827 551	40 248 976	13 827 551	40 248 976
Comprising:				
Department of Rural Development and Land Reform - Provincial	-	-	-	-
Department of Rural Development and Land Reform - National	-	639 198	-	639 198
Job's Fund	7 252 229	37 286 281	7 252 229	37 286 281
Other administered funds	6 575 322	2 323 496	6 575 322	2 323 496
	13 827 551	40 248 976	13 827 551	40 248 976

Department of Rural Development and Land Reform Provincial	2017	2016
Balance of funds held to administer	-	846 792
Disbursements and interest earned on funds	-	(846 792)
Balance of administered fund at 31 March	-	-

Department of Rural Development and Land Reform National	2017	2016
Balance of funds held to administer	639 198	-
Funds received to administer	200 000	2 339 600
Funds disbursed	(858 821)	(1 730 379)
Interest earned on ring-fenced funds	19 623	29 978
Balance of administered fund at 31 March	-	639 198

JOB'S FUND PROGRAMME	Forestry	Agro Processing	Total
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: Department of National Treasury	43 116 000	9 164 000	52 280 000
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	33 796 898	3 489 383	37 286 281
Contribution: Department of National Treasury	18 476 094	7 829 831	26 305 925
Disbursements for the year	(50 022 181)	(7 172 546)	(57 194 727)
Interest earned on ring-fenced funds	800 425	54 326	854 750
Balance of administered fund at 31 March 2017	3 051 236	4 200 993	7 252 229

18. LIABILITIES ARISING FROM NON-EXCHANGE TRANSACTIONS

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 2017 the administered fund amounted to R576 820 (2016: R568 761).

OXFAM & SPF

A pilot project was launched where Oxfam Italia transferred R627 516 to the ECRDA in September 2014.

MICRO LOANS

At 31 March 2017 the administered fund amounted to R576 820 (2016: R568 761)

Other liabilities arising from non-exchange transactions

The agency acted as a warehousing agent for the Eastern Cape Department of Rural Development and Agrarian Reform in respect of a farming project known as Shortland's Farm. The Eastern Cape Department of Rural Development and Agrarian Reform identified a farm to be purchased for a local community, who approached the government for support in acquiring a farm to further develop in the Grahamstown area. In order to do this, an entity was established to own and operate the farm for the community. As at the date of sale of the farm from the vendor, this entity was not appropriately established and the Eastern Cape Department of Rural Development and Agrarian Reform instructed the Eastern Cape Rural Development Agency to take transfer pending final transfer to the entity. This was done to 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 2017 (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 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Finance lease liabilities				
Capitalised finance lease liability	1 214 992	2 069 954	1 214 992	2 113 056
Less: Current portion	(595 508)	(949 609)	(595 508)	(992 711)
Non-current portion	619 484	1 120 345	619 484	1 120 345

AGENCY	MINIMUM LEASE PAYMENTS		PRESENT VALUE OF MINIMUM LEASE PAYMENTS	
Reconciliation of future minimum lease payments to their present value	2017	2016	2017	2016
No later than 1 year	595 508	1 054 533	595 508	949 609
Later than 1 year and not later than 5 years	619 484	1 200 214	619 484	1 120 345
Less: future finance charges	1 214 992	2 254 747	1 214 992	2 069 954
Present value of minimum lease payments	123 764	(184 793)		
	1 338 756	2 069 954		
GROUP				
Reconciliation of future minimum lease payments to their present value				
No later than 1 year	595 508	1 099 009	595 508	992 711
Later than 1 year and not later than 5 years	619 484	1 200 214	619 484	1 120 345
Less: future finance charges	1 214 992	2 299 223	1 214 992	2 113 056
Present value of minimum lease payments		(186 167)		
	1 214 992	2 113 056		

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 R30 372 (2016: R26 256) for the Konica Minolta equipment contracts covering a period of 3 years.

The Vodacom contracts are capitalised for a period of 2 years and the aggregate monthly instalment on the finance leases is R53 516 (2016: R52 726).

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 (2016: 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 had the 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% (2016: 12,11% - 13,11%) per annum.

20. CAPITAL CONTRIBUTED	Agency and Group 2017 (R)	Agency and Group 2016 (R)
Capital consists of the value of the net of assets taken over from the Agricultural Bank of Transkei and the Ciskeian Agricultural Bank on 1 July 2000.	25 232 691	25 232 691
The equity contribution relates to the funds received from the Eastern Cape Department of Rural Development and Agrarian Reform utilised to fund the advance to Kangela Citrus Farms (Proprietary) Limited.	15 680 000	15 680 000
This contribution was acquired prior to the formal establishment of the corporation and relates to an amount transferred from trade payables previously owing to the Department of Internal Affairs for farms purchased by clients of the former Ciskeian Agricultural Bank approximately 18 years ago.	1 076 355	1 076 355
	41 989 046	**41 989 046**

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

Restriction on distributions

In terms of the above Act, whilst the government is the sole shareholder, the agency may not distribute any of its profits or gains to any other person and must use its funds solely for the furtherance of its objectives. No distributions were made during the financial year ending 31 March 2017 (2016: nil).

21. RISK MANAGEMENT

21.1 CAPITAL RISK MANAGEMENT

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

The agency is not in a position to fund the operations of the subsidiary companies that have been transferred to it by the Eastern Cape Department of Rural Development and Agrarian Reform and is therefore dependent upon financial support from the Provincial Government for the ongoing support of these subsidiaries. The above is evidence of the under capitalisation of the group.

21.2 CREDIT RISK

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

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

The lending activities of the group are regulated by the National Credit Regulator. The default rate on loan obligations is higher in this industry and, to mitigate this, the group encourages mentorship programmes to assist farmers in managing their crops and markets for their harvests and finances.

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

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

21.3 FINANCIAL GUARANTEE CONTRACTS

A part from the provision of credit facilities in the normal course of business which have been granted, but not to date been disbursed, the group does not issue any guarantees or commitments neither in relation to its lending activities nor in any other capacity, save for the insurance contracts set out in the accounting policies and save for the cession of deposits 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 at the time of the cession. Although this is not considered to be a material risk to the agency, similar transactions are no longer entered into.

21.4 MARKET RISK

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

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

The group has little exposure to market risk, other than interest rate risk, but to a limited extent. Agricultural loans are largely advanced on fixed interest rates. For this reason, the group is not significantly exposed to interest rate risk. Refer to Note 7 for certain sensitivity analyses.

21.5 LIQUIDITY RISK

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

As a result of a significant increase in loans and advances to customers over the past few years and an increase 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. Also refer to Note 12.

As at 31 March 2017, approximately 58% (2016: 38%) 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 2017 were: Moody's Baa2/P-2 and Fitch BBB-/negative/A-3, both with negative investors outlook (2016: Moody's Baa2/P-2; Fitch Ratings BBB-/negative/A-3, both with a negative investors outlook). The remaining 42% (2016: 62%) was deposited at First National Bank, with the same deposit rating as Standard Bank.

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

21.6 OTHER RISKS

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

22. OTHER INCOME AND EXPENSE ANALYSIS

22.1 OTHER INCOME	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Discount received	294	-	294	-
Private telephone calls recovered	-	363	-	363
Recovery of loans and advances previously written off	365 536	240 553	365 536	240 553
Sundry income - Insurance income	592 473	165 160	625 212	194 660
Sundry income - other	395 749	1 969 279	535 922	2 171 758
	1 354 052	2 375 354	1 526 964	2 607 333

22.2 ADMINISTRATIVE EXPENSES				
Accounting fees - internal audit	288 200	301 451	288 200	301 451
Accounting fees - subsidiaries	13 566	85 867	13 566	85 867
Administration costs	15 926	14 016	15 926	14 016
Bank charges	268 495	242 302	276 726	248 726
Contingent insurance policy administration fee	-	84 000	-	84 000
Directors' remuneration - fees	3 578 136	3 220 470	3 578 136	3 220 470
Directors' travelling and subsistence	1 341 990	1 379 950	1 341 990	1 379 950
Entertainment	15 727	15 412	24 716	16 390
Fines and Penalties	-	644	281 430	12 521
General expenses	125 491	70 009	125 491	71 524
Insurance	364 545	238 632	529 794	355 308
Legal expenses	355 330	1 441 458	442 975	1 589 832
Printing and stationery	726 855	611 252	733 497	613 251
Relocation - staff	333 540	842 219	333 540	842 219
Staff recruitment	11 970	-	11 970	-
Staff refreshments	108 823	204 785	108 823	204 785
Staff training	2 517 037	1 387 933	2 519 704	1 388 533
Staff ancillary costs	113 904	94 464	126 265	115 871
Subscriptions	124 923	35 049	134 813	35 799
Workers forum	28 122	66 401	28 122	66 401
Workmen's compensation	946 807	-	946 807	-
	11 279 389	**10 336 314**	**11 862 493**	**10 646 914**

22.3 OTHER OPERATING EXPENSES	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Bad debts - rental and other income	665	163 669	665	163 669
Bad debts - Loans / movement in provision	-	21 038 408	-	21 038 408
Cleaning	187 234	326 186	187 234	326 186
Community capacity development	528 497	40 350	528 497	40 350
Computer maintenance	2 325 132	2 288 389	2 325 132	2 288 389
Debt collection service fees	1 446	2 295	1 446	2 295
Depreciation of investment property and property, plant and equipment	3 770 040	3 491 012	5 011 475	4 518 098
Donations	-	-	22 000	23 000
DRDAR funded programme: Female Awards	892 000	1 198 000	892 000	1 198 000
DRDAR - Funded Sundry Expenditure	-	1 743 650	-	1 743 650
DRDAR Funded Infrastructure Project	7 000 000	-	7 000 000	-
National Treasury Funded Jobs Fund Agro-processing Project	7 829 831	-	7 829 831	-
OTP Funded Youth Project	1 600 000	-	1 600 000	-
ECRDA Establishment cost	44 689	437 168	44 689	437 168
Fair value adjustment on receivables	142 649	746 356	142 649	746 356
Impairment loss	7 172 446	-	7 172 446	-
Leasing charges - operating lease for equipment	409 191	516 611	421 382	264 772
Loan application screening/Enquiry cost	65 722	68 114	65 722	68 114
Minor assets expensed and write off of insured assets stolen/damaged	12 324	9 338	12 324	9 338
Motor vehicles: fuel and maintenance	1 020 875	993 093	1 020 875	993 093
Municipal services - rates, water and electricity	1 958 348	1 970 103	2 135 877	2 109 855
Postages	8 491	28 056	9 010	28 056
Professional fees	624 287	1 177 268	675 131	1 619 352
Protective clothing and uniforms	37 241	4 682	62 972	19 173
Rental charges on land and buildings	7 095 688	6 780 609	7 095 688	6 780 609
Repairs and maintenance - buildings	91 542	22 015	91 542	22 015
Repairs and maintenance - general	306 538	31 906	1 049 135	742 153
Rural finance roadshow	197 429	-	197 429	-
Security	624 483	768 817	664 808	831 617
Stakeholder management	2 016 424	35 000	2 016 424	35 000
Telephone calls and data lines	3 238 920	2 675 938	3 240 049	2 676 992
Travelling and subsistence	5 729 055	5 793 331	5 889 256	5 874 476
	54 931 189	**52 350 361**	**57 405 690**	**54 600 181**

22.4 STAFF COSTS				
Salaries - medical aid contributions	2 826 338	2 403 569	2 826 338	2 403 569
Salaries - provident fund contributions	3 937 108	5 810 167	3 937 108	5 810 167
Salaries - travel allowances	-	496 080	-	496 080
Salaries and wages	73 797 641	65 249 505	74 683 452	65 857 637
	80 561 087	**73 959 321**	**81 446 898**	**74 567 453**

23. TAXATION

In terms of section 10(1)(cA)(i) of the Income Tax Act, 1962, the Commissioner for the South African Revenue Service (SARS) has granted the Eastern Cape Rural Development Agency exemption from income taxation. In terms of Treasury Regulations and agreement with SARS, the agency is also exempt from registration for Value Added Taxation. The subsidiary, North Pondoland Sugar (Proprietary) Limited, has an estimated tax loss of Rnil (2016: R2 274 533) 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 534 489 (2016: R1 625 464) for the financial year ended 31 March 2017. The company recognised a deferred tax asset of R60 682 (2016: R41 820) and a deferred tax liability of R2 365 431 (2016: R2 690 908).

	Group 2017 (R)	Group 2016 (R)
Income Tax		
Current year - normal taxation	1 534 489	1 625 464
Deferred tax		
Balance at the beginning of the year	(2 649 088)	(1 577 612)
Increase (decrease) in tax losses available for set off against future taxable income	-	(758 251)
Temporary differences on tangible fixed assets	38 026	(9 687)
Temporary differences on leave pay	278 647	20 057
Temporary differences on finance lease	19 042	(12 891)
Temporary difference on biological assets - current	8 804	(310 704)
Balance at end of the year	(2 304 569)	(2 649 088)
Comprising:		
Deferred tax asset	60 862	41 820
Deferred tax liability	(2 365 431)	(2 690 908)
	(2 304 569)	(2 649 088)

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

	Group 2017 (R)	Group 2016 (R)
Current income tax		
Charge for the year	1 837 888	3 750 325
Adjustments - fair value	(225 466)	-
Adjustments - penalties and interest	89 703	3 326
Adjustments - revenue from non-exchange transactions	(458 136)	(2 523 430)
Adjustments - expenses relating to non-exchange revenue	292 321	286 936
Adjustments - donations	6 160	6 440
Adjustments - property, plant and equipment	-	62 326
Adjustments - legal fees	24 780	39 541
Adjustments - prior year over adjustment	(32 679)	-
Adjustments - other	(82)	-
Balance at end of the year	1 534 489	1 625 464
Comprising:		
Assets in Kangela Citrus Farms (Proprietary) Limited	1 534 489	1 625 464
	1 534 489	1 625 464

24. OPERATING LEASE ARRANGEMENTS

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

OPERATING LEASES WHERE THE AGENCY/GROUP IS THE LESSEE	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Lease of office premises	16 923 675	9 346 659	16 923 675	9 346 659
Up to 1 year	6 714 155	4 805 918	6 714 155	4 805 918
1 to 5 years	10 209 520	4 540 741	10 209 520	4 540 741
More than 5 years	-	-	-	-

The statement of financial performance details the expenditure incurred by the agency on the operating leases. A total of R7 095 688 (2016: R6 780 609) was paid during the financial year in respect of all lease expenses. A net straight lined operating lease liability of R360 846 (2016: R345 824) existed at reporting date.

The East London office lease contributes 83% (2016: 74%) of the lease expense for the next 12 months, with 65% for the period thereafter. This lease was signed for a fixed term and does have 10% per annum escalation impacts. The lease expires 30 April 2019 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.

25. FRUITLESS AND WASTEFUL EXPENDITURE	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Interest/Finance costs paid	1 494	3 050	1 494	3 050
No-show charges/accommodation	-	2 600	-	2 600
Fines and penalties	-	644	-	644
Total fruitless and wasteful expenditure for the year	1 494	6 294	1 494	6 294
Less: condoned by the board			-	
Expenditure recovered	(343)	(322)	(343)	(322)
Expenditure not condoned by the board - carried forward	5 972	-	5 972	-
Expenditure condoned in current year for prior year	(5 972)	-	-	-
Expenditure not condoned by the board - brought forward	**1 150**	**5 972**	**1 150**	**5 972**

26. IRREGULAR EXPENDITURE/PAYMENTS (OWN FUNDS)				
Procurement of goods and services where procurement procedures were not strictly applied	-	-	-	-
Total non-compliant expenditure for year (irregular expenditure upon payment)	-	-	-	-
Less: current year expenditure/payments condoned by the board	-	-	-	-
Expenditure/payments not condoned by the board - for the year	-	-	-	-
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	-	-	-	-

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.

27.1 BOARD MEMBER REMUNERATION	Agency 2017 (R)	Agency 2016 (R)
Burn-Ncamashe Z., Prince (1 January 2010 - February 2016)	-	259 286
Kali B., Ms (appointed 1 January 2010)	299 604	306 922
Pietersen C.J., Mr (appointed 1 January 2010)	411 814	295 633
Mkile F.F., Ms (appointed 20 January 2010)	405 814	368 055
Mkosana V.M., Dr (appointed 15 November 2012)	389 270	367 311
George X., Mr (appointed 15 November 2012)	309 430	335 903
Jarana V., Mr (appointed 15 November 2012)	308 552	285 413
Le Roux A., Mr (appointed 15 November 2012)	333 259	284 842
Mbalekwa S.W., Mr (appointed 15 November 2012)	363 616	340 183
Semane Z., Ms (appointed 15 November 2012)	300 820	284 842
Sogoni M., Mr (appointed 1 February 2016)	312 021	46 040
Ncwadi M., Mr (appointed 1 February 2016)	302 376	46 041
Fees for services rendered	**3 736 576**	**3 220 471**

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

27.2 SENIOR MANAGEMENT REMUNERATION (AGENCY 2017)	Salary & Bonus	Provident Fund	Other Benefits	Total
Gwanya T.T., Mr - Chief Executive Officer	2 089 127	115 296	20 573	2 224 996
Simukonda N., Mr - Chief Operations Officer	1 587 894	117 595	85 238	1 790 727
Baxter J., Mrs - Chief Financial Officer	1 666 233	-	31 693	1 697 925
Ntshanga G., Mr - Chief Strategy Officer	1 321 653	-	13 820	1 335 473
Mavuso N., Mrs - Executive Corporate Services	1 356 770	23 878	-	1 380 648
Koyana G., Mrs - Executive Legal Manager	1 042 772	78 881	570	1 122 223
Velani C., Mr - Executive Office Manager	964 761	79 673	44 900	1 089 334
Wobiya N., Mr - Internal Audit Manager	1 061 237	87 641	575	1 149 452
Crew R., Mr - Executive Renewable Energy	1 673 475	-	73 417	1 746 892
	12 763 922	**502 963**	**270 786**	**13 537 671**

27.2 SENIOR MANAGEMENT REMUNERATION (AGENCY 2016)	Salary & Bonus	Provident Fund	Other Benefits	Total
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**

28. RELATED PARTY TRANSACTIONS

28.1 SUMMARY OF TRANSACTIONS DURING THE YEAR	Agency 2017 (R)	Agency 2016 (R)
Department of Rural Development and Agrarian Reform (operating grant)	165 021 000	151 573 000
Department of Rural Development and Agrarian Reform (reimbursement of instructed payments, projects for implementation and increased transfer payments)	22 182 600	5 001 550
Department of Rural Development and Agrarian Reform (receivable at fair value)	-	347 910
Coega Development Corporation (Youth Fund contribution)	-	500 000
Department of Agriculture, Forestry and Fisheries (receivable at fair value)	10 140 546	10 646 368
Industrial Development Trust - receipts	-	367 948
Industrial Development Trust - receivable (fair value)	-	108 668
Ncera Macadamia (transfer)	16 700 000	7 000 000
North Pondoland Sugar (payments on behalf of entity)	13 566	72 713
Kangela Citrus Farms (earmarked budget)	-	6 966 000
Kangela Citrus Farms (payable at reporting date)	326 125	1 726 125
Magwa Tea - budget allocation and additional funds transferred	2 936 585	16 337 683
Magwa Tea - own funds paid to suppliers	-	327 169
Magwa Tea - payable at reporting date	77 415	-
Majola Tea - budget allocation and additional funds transferred	1 800 000	4 796 816
Majola Tea - own funds transferred and payable	-	219 978
Office of the Premier (receivable at fair value)	-	236 179
Office of the Premier (receipts)	3 553 000	4 725 851
Office of the Premier (Tea Estate increased funding)	-	14 562 499
National Treasury (Job's fund project contribution)	26 305 925	52 280 000

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

28.2 TRANSACTIONS WITH THE EASTERN CAPE PROVINCIAL GOVERNMENT DURING THE YEAR

The agency received (and accrued) a grant of R165 021 000 (2016: R151 573 000) 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 R22 182 600 (2016: R5 001 550) was paid to the agency. At 31 March 2017 a balance of R nil (2016: R347 910) 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 fair value of the debt as at 31 March 2017, amounts to R10 114 328 (2016: R10 646 368). 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 R nil (2016: R113 422).

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 R26 305 925 (2016: R52 280 000). Refer to note 18 for the split of the programme funding.

Office of the Premier
Office of the Premier appointed the Agency to implement projects on it's behalf. R3 553 000 (2016: R4 275 851) was received by the Agency and programme expenditure of R731 134 (2016: R2 650 519) was incurred.

Ncera Macadamia
A total of R16 700 000 (2016: R7 000 000) was allocated and paid to the programme as per the Provincial budget allocation. Additional funds of R11 700 000 was received from the Department during the financial year which was disbursed to the project.

Magwa Tea Enterprise (MTE)
A total of R3 014 000 (2016: R2 862 000) was allocated to the MTE as per the Provincial Budget allocation from the Department of Rural Development and Agrarian Reform (DRDAR). Disbursements to the estae amounted to R2 936 585, resulting in an amount of R77 415 still payable to the estate as at 31 March 2017. R nil funds were received from OTP. In the 2015/16 financial year additional funding of R1 358 849 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 Nil (2016: R327 169) on behalf of the Estate. The total Government assistance for the year ended 31 March 2017 amounted to R3 014 000 (2016: R16 664 852).

Majola Tea
A total of R1 800 000 (2016: 1 710 000) was received and paid to the tea estate as per the provincial budget allocation.Additional funding of R nil (2016: R641 151) was received from the Department and R nil (2016: R2 445 602) from the the Office of the Premier. The ECRDA incurred expenses to the value of R nil (2016: R 219 978) on behalf of the estate. Total government assistance towards the estate amounts to R 1 800 000 (2016: R5 016 794).

28.3 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 18). The agency is also entitled to an administration fee levied as a percentage of the fund administered and/or to invest the funds and receive the interest on such funds until disbursed in terms of the specific agreements. Refer to the Statement of Financial Performance for commission fee income and to Note 8.1 for amounts due for commission fees receivable at the reporting date (and comparative information).

28.4 TRANSACTIONS BETWEEN THE AGENCY AND KANGELA CITRUS FARMS (PROPRIETARY) LIMITED

The voted funds of Nil (2016: R6 966 000) 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 R326 125 (2016: R1 726 125) is included in note 18 as at 31 March 2017.

28.5 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 R13 566 (2016: R72 713). The subsidiary was merged into the operations of the ECRDA on 1 April 2016.

29. RETIREMENT FUNDING

Defined contribution plan
Employees of the agency are members of either the non-contributory Discovery Fund, Rainmaker Provident Fund or the Sanlam Provident Fund. At 31 March 2017 the membership of the Eastern Cape Rural Development Agency's employees of the provident fund was as follows:

	Agency 2017 (R)		Agency 2016 (R)	
	No. of employees		No. of employees	
Members of Rainmaker Plus Provident Fund	18	11%	127	77%
Sanlam Provident Fund	-	0%	22	13%
Discovery Fund	117	72%	-	0%
Non-members	29	17%	15	9%
Total staff complement	164	100%	164	100%
The agency contributed as follows to the defined contribution plans during the financial year:	3 937 108		5 810 167	

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.

The percentage contribution for the Rainmaker Plus Provident Fund is 15%. There is no defined percentage contribution for the Discovery fund as the contributions depends on the individual's package selection.

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

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

	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Surplus/Deficit for the year (refer to the statement of financial performance)	664 702	(28 213 685)	(5 694 097)	(18 300 390)
Adjusted for:				
Initiation fees & net margin on loans	954 193	(5 143 078)	954 193	(5 143 078)
Subsidy costs on concessionary loans	553 308	3 521 413	553 308	3 521 413
Fair Value Adjustments & Reversal of Provisions	(1 256 388)	(266 898)	(2 061 625)	(266 898)
Profit / loss on disposal of property, plant and equipment	(256 440)	550 362	(256 440)	550 362
Bad debts - rental and other income	665	163 669	665	163 669
Fair value adjustments - biological assets	-	-	(18 850 876)	(16 098 295)
Fee - MAFISA Scheme	496 500	359 877	496 500	359 877
Minor assets expensed	12 324	9 338	12 324	9 338
Impairment Loss - Arengo 316	7 172 446	-	7 172 446	-
Commission fees for managing projects (accrued)	(3 507 396)	(2 519 142)	(3 507 396)	(2 519 142)
Revenue from non-exchange transaction	-	-	(1 636 201)	-
Depreciation	3 770 040	3 491 012	5 011 475	4 518 098
Fair value adjustments	142 649	746 356	142 649	746 356
Bad debts - loans		21 038 407	-	-
Project implemented on behalf of funders (DRDAR & OTP)	16 429 831	-	16 429 831	-
Surplus per approved budgets	**25 176 434**	**(6 262 368)**	**10 154 950**	**(32 458 690)**

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	2016/17	Basis	Agency	Timing
Net Cash Flows from Operating Activities				
Per AFS	(35 743 507)			
Per MTEF Budget estimated outcomes	3 971 000			
Difference	(39 714 507)	x		
Net Cash Flows from Investing Activities				
Per AFS	(3 791 716)			
Per MTEF Budget estimated outcomes	(3 971 000)			
Difference	179 284	x		
Net Cash Flows from Financing Activities				
Per AFS	(871 575)			
Per MTEF Budget estimated outcomes	-			
Difference	(871 575)	x		
Total	**(40 406 799)**			

31. POST REPORTING DATE EVENTS

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

32. STANDARDS AND INTERPRETATION NOT YET EFFECTIVE AS AT 31 MARCH 2017

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.

33. GOING CONCERN

The directors believe that the agency has adequate resources to continue operations in the foreseeable future based on the annual allocations voted to the agency by the Eastern Cape Provincial Government over the medium term expenditure framework. As such the Annual Financial Statements has been prepared on a going concern basis.

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

The directors are also no aware of any material non compliance with statutory and regulatory requirements or of any pending changes to legislation which may affect the ECRDA.

34. FINANCIAL INSTRUMENTS PER CATEGORY

34.1 FINANCIAL LIABILITIES BY CATEGORY

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

	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
	Amortised Cost			
Trade and other payables	19 209 157	18 858 876	23 267 696	21 093 403
Loan from South African Fruit Exporters (SAFE)	-	-	-	8 801 281
	19 209 157	**18 858 876**	**23 267 696**	**29 894 684**

34.2 FINANCIAL ASSETS BY CATEGORY

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

AGENCY 2017	Fair Value	Amortised Cost	Cost
Cash and cash equivalents	-	-	74 642 220
Trade and other receivables	12 667 372	-	-
Loans and advances to customers	-	50 932 562	-
Investments under contingency policy	-	9 216 355	-
	12 667 372	**60 148 917**	**74 642 220**

AGENCY 2016	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**

GROUP 2017	Fair Value	Amortised Cost	Cost
Cash and cash equivalents	-	-	74 649 434
Trade and other receivables	13 470 963	-	-
Loans and advances to customers	-	50 932 562	-
Investments under contingency policy	-	9 216 355	-
	13 470 963	**60 148 917**	**74 649 434**

GROUP 2016	Fair Value	Amortised Cost	Cost
Cash and cash equivalents	-	-	115 107 085
Trade and other receivables	17 212 171	-	-
Loans and advances to customers	-	47 506 949	-
Investments under contingency policy	-	8 579 830	-
Receivable from Arengo 316 (Proprietary) Limited	-	7 097 346	-
	17 212 171	**63 184 125**	**115 107 085**

35. COMPARATIVE FIGURES

The following changes were made to the comparative figures:

(a) Accruals recognised by North Pondoland Sugar (subsidiary) of R26 975 incorrectly included an invoice to the value of R13 566 as this invoice related to the 2016/2017 financial year. The information was only brought to ECRDA's attention after conclusion of the audit when all documentation relating to the take over of functions were received.
(b) The bank balances reported by NPS excluded the Stanlib retention of R631 held in the account.
(c) The rollover application indicated that the ECRDA did not have any surplus funds to surrender to Treasury. Treasury performed their reviews and checks and no surrender of funds were noted by their Provincial office. On 28 October 2016 the Eastern Cape Provincial Treasury however informed the Accounting Officer of the Department of Rural Development and Agrarian Reform that they re-evaluated the accruals and commitments of the ECRDA and claimed R22 547 000 to be surrendered. The payment was processed in December 2016 but is not regarded as a prior year error by the ECRDA.

STATEMENT OF FINANCIAL PERFORMANCE	Balance previously reported		Restated balance		Error corrected
	Agency	Group	Agency	Group	
Expenses	-		-		-
STATEMENT OF FINANCIAL POSITION					
Current assets					
Cash and cash equivalents	115 049 019	115 106 454	115 049 019	115 107 085	631
Current liabilities					
Trade and other payables	18 858 876	21 106 969	18 858 876	21 093 403	13 566
Equity					
Accumulated Surplus	98 374 396	119 725 595	98 374 396	119 739 792	14 197

Detailed consolidated statement of financial performance as at 31 March 2017 *(UNAUDITED SCHEDULE TO FINANCIAL STATEMENTS)*

INCOME	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Interest income on loans and advances	2 561 391	3 151 893	2 561 391	3 151 893
Net credit impairment charge	(3 566 784)	1 869 185	(3 566 784)	1 869 185
Credit impairment charge	-	-	-	-
Write off of irrecoverable debts	(5 586 200)	(7 554 779)	(5 586 200)	(7 554 779)
Interest on concessionary loans	1 653 881	9 183 411	1 653 881	9 183 411
Recovery of loans and advances previously written off	365 536	240 553	365 536	240 553
Net interest margin on lending activities	(1 005 393)	5 021 078	(1 005 393)	5 021 078
Loan initiation fees	51 200	122 000	51 200	122 000
Result from lending activities	**(954 193)**	**5 143 078**	**(954 193)**	**5 143 078**
Interest income on loans and advances / Average gross loans and advances	0.41%	0.51%	0.41%	0.51%
Insurance contract income	-	-	-	-
Insurance contract claims	-	-	-	-
Movement in provision for insurance contracts	-	-	-	-
Result from insurance activities	-	-	-	-
Other income	**10 605 517**	**8 273 572**	**64 421 865**	**50 762 738**
Commission fees for managing projects	3 507 396	2 519 142	3 507 396	2 519 142
Discount received	294	-	294	-
Fair value adjustment	18 073	-	823 310	-
Fair value adjustment: Biological assets	-	-	18 850 876	16 098 295
Fair value adjustment: Leased Equipment	1 003 162	266 898	1 003 162	266 898
Gain on disposal of property plant and equipment	256 440	-	256 440	-
Interest income on cash and investments	3 222 450	2 179 753	3 276 447	2 182 367
National Skills Fund	160 395	136 206	160 395	136 206
Private telephone calls recovered	-	363	-	363
Rental income from investment property	1 213 932	1 036 772	1 213 932	1 036 772
Revenue from non-exchange transactions	-	-	1 636 201	-
Provision for bad debts on loans reversed	235 153	-	235 153	-
Sale of goods	-	-	32 297 125	26 156 278
Sundry income - Insurance Income	592 473	165 160	625 212	194 660
Sundry income - Other	395 749	1 969 279	535 922	2 171 758
Government grant and additional program specific funding	**198 586 431**	**171 637 049**	**198 586 431**	**171 637 049**
TOTAL INCOME	208 237 755	185 053 699	262 054 103	227 542 865

INCOME	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Balance brought forward	**208,237,755**	**185,053,699**	**262,054,103**	**227,542,865**
EXPENSES				
Administration fee - Guardrisk	-	84,000	-	84,000
Administration Costs	15,926	14,016	15,926	14,016
Accounting fees - subsidiaries	13,566	85,867	13,566	85,867
Audit fees	3,414,480	3,643,604	3,576,855	3,828,332
Internal Audit Fees	288,200	301,451	288,200	301,451
Bad debts - rental and other income	665	163,669	665	163,669
Bad debts - Loans	-	21,038,408	-	21,038,408
Bank charges	268,495	242,302	276,726	248,726
Cleaning	187,234	326,186	187,234	326,186
Community capacity development	528,497	40,350	528,497	40,350
Computer maintenance	77,982	88,341	77,982	88,341
Computer software maintenance	2,247,150	2,200,048	2,247,150	2,200,048
Cost of Sales	-	-	43,088,695	34,532,536
Donations	-	-	22,000	23,000
Debt collection service fees	1,446	2,295	1,446	2,295
Depreciation of investment property and property, plant and equipment	3,770,040	3,491,012	5,011,475	4,518,098
Directors' remuneration and fees	3,578,136	3,220,470	3,578,136	3,220,470
Directors' travelling and subsistence - non executive	1,341,990	1,379,950	1,341,990	1,379,950
DRDAR - Female Farmers Awards	892,000	1,198,000	892,000	1,198,000
DRDAR - Funded Sundry Expenditure	-	1,743,650	-	1,743,650
DRDAR Funded Infrastructure Project	7,000,000	-	7,000,000	-
National Treasury Funded Jobs Fund Agro-processing Project	7,829,831	-	7,829,831	-
OTP Funded Youth Project	1,600,000	-	1,600,000	-
ECRDA Establishment costs	44,689	437,168	44,689	437,168
Entertainment	15,727	15,412	24,716	16,390
Enquiry Fees	65,722	68,114	65,722	68,114
Fair value adjustment on receivables and assets	142,649	746,356	142,649	746,356
Fee - MAFISA Scheme	496,500	359,877	496,500	359,877
Finance costs	16,613	44,574	74,591	75,166
General expenses	125,491	70,009	125,491	71,524
Insurance	364,545	238,632	529,794	355,308
Impairment loss	7,172,446	-	7,172,446	-
Leasing charges	409,191	516,611	421,382	264,772
Legal expenses	355,330	1,441,458	442,975	1,589,832
Scrapping of obsolete property, plant and equipment	-	550,362	-	550,362
Marketing and functional partnerships	838,628	922,694	838,628	922,694
Minor assets expensed	12,324	9,338	12,324	9,338
Balance carried forward	43,115,494	44,684,223	87,970,282	80,504,293

INCOME	Agency 2017 (R)	Agency 2016 (R)	Group 2017 (R)	Group 2016 (R)
Balance Brought Forward	**43 115 494**	**44 684 223**	**87 970 282**	**80 504 293**
Motor vehicles: fuel and maintenance	1 020 875	993 093	1 020 875	993 093
Municipal services - rates, water and electricity	1 958 348	1 970 103	2 135 877	2 109 855
Penalties and Fines	-	644	281 430	12 521
Postages	8 491	28 056	9 010	28 056
Printing and stationery	726 855	611 252	733 497	613 251
Professional Fees	624 287	1 177 268	675 131	1 619 352
Project expenses	30 653 876	31 211 548	30 653 876	31 211 548
Protective clothing and uniforms	37 241	4 682	62 972	19 173
Relocation - staff and offices	333 540	842 219	333 540	842 219
Rental charges on land and buildings	7 095 688	6 780 609	7 095 688	6 780 609
Repairs and maintenance - general	306 538	31 906	1 049 135	742 153
Repairs and maintenance - buildings	91 542	22 015	91 542	22 015
Rural finance roadshow	197 429	-	197 429	-
Subsidiary grants	24 064 000	35 647 870	24 064 000	28 681 870
Salaries - medical aid contributions	2 826 338	2 403 569	2 826 338	2 403 569
Salaries - provident fund contributions	3 937 108	5 810 167	3 937 108	5 810 167
Salaries - travel allowances	-	496 080	-	496 080
Salaries and wages	73 797 641	65 249 505	74 683 452	65 857 637
Security	624 483	768 817	664 808	831 617
Skills levy	763 983	719 442	763 983	719 442
Staff recruitment	11 970	-	11 970	-
Staff refreshments	108 823	204 785	108 823	204 785
Staff training	2 517 037	1 387 933	2 519 704	1 388 533
Staff ancillary cost	113 904	94 464	126 265	115 871
Stakeholder management	2 016 424	35 000	2 016 424	35 000
Subscriptions	124 923	35 049	134 813	35 799
Social benefit from concessionary loans	553 308	3 521 413	553 308	3 521 413
Telephone calls and data lines	3 238 920	2 675 938	3 240 049	2 676 992
Travelling, accommodation and subsistence	5 729 055	5 793 331	5 889 256	5 874 476
Worker's forum	28 122	66 401	28 122	66 401
Workmen's compensation	946 807	-	946 807	-
TOTAL EXPENSES	**207 573 053**	**213 267 383**	**254 825 517**	**244 217 791**
(DEFICIT) / SURPLUS BEFORE TAXATION	664 702	(28 213 685)	7 228 586	(16 674 926)
TAXATION	-	-	(1 534 489)	(1 625 464)
(DEFICIT) /SURPLUS AFTER TAXATION	**664 702**	**(28 213 685)**	**5 694 097**	**(18 300 390)**

COMPOSITION	Group 2017 (R)	Group 2016 (R)
Eastern Cape Rural Development Agency	664 702	(28 213 685)
Agrarian Research and Development Agency (Pty) Ltd	-	-
Kangela Citrus Farms (Pty) Ltd	-	9 655 564
North Pondoland Sugar (Pty) Ltd	-	(9 168)
TOTAL EXPENSES	**664 702**	**(18 567 289)**

ECRDA

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PIVOT COMMUNICATION