AR

ANNUAL REPORT 2022/23

ECRDA
Eastern Cape Rural Development Agency

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PUBLIC ENTITY INFORMATION

Registered Name
Eastern Cape Rural Development Agency
Physical Address
ECRDA Waverly Park Offices, Phase 3,
2nd Floor, 3-33 Phillip Frame Road, Chiselhurst,
East London, 5200
Contact Number: 043 703 6300
Email: info@ecrda.co.za
Website: www.ecrda.co.za
External Auditors: AGSA
Bank: FNB and Standard Bank

Company Secretary: Ms V Xaxa
Title of Publication
ECRDA Annual Report 2022/2023
ISBN: 978-0-621-51278-6
PR: 173/2023

For attention: Honourable Nonkqubela Pieters

Member of the Executive Council for the Department of Rural Development and Agrarian Reform. The Board has the honour of submitting the Annual Report of the Eastern Cape Rural Development Agency (ECRDA) for the period of 1 April 2022 to 31 March 2023.

Nondumiso Maphazi
Chairperson of the Board

ABBREVIATIONS

AIP	Audit Improvement Plan
AOP	Annual Operational Plan
AGSA	Auditor-General of South Africa
ARC	Audit, Risk and Compliance
B-BBEE	Broad-Based Black Economic Empowerment
CHIPS	Catalytic High Impact Priority Projects
DPSA	Department of Public Service and Administration
DRDAR	Department Rural Development and Agrarian 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
ICT	Information Communications Technology
MEC	Member of the Executive Council
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NUPSAW	National Union of Public Service and Allied Workers
PFMA	Public Finance Management Act
RED HUB	Rural Enterprise Development Hub
SCM	Supply Chain Management
SA	South Africa

PART A
GENERAL INFORMATION

STRATEGIC OVERVIEW

The ECRDA is a Schedule 3C entity in terms of the Public Finance Management Act (PFMA). It was established to promote, support and facilitate rural development in the Eastern Cape Province in a sustainable manner.

In keeping with a resolution passed by the Executive Council of the 6th Administration on the 29th of July 2020, a process has been embarked on to relist the entity from a schedule 3C to a Schedule 3D.

DRDAR and the ECRDA has developed a business case to support the application. The business case has been submitted to Provincial Treasury, who has been requested to assist by facilitating a process to engage National Treasury in respect of the application.

The business case is premised on the entity embarking on the creation of various revenue streams that will reduce the agencies dependency on the Provincial fiscus The ECRDA has developed an operating model to support the business case for a 3D listing.
The operating model positions the ECRDA as the primary multi-sectoral rural development implementing agent in the Eastern Cape.

Vision:
An inclusive and sustainable rural economy

Mission:
"Connecting stakeholders to catalyse the prosperity of the rural Eastern Cape"

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

- Eastern Cape Rural Finance Corporation Act No 9 of 1999
- Eastern Cape Rural Finance Corporation Amendment Act, 2012
- Basic Conditions of Employment Act No 75 of 1997
- Employment Equity Act No 55 of 1998
- Occupational Health and Safety Act No 85 of 1993
- Protection of Personal Information Act, 2021
- Preferential Procurement Policy Framework Act No 5 of 2000

The ECRDA legislative mandate is to promote, support and facilitate rural development in the province.

Transparency
We will be clear and open in our actions and promote inclusive and accountable participation by all stakeholders.

Commitment to empowerment
We will prioritise the upliftment of the communities we serve, as well as capacitate staff and connected development agents to drive excellence.

Excellence
We will build a competent, capable organisation which is best equipped to deliver quality services in all inter ventions and assignments within our mandate for rural development.

Ubuntu
We will demonstrate our commitment to shared humanity and solidarity in the pursuit of common development goals.

Honesty and Integrity
We will be professional, respectful, fair and consistent in our dealings and deliver decisions focused on ethical outcomes.

Innovation
We will be creative and push the boundaries of technology to be relevant and responsive to the development needs of rural communities.

Statement of Responsibility and confirmation of accuracy for the annual report

To the best of our knowledge and belief, we confirm the following: All information and amounts disclosed in the annual report are consistent with the Annual Financial Statements submitted to 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 South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), standards applicable to the Public Entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information. The accounting authority is responsible for establishing and implementing a system of internal control that 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 for the entity for the financial year ended 31 March 2023.

Chairperson of the Board
Dr Nondumiso Maphazi

Chief Executive Officer
Simon Qobo

ECRDA BOARD

DR NONDUMISO MAPHAZI
(Chairperson)
Appointed May 2022
Committees:
Governance & Ethics
(Chairperson)
Strategy Implementation &
Performance Management
Research, Projects &
Stakeholder Management

THANDI MBETE
(Deputy Chairperson)
Appointed May 2022
Committees:
Finance & Investment
Strategy Implementation &
Performance Management
(Chairperson)
Governance & Ethics

NOLITHA PIETERSEN
Appointed May 2022
Committees:
Finance & Investment
(Chairperson)
Audit & Risk
Governance & Ethics

GCINUMZI QOTYWA
Appointed May 2022
Committees:
Human Capital &
Remuneration (Chairperson)
Audit & Risk
Governance & Ethics

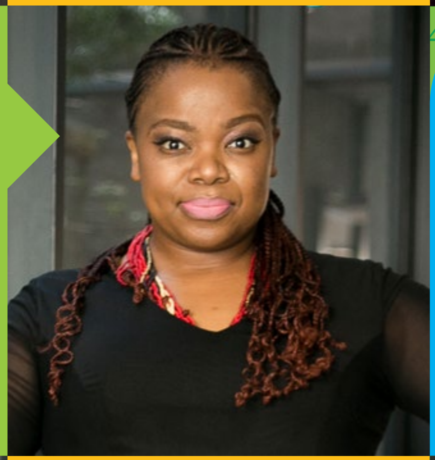
ADV. JOHN KORKIE
Appointed May 2022
Committees:
Audit & Risk (Chairperson)
Human Capital &
Remuneration
Governance & Ethics

MXOLISI KOYO
(Chairperson)
Appointed May 2022
Committees:
Research, Projects & Stakeholder
Management (Chairperson)
Governance & Ethics
Finance & Investment

NTUTHU MBIKO-MOTSHEGOA
Appointed May 2022
Committees:
Finance & Investment
Strategy Implementation &
Performance Management
Research, Projects &
Stakeholder Management

ANDILE NONTSO
Appointed May 2022
Committees:
Finance & Investment
Human Capital & Remuneration
Research, Projects & Stakeholder
Management

NOKHANYO MACEBA
Appointed May 2022
Committees:
Human Capital &
Remuneration
Audit & Risk
Research, Projects &
Stakeholder Management



NONDUMISO NGONYAMA
Appointed May 2022
Committees:
Human Capital &
Remuneration
Strategy Implementation &
Performance Management
Research, Projects &
Stakeholder Management

SENZENI ZOKWANA
Appointed May 2022
Committees:
Human Capital & Remuneration
Strategy Implementation &
Performance Management
Research, Projects & Stakeholder
Management

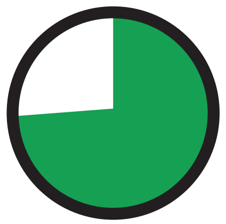
CHAIRPERSON FOREWORD

The Board has begun a spirited journey to build an ECRDA of the future that is responsive to the developmental imperatives of the rural populace of the Eastern Cape. Since its appointment in May 2022, the Board has marshalled its collective resources and skills to steer the ECRDA on a sustainable growth trajectory.

The financial year started positively with the appointment of the new board, effective 1 May 2022. Subsequent to the appointment, the board established its appropriate governance structures to ensure it leads the entity effectively and ethically in the long-term interest of all its stakeholders.

One of the first tasks the board embarked on was the filling of a critical vacancy, that of new Chief Executive Officer (CEO), which the Board subsequently approved and the incumbent, Mr Simon Qobo commenced as the entity's CEO in August 2022.

In fulfilling its accountability, the board has fulfilled its key responsibility of reporting to its executive authority, through its quarterly meetings.In the interrogation of its financial performance, the entity's performance improved from 58% in 2021/22 to 74% in 2022/23.



58% (2021/22) Organisational performance

74% (2022/23) Organisational performance

The board further continued to account to all its stakeholders.

Overseeing a variety of management activities at board level, including risk management, IT, compliance management, associated policy formation and oversight of implementation thereof, the Board identified that, the entity has indeed been faced with some challenges in this regard. Management is currently working on finding solutions to address the shortcomings and continuously reporting to the board. In June 2022, the board visited all projects managed by the agency to assess their performance and to determine if there were any challenges experienced which required the intervention of the board. This has assisted the board to understand the state of the projects and thereby enabling the strategic interventions in finding the lasting solutions.

The board continues to contribute meaningfully and effectively to strategy setting and implementation thereof. A strategic planning session was held in November 2022, which culminated to forging strategic partnerships with a number of organisations. These partnerships are mainly related to the advancement of the cannabis industrialisation programme. The 2020 – 2025 strategy is approaching its end, and thus the agency is embarking on the development of the next 5-year strategy cycle.

In addressing the food security, the agency has started with the process of developing a RED Hub business model to improve the operation and profitability of the Red Hubs. In collaboration with the Department of Rural Development and Agrarian Reform (DRDAR), the farmers will be planting white maize which will the feedstock to the Milling Hubs and this will stop importing the white maize from other provinces. This process has commenced.

At the five forestry projects a total of 19,093 tons were harvested in 2022/23. The 19,093 tons is comprised of 10,269 harvested in Izinini, 4,118 in Mkambathi, 2,375 in Sinaw0, 1,784 at Sixhotyeni and 548 in Gqukunqa. Timber sales were R15,985 million.

19,093 tons
were harvested in 2022/23

- **10,269 tons** in Izinini — 54%
- **4,118 tons** in Mkambathi — 21%
- **2,375 tons** in Sinawo — 12%
- **1,784 tons** in Sixhotyeni — 9%
- **548 tons** in Gqukunqa — 3%

This success was achieved despite the challenges experienced related to timber transportation and endemic community conflicts. Loan disbursements improved from R2,8 million to R6,655 million and the loan recoveries have improved by 95% for new loans. The total repayments were R4,93 million during the financial year.

R6,655 million
loan disbursements in 2022/23

- **95%** loan recoveries for new loans
- **R4,93 million** recovered

I am pleased that the organisation continues to implement inspired programme implementation in the face of an unforgiving economic environment. The agency was able to conclude a long winding project of placement of employees in the approved reconfigured organizational structure. The entity has experienced some challenges in the implementation of this project, however management is continuing to address these teething challenges.

The board is proud to have been continuously improving corporate governance in the agency and its subsidiary, namely Magwa Tea Estate. It remains committed in this regard and in fulfilling its fiduciary duties. The board is confident that it is well-versed on the levers it needs to pull in order to build the capacity of the agency to effect the desired socioeconomic change. Steps have been taken to strengthen the agency by ensuring an accountable leadership ecosystem which prioritises transparent, clean and open governance systems.

I express gratitude to the honourable MEC of DRDAR, Nonkqubela Pieters for her confidence, in the new board, her continued support and providing strategic direction and guidance. I am thankful for the ongoing support of the entire board as we navigate serious challenges which threaten the viability of the organisation. Your incisive leadership acumen and wise counsel have placed the organisation on a firm growth trajectory. My appreciation is extended to the executive team and the employees of the agency for their collective resilience and determination to return a pronounced development dividend to the shareholder. Finally, I am grateful for continuing partner support which has allowed us to marshal our collective resources in order to effect the desired socio-economic impact. We remain committed to making a visible change in the eradication of poverty and improving job creation for the peoples and rural communities of the Eastern Cape province.

Nondumiso Maphazi
Chairperson of the Board

ECRDA EXECUTIVES

SIMON QOBO
Chief Executive Officer

NKOSIPHENDULE QUVILE
Acting Chief Operations Officer

VUYISWA ZAZI
Acting Chief Financial Officer

LUNGISA MTUMTUM
Acting Executive:
Corporate Services

RICARDO DE BEER
Executive: Trade and Investment
Promotion (Appointed 1 July 2023)

ECRDA
Eastern Cape
Rural Development
Agency

CHIEF EXECUTIVE OFFICER'S REPORT

The 2022/23 financial year presented an apt platform to consolidate the preparatory steps in building an ECRDA of the future. A reconfigured ECRDA should possess the technical wherewithal to navigate the immense challenges presented by a formidable rural development terrain. The Eastern Cape's prevailing socio-economic architecture demands well-thought and creative ideas in order to redraw the provincial landscape into a just and more equitable society.

The ECRDA's interventions are postured to effect a pronounced and real rural development impact which places people at the centre of the development agenda. The ECRDA's initiatives are engineered and geared to exact meaningful socio-economic change through the deployment of Catalytic High Impact Projects (CHIPS). These projects are aimed at improving rural incomes, poverty alleviation, job creation, food security, market access opportunities and building the technical and competitive apparatus of rural enterprises.

The ultimate objective is the constitution of an inclusive and sustainable rural economy. At the centre of the ECRDA ethos is the promotion, support and facilitation of rural development programmes in the Eastern Cape in a just and sustainable manner.

ORGANISATIONAL DEVELOPMENT

As such, the Board instructed management to finalise organisational processes which will build internal capacity to respond to the demands of the development project. This included the finalisation of a consultative organisational development exercise which is meant to augment and support the establishment of internal capacity to deliver on effective programme implementation. This process involved matching people to appropriate roles in line with their qualifications and experience. The idea is to develop a cadre of employee which has the technical ability to effect meaningful solutions in their areas of expertise. This should enhance organisational effectiveness as we build a capable, competitive and world-class organisation.

The path to the attainment of a world-class development outfit is an arduous one, which requires clarity of thought and decisive leadership acumen. It requires leadership to make bold decisions which are intended to improve the development impact and to support inspired mandate delivery. The organisation is committed to the establishment of an internal culture of excellence which rewards employee contribution. The effect should be the retention of the best skills while attracting appropriate new talent.

I am pleased to report that this process was finalised in 2022/23. This has resulted in appropriate organisational reconfiguration and placement of employees in the new organogram. The litmus test of this reconfiguration project will be its ability to support the new strategic direction of the ECRDA. The new strategic posture is focussed on market development and linkages and the facilitation of off-take agreements. A central element to this strategic attitude is investment mobilisation in rural areas supported by project preparation and packaging.

LEVERAGING PARTNER RESOURCES

While the organisation continues to perform its work as a Schedule 3 entity, plans to list the agency as a Schedule 3D company of the state are at an advanced stage. This process has the support of the shareholder and the shareholder representative, the Department of Rural Development and Agrarian Reform (DRDAR). In this regard, the agency is developing strategic alliances and partnerships with development financiers to leverage their resources in order to improve the development impact in rural economies.

I am delighted that public-private partnerships are being promulgated to facilitate off-take agreements and the formation of backward and forward linkages between primary production and secondary processing. These are considered steps aimed at improving sustainability and reducing dependency on a strained fiscus.

PRUDENT ASSET MANAGEMENT

In pursuit of these development aspirations, the ECRDA is acutely cognisant that it has to prove its relevance and value posture to its shareholder and majority funder, DRDAR. This should include improved sustainability, cost reduction and astute management of public assets. The agency's income is derived from the management of its rural finance loan books and rental income.

In this respect, during the review period, the ECRDA reviewed its Credit Policy and aftercare philosophy to counter prevailing challenges. Furthermore, the ECRDA is implementing a Blended Finance Scheme in partnership with the ECDC to support the objectives of the Agriculture and Agroprocessing Master Plan. The agency is working in close collaboration with the shareholder to ensure seamless planning and programme development to avoid the duplication of government efforts.

FINANCIAL OVERVIEW

The ECRDA's expenditure trends are closely associated with its operating model. Funding reductions invariably result in decreased expenditure. During the period under review, government grant funding decreased by R22 million (9%) and revenue from exchange transactions decreased by R4 million (26%). The agency managed its available funding to reduce the risk of over-expenditure by year end focussing on allocating funds to the core business and projects. This was done while reducing discretionary operational expenditure.

9% (R22million) grant fund decrease

26% (R4million) exchange transactions decrease

These cost-containment measures will remain a focus area over the Medium-Term Expenditure Framework (MTEF). Administrative expenditure increased by 9% during the 2022/23 financial year, whilst staff costs decreased by 2%. Project funding focused on Catalytic High Impact Projects and strengthening forestry initiatives, the Rural Enterprise Development (RED) Hubs, supporting Magwa Enterprise Tea and paving the way for the Eastern Cape Cannabis Initiative.

The ECRDA also remained focused on rural development facilitation, project management, the provision of rural finance and providing oversight as the 100% shareholder of Magwa Enterprise Tea (Pty) Ltd. The key activities of the ECRDA remained constant during the year, with no discontinued activities being envisaged in the short to medium-term.

As a Schedule 3C entity, the ECRDA is required to surrender unspent funds (after allowing for accruals) to Provincial Treasury at the end of each financial year. This hampers the building up of reserves to reduce government dependency, long-term planning and, to an extent, participation in multi-year projects. To address this challenge, a process is underway to relist the entity as a 3D entity.

The ECRDA has managed its budget and expenditure successfully for the financial year. The ECRDA is committed to clean governance and underpinning operations with compliant, transparent, and effective supply chain support. Supply Chain Management is undergoing an internal transformation to provide strategic support to the ECRDA, which is expected to be highly successful if coupled with improved organisational planning and project management. There are sufficient processes and systems in place to promote compliant procurement practices and allowance is also made for the appropriate treatment of any deviations and/or non-compliance identified by well-established internal controls. No unsolicited bid proposals were concluded for the year under review.

Focus areas on the audit improvement plan included the enhancing of ICT governance and general controls, strengthening supply chain management and reducing irregular expenditure and improving loan performance through the reduction of loan impairments and bad debt write-offs.

OPERATIONAL PERFORMANCE

I am pleased that the organisation continued to return a formidable development impact under a challenging operational environment. Government resources remain under strain requiring the ECRDA to become creative in improving the extent of the development impact. This is reflected in the performance of the key programmes of the agency as reflected below.

R2million
was allocated to the forestry development

72,8 hectares
were planted at Izinini and Mkambathi in 2022/23

19,093 tons
were harvested in 2022/23

R15,985million
Total timber sales

In 2022/23, a total of R6.3 million was allocated for the four grain-producing RED Hub aggregation centres. Part of the funds were used to build potato sorting infrastructure at Mbizana and to support other operational expenses. A total of 301 hectares were planted at the four grain-producing Red Hubs in 2022/23.

R6,3million
was allocated for the four grain-producing RED Hubs

The funds were used to build potato sorting infrastructure at Mbizana and to support other operational expenses

R6,655million
was disbursed to 44 successful loan applications which had 193 beneficiaries.

Loan repayments for agency loans was R4,950 million and R527,146.25 for Micro Agricultural Financial Institutions of South Africa (MAFISA) loans.

63% loan recoveries

R4,9 million recovered from R7.8m due

In 2022/23, the wool and mohair programme received a R2 million budget. A total of R535,999 went to animal husbandry and R920,000 went to training activities conducted by Furilex.

R10 million
allocated to the cannabis and hemp development programme

245 farmer hemp permit applications

91 farmers issued with permits

Furthermore, in 2022/23 the cannabis and hemp development programme was allocated a R10 million budget. The agency conducted more than 20 sector communication and awareness campaigns for the benefit of prospective entrepreneurs in the Eastern Cape and to local municipalities and traditional authorities.

The ECRDA supported 453 people towards applications for hemp permits. From these 245 farmers were able to submit applications and 91 farmers were issued with hemp cultivation permits.

There were various reasons for the low applications and approvals. Some of these include:
- Some farmers did not have police clearance.
- Some farmers did not have land leases or ownership of the land they are using.
- Some did not want to do hemp cultivation and preferred cannabis which is of a different strain

FUTURE OUTLOOK

Moving forward, the ECRDA will further strengthen its financial management tools to ensure that the finance function provides empowering support to the core business. Plans are to ensure that proper financial reporting is improved in a quest to maintain government and funder confidence. In terms of the rural finance function, the ECRDA is establishing smart partnerships that will improve its offering and impact through the provision of relevant financial services responsive to the conditions of the rural Eastern Cape.

For the wool and mohair programme, the ECRDA plans to support on-farm preparation through farm visits and status assessment, status quo reports for sheds and farmers, preparation with production files, registers, signs and posters and interventions to prepare for auditing. In relation to forestry development, the ECRDA intends to continue providing support and monitoring of its five projects. Monitoring and aftercare support is crucial for the long-term sustainability and viability of these enterprises.

In the cannabis and hemp development programme, the organisation will support cannabis sector-based activities linked to a well-defined industrial value chain. The ECRDA has managed to solidify its relations with the five local municipalities that constitute the dagga belt of the province. This will ensure that all indigenous cannabis growers are integrated under one initiative. This will lead to proper coordination of the subsector as well as adopting common best practices in the production of high quality dagga. This will also assist in the easy aggregation of all the indigenous cannabis growers into a common market off-take potential and further value addition to their produce.

APPRECIATION

I would like to express my appreciation to the shareholder for their continued guidance, the Board for the support and strategic direction provided as well as the management and staff of the ECRDA who in very trying circumstances have pledged their commitment to making rural development a priority.

Simon Qobo
Chief Executive Officer

OPERATIONS REVIEW

AGROPROCESSING

The ECRDA is committed to the development of a processing culture which prioritises the beneficiation and value addition of the primary production of communal farmers. The agency is intentional in supporting government's primary production efforts by ensuring that the primary produce of small-scale rural farmers receives premium prices in the market. This will be realised by the deployment of high-value world-class technical skills which support the global competitiveness of rural-based community farming enterprises.

In this regard, the ECRDA is pursuing the further growth and development of its Rural Enterprise Development (RED) Hubs as aggregation centres of agricultural produce. As such, the ECRDA is actively engaged in developing the requisite infrastructure to support the varying needs of the aggregation centres. Infrastructure such as cold storage facilities as well as potato sorting and packaging facilities are being developed. However, budgetary constraints could derail plans to transform these hubs into aggregators of primary produce. Consequently, the agency is engaged in an ongoing capitalisation programme which involves lobbying government to inject the necessary financial support in order to realise the intentions of the programme.

As an inspired agent of socio-economic redress, the ECRDA is deploying inventive and innovative tools in pursuit of an improved development impact. The scarcity of financial resources requires special purpose vehicles of government such as the ECRDA to be creative and do more with less in order to transform the economic distribution architecture of the Eastern Cape. The ECRDA is pleased that it continues to leverage available infrastructure to support processing activities at the aggregation centres.

Further support to the centres is in the form of market access activities in order to promote the products of the aggregators. This is a critical element which is crucial to the development of thriving and profitable rural enterprises. Access to markets has a direct effect on business sustainability imperatives while supporting income generation and job creation among others. The ECRDA also assists the centres with securing off-take agreements.

Furthermore, the agency continues to offer financial and technical support to the centres in the form of wages for workers as well as financial management and human resources training among other interventions.

RED HUB INFRASTRUCTURE

The four grain-producing RED Hub aggregation centres have the following infrastructure:

MILLING PLANTS

Mqanduli 1 ton/hour

Ncora 1 ton/hour

Mbizana 1 ton/hour

Emalahleni 2 tons/hour

COOPERATIVES

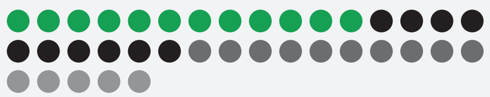
The grain-producing RED Hub aggregation centres have a total of 37 active primary co-operatives.

Mqanduli 12 cooperatives

Mbizana 10 cooperatives

Ncora 10 cooperatives

Emalahleni 5 cooperatives



The primary co-operatives have more than 2,000 members combined

GRAIN STORAGE SILOS

Number of grain storage silos: 12

Ncora 5

Mqanduli 3

Mbizana 2

Emalahleni 2

STORAGE CAPACITY

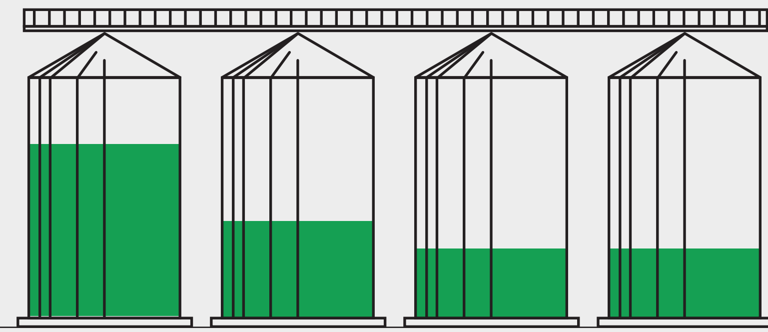
Total storage capacity: 11,250 tons

Ncora 4,750 tons

Mqanduli 2,500 tons

Mbizana 2,000 tons

Emalahleni 2,000 tons



The flora-producing Tshabo RED Hub produces Protea flowers and vegetables. It has a total of 12 primary cooperatives. There are drip irrigation pipelines installed at the hub. The ECRDA has further installed 36 x 36 hydroponic tunnels for vegetable production.

OPERATIONAL PERFORMANCE

In 2022/23, a total of R6.3 million was allocated for the four grain-producing RED Hub aggregation centres. The funds were used to build potato sorting infrastructure at Mbizana and to support other operational expenses. In addition, training was provided for tractor drivers at the mechanisation centres. The training was conducted with funding from the Department of Agriculture, Land Reform and Rural Development (DALRRD).

R6,3million

was allocated for the four grain-producing RED Hubs

A total of 301 hectares were planted at the four grain-producing Red Hubs in 2022/23.

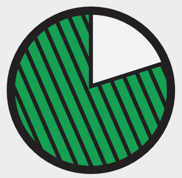
During the review period, a total of R2.7 million was allocated to the Tshabo RED Hub. The Tshabo budget was used for borehole water testing and registration, and for the procurement of five-bay tunnels for vegetable production.

Mbizana RED Hub

In 2022/23, the construction of a shed to accommodate a potato facility was finalised. The Eastern Cape Development Corporation is facilitating the delivery and installation of the potato facility at the Mbizana RED Hub.

Due to budget limitations, the Mbizana RED Hub did not have milling operations during the period under review. The allocated budget for the hub could only cover salaries for staff including internal security personnel for mechanisation operations. The Mbizana Secondary Cooperative agreed to led to the ECRDA its RED Hub in order to transform it into a sustainable aggregation centre as a pilot project.

In addition, DRDAR allocated 155 hectares to the Sivuka Sonke Secondary Cooperative to assist communal farmers with mechanisation infrastructure. The cooperative serviced 115 of the 155 hectares. The remaining 40ha was not serviced as farmers indicated that it was late to cultivate the area.



155 hectares allocated by DRDAR

115 hectares serviced

40 hectares not serviced

Only 301ha for six out of 16 primary cooperatives could be planted in Mbizana in 2022/23 due to heavy rains in the area as well as a lack of contributions. The maintenance of tractors continues to be a challenge. This has resulted in only three of 11 tractors being functional.

Mqanduli RED Hub

Ownership issues continue to affect the Mqanduli RED Hub. As such, operations have been halted. The uMtiza Cooperative has vacated the site resulting in a loss of rental income for the RED Hub. In order to address the situation, a task team was formed to improve cooperative governance, asset verification, and financial reporting. However, the team is facing capacity challenges and the secondary cooperative is not cooperating.

The assets of the Mqanduli RED Hub have been verified, and a detailed report has been submitted to the task team.

However, assets with the technical partner have not yet been verified, and their condition is unknown.

R500,000

budget from the King Sabatha Dalindyebo Local Municipality to support the operations of the RED Hub.

However, there remains financial management challenges. The budget has been earmarked for tractor repairs, feedstock purchase, and agricultural inputs for the upcoming season. However, the municipality has indicated that they cannot perform repairs on assets that do not belong to them. There was no planting during the 2022/23 financial year.

Tshabo RED Hub

In 2022/23, a five-bay tunnel was erected for vegetable production. However, there is still a need for water reticulation followed by the installation of an irrigation system. It was advertised twice with no success due to no-responsive bidders.

Ncora Red Hub

In 2022/23, there were no activities at Ncora RED Hub Milling. The ECRDA is continuing to fund security services to protect the assets and infrastructure against vandalism until the community impasse is resolved. However, there have been increased incidents of vandalism and theft occurring at the Ncora RED Hub.

The ECRDA continues to engage farmers that are still interested in cropping in collaboration with external stakeholders such as Exxaro.

The successful engagement with Ncora famers resulted in famers committing to plant 25 ha of white maize. The farmers committed only 25ha because most famers in the region prefer yellow maize than white maize.

In addition, the DRDAR subsidy does not have conditions to take the maize to the hub. This works as a benefit for them.
In 2022/23, a fencing project for the mechanisation unit was completed.

Emalahleni RED Hub

Red Hub milling operations have halted due to the unavailability of maize feedstock. Eskom has also cut electricity supply due to non-payment. Plans are in place to diversify their business into vegetable production to complement the milling business. The Emalahleni Red Hub has identified a grit market to supply East London, Cala, and Queenstown. However, the challenge of the custom-made mill is affecting the business. The ECRDA is working on resolving the issue.

The secondary cooperative was granted 400 hectares of land at Zwartwater to render mechanisation services for oat farming by DRDAR. As of the end of the fourth quarter, 300 hectares were planted successfully.

Challenges

The Red Hubs are faced with the following challenges:
- Low mill capacities to break-even and make profit
- Lack of raw materials white maize feedstock
- Lack of proper governance and financial management/ bookkeeping by project beneficiaries
- Lack of continuous funding from Government
- Lack of artisans to attend to breakdowns and servicing of these machinery
- Poor coordination of government departments
- Lack of private sector investment appetite

Future Plans

- Conduct social facilitation at all RED Hubs and train internal personnel to champion social facilitation for all projects funded by the ECRDA.
- Support primary production and possible product diversification – link farmers with commodity associations such as Potato SA, Grain SA etc for primary production capacity-building and to encourage the adoption of climate resilient production practices. Primary production remains critical for sustainable value chain activities. Possible remodelling of mill facility to feed mill.
- Increase mill capacity to break-even for Mbizana RED hub
- Review the current RED Hubs situation since inception. Work on a business model that best fit each RED Hub comparative advantage.
- Continue to lobby private sector investment (both for skills, market access and financial muscle).
- Continue to assist to access markets for the RED Hubs both regional and provincial levels.
- Establish multi stakeholder approach to support RED Hubs and other projects that are critical for job creation and economic growth of the Eastern Cape.
- Lobby financial support from government and/or investors/ private sector to invest in post-harvest facilities, logistics and road infrastructure.
- Identification of value chain opportunities within the province.
- Provide continuous trainings such as bookkeeping, financial management etc

FORESTRY DEVELOPMENT

In 2022/23 the ECRDA continued to support the development of the forestry sector in the form of five Communal Property Associations (CPAs) where it has pioneered the cultivation of 4,360 hectares (ha) of new afforestation. However, this value represents only 4,3% of the 100,000ha with the potential for new afforestation in the province.

The programme intends to bring communities into the forestry economic value chain with the effect of improving rural incomes as well as food security. It is an urgent imperative to locate rural communities at the epicentre of the forestry development agenda. Through the ECRDA, government is acutely cognisant that communities haver to benefit from the natural endowments bestowed upon their communities. Government has to ensure that beneficiary communities are not alienated form the economic spinoffs of projects exploited in their own localities.

As such, the ECRDA has assumed a leading role in promoting and entrenching community-based forestry activities. Already, the agency has supported the planting of 4,360ha of new afforestation in five localities in Sinawo (Joe Gqabi), Izinini (Joe Gqabi), Mkambathi (OR Tambo), Sixhotyeni (OR Tambo) and Gqukunqa (Alfred Nzo).

The idea is to inculcate a value addition and commercialisation posture in the primary production activities of rural-based primary production programmes. If successfully done, this should lead to the creation and extension of backward and forward linkages and associated industries which will make a significant contribution to economic growth and development.

Through its agencies such as the ECRDA, government provides high-value technical, financial and non-financial instruments which support the development and growth of these community-based enterprises. For example, the ECRDA has conducted soil surveys, plantation plans, stakeholder engagements, business plans and Environmental Impact Assessments (EIA) at the five projects it supports. Monitoring and oversight are still provided while keeping expenditure within reasonable perimeters.

The ECRDA is also concerned with ramping up primary production in the areas with the most potential for afforestation. Current timber volumes do not justify the establishment of larger processing facilities. However, the agency is investigating the possibility of constituting timber processing plants in the form of a pole treatment plant in Flagstaff.

Projects Overview

The trees planted at the five projects are site specific eucalyptus species such as E.dunnii, E. nitens, E. macathurii seedlings and Grandis/Urophylla hybrid cloned cuttings. These are a variety of species which are suitable for specific sites and for specific markets. The seedlings and cuttings are as a result of decades of genetically-improved stock, such as disease resistant, drought resistant, frost resistant, stem form, yield potential and timber density. A very small area is planted with wattle and pine trees. Wattle and pine trees are not ordinarily suitable for community-owned enterprises.

At this stage, the community-based forestry enterprises only sell timber to commercial markets. Sappi and PG Bison are the main customers of these community forestry enterprises. A portion of timber produced by these community forestry enterprises can be sold to the highest bidder. However, in most cases, these private companies can absorb the volumes being produced at the most competitive prices. The South African Pulp and Paper Industries (Sappi) Saicor Mill is situated at Umkomasi on the KZN south coast. The PG Bison board plant is situated at Ugie in the North Eastern Cape. Communities surrounding the plantation are allowed to collect small diameter pieces of timber after clear-felling of a specific compartment.

In 2022/23, the ECRDA extended financial support to the projects in the form of salaries and wages where the projects are not yet financially independent. Representatives from SAPPI, PG Bison and the ECRDA also attend the monthly management meetings at the five projects. These meetings are an apt platform to ventilate operational and management issues and advice is given to the CPA committees or trustees. Field visits to the plantation operations are conducted, if required, and progress is monitored against the reported activities. The ECRDA forestry field manager and field officer is made available to respond to queries or issues from the projects.

The ECRDA also monitors the financial records of the projects to ensure that supporting documents are in place and also releases all approved expenditure at the projects.

The ECRDA has developed a comprehensive operational and financial reporting system for the forestry projects. These reports are presented by each community forestry manager at the monthly meetings. The main purpose of these reports is to ensure financial viability and agreed operational productivity standards at the projects. Sappi and PG Bison have seconded qualified foresters that are permanently available to monitor operational standards and to provide technical support to the projects.

Conflict Resolution

However, there remain institutional issues at the Mkambathi project in which a group is challenging the incumbent trustees of the Mkambathi Land Trust. This group has registered its own trust in an effort to replace the existing trust. This has resulted in a legal process in court. The Master of the High Court dismissed the legality of the challenging group. Unfortunately, the cost of the legal proceedings is high and was paid for by the forestry project. Apart from providing advice on this matter and reporting this conflict to DARDLR, the ECRDA were not directly involved in the legal proceedings.

The Sinawo project was destroyed during 2020 to 2022 by groups from the Sinawo community. All assets (office, vehicles and mature trees) were stolen by these members. The ECRDA reported these issues to the DRDLR. The issues mainly relate to the land claim. This means the mandate to resolve the conflicts are with the DRDLR and the Land Claims Commission. The one village (Hlolweni) requested the CPA, with administrative support from the ECRDA, to proceed with their own harvesting of trees to prevent the rouge community members from stealing the timber. This initiative was supported during 2022.

Strategic Partnerships

The agency is also aware that partnerships are at the core of effective mandate delivery. The forestry function continuously supports the cultivation of strategic partnerships which unlock the latent potential of its projects. Harnessing the collaborative energy of partner resources should result in an enhanced development dividend. In this regard, a partnership arrangement was formalised between SAPPI and the Izinini CPA in 2022/23. This partnership agreement was in place since 2013, but only formalised during 2022. It is a timber off-take agreement in which SAPPI provides technical support and seedlings to the CPA forestry project in exchange for a majority portion of the timber to be sold at market prices to SAPPI.

Operational Performance

During the period under review, a total of R2 million was allocated to forestry development. Of this amount, 85% went to employee costs of two projects and for resources contracted by the ECRDA's forestry unit. The balance of the budget went to travelling and accommodation expenses.

A total of 72,8 hectares were planted at Izinini and Mkambathi in 2022/23. This area was planted with eucalyptus grandis/urophylla cuttings (GU clone material). The seedlings were sponsored by SAPPI

19,093 tons

were harvested in 2022/23 by all five projects

10,269 tons in Izinini — 54%

4,118 tons in Mkambathi — 21%

2,375 tons in Sinawo — 12%

1,784 tons in Sixhotyeni — 9%

548 tons in Gqukunqa — 3%

Total timber sales amounted to R15,985 million. An average of 142 full-time equivalent jobs were created at the five forestry projects. A total of 295,446 hours of work was recorded for the year, or an average of 24,621 hours per month. An average of 64% of these jobs were for women and youth.

Future Plans

Moving forward, the ECRDA intends to continue providing support and monitoring the five projects. Monitoring and aftercare support is crucial for the long-term sustainability and viability of these enterprises.

Continued financial support to the Sixhotyeni and Gqukunqa projects will allow these two projects to minimise damage to the plantation from timber damage due to fires and theft until these projects can generate sufficient funds to sustain themselves. The ECRDA is working closely with these two projects to secure harvesting contractors in the next two years in order for them to conduct their own harvesting operations.

The agency will work closely with the Sinawo CPA and DRDLR to resolve the community conflict. This project was widely regarded as a success story for rural development. The agency will also encourage the projects to release more land for afforestation to expand the project scale. Engagements with the Department of Agriculture, Forestry and Fisheries (DAFF) are planned for the transfer of government plantations to some of these projects.

RURAL FINANCIAL SERVICES

Rural finance remains at the core of energised economic activity. The availability of loan funding is a critical instrument to injecting vibrancy in a largely depressed rural economy. The extension of credit lines galvanises small businesses to unlock their latent potential and to make a meaningful contribution to economic activity. Loan funding is a crucial stimulant for the development of sustainable small businesses as well as facilitating job creation.

This is truer for rural enterprises who often lack the institutional support for long-term viability and sustainability. Enterprises in the rural sphere are often cut-off from financial markets and the economic value chain in order to promote the growth and development of their businesses.

Agents of socio-economic redress such as the ECRDA are therefore well-primed to exact the requisite economic change through the provision of empowering financial support tools. These tools are extended to the underserved and underdeveloped areas of the province to support the entrepreneurs in these localities who are often viewed as unbankable and unattractive by commercial lenders. These entrepreneurs lack the collateral or security required by private lenders. This means the ECRDA has to assume a higher risk appetite and advance loans to this unbankable segment of the economy.

As a result, the ECRDA accepts that it will incur higher impairments in its loan portfolio than private lenders in pursuit of development imperatives. However, this requires a fine balancing act between development imperatives and organisational sustainability. This means the ECRDA has to employ non-financial tools which are meant to support entrepreneurs in repaying their loan obligations. This aftercare ethos is premised on improving the competitiveness of entrepreneurs in rural communities so that they are able to improve income generation and to support sustainable job creation.

However, it is crucial that rural entrepreneurs honour their loan repayment obligations. This is critical in ensuring that ECRDA is in a position to extend further loan finance to other deserving entrepreneurs. When entrepreneurs do not honour their loan obligations, it severely curtails the ECRDA's ability to grow its pipeline of beneficiaries. Aftercare support helps the agency to identify early-stage challenges which could impact on effective loan repayments. As a result, in 2022/23 the ECRDA targeted to increase loan disbursements while improving recollections on unpaid debt.

Loan Products & Eligibility Criteria

The ECRDA offers agricultural and non-agricultural loans throughout the province.
The ECRDA provides loans for the following items:

- Production inputs
- Tractor and equipment
- Livestock
- On-farm infrastructure
- Working capital
- Mortgage loan for farm purchase
- Starter business entrepreneurial development program
- Agricultural – secondary /processing loans

Individuals, legal entities and groups who conduct their business activities in the Eastern Cape are eligible for ECRDA loan funding. They should be South African citizens in possession of a valid South African identity document, proof of residence, ECRDA completed and signed application form, company documents, business plan with cashflow projections/enterprise budget, off-take agreement/confirmation of market as well as a valid and current tax clearance certificate.

One of the ECRDA's objectives during the review period was to promote entrepreneurship through increased loan disbursements and the improved recovery of loan funding. Furthermore, the agency planned to monitor the sustainability of rural entities and subsidiaries through structured project visits. A target loan disbursement figure of R2 million was set at the beginning of the review period. However, the demand for loan funding led to the adjustment of the figure upwards to R6,655 million.

R6,655 million

target loan disbursement figure

The formation of strategic partnerships was also an imperative for better coordination of rural development and economic growth initiatives as well as the augmentation of internal capacity to intensify project monitoring and mentoring.

Credit Policy

There was a review of the Credit Policy in 2022/23. The review made a provision in the credit policy to proactively pursue strategic linkages and dialogue with other stakeholders involved in rural development through co and parallel financing. The ECRDA will also make referrals to other partners for larger projects with funding requirements that exceed the ECRDA budget.

Emphasis was placed on strengthening technical assistance and support through focused regional project implementation units in each region.

Operational Performance

In 2022/23 a total of R6,655 million was disbursed to 44 successful loan applications which had 193 beneficiaries. These were agency loans only. A total of R6,326 million went to 37 agricultural loans and R329 000 went to seven non-agricultural loans.

Loan repayments for agency loans was R4,950 million and R527,146.25 for Micro Agricultural Financial Institutions of South Africa (MAFISA) loans.

Several factors affected loan approvals and disbursements. Some loan applications do not meet the set lending criteria and that affects loan approvals and disbursements. The most common contributory factors are the lack of proper documentation, over financing and the lack of risk mitigation instruments.

R6,326 million
went to 37 agricultural loans

R329 000
went to 7 non-agricultural loans

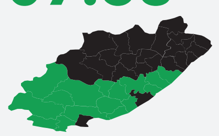
63% loan recoveries

The increased uptake in loan funding and disbursements was due to a number of small holder farmers that registered for mentorship which resulted in them scaling up production at the guidance of mentors. Two loans to the value of R3,1million went towards the purchase of two small holder farms.

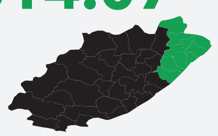
R3,1million
went towards the purchase of two small holder farms.

In terms of geographic spread, 19 loans went to the Southern Region consisting of the Sarah Baartman and Amathole districts. The Southern Region accounted for R4 073 707.68 of the loan disbursements. A total of 23 loans went to the Eastern Region comprised of the OR Tambo and Alfred Nzo districts. The Eastern Region accounted for R1 752 814.07 of the loan disbursements. A total of 12 loans went to the Northern Region made up of the Chris Hani and Karoo districts. A total of R829 814.07 was disbursed to the Northern Region.

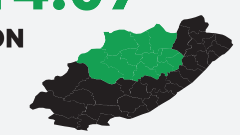
19 LOANS **R4 073 707.68**
SOUTHERN REGION
Sarah Baartman and Amathole



23 LOANS **R1 752 814.07**
EASTERN REGION
OR Tambo and Alfred Nzo



12 LOANS **R829 814.07**
NORTHERN REGION
Chris Hani and Karoo



Future Plans

The future effect of the strategy will be to establish smart partnerships that will enhance the ECRDA's mission, reach and impact through the provision of relevant financial services responsive to the conditions of the rural Eastern Cape, while promoting the state's and society's objective of an inclusive vibrant and sustainable economy.

CANNABIS AND HEMP DEVELOPMENT

The Eastern Cape Rural Development Agency is playing a pivotal role in the establishment of a vibrant cannabis and hemp production industry in the province. The agency works in close collaboration with its shareholder department, the Department of Rural Development and Agrarian Reform (DRDAR) and other state entities in supporting the development of the cannabis and hemp industry. The organisation is actively planning and mobilising resources and investments for the urgent development and establishment of the industry in the Eastern Cape. The ECRDA's foray into the cannabis and hemp development industry is informed by its abundant potential for solid socio-economic development returns. This is reinforced by the Eastern Cape's rich history of cannabis production spanning more than a century.

Fortunately, the ECRDA's plans find expression, resonance and alignment with the draft national Cannabis Master Plan which outlines a framework for the sustainable growth and development of the industry. Furthermore, the master plan apportions responsibility to certain national departments to lead the implementation of the nine pillars that informed the plan. The industry market forecast is estimated to reach R28 billion by 2028. The sector has immense potential for revenue generation, job and food creation as well as for the alleviation of poverty.

R28 billion
industry market forecast by 2028

The Eastern Cape holds the most potential in South Africa for the development of an energised cannabis and hemp industry. Cannabis for recreational and cultural purposes and as a complimentary medicine has been cultivated in the province for centuries by the Khoi-San and Pondoland indigenous growers using local landraces / genetic material. The number of indigenous cannabis growers (households) in the five local municipalities known as the dagga growing belt of Pondoland (Winnie Madikizela, Ingquza Hill, Ntabankulu, Port St Johns and Nyandeni) is estimated to be between 60 000 to 100 000. The Pondoland region has for centuries established itself as an area for the primary production of high-THC (dagga / marijuana) cannabis, using own landraces (local genetic material) to supply the national and international recreational markets. Indigenous knowledge holders used cannabis as complimentary medicine to treat different medical ailments.

Industrial hemp can be cultivated in almost all the areas of the Eastern Cape. Whilst this is important, hemp industrialisation is informed by the country's comparative and competitive advantages in a particular industrial sector determining which industries would be economically viable compared to other hemp and cannabis producing countries. Of the estimated 50 000 potential industrial uses of cannabis, the Eastern Cape should find its own industrial niche as a springboard that will inform its hemp industrialisation strategy.

As such, the ECRDA's cannabis and hemp industry program is aimed at developing state capability and competency by empowering its staff and those of other state entities, through education and training, about all aspects of the hemp and cannabis industry. It seeks to leverage opportunities for the participation of prospective black hemp and cannabis entrepreneurs and to lobby for the creation of an enabling regulatory framework for the sector. The program advocates for collaboration with other strategic national and international state entities to attract investment into the province and to establish differentiated industrial value chain sectors of hemp and cannabis that are niche to the Eastern Cape.

60 000 to 100 000
estimated indigenous cannabis growers (households) in the five local municipalities known as the dagga growing belt of Pondoland

Industry Potential

Currently, there are no commercial feasibility studies to determine the primary production potential (fibre, flower and biomass yields) of the local indigenous cannabis in the Eastern Cape as well as imported varietal hemp seeds. This is except for those medicinal cannabis businesses that were issued with medicinal cannabis licenses by the South African Health Products Regulatory Authority (SAHPRA) to produce cannabis flowers for overseas off-take contracts.

Together with its strategic business partners and hemp cultivation permit holders, the ECRDA will only undertake the commercial feasibility of the Hemp Carbon Project in 2023/24. The data derived from the trials should determine the primary production performance potential (quantitative and qualitative yields) of hemp seed varieties for the specific industrial value chain being pursued.

In the 2023/24 cultivation season that begins in October 2023, the Agricultural Research Council (ARC) will also be undertaking research on the performance of other imported hemp seed in the province to determine their performance (yield and quality) that will inform the province's hemp seed variety selection suitable for growing in the different local production areas of the province.

To date, the province has 91 hemp cultivation permit holders located across the province who will take part in the feasibility study that will indicate the specific area production potential. It is expected that after the research and commercial feasibility trials of 2023/24 undertaken in the 91 hemp cultivation permit holders' farms, sufficient data on production potential of areas in the Eastern Cape Province will be generated.

91 hemp
cultivation permit holders located across the province

Strategic partnerships

Successful industrial development is dependent on building strategic public and private sector partnerships. In 2022/23, the ECRDA forged partnerships with various local and international entities which will close the funding, sector technical expertise and market gaps. This should ensure that the ECRDA and its partners are able to provide support to prospective hemp and cannabis entrepreneurs.

During the period under review, the ECRDA signed a Memorandum of Understanding / Engagement (MoU/E) with Sandton-based Cheeba Academy, in Gauteng. The education and training agreement is expected to offer customised technical training to producers, processors and manufacturers to produce products which meet market quality requirements. The agreement is expected to result in the leveraging of training funds from Sector Education and Training Authorities (SETA) to support local entrepreneurs.

The agency has also signed an MoU with Friends of Hemp South Africa to lobby for co-investment and sector development by implementing joint-projects based on their annual financial planning. This is intended to lead to the development of Eastern Cape-based enterprises across the industrial value chains and enable the participation of appropriate black and women-owned enterprises.

In 2022/23, the ECRDA signed an MoU with Germany's adMondo and Canada's CO2 Evolve for foreign direct investment in the industrialisation of industrial hemp in the Eastern Cape. The MoU is concerned with those subsectors that the entities identified to have a commercial potential with better prospects of return on their investments. In terms of the MoU, CO2 Evolve will also conduct hemp seed mobilisation and technical training for local farmers as well as downstream hemp value-add processing and manufacturing business operations.

An MoU was also concluded with the National Education, Health and Allied Workers Union (NEHAWU) Investment Holdings (NIH) company. In terms of the MoU, NIH will investment in ECRDA / DRDAR catalytic high impact projects informed by the NIH's investment strategy and its appetite to invest in ECRDA-packaged economic development programmes.

An MoU also exists with Labat Healthcare which is aimed at economic mainstreaming of indigenous cannabis growers to meaningfully partake in the commercialisation of indigenous knowledge on cannabis growing and medicinal uses. The MoU will result in off-take opportunities for the current indigenous cannabis growers of Pondoland for grower contracts with Labat.

The ECRDA has also entered into an agreement with PetroSA to co-invest on agreed upon projects aligned to the PetroSA biofuel strategy and related businesses that are based on their annual financial planning to ensure the full participation of Eastern Cape-based enterprises, particularly black, women-owned and rural enterprises.

MoU's were also signed with the Nyandeni Kingdom and the Alfred Nzo District Municipality as a blue-print model on corporative governance with traditional authorities to drive rural economic development. They should also serve as a model for collaboration with district development agencies to jointly pursue infrastructure and economic development in the context of the country's District Development Model.

Operational Performance

In 2022/23, the cannabis and hemp development budget was R10 million. The agency conducted more than 20 sector communication and awareness campaigns to prospective entrepreneurs in the Eastern Cape and to local municipalities and traditional authorities. These sessions were intended to share sector information that includes the regulatory framework, enhancing integration with clear roles and responsibilities, as well as commercial opportunities. The ECRDA is also creating a provincial government entity ecosystem to ensure that an enabling environment for private sector partners is created to enable sector development by reducing bureaucratic red tape in government.

Support is being extended to local government which is the lead entity in organising direct engagement with indigenous cannabis growers in the province. The engagements are also intended to share information on the cannabis regulatory framework and lobbying for the mainstreaming of the indigenous cannabis growers in the cannabis economy. The ECRDA is lobbying for sector regulatory reforms, strategic partnership development as well as education and training.

At the beginning of 2022/23, the ECRDA targeted to mobilise prospective hemp producers and to provide them with financial and non-financial support to initiate sector-based projects in the province. Plans included sector training as well as pilot production incubation facility, market and partnership development.

The ECRDA supported 453 people towards applications for hemp permits. From these, 245 farmers were able to submit applications and 91 farmers were issued with hemp cultivation permits.

The poor success rate of applications was because of predominantly rural-based applicants under the communal land tenure system who could not provide mandatory support documents to the DALRRD application. These are:

- Permission to occupy, lease agreement / title deed; police clearance;
- GPS co-ordinates;
- Family authorisation letter issued to a family member allowing use of family-owned land for hemp cultivation.

Fencing materials worth R900,000 were also purchased in 2022/23. The total hectarage coverage for the fencing material is 28 hectares. The fencing will support small-scale holder rural farmers that are holders of hemp cultivation permits to fence-off their sites in preparation for their participation in the research and commercial feasibility trials starting in October 2023. The ECRDA, DRDAR and strategic partners are due to conduct farm assessments that will determine the allocation of the materials.

An installation of a high security fence worth R900,000 was undertaken at the Magwa cannabis incubation facility in Lusikisiki. This is to ensure that the facility is enclosed from the tea primary production area. The fence security features comply with the SAHPRA medicinal cannabis license requirements. During the 2022/23 financial year, first phase facility building renovations worth approximately R2 million were also completed. The ECRDA also identified a strategic business partner around which indigenous cannabis growers mainstreaming into the cannabis economy will be founded.

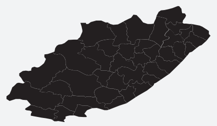
Casting of concrete flooring at the Dohne incubation facility in Stutterheim was initiated. Dohne, an entity of DRDAR, will host the cannabis primary production and processing incubation facility that focuses on cannabis cultivation best practices, fibre and hempseed oil extraction and evaluation. The facility is meant to support the production of high quality yields by Eastern Cape producers to meet market requirements. The facility will also serve as a training institute for aspiring cannabis primary production and processor enterprises.

Future Outlook

The ECRDA 2023/24 cannabis operation budget is allocated to support cannabis sector-based activities linked to a well-defined industrial value chain. The partnerships with CO2 Evolve and PetroSA will result in the parties developing and agreeing on the implementation of hemp carbon feasibility trials in the 2023/24 financial year. Parties will use imported hemp seed varieties that are suitable for the intended end-use. The objective, pending successful results of the commercial trials, will lead to the cultivation of 46,000 ha of hemp in the province. This will result in the creation of 92,000 jobs.

46,000 ha

may potentially be cultivated pending successful results



92,000 jobs

will be created as a result

To date, the ECRDA has managed to solidify its relations with the five local municipalities that constitute the dagga belt of the province. This will ensure that all indigenous cannabis growers are integrated under one initiative. This will lead to proper coordination of the subsector as well as adopting common best practices in the production of high quality dagga. This will also assist in the easy aggregation of all the indigenous cannabis growers into a common market off-take potential and further value addition to their produce. The Ntabankulu Local Municipality has already developed a database of its indigenous growers up to ward level. The other four local municipalities will soon adopt this practise. It is estimated that the province has between 60,000 – 100,000 small-scale holder cannabis growers. Their successful integration into the cannabis market will result in taking almost 100, 000 households out of poverty.

WOOL AND MOHAIR

The ECRDA is in pursuit of economic growth instruments which should inject buoyancy in the wool and mohair industry in the Eastern Cape. The intention of the wool and mohair programme is to develop small-scale wool and mohair farmers so that they are able to compete with their commercial counterparts. The effect should be the development of a vibrant wool and mohair industry which contributes to socio-economic development imperatives.

The long-term goal is to ensure the sustainability of small-scale producers while improving their revenue generation capabilities and to support job creation.

The province has a significant potential for wool and mohair production. In the Eastern Cape, the Chris Hani, Joe Gqabi and Sarah Baartman districts have the most potential for wool production. The Sarah Baartman district has by far the greatest potential for mohair production in the Eastern Cape. The potential for job creation in this industry is substantial in the manufacturing section of the value chain. Already, the province produces 33% of wool national output. The Eastern Cape produces 90% of South Africa's mohair output. These figures underline the significance of supporting grassroots wool and mohair development.

As such, in 2022/23 the ECRDA organised its activities in a manner aimed at increasing the socio-economic impact of wool and mohair projects, levels of beneficiation and the improvement of income levels of small-scale producers. The intention of the programme is to facilitate sustainable re-sourcing of wool and mohair production whilst promoting sustainable environmental/ green practises. In addition, the programme aims to provide a facility to aggregate and add value to the wool products of communal woolgrowers while providing effective and efficient programme and product management co-ordination. The ECRDA is promoting sustainable capacity-building, empowerment and rural infrastructure development in the industry. In this regard, the agency is also advocating sustainable innovation and a decision support system for small-scale farmers involved in wool and mohair production.

Consequently, in 2022/23, the ECRDA planned to train 12 communal shearing sheds and 10 emerging farmers on Responsible Wool and Mohair Production Standards. The standards allow farmers to acquire certification to export their produce and to receive premium prices in the market.

However, several identified intervention areas needed to be addressed for effective programme implementation. There was a need for funding for on-farm production and sustainability. Funds were required to complete the full value chain for wool and mohair producers. There was also a need for on-farm training for communal and emerging farmers on the latest production and health management systems for wool and mohair producers for long-term sustainability.

Operational Performance

In 2022/23, the wool and mohair programme received a R2 million budget. A total of R535,999 went to animal husbandry and R920,000 went to training activities conducted by Furilex. The trainings were conducted for shearing sheds and emerging farmers. Training activities were held at two ECRDA regions - Southern Region and Northern Region. Six shearing sheds and five emerging farmers from each region were trained. The training included animal handling, wool sheep production, handing over of files and farm record-keeping. They were later audited for Responsible Wool and Mohair Production certification.

R535,999

went to animal husbandry

In addition, five ECRDA employees from the Southern Region and four from the Northern Region received training.

On 27 October 2022, a successful Communal Wool Farmers' Day was held at the Boiteko Shearing Shed in the Tsekong Village in Mount Fletcher. The main purpose of the day was to handover Responsible Wool Standard certificates and animal husbandry equipment to 10 communal wool farmers' shearing sheds which were financed by the ECRDA.

These 10 sheds are comprised of 650 members who are now able to export their wool and achieve premium prices in the market. The equipment issued to the sheds is critical for them in meeting international sustainability standards.

10 sheds

comprised of 650 members are now able to export their wool at premium prices

Future Plans

Future plans include holding a total of 45 Responsible Production Workshops for ECRDA officers, communal farmers and emerging farmers. Plans include training on practical production and implementation for auditing purposes and on animal husbandry, sheep handling, feeding, grazing, labour and finance.

The agency also plans to support on-farm preparation through farm visits and status assessment, status quo reports for sheds and farmers, preparation with production files, registers, signs and posters and interventions to prepare for auditing.

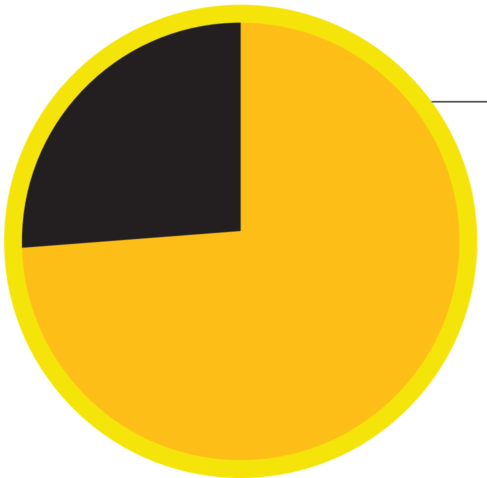
PART B
PERFORMANCE INFORMATION

AUDITOR GENERAL'S REPORT: PREDETERMINED OBJECTIVES

Auditor-General's report can be found published as Part E (Annual Financial Statements) of the Annual Report.

OVERVIEW OF PUBLIC ENTITY'S PERFORMANCE

During the 2022/23 financial year, the ECRDA had twenty-seven (27) output indicators that were spread across three (3) programmes for implementation. The entity achieved 20 of these indicators, which translates to 74% as can be seen in the graph on her right.



Programme	Number of indicators	Achieved	Comments
1. Administration a. OCEO (5/5) 100% b. OCFO (1/2) 50% c. Corporate Services (1/2) 50%	9	7	The two indicators that were not achieved are as follows: 1.Audit Improvement Plan activities were only implemented at 62% against a targeted 80%. 2.Human Capital Plan outputs were only produced for 73% against a targeted 100%
2. Catalytic High Impact Programmes	13	8	This programme performed at 62%. The indicators that were not achieved relate to the Cannabis project.
3. Funding for Rural Development	5	5	This programme performed at 100%
Total	**27**	**20**	**This relates to an overall performance of 74%**

The underperformance has been largely caused by ICT-related challenges and non-achievement of Human Capital Plan outputs. In addition, the service delivery environment for the cannabis project is still challenging. The foundation of South Africa's regulatory framework should include and recognise indigenous growers as protectors of South African cannabis germplasm essential to the country's cannabis industrialisation.

The 0.2% THC limitation on hemp is an arbitrary number not informed by science. This limitation should be reviewed to reflect agroclimatic conditions in South Africa. This industry is hampered by ineffective regulatory systems and poor producer support systems. With its partners, the ECRDA is in the process of discussing solutions for these and other challenges for the cannabis and hemp industry in South Africa. This should improve the service delivery environment for this project.

Furthermore, the organisational environment was challenged with critical positions remaining vacant which resulted in a capacity deficit that impacted performance negatively.

During the period under review, there were no legislative changes. However, the entity facilitated a Board strategy review with various external stakeholders. The shareholder addressed changes in the internal, external and service delivery environment. This review resulted in the adjustment of the implementation strategy to ensure that the entity achieve its five-year outcomes for the five-year planning cycle which ends in 2025.

PROGRESS TOWARDS ACHIEVEMENT OF THE INSTITUTIONAL IMPACTS AND OUTCOMES

Impact Statement	Outcome	5 Year target	Achieved to date	2023/24 Target	2024/25 Target
Register and leverage socio- economic strategic and systemic impact within the integrated rural development space of the Eastern Cape Province	Increased levels of resource mobilisation	R200m	R13,087m	R100m	R100m
	Maximise agricultural value chains	Agricultural value chains mapped	-	Commence with mapping of agricultural value chains	Finalise the mapping of agricultural value chains
	Effective, efficient and accountable entity	Performance metrics developed	-	1 Performance metrics developed	-
	100% of employees assessed annually	100%	100%	100%	100%
		Employee engagement survey conducted annually	-	1	1

INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

Programme 1: Administration

The purpose of this programme is to ensure that the core operations have the required administrative support to effectively and efficiently execute their duties in accordance with the predetermined outputs as per the strategic direction provided. The programme has three Sub-programs:

- Office of the CEO – Oversight, Strategy development and Organisational Performance Monitoring.
- Office of the CFO – Financial Management, Supply Chain Management and Asset Management.
- Corporate Services – Human Resource, ICT, Public Relations and Facilities Management.

Sub-Mbiko: Office of the CEO

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned target	Reason for deviation	Comments
Increased socio-economic impact	Good governance and accountability	Number of unqualified financial and performance audit outcomes	1	1	1	n/a	n/a	n/a
Increased socio-economic impact	Good governance and accountability	2. % of strategic risk mitigated	67%	60%	77%	17%	More strategic risks were mitigated than anticipated.	This is a positive variation and no action is required.
Increased socio-economic impact	Good governance and accountability	3. % of Board resolutions implemented	89%	100%	100%	n/a	n/a	n/a
Increased socio-economic impact	Good governance and accountability	4. Number of governance framework developed and submitted to subsidiaries for consideration	1	1	1	n/a	n/a	n/a
Increased socio-economic impact	Good governance and accountability	5. Number of reports on the implementation of the Strategic Issues Tracking Dashboard	New	12	12	n/a	n/a	n/a

Sub-programme: Office of the CFO

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned target	Reason for deviation	Comments
Increased socio-economic impact	Good governance and accountability	6. % of Audit Action Plan actions implemented	50%	80%	62%	-18%	Actions not implemented: ICT: Due to Lack of Internal capacity the draft ICT governance and policies didn't adequately reflect the ARC committee inputs. Rural Finance: Credit Policy was approved by the then board.	Mitigations: ICT: The entity is in a process to sign a Service Level Agreement. ECSECC ICT specialists, to address both skills gap and incorporation of inputs.

Sub-programme: Office of the CFO								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2021/22**	**Planned Annual Target 2022/23**	**Actual Achievement 2022/23**	**Deviation from planned target**	**Reason for deviation**	**Comments**
Increased socio-economic impact	Good governance and accountability	6. % of Audit Action Plan actions implemented (indicator 6 continued)	50%	80%	62%	-18%	Collection, Fraud Prevention, Risk Management	Rural Finance: The policy has gone through consultative processes including A Board Policy workshop and the reviewed Credit Policy will be presented to the Board for approval in May 2023. The new leadership inclusive of Acting Executives were able to review the policies which were supposed to have been reviewed six years ago.
Increased socio-economic impact	Good governance and accountability	7. Number of reports submitted to ARC on irregular, fruitless and wasteful expenditure and compliance with Treasury Guidelines	New	4	4	n/a	n/a	Each quarter a report for the previous quarter is submitted

Sub-programme: Corporate Services								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2021/22**	**Planned Annual Target 2022/23**	**Actual Achievement 2022/23**	**Deviation from planned target**	**Reason for deviation**	**Comments**
Increased levels of resource mobilisation	Sustainable capacity building and empowerment	8. % of employee performance assessments completed per year	95%	100%	100%	n/a	n/a	n/a
Increased levels of resource mobilisation	Sustainable capacity building and empowerment	9. % of Human Capital Plan outputs produced	79%	100%	73%	-27%	The failure was caused by lack of capacity of the unit to adhere to set targets, because the same target was not achieved in the previous year.	The agency has placed new leadership in the unit.

Programme 2: Catalytic High Impact Programmes (CHIPS)

Programme 2 deals with projects from inception to implementation and relate to the core operations of the entity. This programme has the following Sub-programs:

- Research & Innovation – This Sub-program purpose is to support facts-based decision making.
- Project Packaging – Packaging projects to attract investment is the purpose of this Sub-program.
- Project Implementation – All project related outputs that require implementation is included in this Sub-program.
- Project monitoring and evaluation – The purpose for this Sub-program is to ensure that operational activities are being tracked and challenges identified timeously for implementing mitigating measures.

Sub-programme: Research & Innovation								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2021/22**	**Planned Annual Target 2022/23**	**Actual Achievement 2022/23**	**Deviation from planned target**	**Reason for deviation**	**Comments**
Increased socio-economic impact	Sustainable innovation and decision support	10. Number of approved research agendas	1	1	1	n/a	n/a	n/a
Increased socio-economic impact	Sustainable innovation and decision support	11. Number of research reports produced based on the research agenda	4	1	1	n/a	n/a	n/a

Sub-programme: Project Packaging

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned target	Reason for deviation	Comments
Increased levels of resource mobilisation	Sustainable re-sourcing	12. Number of business plans reviewed and updated to enhance the securing of financial investment	New	4	4	n/a	n/a	n/a
Sub-programme: Project Implementation								
Increased socio-economic impact	Effective and efficient programme and project management services	13. Number of sectors provided with technical support	New	7	7	n/a	n/a	n/a
Increased socio-economic impact	Effective and efficient programme and project management services	14. Number of farmers supported with Hemp permits	New	500	453	-47	The support to farmers that want to apply for Hemp permits is demand driven. Farmers require the following mandatory documents to be submitted to DALRRD to support their permit application. • Police clearance • Permission to occupy • Lease or title deed • GPS coordinates etc. Many farmers do not have all the mandatory documentation, and this effected the process.	ECRDA to work with DRDAR and DALRRD to create an enabling environment for the participation of rural farmers in hemp production linked to potential investment and market demand opportunities.

Sub-programme: Project Packaging

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned target	Reason for deviation	Comments
Increased socio-economic impact	Effective and efficient programme and project management services	15. Number of technical partners appointed to establish and operate the incubator	New	1	0	-1	Whilst implementing this indicator the entity discovered that that the appointment of a technical partner to operate the incubator was achieved in the prior financial year.	The entity will implement a proper document control system and no longer work in silos to ensure that such documents are shared within the entity to all who is impacted and that this finding does not recur.
Increased socio-economic impact	Effective and efficient programme and project management services	16. Number of Magwa license applications submitted	New	1	0	-1	The requirements for SAHPRA applications have not yet been met at the Magwa Incubator, thus application could not be submitted.	The partner that was previously appointed (Feb 2022) to assist with this process for Magwa Incubator.
Increased socio-economic impact	Effective and efficient programme and project management services	17. Number of farmers supported with infrastructure (fencing and inputs)	New	100	0	-100	The bid for hemp seeds was unresponsive in November 2022 as well as January 2023. However, the fencing bids were successful, and the fence was supplied at Dohne and Palisade fencing was completed at Magwa	Fencing material was supplied at Dohne and Fencing at Magwa Cannabis incubator was completed.

Sub-programme: Project Implementation

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned target	Reason for deviation	Comments
Increased socio-economic impact	Effective and efficient programme and project management services	18. Number of Hemp decortication processing equipment identified and procured (budget dependent)	New	1	1	n/a	n/a	There was Hemp decortication processing equipment identified at Dohne for the Cannabis/Hemp incubator at Dohne.
Increased socio-economic impact	Effective and efficient programme and project management services	19. Number of farmers trained in hemp primary production & GAP (Good Agricultural Practices)	New	400	166	-234	The training budget was insufficient to train 400 farmers due to an underestimation of the required funds during the planning period. The cost of training by external training service providers ranged from R5 000 to R9 000 per person and excludes travelling and accommodation.	An alternative training approach, guided by medium term objectives aligned to investment and market development will be implemented going forward.
		Indicator 19 continued					The Department of Land Reform and Rural Development approved 91 hemp cultivation hemp permits for the Eastern Cape applicants whose approval we staggered throughout the year making coordinated training in one central venue very expensive. There exists no formal training dedicated to indigenous cannabis growers. The training undertaken was linked to all aspects of medicinal cannabis laws regulated by SAHPRA and took place during the 4th quarter. This was due to indigenous cannabis growers mistrust of government related activities as the trade in cannabis is still prohibited under SA Laws.	
Increased levels of	Sustainable resourcing	20. Number of market development & investment facilitation sessions	New	1	1	n/a	n/a	n/a

Sub-programme: Project Implementation

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned target	Reason for deviation	Comments
Increased socio-economic impact	Effective and efficient programme and project management services	21. Number of communications and awareness sessions conducted on cannabis including social facilitation and develop cannabis education material	New	8	8	n/a	n/a	n/a

Sub-programme: Project Monitoring

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned target	Reason for deviation	Comments
Increased socio-economic impact	Effective and efficient programme and project management services	22. Number of reports submitted on the review of the Annual Operational Plan implementation	4	4	4	n/a	n/a	n/a

Programme 3: Funding for Rural Development

This programmes purpose is to deal with the disbursement and recovery of loan finance.

Sub-programme: Project Monitoring

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned target	Reason for deviation	Comments
Increased levels of resource mobilisation	Sustainable resourcing	23. % Of allocated funds for loans disbursed	New	70%	102%	32%	The demand for loan funding was higher than anticipated.	Loan funding disbursement should be aligned with the budget allocation for loans, and the funds should be managed more closely to prevent overspent going forward.

Sub-programme: Project Implementation

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned target	Reason for deviation	Comments
Increased levels of resource mobilisation	Sustainable resourcing	24. % Recovery rate for loans granted from 1 April 2022	New	70%	95%	25%	1.Clients maintained their contractual obligations and paid their accounts 2.Clients that had arrears from previous months paid more to cover for their arrears 3.Other clients whose accounts are not yet due started repaying in advance	This is a positive deviation.
Increased levels of resource mobilisation	Sustainable resourcing	25. Number of marketing strategies developed for rural finance products	New	1	1	n/a	n/a	n/a
Increased levels of resource mobilisation	Sustainable resourcing	26. Number of new products developed for rural finance	New	1	1	n/a	n/a	n/a

Sub-programme: Rural Finance								
Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned target	Reason for deviation	Comments
Increased levels of resource mobilisation	Sustainable re-sourcing	27. Percentage of projects/clients that received loan funding to be visited to execute oversight per quarter	New	70%	72%	2%	During the fourth quarter time was spent to clean up the loan book and identify loans that have expired to remove them from the loan portfolio to be visited. A cost benefit analysis was done to ensure that the cost of recovering loans does not exceed the actual loans recovered.	This is a positive deviation as the exercise of cleaning up the loan book will now guide the loan recovery and visits to clients, and this will have a positive impact on the ECRDA loan portfolio.

INSTITUTIONAL RESPONSE TO COVID-19 PANDEMIC

The ECRDA continued to enforce the stringent regulations of COVID-19 until the National State of Disaster ended on 5 April 2022.
During the period under review, the ECRDA proceeded with the normal continuance of business operations.

LINKING PERFORMANCE TO BUDGET

	2021/22			2022/23		
Programme/Project	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	89818	87507	2311	91 119	68 766	22 353
CHIPS: RED Hub Tshabo	3500	2331	1169	2750	1 569	1 181
CHIPS: RED Hub Aggregation Centre (Ncora, Mqanduli, Mbizana & Emalahleni)	11200	6501	4698	4463	4 094	369
CHIPS: Mechanisation Centres	7900	6867	1033	n/a	n/a	n/a
CHIPS: Aquaculture (Marine Tilapia)	5857	2439	3418	n/a	n/a	n/a
CHIPS: Forestry	3969	4056	(87)	2000	2 067	-67
CHIPS: Cannabis	4500	2830	1670	10000	3 879	6 121
CHIPS: Transactional Advisory Services	700	700	-	n/a	n/a	n/a
CHIPS: Wool Hub & Mohair	321	7	314	1875	1 575	300
CHIPS: Other	2000	1090	910	n/a	n/a	n/a
Rural Finance	1999	2346	(346)	48 582	46 945	1 637
Total	**131764**	**116674**	**15090**	**160 789**	**128 895**	**3194**

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The ECRDA has placed employees in the structure that was approved in 2021. This structure allows for better monitoring and evaluation at project level, where progress will be closely monitored with regular check-ins and follow-ups. This will give plenty of opportunities to identify and mitigate any challenges that may be experienced at project level to ensure that performance improves in the next financial year.

In addition, all employees will sign performance agreements, against which their performance will be tracked and causes for underperformance can be identified and managed to assist employees to increase their productivity, which ultimately will improve organisational performance.

REVENUE COLLECTION

The agency classifies commissions earned, project implementation fees and other agency fees as other non-tax revenue.
Interest earned on cash holdings were below the income estimates due to less than budgeted income generation which impacts negatively on expected cash holdings on which interest is earned.

Other non-tax revenue was below budget expectations as the ECRDA did not secure additional funds for implementation of new projects over and above the voted funds for the year.

Government transfers and payments were in line with voted funds and no deviations occurred.

IMMOVABLE ASSETS

The ECRDA's assets comprises mainly of office buildings in Cradock, King William's Town and Mthatha, vehicle fleet, furniture, office – and computer equipment.

The ECRDA regularly maintains and repairs movable assets, which is in a predominantly good condition. As there is currently insufficient funding for major refurbishment and upgrading of its owned office buildings, the ECRDA plans to continue with general repairs and maintenance only. There are no plans to close-down and/or downgrade any current facilities and there has been no significant theft, disposal or scrapping of assets during the year. The ECRDA maintains appropriate internal controls to safeguard assets and ensure that the fixed asset register is updated regularly, which includes quarterly asset counts and updating of the fixed asset registers. The entity had no new funded infrastructure projects during the 2022/23 financial year.

PART C
GOVERNANCE

INTRODUCTION

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

Parliament, the Executive and the Boards of the Public Entity are responsible for corporate governance.

PORTFOLIO COMMITTEES

The Portfolio Committee on Rural Development and Agrarian Reform exercises oversight over the service delivery performance of ECRDA and, as such, reviews the non-financial information contained in the annual reports and is concerned with service delivery and enhancing economic growth.

During the period under review the ECRDA attended the Portfolio Committee on Rural Development and Agrarian Reform meetings on the following dates:

- 05/04/2022
- 14/04/2022
- 15/11/2022
- 18/11/2022
- 24/11/2022

EXECUTIVE AUTHORITY

The ECRDA, as a Schedule 3C public entity, wholly-owned by the Eastern Cape Department of Rural Development and Agrarian Reform (DRDAR), is committed to providing the shareholder with all relevant performance and organisational information to allow for the effective monitoring, evaluation and oversight. To this end, the ECRDA has submitted all reports due for submission to the shareholder and other authorities timeously.

THE BOARD

The ECRDA is governed by an independent Board of Directors comprising 11 non-executive directors who are appointed by the MEC for Rural Development and Agrarian Reform. The Chief Executive Officer serves as an ex-officio representative for the duration of his tenure. Two independent non-executive directors were appointed to the ARC.

The strategic direction, ethical governance, oversight, and leadership are all being provided by the Board of Directors and as the Accounting Authority, the Board of Directors is overall accountable to the shareholder for the organisation's performance.

Board members are called to adhere to the same values as depicted in the ECRDA strategic documents and to discharge their duties with competence, fairness, and accountability.

BOARD COMPOSITION

Name	Designation	Date	Expiry	Qualifications
Dr N Maphazi	Chairperson	1 May 2022	N/A	• Doctoral Degree of Philosophy: Public Administration (NMU) • Honours Degree: Gender Studies (Communications outstanding, UNISA) • Certificate: Management for Municipal Finances (WITS Business Univ.) • Diploma: Executive Leadership municipal development (UP) • Post Graduate Diploma: Management of HIV/AIDS (Stellenbosch University) • Public Administration 1,2 & 3 (NMU) • Certificate: Strategic Management, Human Resources Management, Marketing Management and Financial Management (Rhodes Univ.) • Certificate: Industrial Hygiene Management (RSA Tech) • Certificate: Occupation Health nursing (WITS Tech) • Certificate: Primary Health Care • National Diploma: General Nursing science, Midwifery, Community Health nursing and Psychiatric nursing (Charlotte Searle Nursing College)
Ms N Mbete Professional Business Advisor (SA), M.Inst.D	Deputy Chairperson	Re-appointed 1 May 2022	N/A	• National Diploma: Cost and Management Accounting (Technikon Witwatersrand) • ICSA Programme in Strategic Management and Corporate Governance (UNISA) • Postgraduate Diploma in Strategic Management and Corporate Governance (South African Institute of Chartered Secretaries and Administrators) • Professional Business Advisor ((South African Institute of Chartered Secretaries and Administrators) • Certificate in Compliance Essential • Certified CTT Consultant • Trainer • Certified Business & Life Coach Practitioner

Name	Designation	Date	Expiry	Qualifications
Adv J Korkie	Member	Re-appointed 1 May 2022	N/A	• National Diploma in Education • LLB • Advance Diploma in Labour Law • Advance Certificate in Governance & Leadership • Accredited Mediator • Masters in Law LLM (Applied) • Leadership and Governance (Wits University).
Ms N Ngonyama	Member	Re-appointed 1 May 2022	N/A	• Certificate in Practice Management • Certificate in Legal Practice • LLB • Masters in Law
Ms N Pietersen	Member	1 May 2022	N/A	• Master of Business Administration (NMU) • CA(SA) Membership (SAICA) • BCom (Accounting) Hons. & CTA (UJ)
Dr A Nontso	Member	1 May 2022	N/A	• Secondary Teachers Diploma (Cicira College of Education) • Bachelor of Arts and Bachelor of Education (UNITRA) • Master of Education (UFS)
Ms N Mbiko	Member	1 May 2022	N/A	• Post Grad Diploma in Poverty, Land and Agrarian Studies through Institute for Poverty, Land and Agrarian Studies at University of the Western Cape (Current studies)
Mr M Koyo	Member	1 May 2022	N/A	• Diploma: Agricultural Extension and Rural Development • Bachelor of Agriculture • Masters in Public Administration
Mr G Qotywa	Member	1 May 2022	N/A	• BA: Education • BA Hons. Education • Programme Leadership Development • Master of Arts: Environment & Society • Master's in Business Administration
Ms N Maceba	Member	1 May 2022	N/A	• Degree: B. Agric. Economics (UFH)
Mr S Zokwana	Member	1 May 2022	N/A	• Senior Certificate for Managers (UNISA)
Mr V Pangwa	Independent Chairperson of the Audit Risk and Compliance Committee	6 September 2022	30 April 2025	• CA(SA) Membership (SAICA) • BCom: Honours Accounting • Post Graduate diploma: Management Finance Acc • BCom: Accounting
Dr S Bosire	Independent member of Audit, Risk and Compliance Committee	6 September 2022	30 April 2025	Doctor of Business Administration • Master of Public Administration (MPA) • Master of Business Administration (MBA) • Bachelor of Business Administration - Management Information Systems.
Mr S Qobo	Chief Executive Officer (ex-officio)	August 2022	N/A	• Master of Laws on Intellectual Property • Master's degree in international studies • Bachelor of Arts: Economics & Public Administration

BOARD MEETING ATTENDANCE

Name	Designation	No. of meetings held	No. of meetings attended
N Maphazi	Chairperson	11	8
N Mbete	Deputy chairperson	11	9
J Korkie	Member	11	7
N Ngonyama	Member	11	9
N Pietersen	Member	11	6
A Nontso	Member	11	8
N Mbiko	Member	11	7
M Koyo	Member	11	8
G Qotywa	Member	11	7
N Maceba	Member	11	8
S Zokwana	Member	11	8

BOARD COMMITTEE COMPOSITION

To maximise its performance and strengthen corporate governance, the ECRDA Board has established six (6) specialist Board committees. Chaired by independent non-executive directors, these committees streamline and enhance decision-making by providing more detailed attention to matters within their terms of reference.

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

Name	Audit, Risk & Compliance	Finance & Investment	Human Capital & Remuneration	Strategy Implementation & Performance Management	Research, Projects and Stakeholder Management	Governance & Ethics
N Maphazi				●	●	●
N Mbete		●		●		●
J Korkie	●		●			●
N Ngonyama			●	●	●	
N Pietersen	●	●				●
A Nontso		●	●		●	
N Mbiko		●		●	●	
M Koyo		●			●	●
G Qotywa	●		●			●
N Maceba	●		●		●	
S Zokwana			●	●	●	
V Pangwa	●					
S Bosire	●					

BOARD COMMITTEE ATTENDANCE

Name	Audit, Risk & Compliance	Finance & Investment	Human Capital & Remuneration	Strategy Implementation & Performance Management	Research, Projects and Stakeholder Management	Governance & Ethics
N Maphazi				2	5	5
N Mbete		4		2		5
J Korkie	4		1			1
N Ngonyama			5	1	3	
N Pietersen	4	3				4
A Nontso		4	6		5	
N Mbiko		3		2	4	
M Koyo		4			5	5
G Qotywa	4		6			4
N Maceba	3		5		4	
S Zokwana			2	1	2	
V Pangwa*	2					
S Bosire*	2					

*V Pangwa and S Bosire are independent members of the Audit and Risk Committee and are not members of the Board.

BOARD REMUNERATION

Name	Remuneration	Re-imbursements	Total
Ngonyama N*	358,749	45,791	404,540
Korkie J*	369,956	3,031	372,987
Mayapi P**	2,649		2,649
Makunga S**	27,096	19,817	46,913
Nare L**	27,096		27,096
Thomas Z**	27,096		27,096
Faku S**	27,096		27,096
Mbete N*	495,929	3,882	499,811
Msoki M**	21,949		21,949
Jarana V**	32,291		32,291
Dr Maphazi N***	475,662		475,662
Koyo M***	338,925	10,263	349,188
Zokwana S***	318,636		318,636
Qotywa G***	338,925	10,645	349,570
Nontso A***	332,259	46,626	378,885
Maceba N***	332,259	45,566	377,825
Pietersen N***	338,925		338,925
Motshegoa N***	318,636	18,746	337,382
Bosire S***	55,189	10,213	65,402
Pangwa V***	69,107		69,107
Total	4,308,430	214,580	4,523,010

*Reappointed **Outgoing ***Current

Risk management

Through its Audit, Risk and Compliance (ARC) Committee, the Board ensures that there is an effective risk management process within the ECRDA. Risk management processes include policy development, facilitation of risk assessments and development of mitigating controls for the identified risks. Risk workshops were facilitated by the Internal Audit function and a risk register was developed. The ARC plays an independent oversight role which assists management with risk management processes to ensure that suitable mitigation actions are being implemented for identified risks. Risk Management policy was reviewed, in compliance with the ECRDA policy development/review process.

Internal audit

During the 2022/23 financial year the Internal Audit function performed the following activities:

- Review of 2022/23 quarterly performance reports with supporting evidence
- Review the 2022/23 Annual Performance Plan to ensure SMART indicators
- Updating the risk management policy for 2022/23
- Strategic and Operational Internal Audit Plan 2022/23
- Strategic Risk Register workshop for 2022/23
- Review of Audit Improvement Plan for fourth quarter

Compliance with laws and regulations

During the period under review, the ECRDA has been compliant with the legislative imperatives relevant to the 3C public entity. Regretfully, the institution's status on the Broad-Based Black Economic Empowerment was found to be non-compliant by the rating agency. The Entity will endeavour to improve this status in the next assessment period.

Fraud and corruption

In terms best practices in the fight against corruption, employees are required to report fraud to their immediate line managers, Internal Audit and to the Audit, Risk and Compliance Committee. Employees are encouraged to report any fraud to the Office of the Premier via the free National Anti-Corruption Hotline (0800 701 701). There were no alleged fraud incidents reported on the hotline for the 2022/3 financial year. Disciplinary processes were pursued following investigations by the seconded Special Investigating Unit (SIU). ECRDA financial exposure in this regard will be reported upon conclusion of the disciplinary processes. Fraud Prevention and Anti-corruption policy which sets out the tone of zero tolerance to fraud was developed, in line with ECRDA policy development processes.

Minimising conflict of interest

The ECRDA requires all suppliers registered on its database to declare its shareholders and any conflict of interest upon registration to avoid the inadvertent use of suppliers in an irregular manner. The agency prevents conflict of interest by ensuring adherence to National Treasury Code of Conduct for supply chain management practices. The ECRDA conducts ethics awareness workshop, to all staff members to further assist them in understanding potential conflict of interest dilemmas. Lastly the ECRDA requires all staff to declare their interest in other businesses or organisations, in addition to this staff that are members of the Bid Evaluation and Adjudication committees are required to declare any potential conflict of interest at each committee meeting.

Code of conduct

The ECRDA adheres to the National Treasury Code of Conduct for supply chain management. Furthermore, the ECRDA continues to subscribe to its core values as set out below:

- Transparency
- Excellence
- Honesty and Integrity
- Innovation
- Commitment to empowerment
- Ubuntu

Health, Safety And Environmental Issues

Facilities inspections are conducted monthly at all ECRDA premises, and reports submitted to identify and address any issues raised. The Cradock office reported challenges with regards to the servicing of their fire extinguishers and this will be prioritised to ensure compliance. During the period under review one injury on duty was reported in September 2022, the matter was investigated and addressed.

Company Secretary

During the period under review the ECRDA appointed an interim service provider to assume the company secretary duties for a period of six (6) months, after which a permanent company secretary was appointed through a recruitment process.

The company secretary is responsible for convening and providing administration for all board and board committee meetings. This includes minute taking, correspondence, providing legal, financial and or strategic advice during and outside of meetings. The company secretary must deliver effective governance in the entity as well as ensure compliance with regulatory and statutory expectations and requirements of the ECRDA.

Social Responsibility

The ECRDA continues to contribute to the socio-economic development and upliftment of rural communities as per the mandate of the entity. During the period under review some of the employees, in support of Nelson Mandela Day, donated toys and other items to the Uyakhanya Day Care Centre in KwaNompumelelo.

BBBEE Compliance Performance Information

Criteria	Response (Yes/No)	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisation in respect of economic activity in terms of any law	No	ECRDA's business activities do not include the issuing of licences, concessions or other authorisations. Should this situation arise, it will be governed by the PFMA, Treasury Regulations, Treasury Circulars and Instruction notes.
Developing and implementing a preferential procurement policy	Yes	The ECRDA has adopted the Preferential Procurement Policy Framework, and this is included in the entity's Supply Chain Management Policy.
Determining qualification criteria for the sale of state-owned enterprises	No	ECRDA's business activities do not include the sale of state-owned enterprises. Should this situation arise, it will be governed by the PFMA, Treasury Regulations, Treasury Circulars and Instruction notes.
Developing criteria for entering into partnerships with private sector	No	Partnership arrangements are governed by the PFMA, Treasury Regulations, Treasury Circulars and Instruction notes.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Back Economic Empowerment	Yes	ECRDA provides loan funding with preferential interest rates to rural clients in order to promote B-BBEE in rural areas.

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2023.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the 2022/23 financial year a number of meetings were held.

Name of member	Meetings attended
Mr V Pangwa (Chairperson)	2**
Dr S Bosire	2**
Ms Nolitha Piertesen	4
Mr Gcinumzi Qotywa	4
Ms Nokhanyo Maceba	3
Adv J Korkie	4

**New members

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit was unable to provide the Audit Committee and management with full assurance that the internal controls are appropriate and effective. Internal Audit usually provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes from the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the Management Report of the Auditor-General South Africa, it was noted that matters were reported that indicate material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was not efficient and effective.

Based on Internal Audit reviews conducted, internal control deficiencies were noted in the following areas:

- Supply Chain Management
- Quarterly Performance information
- Annual Financial Statement and Annual Performance Information
- Information Communication & Technology
- Human Resource Management
- Maintenance of the Loan Book/Bad debts

The current status of the ECRDA 2021/2022 Audit Improvement Plan is as follows:

Summary of findings

Status	Number of findings	Percentage
Addressed	8	13%
Partially addressed	4	6%
Not addressed	50	81%
Total	62	100%

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Board of the group during the year under review.

Evaluation of annual financial statements

The Audit Committee reviewed the Annual Financial Statements and raised their dissatisfaction with the quality of Annual Financial Statements assessed and recommended submission of the Annual Financial Statements to the Auditor-General of South Africa with conditions for management to implement.

Audit Committee:

- Reviewed and discussed the Annual Financial Statements to be submitted to the Auditor General of South Africa on 31 May 2023.
- Reviewed changes in accounting policies and practices.
- Reviewed the ECRDA's compliance with legal and regulatory provisions.

Internal Audit Reviews identified several findings on the Annual Financial Statements which were not all resolved by the time the Annual Financial Statements were submitted to the AGSA. Issues raised included the following:

- First draft of AFS not consolidated.
- Findings noted for room for improvement that require attention, if not resolved they could result to material factual findings.
- The comparative year figures do not agree to the audited figures.
- Accounting file submitted did not agree the AFS to the supporting schedules.

The audit committee concurs with and accepts the Auditor-General of South Africa's report on the annual financial statements and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the group and its audits. The previous internal auditors resigned during the year under review and a new internal audit team was appointed towards the end of the financial year.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

V. Pangwa
Chairperson of the Audit Committee

PART D
HUMAN RESOURCE MANAGEMENT

The Human Resource initiatives employed at the ECRDA are mainly in the areas of human resources, learning and development, performance management, payroll and wellness. During the review period, the agency embarked on several new and revised initiatives.

INTRODUCTION

At the ECRDA, Human Resource initiatives are mainly in the areas of human resources, learning and development, performance management, payroll and wellness. During the review period, the agency embarked on the finalisation of the placement of employees in terms of the revised approved organisational structure.

The Skills Development Committee continued with its work and ensured enhanced capacity development within the organisation. The continuation of the weekly power hour session contributed to skills transfers, skills development and information sharing amongst all ECRDA employees.
The organisational reconfiguration project continued, and resulted in the completion of the process through the placement of all ECRDA employees in terms of the new revised organisational structure.

The implementation of the performance management process continued and an achievement of 100% submission of final assessments for the 2021/2022 financial year was achieved, with performance bonuses paid to employees during the December 2022 payroll. Furthermore, 100% contracting for the 2022/2023 was achieved, as well as a 100% submission of the informal assessments for the 2022/2023 financial year is noted.

Wellness matters were identified and handled on an individual basis with respective employees. Support was granted to employees on an ongoing basis.

The HR unit continued to provide additional support to DRDAR in respect of the Extended Public Works Programme (EPWP) payroll processing.

Programmes

R94,5M

Total Personnel Expenditure

Salary Band

R94,5M

Total Personnel Expenditure

Performance Rewards

R4,87M

Total Performance Rewards Paid

Training

R376,000

Training Expenditure

20,927

Average training cost per employee

Human Resources Oversight Statistics

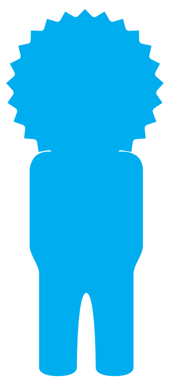
Personnel Cost by programme

Programme	Total Expenditure for the Entity	Personnel Expenditure	Personnel exp. As a % of total exp.	No. of employees	Average personnel cost per employee
Administration	28 935 000,00	43 451 442,34	31%	58	749 162,80
CHIPS	99 869 000,00	15 802 547,75	11%	21	752 502,27
Rural Finance	13 322 000,00	35 303 355,03	25%	59	598 361,95
Total	**142 126 000,00**	**94 557 345,12**	**67%**	**138**	**685 198,15**

Note:
1. CHIPS is inclusive of project expenses as well as subsidiaries and transfer payments
2. Rural Finance is also inclusive of social benefits from concessionary loans

Personnel cost by salary band

Level	Personnel Expenditure	% of personnel exp. To total personnel cost	No. of employees	Average personnel cost per employee
Top Management	11 156 184,71[1]	12%	4	2 789 046,18
Senior Management	14 989 090,94	16%	12	1 249 090,91
Professional	6 940 280,07	7%	5	1 388 056,01
Skilled	25 906 978,44	27%	41	631 877,52
Semi-skilled	29 671 810,48	31%	54	549 477,97
Unskilled	5 893 000,48	6%	22	267 863,66
Total	**94 557 345,12**	**100%**	**138**	**685 198,15**

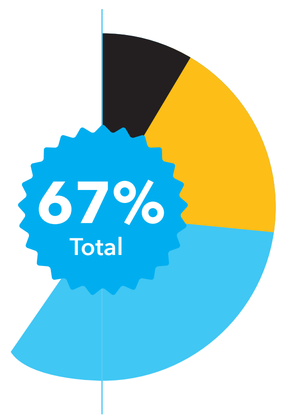


All programmes

R142M
Total Expenditure for the Entity

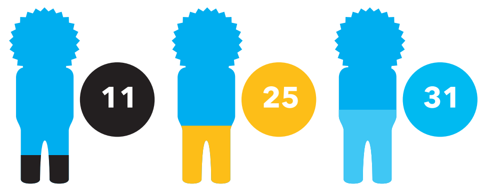
138
Employees

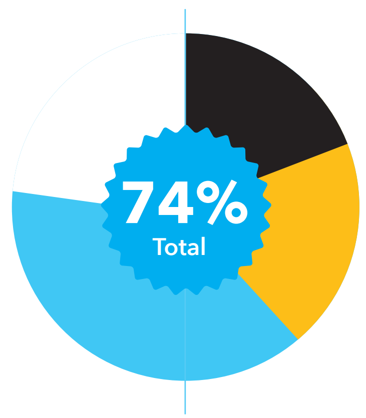
Avg. personnel cost per employee
R685 198,15



Personnel exp. as a % of total exp.

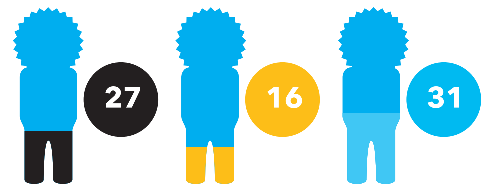
- CHIPS 11%
- Rural Finance 25%
- Administration 31%





% of personnel exp. to total personnel cost

- Skilled 27%
- Senior management 16%
- Semi-skilled 31%



Totals

R685,198
Avg personnel cost per employee

138
Employees

Senior Management accounts for 16%
R1,249,090,91

Performance Rewards

Level	Performance Rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	-	11 156 184,71	0%
Senior Management	766 540,07	14 989 090,94	1%
Professional	431 267,19	6 940 280,07	0%
Skilled	1 581 186,79	25 906 978,44	2%
Semi-skilled	1 732 060,67	29 671 810,48	2%
Unskilled	360 556,07	5 893 000,48	0%
Total	**4 871 610,79**	**94 557 345,12**	**5%**

Training Costs

Programme	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training exp as a % of Personnel costs	No of employees trained	Average training cost per employee
Administration	43 451 442,34	233 920,94	1%	10	23 392,09
CHIPS	15 802 547,75	27 220,00	0%	4	6 805,00
Rural Finance	35 303 355,03	115 560,04	0%	4	28 890,01
Total	**94 557 345,12**	**376 700,98**	**1%**	**18**	**20 927,83**

Employees and vacancies per programme

Programme	2022/23 No of Employees	2022/23 Approved Posts	2022/23 Vacancies	% of Vacancies
Administration	58	86	28	33%
CHIPS	21	29	8	28%
Rural Finance	59	68	9	13%
Total	**138**	**183**	**45**	**25%**

Employee changes:

Salary Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	4	1	1	4
Senior Management	6	3	3	6
Professional	16	0	2	14
Skilled	35	0	0	35
Semi-skilled	55	0	1	54
Unskilled	25	0	0	25
Total	**141**	**4**	**7**	**138**

1 Top Management Terminations

3 Senior management terminations

2 Professional terminations

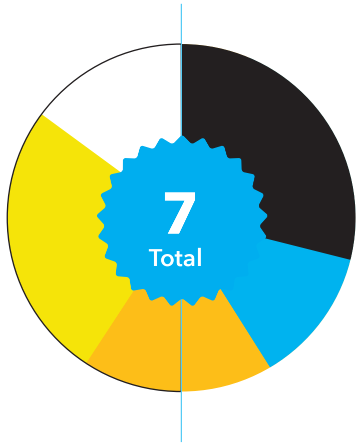
1 Semi-skilled terminations

4 TOTAL APPOINTMENTS

7 TOTAL TERMINATIONS

Reasons for staff leaving:

Reason	Number	% of total no of staff leaving
Death	2	29%
Resignation	1	14%
Dismissal	0	0%
Retirement	1	14%
Ill health	0	0%
Expiry of contract	2	29%
Other	1	14%
Total	7	100



Equity Target and Employment Equity Status

Level	Female				Male				Total
	A	C	I	W	A	C	I	W	
Executives (Top Management)	0	0	0	1	2	1	0	0	**4**
Management (Senior)	4	0	0	2	5	0	0	1	**12**
Specialists (Professionally qualified)	0	0	0	1	4	0	0	0	**5**
Skilled	27	1	0	1	8	0	0	2	**41**
Semi-skilled	41	0	0	0	13	0	0	0	**54**
Unskilled	14	2	0	0	6	0	0	0	**22**
Total	**86**	**3**	**0**	**4**	**41**	**1**	**0**	**3**	**138**
Percentage	62%	2%	0%	4%	41%	1%	0	3%	
Gender	Females = 67%				Males = 33%				
ECRDA Actuals:	African =128 (92%); Coloured = 4 (3%); Indian = 1 (0.7%); White = 7 (5%)								
Eastern Cape demographics:	African = 81.1%; Coloured = 11.7%; Indians = 1.4%; White = 5% Source: 22nd Commission for Employment Equity (CEE Annual Report 2020 2021) issued by Dept of Labour								

PART E
FINANCIAL INFORMATION

INDEX

The reports and statements set out below comprise the consolidated annual financial statements presented to the Provincial Legislature:

Country of incorporation and domicile	South Africa
Legal form of entity	Schedule 3C PFMA Entity
Nature of business and principal activities	Rural Development Agency
Members	Dr Nondumiso Maphazi (Chairperson) Ms Nomthandazo Mbete (Deputy Chairperson) Ms Nolitha Pietersen Mr Gcinumzi Qotywa Mr Mxolisi Koyo Dr Andile Nontso Ms Ntuthu Mbiko-Motshegoa Ms Nokhanyo Maceba Ms Nondumiso Ngonyama Mr Senzeni Zokwana Mr Simon Zwelivumile Qobo (Chief Executive Officer) Adv J Korkie
Registered office	3-33 Phillip Frame Park Waverley Park East London
Business address	3-33 Phillip Frame Park Waverley Park East London
Auditors	Auditor General South Africa Registered Auditors

BOARD'S RESPONSIBILITIES AND APPROVAL

The Board is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Board to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board acknowledges that it is 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 to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or deficit 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 the group's 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 Agency. 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 is 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Board has reviewed the group's cash flow forecast for the year to 31 March 2024 and, in the light of this review and the current financial position, it is satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the Department of Rural Development and Agrarian Reform (DRDAR) for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the board on 31 May 2023 and were signed on its behalf by:

Dr Nondumiso Maphazi (Chairperson)

STATEMENT ON INTERNAL FINANCIAL CONTROLS

The officials whose names are stated below, hereby confirm that:

the consolidated annual financial statements set out on pages 11 to 106, fairly present in all material respects the financial position, financial performance and cash flows of the group in terms of GRAP;

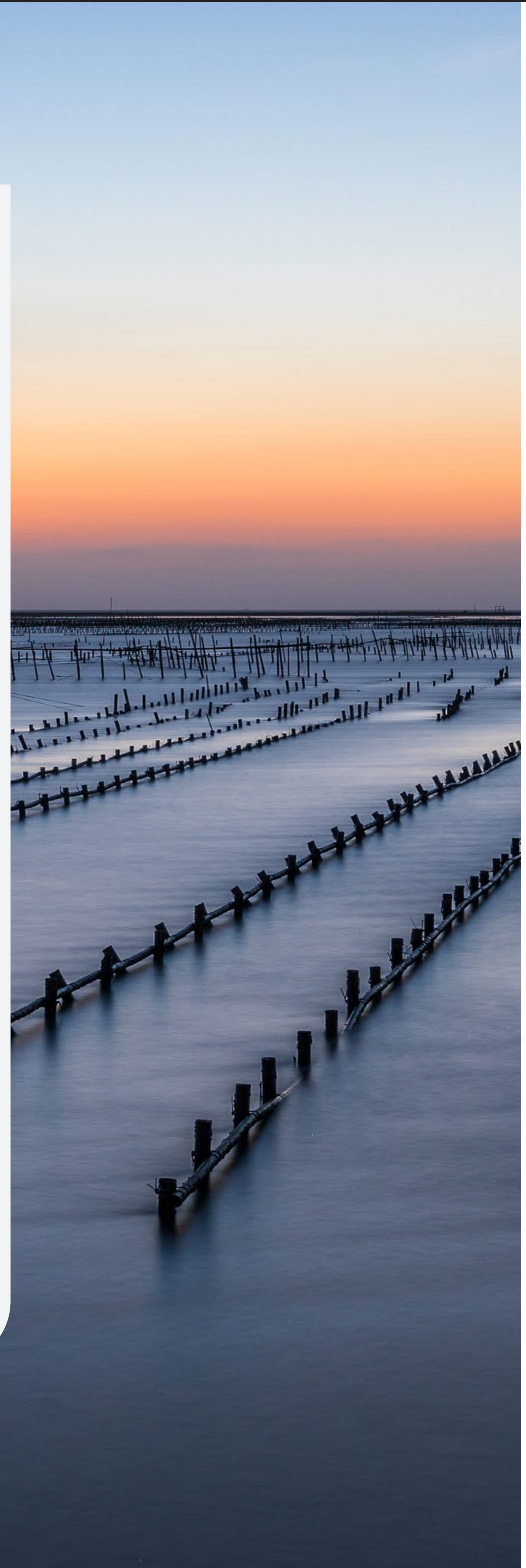
no facts have been omitted or untrue statements made that would make the consolidated annual financial statements false or misleading

internal financial controls have been put in place to ensure that material information relating to the group and its subsidiaries have been provided to effectively prepare the consolidated annual financial statements of the group; and

the internal financial controls are adequate and effective and can be relied upon in compiling the consolidated annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

Mr Simon Zwelivumile Qobo
Chief executive officer

Ms Vuyiswa Zazi
Acting chief financial officer



BOARD'S REPORT

The Board of Directors submit their report for the year ended 31 march 2023.

Incorporation

The entity was incorporated on 01 March 1900 and obtained its certificate to commence business on the same day.

Review of activities

Main business and operations
The group is engaged in promoting, supporting and facilitation of rural development in the Eastern Cape Province in a sustainable manner and operates principally in South Africa.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

The ECRDA legislative mandate can be explained further as:

- Mobilising financial resources and providing financial and supportive services
- Promoting and encouraging private sector investment in the Eastern Cape
- Promoting, assisting and promoting development of the Eastern Cape's human resources and financial infrastructure
- Acting as the government's agent performing development related tasks
- Driving and co-ordinating integrated programmes of land reform
- Project management of rural development interventions
- Promoting applied research and innovative technologies for rural development
- Planning, facilitating, monitoring and evaluation of rural development high impact projects
- Facilitating private sector participation and investment in rural development.

Going concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated deficit of R (10 606 634); 2022 (R3 123 260) and that the entity's total assets exceed its liabilities by R 31 383 512; (2022: R38 865 788).

The annual financial statements have been prepared on the basis of accounting policies applicable to going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the members continue to procure funding for the ongoing operations for the entity and that the appropriated allocations from the Department of Rural Development and Agrarian Reform will remain in force for so long as it takes to restore the solvency of the entity.

Subsequent events

The Directors are not aware of any matter or circumstance arising since the end of the financial year.

Members' interest in contracts

The Directors have declared that they do not have any interest in contracts of the entity.

Accounting policies

The annual financial statements were prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Share capital / contributed capital

There were no changes in the authorised or issued share capital of the group during the year under review.

Board

The members of the entity during the year and to the date of this report are as follows:

Name	Nationality
Dr Nondumiso Maphazi (Chairperson)	South African
Ms Nomthandazo Mbete (Deputy Chairperson)	South African
Ms Nolitha Pietersen	South African
Mr Gcinumzi Qotywa	South African
Mr Mxolisi Koyo	South African
Dr Andile Nontso	South African
Ms Ntuthu Mbiko-Motshegoa	South African
Ms Nokhanyo Maceba	South African
Ms Nondumiso Ngonyama	South African
Mr Senzeni Zokwana	South African
Mr Simon Zwelivumile Qobo (Chief Executive Officer)	
Ms L Nare	
Adv P Mayapi	
Mr S Makunga	
Mrs Z Thomas	
Mr S Faku	
Adv J Korkie	
Mr M Msoki	
Mr V Jarana	

Company Secretary

The Company Secretary of the entity is Ms Vuyokazi Xaxa.

Business address ECRDA

Corporate governance

The Board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Board supports the highest standards of corporate governance and the ongoing development of best practice. The group confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The Board discusses the responsibilities of management in this respect, at Board meetings and monitors the group's compliance with the code on a three monthly basis.

The salient features of the group's adoption of the Code is outlined below:

Board of directors

The Board:
retains full control over the entity, its plans and strategy;
acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
is of a unitary structure comprising:
non-executive directors, all of whom are independent directors as defined in the Code; and
executive directors.
has established a Board directorship continuity programme

Chairperson and chief executive officer

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The upper limits of the remuneration of the Chief Executive Officer, and the Chief Financial Officer, who are the only two executive directors of the entity, are determined by the Parent entity, and the Board will determine the remuneration within the above-mentioned limits.

Executive meetings

The Board have met on - separate occasions during the financial year. The Board schedule to meet at least 4 times per annum.

Non-executive directors have access to all members of management of the entity.

Audit and risk committee

The committee met 5 times during the financial year to review matters necessary to fulfil its role. Mr Pangwa and Dr Bosire also joined the committee during the year as a independent committee members.

Internal audit
The entity has outsourced its internal audit function to Lunika Incorporated who succeeded PriceWaterhouse Coopers who was the entity's previous internal auditors. This is in compliance with the Public Finance Management Act, 2003.

ECRDA

The entity's controlling entity is the Department of Rural Dvelopment and Agrarian Reform.

Bankers

ECRDA banks with First National Bank. All funds received on budget allocations are received through its main account.

Auditors

Auditor General South Africa will continue in office for the next financial period.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the Board on 31 May 2023 and were signed on its behalf by:

Dr Nondumiso Maphazi
Board Chairperson

COMPANY SECRETARY'S CERTIFICATION

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Ms Vuyokazi Xaxa
Company Secretary

REPORT OF THE AUDITOR-GENERAL TO EASTERN CAPE PROVINCIAL LEGISLATURE ON EASTERN CAPE RURAL DEVELOPMENT AGENCY

Report on the audit of the consolidated and separate financial statements

Opinion

1. I was engaged to audit the consolidated and separate financial statements of the Eastern Cape Rural Development Agency set out on pages 79 to 176, which comprise the consolidated and separate statement of financial position as at 31 March 2023, the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. I do not express an opinion on the consolidated and separate financial statements of the entity. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

Basis for disclaimer of opinion

Financial statements submitted without complete and accurate underlying records

3. I was unable to obtain sufficient appropriate audit evidence regarding the consolidated and separate financial statements as a whole, as the consolidated and separate financial statements were presented for audit purposes without accurate and complete underlying records. I was unable to audit the consolidated and separate financial statements by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the consolidated and separate financial statements as a whole.

Responsibilities of the accounting authority for the consolidated and separate financial statements

4. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA); and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements

6. My responsibility is to conduct an audit of the consolidated and separate financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

7. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code), as well as the other 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.

Report on the audit of the annual performance report

8. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes resented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

9. I selected the following programmes presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected programmes that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Strategic goals	Page numbers	Impact
Catalytic High Impact Projects (CHIPs)	41-46	This programme deals with research and innovation, project implementation and monitoring of projects.
Finance for rural development	46-48	This programmes purpose is to deal with the disbursement and recovery of loan finance

10. I was engaged to evaluate the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. An annual performance report prepared using this criteria provides useful and reliable information and insights to the user of the report on the entity planning and delivery on their mandate and planned objectives.

11. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

12. The material findings on the performance information of the selected programmes are as follows:

Catalytic high-impact projects (CHIPs)

Number of Hemp decortication processing equipment identified & procured (budget dependent)

13. An achievement of one hemp decortication processing equipment identified and procured was reported against a target of one. However, the audit evidence showed the actual achievement to be only zero. Consequently, the target was not achieved.

Various indicators

14. Some supporting evidence was not provided for auditing; and, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Target	Reported achievement
Number of farmers trained in Hemp primary production & GAP (Good Agricultural Practices)	400	166
Number of communications and awareness sessions conducted on cannabis including social facilitation and develop cannabis education material	8	8

Various indicators

15. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Target	Reported achievement
Number of sectors provided with technical support per quarter	7	7
Number of farmers supported with Hemp permits	500	453

Funding for Rural Finance

Percentage of Allocated funds for loans disbursed

16. An achievement of 102% was reported against a target of 70%. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Percentage Recovery rate for loans granted from 01 April 2022 onwards

17. An achievement of 95% was reported against a target of 70% but the audit evidence showed the actual achievement to be 47,7%. Consequently, the achievement against the target was lower than reported.

Percentage of projects/ clients that received loan funding to be visited to execute oversight per quarter

18. I could not determine whether the achievement of 72% reported against a target of 70% was correct, as there were no processes to consistently measure and report on achievements against planned indicators. Adequate supporting evidence was also not provided for auditing. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Report on compliance with legislation

19. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.

20. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

21. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

22. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, performance reports and annual reports

23. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (@) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer of opinion.

Expenditure management

24. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the disclaimer opinion, financial statements were submitted without complete and accurate underlying records therefore the full extent of the irregular expenditure could not be quantified.

25. Effective and appropriate steps were not taken to prevent fruitiess and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the disclaimer opinion, financial statements were submitted without complete and accurate underlying records therefore the full extent of the fruitless and wasteful expenditure could not be quantified.

Revenue management

26. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Consequence management

27. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against official who had incurred irregular and fruitless and wasteful expenditure as required by section 51(1)(e)(ii) of the PFMA. This was due to proper and complete records not being maintained as evidence to support the investigations into irregular and fruitless and wasteful expenditure.

Procurement and contract management

28. Some of the contracts were awarded to bidders based on evaluation/adjudication criteria that were not stipulated in the original invitation for bidding as required by Treasury Regulation 16A6.3 (a) and (b).

29. Some of the contracts were not awarded in an economical manner as required by PFMA 57(b).

30. The preference point system was not applied in some of the procurement of goods and services above R30 000 as required by section 2(a) of the PPPFA and Treasury Regulation 16A6.3 (b).

31. Some of the contracts were awarded to bidders based on pre-qualification criteria that differed from those stipulated in the original invitation for bidding, in contravention of the 2017 Preferential Procurement Regulation 4(1) and 4(2).

Internal control deficiencies

32. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

33. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

34. Leadership did not adequately discharge its oversight responsibility with regards to the implementation and monitoring of internal controls, which includes adequate document management, to ensure sound financial and performance management and compliance with laws and regulations.

35. Management did not design and implement daily and monthly controls to ensure the financial statements and annual performance report were supported by accurate and complete underlying records.

36. The financial statements and the annual performance report contained numerous misstatements that were not corrected. This was mainly due to insufficient resources available to prepare credible financial statements and the annual performance report.

37. Non-compliance with applicable laws and regulations could have been avoided had proper controls been in place.

38. Although the internal audit and the audit committee reviewed the financial statements and performance report before being submitted for audit, these still contained significant errors and thus the reviews were not considered to be effective.

Other reports

39. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

40. At the request of the board, an independent consultant investigated allegations of maladministration concerning the entity's supply chain management and recruitment processes. This was after a previous independent consultant conducted an interim investigation into the allegations. That investigation was concluded on 30 May 2022 with recommendations for further investigations to be conducted. Three executive officials of the entity were suspended for the entity to further investigate the allegations. The reported was concluded at the end of the financial year with recommendations to be implemented by the accounting authority.

Auditor - General.

East London
31 July 2023

Annexure to the auditor's report

The annexure includes the following:

the auditor-general's responsibility for the audit

the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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 strategic goals and on the entity's compliance with selected requirements in key legislation.

Financial statements

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made

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

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

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

Communication with those charged with governance

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

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

Compliance with legislation - selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51 Section 53 Section 55 Section 57
Treasury Regulations (TR)	TR 8,2,1;8,2,2; TR 16A3.2; TR 16.6A6.1; 16A6.2(a) & (b); TR 16A6.3(a) - (c); 16A6.4; 16A6.5; TR 16A6.6; TR 16A8.3; 16A8.4; TR 16A9.1(b)(ii); 16A9.1(d) - (f) TR 16A9.2(a)(ii): TR 30.1.1; 30.1.3(a) - (b); 30.1.3(d); TR 30.2.1; TR 31.1.2(c); TR 33.1.1;33.1.3
Public Service Regulations	Regulations 18(1) and (2)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1)
CIDB Regulations	CIDB regulation 17;25(7A)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	Section 2.1(a); (b); and (f)
Preferential Procurement Regulations (PPR), 2011	Regulations 9.1
Preferential Procurement Regulations (PPR), 2017	Regulations 4.1;4.2, 5.1; 5.3; 5.6; 5.7,6.8; 7.8; 8.2; 8.5 Regulations 9.1, 10.1, 10.2, 11.1
Preferential Procurement Regulations (PPR), 2022	Regulations 4(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)
NT SCM Instruction Note 04 of 2015-16	Par 3.4

Statement of Financial Position

		Group		Controlling Entity	
Figures in Rand	Note(s)	2023	2022	2023	2022
Assets					
Current Assets					
Inventories	14	14 490 378	78 970	14 490 378	78 970
Receivables from exchange transactions	15	38 433 250	3 218 880	38 433 250	3 218 880
Cash and cash equivalents	16	63 519 111	61 782 898	63 519 111	61 782 898
		116 442 739	**65 080 748**	**116 442 739**	**65 080 748**
Non-Current Assets					
Biological assets that form part of an agricultural activity	3	3 083 948	-	3 083 948	-
Investment property	4	1 534 324	1 572 631	1 534 324	1 572 631
Property, plant and equipment	5	15 200 906	11 879 644	15 200 906	11 879 644
Intangible assets	6	200 006	402 599	200 006	402 599
Investment under contingency policy	7	12 643 445	11 982 478	12 643 445	11 982 478
Deferred tax	8	112 841 178	-	112 841 178	-
Loans and Advances to Customers	13	2 230 855	7 236 170	2 230 855	7 236 170
		147 734 662	**33 073 522**	**147 734 662**	**33 073 522**
Total Assets		**264 177 401**	**98 154 270**	**264 177 401**	**98 154 270**
Liabilities					
Current Liabilities					
Finance lease obligation	18	2 546 799	2 840 663	2 546 799	2 840 663
Payables from exchange transactions	9	32 063 823	29 188 578	32 063 823	29 188 578
Liabilities arising from non exchange transactions	10	13 002 962	342 962	13 002 962	342 962
VAT payable	11	(88 093)	-	(88 093)	-
Deferred grant income arising from non-exchange transactions	19	27 394 137	24 645 775	27 394 137	24 645 775
Bank overdraft	16	44 522	-	44 522	-
		74 964 150	**57 017 978**	**74 964 150**	**57 017 978**
Non-Current Liabilities					
Other financial liabilities		17 355 114	-	17 355 114	-
Total Liabilities		**92 319 264**	**57 017 978**	**92 319 264**	**57 017 978**
Net Assets		**171 858 137**	**41 136 292**	**171 858 137**	**41 136 292**
Share capital / contributed capital	17	41 990 146	41 989 046	41 990 146	41 989 046
Accumulated surplus		(10 606 634)	(852 754)	(10 606 634)	(852 754)
Total Net Assets		**31 383 512**	**41 136 292**	**31 383 512**	**41 136 292**

Statement of Financial Performance

		Group		Controlling Entity	
Figures in Rand	Note(s)	2023	2022	2023	2022
Revenue					
Revenue from exchange transactions					
Sale of goods		10 275 550	-	10 275 550	-
Commissions Received		2 464 805	2 396 689	2 464 805	2 396 689
Interest received (trading)		1 437 321	1 666 391	1 437 321	1 666 391
Bad Debts Recovered		24 557	222 688	24 557	222 688
Administration and management fees received		-	39 673	-	39 673
Fees earned		38 250	40 910	38 250	40 910
Rental income		1 837 313	1 822 946	1 837 313	1 822 946
Donations Received		1 696 273	-	1 696 273	-
Other income		659 618	20 354	659 618	20 354
Sundry Income		838 299	147 602	838 299	147 602
Interest Income on loans		(6 272 941)	4 827 053	(6 272 941)	4 827 053
Reversal of impairment		-	2 270 506	-	2 270 506
Fair Value Adjustments		153 343	1 929 122	153 343	1 929 122
Total revenue from exchange transactions		**13 152 388**	**15 383 934**	**13 152 388**	**15 383 934**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	25	173 571 953	180 264 253	173 571 953	180 264 253
Total revenue	20	**186 724 341**	**195 648 187**	**186 724 341**	**195 648 187**
Expenditure					
Employee related costs	26	(111 695 350)	(107 410 865)	(111 695 350)	(107 410 865)
Remuneration of Board Members	40	(4 332 272)	(3 174 272)	(4 332 272)	(3 174 272)
Administration	27	(64 593)	(57 940)	(64 593)	(57 940)
Depreciation and amortisation	28	(7 034 982)	(4 628 926)	(7 034 982)	(4 628 926)
Impairments	29	(538 351)	-	(538 351)	-
Finance costs	30	(799 196)	(20 604)	(799 196)	(20 604)
Lease rentals on operating lease	22	(414 168)	(324 313)	(414 168)	(324 313)
Debt Impairment	32	(213 198)	(7 533 939)	(213 198)	(7 533 939)
Collection costs		(76 229)	-	(76 229)	-
Bulk purchases		(389 392)	-	(389 392)	-
Contracted services	33	(4 256 503)	(3 439 367)	(4 256 503)	(3 439 367)
Loss on disposal of assets and liabilities		(24 669)	(113 725)	(24 669)	(113 725)
Sale of goods/Inventory		(12 296 126)	-	(12 296 126)	-
General Expenses	34	(52 072 688)	(75 314 956)	(52 072 688)	(75 314 956)
Total expenditure		**(194 207 717)**	**(202 018 907)**	**(194 207 717)**	**(202 018 907)**
Deficit for the year		**(7 483 376)**	**(6 370 720)**	**(7 483 376)**	**(6 370 720)**

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus / deficit	Total net assets
GROUP			
Balance at 01 April 2021	**41 989 046**	**5 517 966**	**47 507 012**
Changes in net assets Surplus for the year	-	(6 370 720)	(6 370 720)
Total changes	-	(6 370 720)	(6 370 720)
Balance at 01 April 2022	**41 989 046**	**(3 123 258)**	**38 865 788**
Changes in net assets			
Financial assets	1 100	-	1 100
Net income (losses) recognised directly in net assets	1 100	-	1 100
Surplus for the year	-	(7 483 376)	(7 483 376)
Total recognised income and expenses for the year	1 100	(7 483 376)	(7 482 276)
Total changes	1 100	(7 483 376)	(7 482 276)
Balance at 31 March 2023	**41 990 146**	**(10 606 634)**	**31 383 512**
Note(s)	17		
ECRDA			
Balance at 01 April 2021	**41 989 046**	**5 517 966**	**47 507 012**
Changes in net assets			
Surplus for the year	-	(6 370 720)	(6 370 720)
Total changes	-	(6 370 720)	(6 370 720)
Balance at 01 April 2022	**41 989 046**	**(3 123 258)**	**38 865 788**
Changes in net assets			
Financial assets	1 100	-	1 100
Net income (losses) recognised directly in net assets	1 100	-	1 100
Surplus for the year	-	(7 483 376)	(7 483 376)
Total recognised income and expenses for the year	1 100	(7 483 376)	(7 482 276)
Total changes	1 100	(7 483 376)	(7 482 276)
Balance at 31 March 2023	**41 990 146**	**(10 606 634)**	**31 383 512**
Note(s)	17		

Cash Flow Statement

		Group		ECRDA	
Figures in Rand	Note(s)	2023	2022	2023	2022
Cash flows from operating activities					
Receipts					
Non - exchange transfers arising from administered funds		-	-	-	388 285
Net movement in loans and advances to customers before credit impairments		-	-	-	328 759
Grants		-	-	-	232 608 000
Dividends or similar distributions received		-	-	-	1 752 862
Other receipts from commission and fees		-	-	-	6 465 957
		-	-	-	241 543 863
Payments					
Employee costs		-	-	-	(105 359 185)
Suppliers		-	-	-	(115 294 589)
Finance costs		(799 196)	(20 604)	-	-
Other payments		-	-	-	(58 578 208)
		(799 196)	(20 604)	-	(279 231 982)
Undefined difference compared to the cash generated from operations note		(30 669 783)	47 342 876	(31 468 979)	2 270 506
Net cash flows from operating activities	35	(31 468 979)	47 322 272	(31 468 979)	(35 417 613)
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(10 687 396)	(819 408)	(10 687 396)	(819 408)
Proceeds from sale of property, plant and equipment	5	33 757	200 795	33 757	32 672
Purchase of other intangible assets	6	-	(156 625)	-	(156 625)
Purchase of biological assets that form part of an agricultural activity	3	(3 083 948)	-	(3 083 948)	-
Proceeds from sale of financial assets		(660 967)	(11 982 478)	(660 967)	(422 790)
Purchase of loans and advances to customers		-	(7 236 170)	-	-
Proceeds from sale of loans and advances to customers		4 980 646	(113 725)	4 980 646	-
Net cash flows from investing activities		(9 417 908)	(20 107 611)	(9 417 908)	(3 119 013)
Cash flows from financing activities					
Repayment of other financial liabilities		17 355 114	-	17 355 114	(1 816 633)
Finance lease payments		(293 864)	2 840 663	(293 864)	-
Net cash flows from financing activities		17 061 250	2 840 663	17 061 250	(1 816 633)
Net increase/(decrease) in cash and cash equivalents		(23 825 637)	30 055 324	(23 825 637)	(40 353 259)
Cash and cash equivalents at the beginning of the year		61 782 898	-	61 782 898	102 734 411
Cash and cash equivalents at the end of the year	16	37 957 261	30 055 324	37 957 261	62 381 152

The accounting policies on pages 19 to 60 and the notes on pages 61 to 106 form an integral part of the annual financial statements.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
GROUP						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	-	-	-	10 275 550	**10 275 550**	
Commissions Received	-	-	-	2 464 805	**2 464 805**	
Interest received (trading)	-	-	-	1 437 321	**1 437 321**	
Bad Debts Recovered	-	-	-	24 557	**24 557**	
Fees earned	-	-	-	38 250	**38 250**	
Rental income	-	-	-	1 837 313	**1 837 313**	
Donations Received	-	-	-	1 696 273	**1 696 273**	
Other income	-	-	-	659 618	**659 618**	
Sundry Income	-	-	-	838 299	**838 299**	
Interest Income on loans	-	-	-	(6 272 941)	**(6 272 941)**	
Total revenue from exchange transactions	-	-	-	**12 999 045**	**12 999 045**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	-	-	-	173 571 953	**173 571 953**	
Total revenue	-	-	-	**186 570 998**	**186 570 998**	
Expenditure						
Personnel	-	-	-	(111 695 350)	**(111 695 350)**	
Remuneration of councillors	-	-	-	(4 332 272)	**(4 332 272)**	
Administration	-	-	-	(64 593)	**(64 593)**	
Depreciation and amortisation	-	-	-	(7 034 982)	**(7 034 982)**	
Impairment loss/ Reversal of impairments	-	-	-	(538 351)	**(538 351)**	
Finance costs	-	-	-	(799 196)	**(799 196)**	
Lease rentals on operating lease	-	-	-	(414 168)	**(414 168)**	
Debt Impairment	-	-	-	(213 198)	**(213 198)**	
Collection costs	-	-	-	(76 229)	**(76 229)**	
Bulk purchases	-	-	-	(389 392)	**(389 392)**	
Contracted Services	-	-	-	(4 256 503)	**(4 256 503)**	
Sale of goods/Inventory	-	-	-	(12 296 126)	**(12 296 126)**	
General Expenses	-	-	-	(52 072 688)	**(52 072 688)**	
Total expenditure	-	-	-	**(194 183 048)**	**(194 183 048)**	
Operating deficit	-	-	-	**(7 612 050)**	**(7 612 050)**	
Loss on disposal of assets and liabilities	-	-	-	(24 669)	**(24 669)**	
Gain on non-current assets held for sale or disposal groups	-	-	-	153 343	**153 343**	
	-	-	-	**128 674**	**128 674**	
Deficit before taxation	-	-	-	**(7 483 376)**	**(7 483 376)**	

EASTERN CAPE RURAL DEVELOPMENT AGENCY
Annual Financial Statements for the year ended 31 March 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	(7 483 376)	(7 483 376)	
Reconciliation						

EASTERN CAPE RURAL DEVELOPMENT AGENCY
Annual Financial Statements for the year ended 31 March 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
ECRDA						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	-	-	-	10 275 550	10 275 550	
Commissions Received	3 674 064	-	3 674 064	2 464 805	(1 209 259)	
Interest received (trading)	2 458 115	-	2 458 115	1 437 321	(1 020 794)	
Bad Debts Recovered	329 491	(329 491)	-	24 557	24 557	
Fees earned	50 000	-	50 000	38 250	(11 750)	
Rental income	1 783 854	-	1 783 854	1 837 313	53 459	
Donations Received	-	-	-	1 696 273	1 696 273	
Other income	-	-	-	659 618	659 618	
Sundry Income	533 000	-	533 000	838 299	305 299	
Interest Income on loans	3 743 516	-	3 743 516	(6 272 941)	(10 016 457)	
Loan Repayments	7 797 960	-	7 797 960	-	(7 797 960)	
Total revenue from exchange transactions	20 370 000	(329 491)	20 040 509	12 999 045	(7 041 464)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	181 574 000	28 231 000	209 805 000	173 571 953	(36 233 047)	
Total revenue	201 944 000	27 901 509	229 845 509	186 570 998	(43 274 511)	
Expenditure						
Personnel	(113 367 000)	-	(113 367 000)	(111 695 350)	1 671 650	
Remuneration of Board Members	(4 047 310)	-	(4 047 310)	(4 332 272)	(284 962)	
Administration	-	-	-	(64 593)	(64 593)	
Depreciation and amortisation	-	-	-	(7 034 982)	(7 034 982)	
Impairment loss/ Reversal of impairments	-	-	-	(538 351)	(538 351)	
Finance costs	(25 000)	-	(25 000)	(799 196)	(774 196)	
Lease rentals on operating lease	(295 207)	-	(295 207)	(414 168)	(118 961)	
Debt Impairment	-	-	-	(213 198)	(213 198)	
Collection costs	-	-	-	(76 229)	(76 229)	
Bulk purchases	-	-	-	(389 392)	(389 392)	
Contracted Services	(2 000 000)	-	(2 000 000)	(4 256 503)	(2 256 503)	
Sale of goods/Inventory	-	-	-	(12 296 126)	(12 296 126)	
General Expenses	(27 889 484)	-	(27 889 484)	(67 687 745)	(39 798 261)	
Audit Fees (Internal & External)	5 141 207	-	5 141 207	4 700 067	(441 140)	
Telephone & Data	1 455 967	-	1 455 967	2 661 328	1 205 361	
Travel	2 068 165	-	2 068 165	4 247 665	2 179 500	
Rental	3 881 474	-	3 881 474	3 603 606	(277 868)	
Repairs & Maintenance	1 518 185	-	1 518 185	402 391	(1 115 794)	
Stakeholder management	500 000	-	500 000	659 937	159 937	
Total expenditure	(133 059 003)	-	(133 059 003)	(193 523 111)	(60 464 108)	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Operating deficit	68 884 997	27 901 509	96 786 506	(6 952 113)	(103 738 619)	
Loss on disposal of assets and liabilities	-	-	-	(24 669)	(24 669)	
Gain on non-current assets held for sale or disposal groups	-	-	-	153 343	153 343	
	-	-	-	128 674	128 674	
Deficit before taxation	68 884 997	27 901 509	96 786 506	(6 823 439)	(103 609 945)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	68 884 997	27 901 509	96 786 506	(6 823 439)	(103 609 945)	
Reconciliation						
Expenses						
Depreciation				4 736 369		
Loss on disposal				24 669		
Balance check				(659 937)		
Actual Amount in the Statement of Financial Performance				(2 722 338)		

Accounting Policies

1. Significant account policies

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

1.1 Basis of preparations

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the group.

1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the group will continue to operate as a going concern for at least the next 12 months.

1.4 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.5 Interests in other entities

Consolidated financial statements

Benefits are the advantages an entity obtains from its involvement with other entities. Benefits may be financial or non- financial. The actual impact of an entity's involvement with another entity can have positive or negative aspects.

Binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

Consolidated annual financial statements are the annual financial statements of an economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

An entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.

A controlled entity is an entity that is controlled by another entity. A controlling entity is an entity that controls one or more entities.

A decision maker is an entity with decision making rights that is either a principal or an agent for other parties.

Accounting Policies

1.5 Interests in other entities (continued)

An economic entity is a controlling entity and its controlled entities.

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services, has the purpose of investing funds solely for returns from capital appreciation, investment revenue, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis.

A non-controlling interest is the net assets in a controlled entity not attributable, directly or indirectly, to a controlling entity. Power consists of existing rights that give the current ability to direct the relevant activities of another entity.
Protective rights are rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate.

Relevant activities are activities of the potentially controlled entity that significantly affect the nature or amount of the benefits that an entity receives from its involvement with that other entity.

Removal rights are rights to deprive the decision maker of its decision making authority.

Presentation of consolidated financial statements

The entity as controlling entity presents consolidated annual financial statements.

The entity as controlling entity does not present consolidated annual financial statements, due to it meeting all of the following conditions:

- it is itself a controlled entity and the information needs of users are met by its controlling entity's consolidated annual financial statements and in the case of a partially owned controlled entity, all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not presenting consolidated annual financial statements;
- its debt or equity instruments are not traded in a
- public market (a domestic or foreign stock exchange or an over-the- counter market, including local and regional markets);
- it did not file, nor is it in the process of filing, its annual financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and its ultimate or any intermediate controlling entity produces annual financial statements that are available for public use and comply with the Standards of GRAP, in which controlled entities are consolidated or are measured at fair value in accordance with this Standard.

The entity as controlling entity that is an investment entity, does not present consolidated annual financial statements, due to it being required to measure all of its controlled entities at fair value.

Control

The entity determines whether it is a controlling entity by assessing whether it controls the other entity. The entity controls another entity when it is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature and amount of those benefits through its power over the other entity.

The entity controls another entity if the entity has all three of the following elements of control:

- power over the other entity;
- exposure, or rights, to variable benefits from its involvement with the other entity; and
- the ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity.

The entity considers all facts and circumstances when assessing whether it controls another entity. The entity reassess whether it controls another entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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Accounting Policies

1.5 Interests in other entities (continued)

As an entity with decision making rights, the entity determines whether it is a principal or an agent in undertaking transactions with third parties. The entity also determines whether another entity with decision making rights is acting as an agent for the entity. An agent is a party primarily engaged to undertake transactions with third parties on behalf of and for the benefit of another party or parties (the principal(s)) and therefore does not control the other entity when it exercises its decision making authority. Thus, sometimes a principal's power may be held and exercisable by an agent, but on behalf of the principal.

Accounting requirements

The entity as controlling entity prepares consolidated annual financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Consolidation of a controlled entity begins from the date the entity obtains control of the other entity and cease when the entity loses control of the other entity.

Consolidation procedures

Consolidated financial statements:

- Combine like items of assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity with those of its controlled entities.
- Offset (eliminate) the carrying amount of the controlling entity's investment in each controlled entity and the controlling entity's portion of net assets of each controlled entity.
- Eliminate in full intra-economic entity assets, liabilities, net assets, revenue, expenses and cash flows relating to transactions between entities of the economic entity. Intra-economic entity losses may indicate an impairment that requires recognition in the consolidated financial statements.

Uniform accounting policies

If a member of the economic entity uses accounting policies other than those adopted in the consolidated annual financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that member's annual financial statements in preparing the consolidated annual financial statements to ensure conformity with the economic entity's accounting policies.

Measurement

The entity includes the revenue and expenses of a controlled entity in the consolidated annual financial statements from the date it gains control until the date when the entity ceases to control the controlled entity. Revenue and expenses of the controlled entity are based on the amounts of the assets and liabilities recognised in the consolidated annual financial statements at the acquisition date.

Reporting dates

The financial statements of the entity as controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as at the same reporting date. When the end of the reporting period of the controlling entity is different from that of a controlled entity, the controlling entity either:

- obtains, for consolidation purposes, additional financial information as of the same date as the annual financial statements of the controlling entity; or
- uses the most recent annual financial statements of the controlled entity at the time of preparing the consolidation, adjusted for the effects of significant transactions or events that occur between the date of those annual financial statements and the date of the consolidated annual financial statements.

Non-controlling interests

The entity as controlling entity presents non-controlling interests in the consolidated statement of financial position within net assets, separately from the net assets of the owners of the controlling entity.

The entity attributes the surplus or deficit and each gain or loss recognised directly in net assets to the owners of the controlling entity and to the non-controlling interests. The entity also attributes the total amount recognised in the statement of changes in net assets to the owners of the controlling entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

1.5 Interests in other entities (continued)

If a controlled entity has outstanding cumulative preference shares that are classified as equity instruments and are held by non-controlling interests, the entity computes its share of surplus or deficit after adjusting for the dividends on such shares, whether or not such dividends have been declared.

When the proportion of the net assets held by non-controlling interests changes, the entity adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the controlled entity. The entity recognises directly in net assets any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the controlling entity.

Loss of control

If the entity as controlling entity loses control of a controlled entity, the entity:

- derecognises the assets and liabilities of the former controlled entity from the consolidated statement of financial position;
- recognises any investment retained in the former controlled entity and subsequently accounts for it and for any amounts owed by or to the former controlled entity in accordance with the relevant Standards of GRAP. That fair value is regarded as the fair value on initial recognition of a financial asset in accordance with Standard of GRAP on Financial Instruments or the cost on initial recognition of an investment in an associate or joint venture; and
- recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

The entity as controlling entity might lose control of a controlled entity in two or more arrangements (transactions). However, sometimes circumstances indicate that the multiple arrangements should be accounted for as a single transaction. In determining whether to account for the arrangements as a single transaction, the entity as controlling entity considers all the terms and conditions of the arrangements and their economic effects. One or more of the following indicate that the entity as controlling entity should account for the multiple arrangements as a single transaction:

- They are entered into at the same time or in contemplation of each other.
- They form a single transaction designed to achieve an overall commercial effect.
- The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement.
- One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements. An example is when a disposal of an investment is priced below market and is compensated for by a subsequent disposal priced above market.

If the entity as controlling entity loses control of a controlled entity, it:

- Derecognise the assets and liabilities of the controlled entity at their carrying amounts at the date when control is lost, and the carrying amount of any non-controlling interests in the former controlled entity at the date when control is lost (including any gain or loss recognised directly in net assets attributable to them).
- Recognise the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control, if the transaction, event or circumstances that resulted in the loss of control involves a distribution of shares of the controlled entity to owners in their capacity as owners, that distribution and any investment retained in the former controlled entity at its fair value at the date when control is lost.
- Transfer directly to accumulated surplus/deficit, if required by other Standards of GRAP, the amounts recognised directly in net assets in relation to the controlled entity on the basis described in paragraph .56.
- Recognise any resulting difference as a gain or loss in surplus or deficit (see GRAP 106), or in accumulated surplus or deficit (see GRAP 105) attributable to the controlling entity.

If the entity as controlling entity loses control of a controlled entity, the entity as controlling entity accounts for all amounts previously recognised directly in net assets in relation to that controlled entity on the same basis as would be required if the controlling entity had directly disposed of the related assets or liabilities. If a revaluation surplus previously recognised directly in net assets would be transferred directly to accumulated surplus or deficit on the disposal of the asset, the entity as controlling entity transfers the revaluation surplus directly to accumulated surplus or deficit when it loses control of the controlled entity.

Investment entities: Fair value requirement

The entity as an investment entity does not consolidate its controlled entities. Instead, the entity measures an investment in a controlled entity at fair value in accordance with the Standard of GRAP on Financial Instruments. However, if the entity has a controlled entity that is not itself an investment entity and whose main purpose and activities are providing services that relate to the investment entity's investment activities, it consolidates that controlled entity.

1.5 Interests in other entities (continued)

A controlling entity of the entity as investment entity that is not itself an investment entity presents consolidated annual financial statements in which it measures the investments of a controlled investment entity at fair value in accordance with the Standard of GRAP on Financial Instruments and consolidates the other assets and liabilities and revenue and expenses of the controlled investment entity in accordance with this accounting policy.

Determining whether an entity is an investment entity

The entity considers all facts and circumstances when assessing whether it is an investment entity, including its purpose and design. If facts and circumstances indicate that there are changes to one or more of the three elements that make up the definition of an investment entity, the entity as controlling entity reassess whether it is an investment entity.

The entity as controlling entity that either ceases to be an investment entity or becomes an investment entity, accounts for the change in its status prospectively from the date at which the change in status occurred.

Judgements and assumptions

The entity as investment entity discloses the information required by the Standard of GRAP on Disclosure of Interests in Other Entities about significant judgements and assumptions made in determining that it is an investment entity, unless it has all of the following characteristics:

- it has obtained funds from more than one investor;
- it has ownership interests in the form of equity or similar interests; and
- it has more than one investment.

Accounting for a change in investment entity status

When the entity ceases to be an investment entity, it applies the Standards of GRAP on Transfer of Functions and/or Mergers, to any controlled entity that was previously measured at fair value. The date of the change of status is the deemed acquisition date. The fair value of the controlled entity at the deemed acquisition date represents the transferred deemed consideration when calculating the difference between the consideration paid (if any) and the assets acquired and liabilities assumed that arises from the deemed acquisition. All controlled entities are consolidated in accordance with this accounting policy from the date of change of status.

When the entity becomes an investment entity, it ceases to consolidate its controlled entities at the date of the change in status, except for any controlled entity that it continues to consolidated in accordance with this accounting policy. The investment entity applies the requirements to those controlled entities that it ceases to consolidate as though the investment entity had lost control of those controlled entities at that date.

Investments in associates and/or joint ventures

An associate is an entity over which the investor has significant influence.

Binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

Consolidated annual financial statements are the annual financial statements of an economic entity in which assets, liabilities, net assets, revenue, expenses and cash flows of the ECRDA and its controlled entities are presented as those of a single economic entity.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets includes its share of changes in the investee's net assets that have not been recognised in the investee's surplus or deficit.

A joint arrangement is an arrangement of which two or more parties have joint control.

Joint control is the agreed sharing of control by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint venturer is a party to a joint venture that has joint control of that joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

1.6 Transfer of functions between entities under common control

Definitions

An acquirer is the group that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another group so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an group's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another group.

A transferor is the group that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities 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.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an group's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole group. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which group to the transaction or event is the transferor(s) and which group is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which group is the acquirer and which group is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

1.6 Transfer of functions between entities under common control (continued)

Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction

Where the group and the transferor have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration transferred and the assets acquired and liabilities assumed in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:

- the reasons for the transaction
- the timing of the transaction

Effective settlement of a pre-existing relationship between the entity (as acquirer) and transferor in a transfer of functions

A pre-existing relationship between the group (as acquirer) and the transferor may be contractual or non-contractual. If a transfer of functions in effect settles a pre-existing relationship, the entity (as acquirer) recognises a gain or loss, measured as follows:

- for a pre-existing non-contractual relationship, fair value.
- for a pre-existing contractual relationship, the lesser of the following:
  - the amount by which the binding arrangement is favourable or unfavourable from the perspective of the group (as acquirer) when compared with terms for current market transactions for the same or similar items.
  - the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If the latter is less, the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the group (as acquirer) had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

Other criteria for the entity (as acquirer)

The assets acquired and liabilities assumed that qualify for recognition as set out in the binding arrangement meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the transfer date.

Costs that the group expects, but which it is not obliged to incur in the future to effect its plan to exit an activity of the transferor or to terminate the employment of, or relocate the transferor's employees, is not accounted for as part of the liabilities at the transfer date. The group does not recognise those costs as part of a transfer of functions. Instead, the group recognises these costs in its annual financial statements after the transfer has occurred, in accordance with the applicable Standards of GRAP.

Accounting Policies

1.6 Transfer of functions between entities under common control (continued)

Accounting by the entity as acquirer
Initial recognition and measurement

As of the transfer date, the group recognises the purchase consideration paid 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.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the group can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the group de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the group reports in its annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the group retrospectively adjusts the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the group receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The group considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The group recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the group recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the group revises comparative information for prior periods presented in annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the group revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Acquisition-related costs

Acquisition-related costs are costs that the group incurs to affect the transfer of functions. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities. The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

Subsequent measurement

The group subsequently measures any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

Accounting Policies

1.6 Transfer of functions between entities under common control (continued)

At the transfer date, the group classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The group makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the group classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the group derecognises from its annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the group continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the group measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.7 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity 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 group; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit. The fair value of milk is determined based on market prices in the local area.
The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit 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 where applicable is used to determine fair value.

An unconditional government grant related to biological assets that form part of an agricultural activity measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets that form part of an agricultural activity where fair value cannot be determined, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

Accounting Policies

1.7 Biological assets that form part of an agricultural activity (continued)

Item	Useful life
Trees in timber plantation - Consumable	x years / indefinite
Maize - Consumable	x years
Wheat - Consumable	x years
Sheep - Consumable	x years
Pigs - Consumable	x years
Farm fish - Consumable	x years
Pine trees - Consumable	x years
Biological assets 1 - Consumable	x years
Biological assets 2 - Consumable	x years
Other consumable biological assets	x years
Dairy cattle - Bearer	x years
Sugarcane - Bearer	x years
Fruit trees - Bearer	x years
Cotton plants - Bearer	x years
Tobacco plants - Bearer	x years
Biological assets 1 - Bearer	x years
Biological assets 2 - Bearer	x years
Other bearer biological assets	x years

1.8 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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 group, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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 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 estimated useful lives for each asset and component. In the case of buildings classified as investment properties, the estimated average asset life is 30 to 50 years. Land is not depreciated..

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

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is between 30 to 50 year.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Accounting Policies

1.8 Investment property (continued)

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The group separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The group discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.9 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure 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 period.

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 group; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured 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 management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset 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.

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.

If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced cost 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 teh asset or using it for purposes other than the production of inventories.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. 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 is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Accounting Policies

1.9 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Land is not depreciated. Where the entity replaces part 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.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 to 50 years
Leasehold property	Straight-line	2 to 5 years (period of lease)
Plant and equipment	Straight-line	5 to 10 years
Furniture and fixtures	Straight-line	10 to 12 years
Motor vehicles	Straight-line	4 to 5 years
Office equipment under finance lease	Straight-line	period of lease term
IT equipment	Straight-line	5 to 9 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the group. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The group assesses at each reporting date whether there is any indication that the group expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the group revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The useful life of an asset is defined in terms of the asset's expected utility to the group. The asset management policy of the entity may involve 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.

Depreciation of an seet begins when it s 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 asse is derecognised. Therefore the depreication does not cease when an asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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 derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.9 Property, plant and equipment (continued)

Assets which the group holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The group separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The group discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.10 Property, plant and equipment - Fruit Trees and Tea Bushes Initial recognition

The entity recognises an asset (tree) only when the entity controls the assets as a result of past events, it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the fair value or cost of the asset can be measured reliably.

Subsequent measurement: Assets are measured at fair value less estimated point- of0sale costs. A gain or loss arising on initial recognition of the asset at fair value less estimated point sale costs 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-tac rate is used to determine fair value. Where the fair value cannot be measured reliably, assets are measured at cost. The teas bushes are not depreciated.

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

1.11 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the group or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the group; and
- the cost or fair value of the asset can be measured reliably.

The group assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- 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 or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Accounting Policies

1.11 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 years or purchased licencing term

The group discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Accounting Policies

1.12 Financial instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities, other than short-term payables on normal credit terms.
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Accounting Policies

1.12 Financial instruments (continued)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.12 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at fair value
Receivables from exchange transactions	Financial asset measured at fair value
Loans to and advances to customers	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at fair value
Loans from subsidiaries	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Capital contributed	Measured at cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.12 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
• Financial instruments at fair value.
• Financial instruments at amortised cost.
• Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

1.12 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.12 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.12 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.13 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Accounting Policies

1.13 Tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.14 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The group recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Accounting Policies

1.15 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the group incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the group.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.16 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.17 Discontinued Operations

Discontinued operation is a component of an group that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled group acquired exclusively with a view to resale.

A component of an group is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the group.

Accounting Policies

1.18 Impairment of cash-generating assets

Cash-generating assets are assets used with the 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.

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 (amortisation).

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

A cash-generating unit is the smallest identifiable group of assets used with the 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.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

Recoverable amount of an asset or a cash-generating unit

is the higher its fair value less costs to sell and its value in

use. Useful life is either:
- the period of time over which an asset is expected to be used by the group; or
- the number of production or similar units expected to be obtained from the asset by the group.

Designation

At initial recognition, the group designates an asset as non-cash-generating, or an asset or cash-generating unit as cash- generating. The designation is made on the basis of an group's objective of using the asset.

The group designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash- generating asset or non-cash-generating asset based on whether the group expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the group designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The group assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.18 Impairment of cash-generating assets (continued)

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.

When estimating the value in use of an asset, the group estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the group applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the group:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the group expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.18 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the group recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the group determines the recoverable amount of the cash- generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash- generating unit are affected by internal transfer pricing, the group use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non- cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.18 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.
After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.19 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the 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.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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

A cash-generating unit is the smallest identifiable group of assets managed with the 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.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Accounting Policies

1.19 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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. Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either:
- the period of time over which an asset is expected to be used by the group; or
- the number of production or similar units expected to be obtained from the asset by the group.

Designation

At initial recognition, the group designates an asset as non-cash-generating, or an asset or cash-generating unit as cash- generating. The designation is made on the basis of an group's objective of using the asset.

The group designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The group designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash- generating asset or non-cash-generating asset based on whether the group expects to use that asset to generate a commercial return.

When it is not clear whether the objective is to use the asset to generate a commercial return, the group designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The group assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the group estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Accounting Policies

1.19 Impairment of non-cash-generating assets (continued)

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the group would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the group recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the group estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.
After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.19 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.20 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an group after deducting all of its liabilities.

1.21 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post- employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.21 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.21 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.22 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the group settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficit.
If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.22 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the group

No obligation arises as a consequence of the sale or transfer of an operation until the group is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The group recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the group for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the group considers that an outflow of economic resources is probable, an group recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.23 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

1.23 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.24 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non- contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

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

- the group has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the group 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 group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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. The outcome of a transaction 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 or service potential associated with the transaction will flow to the group;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

1.24 Revenue from exchange transactions (continued)

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest income

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.25 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.
Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

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 also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

Accounting Policies

1.25 Revenue from non-exchange transactions (continued)

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.26 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.27 Accounting by principals and agents Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Accounting Policies

1.27 Accounting by principals and agents (continued)

Binding arrangement

The group assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the group in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the group concludes that it is not the agent, then it is the principal in the transactions.

The group is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the group has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The group applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the group is an agent.

Recognition

The group, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal- agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The group, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The group recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.28 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.29 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.30 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.31 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

1.31 Fruitless and wasteful expenditure (continued)

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.

1.32 Irregular expenditure

Irregular expenditure is recorded in the noted to the consolidated financial statements when confirmed. The amount recorded is equal to the value of the irregularity unless it is impracticable to determine in which case reasons thereof are 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 when recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.33 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.34 Budget information

Group are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by group shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/04/01 to 2023/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 47.

1.34 Budget information (continued)

Comparative information is not required.

1.35 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the group, including those charged with the governance of the group in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the group.

The group is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the group to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the group is exempt from the disclosures in accordance with the above, the group discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.36 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The group will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The group will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and interpretations issued, but not yet effective

The group has not applied the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 April 2023 or later periods:

GRAP 25 (as revised): Employee Benefits Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set. 01 April 2023.

The group expects to adopt the revisions for the first time in the 2023/2024 annual financial statements. It is unlikely that the revisions will have a material impact on the group's annual financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

EASTERN CAPE RURAL DEVELOPMENT AGENCY
Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The group expects to adopt the for the first time in the 2023/2024 annual financial statements.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based.

As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The group expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions. It is unlikely that the standard will have a material impact on the group's annual financial statements.

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

2. New standards and interpretations (continued)

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:
- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. 01 April 2023.

The group expects to adopt the interpretation for the first time in the 2023/2024 01 April 2023.

It is unlikely that the interpretation will have a material impact on the group's annual financial statements.

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs
- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
  - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases
- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property
- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading "Classification of property as investment property" (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
  - Added heading "Guidance on initially measuring self-constructed investment property at fair value"
  - Added clarification that investment property is measured at fair value at earliest of:
    - o completion of construction or development; or
    - o when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
  - Change in use involves an assessment on whether:
    - o property meets, or ceases to meet definition of investment property and
    - o evidence exists that a change in use has occurred
  - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment
- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
  - Land has an unlimited useful life and cannot be consumed through its use

2. New standards and interpretations (continued)

GRAP 20 – Related Party Disclosures
- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
  - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
  - If an entity obtains management services from another entity ("the management entity") the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity's employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
  - Management services are services where employees of management entity perform functions as "management" as defined

GRAP 24 – Presentation of Budget Information in Financial Statements
- Terminology amended
  - Primary financial statements amended to "financial statements" or "face of the financial statements"

GRAP 31 – Intangible Assets
- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
  - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor
- Clarify disclosure requirement for service concession assets
  - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements
- Application guidance clarified
  - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control
- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
  - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost
- Clarify that bearer plants within scope of Directive The effective date of these improvements is 01 April 2023.

The group expects to adopt the improvements for the first time in the 2023/2024 annual financial statements. It is unlikely that the improvements will have a material impact on the group's annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1. Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An group applies judgement based on past experience and current facts and circumstances. The effective date of this amendment is for years beginning on or after 01 April 2025.
The group expects to adopt the amendment for the first time in the 2025/2026 annual financial statements. It is unlikely that the amendment will have a material impact on the group's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand

3. Biological assets that form part of an agricultural activity

GROUP	2022			2021		
	Cost / Valuation	Accumulateddepreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in timber plantation - Consumable	3 083 948	-	3 083 948	-	-	-

ECRDA	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in timber plantation - Consumable	3 083 948	-	3 083 948	-	-	-

Reconciliation of biological assets that form part of an agricultural activity - GROUP – 2023

	Opening balance	Additions	Total
Trees in timber plantation - Consumable	-	3 083 948	3 083 948

Reconciliation of biological assets that form part of an agricultural activity - GROUP - 2022

Reconciliation of biological assets that form part of an agricultural activity - ECRDA - 2023

	Opening balance	Additions	Total
Trees in timber plantation - Consumable	-	3 083 948	3 083 948

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3. Biological assets that form part of an agricultural activity (continued)

Reconciliation of biological assets that form part of an agricultural activity - ECRDA - 2022

Non-financial information

Magwa Enterprise Tea (Pty) Ltd operates on communal land under a pending land claim. There is no formal arrangement in place to allow land rights to the land to the Tea Enterprise. The Magwa Enterprise Tea (Pty) Ltd capitalised costs incurred to ensure some level of productive capacity restoration of the plantation after years of neglect. The tea bushes are classified a Bearer Biological Assets and are reported at cost.
The tea bushes are not depreciated and no impairment was recognised in either the 2023 or 2022 financial year.

Bearer Biological Assets	Group 2023	Group 22
Tea bushes at cost(as rehabilitated by Magwa Enterprise Tea(Pty) Ltd	3 083 948	3 083 948

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4. Investment property

GROUP	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2 388 564	(854 240)	1 534 324	2 388 564	(815 933)	1 572 631

ECRDA	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2 388 564	(854 240)	1 534 324	2 388 564	(815 933)	1 572 631

Reconciliation of investment property - GROUP – 2023

	Opening balance	Additions	Total
Investment property	1 572 631	(38 307)	1 534 324

Reconciliation of investment property - GROUP – 2022

	Opening balance	Additions	Total
Investment property	**1 610 848**	**(38 217)**	**1 572 631**

Notes to the Annual Financial Statements

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4. Investment property (continued)

Reconciliation of investment property - ECRDA - 2023

	Opening balance	Additions	Total
Investment property	1 572 631	(38 307)	1 534 324

Reconciliation of investment property - ECRDA - 2022

	Opening balance	Additions	Total
Investment property	1 610 848	(38 217)	1 572 631

Pledged as security

Carrying value of assets pledged as security:

No assets are pledged as security.

Investment property in the process of being constructed or developed

There is no Investment Property in the process of being constructed or developed, further there are no contractual obligations to purchase, construct or develop the Investment Property or for repairs, maintenance or enhancement.

The commercial office building, situated at 52 Sprigg Street, Erf 1997 Mthatha Magisterial District, was acquired on 25 October 2000 for R2.3 million. Title to the property was transferred to the entity on 22 August 2001.

There are no restrictions on the remittance of revenue and proceeds of disposals.

The latest valuation was performed in March 2021 by M Lindstrom (from Penny Lindstrom Valuations), a registered valuator holding a recognised and relevant professional qualification (Reg No. 4968/9), who valued the investment property at R8.7 million (valued at R13.7 million in March 2018), using the capitalisation of income method (previously applied the discounted cash flow method) on potential rent based on his experience in the location and category of similar investment properties. The property earns income from renting out office space and due to the ongoing payment defaults by tenants and the effect of Covid 19 on both the payments of debts as well as the demand for office space, the market value of the property decreased.

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	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

4. Investment property (continued)

Amounts recognised in surplus or deficit				
Rental revenue from Investment property	1 837 313	1 822 946	1 837 313	1 822 946
From Investment property that generated rental revenue				
Repairs and maintenance	102 927	264 739	102 927	264 739

Included in deficit for the year is operating expenditure, inclusive of repairs and maintenance of R102 927(2022: R264 739) which arose from investment property that generated rental revenue of R1.83 million(2022: R1.82 million) during the period. The direct operating expenditure incurred on the Investment Property did not generate rental revenue during the financial period. No expenses that directly generated rental revenues were incurred.

5. Property, plant and equipment

GROUP	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	715 000	-	715 000	715 000	-	715 000
Buildings	4 174 242	(1 394 626)	2 779 616	3 786 375	(1 321 766)	2 464 609
Leasehold property	1 918 231	-	1 918 231	4 655 904	-	4 655 904
Plant and machinery	4 192 239	-	4 192 239	-	-	-
Furniture and fixtures	4 021 702	(3 426 876)	594 826	3 841 543	(3 132 086)	709 457
Motor vehicles	5 849 040	(4 163 332)	1 685 708	5 406 230	(3 722 434)	1 683 796
Office equipment	2 455 815	(2 180 804)	275 011	2 438 119	(2 044 854)	393 265
IT equipment	8 216 263	(5 566 622)	2 649 641	6 074 074	(4 832 172)	1 241 902
Leasehold improvements	89 560	-	89 560	-	-	-
Other property, plant and equipment	36 460	(26 582)	9 878	36 460	(20 749)	15 711
Red Hub Assets	-	(46 331)	(46 331)	-	-	-
Tools and loose gear	337 527	-	337 527	-	-	-
Total	**32 006 079**	**(16 805 173)**	**15 200 906**	**26 953 705**	**(15 074 061)**	**11 879 644**

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5. Property, plant and equipment (continued)

ECRDA	2023			2022		
	Cost / Valuation	Accumulated Depreciation and Accumulated impairment	Carrying value	Cost / Valuation	Accumulated Depreciation and Accumulated impairment	Carrying value
Land	715 000	-	715 000	715 000	-	715 000
Buildings	4 174 242	(1 394 626)	2 779 616	3 786 375	(1 321 766)	2 464 609
Leasehold property	1 918 231	-	1 918 231	4 655 904	-	4 655 904
Plant and machinery	4 192 239	-	4 192 239	-	-	-
Furniture and fixtures	4 021 702	(3 426 876)	594 826	3 841 543	(3 132 086)	709 457
Motor vehicles	5 849 040	(4 163 332)	1 685 708	5 406 230	(3 722 434)	1 683 796
Office equipment	2 455 815	(2 180 804)	275 011	2 438 119	(2 044 854)	393 265
IT equipment	8 216 263	(5 566 622)	2 649 641	6 074 074	(4 832 172)	1 241 902
Leasehold improvements	89 560	-	89 560	-	-	-
Other property, plant and equipment	36 460	(26 582)	9 878	36 460	(20 749)	15 711
Red Hub Assets	-	(46 331)	(46 331)	-	-	-
Tools and loose gear	337 527	-	337 527	-	-	-
Total	**32 006 079**	**(16 805 173)**	**15 200 906**	**26 953 705**	**(15 074 061)**	**11 879 644**

Reconciliation of property, plant and equipment - GROUP - 2023

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	715 000	-	-	-	-	715 000
Buildings	2 464 609	992 292	-	(138 991)	(538 294)	2 779 616
Leasehold property	4 655 904	-	(33 757)	(2 703 916)	-	1 918 231
Plant and machinery	-	5 584 066	-	(1 391 827)	-	4 192 239
Furniture and fixtures	709 457	291 533	-	(406 164)	-	594 826
Motor vehicles	1 683 796	840 078	-	(838 166)	-	1 685 708
Office equipment	393 265	16 222	-	(134 476)	-	275 011
IT equipment	1 241 902	2 312 538	-	(904 799)	-	2 649 641
Leasehold improvements	-	119 206	-	(29 646)	-	89 560
Other property, plant and equipment	15 711	-	-	(5 833)	-	9 878
Red Hub Assets	-	-	-	(46 331)	-	(46 331)
Tools and loose gear	-	531 461	-	(193 934)	-	337 527
	11 879 644	**10 687 396**	**(33 757)**	**(6 794 083)**	**(538 294)**	**15 200 906**

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - GROUP - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Land	715 000	-	-	-	715 000
Buildings	2 540 336	-	-	(75 727)	2 464 609
Leasehold property	7 560 491	-	-	(2 904 587)	4 655 904
Furniture and fixtures	1 042 745	-	(21 992)	(311 296)	709 457
Motor vehicles	2 119 859	-	-	(436 063)	1 683 796
Office equipment	328 630	233 168	(8 783)	(159 750)	393 265
IT equipment	1 369 216	564 808	(170 020)	(522 102)	1 241 902
Other property, plant and equipment	-	21 432	-	(5 721)	15 711
	15 676 277	**819 408**	**(200 795)**	**(4 415 246)**	**11 879 644**

Reconciliation of property, plant and equipment - ECRDA - 2023

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	715 000	-	-	-	-	715 000
Buildings	2 464 609	992 292	-	(138 991)	(538 294)	2 779 616
Leasehold property	4 655 904	-	(33 757)	(2 703 916)	-	1 918 231
Plant and machinery	-	5 584 066	-	(1 391 827)	-	4 192 239
Furniture and fixtures	709 457	291 533	-	(406 164)	-	594 826
Motor vehicles	1 683 796	840 078	-	(838 166)	-	1 685 708
Office equipment	393 265	16 222	-	(134 476)	-	275 011
IT equipment	1 241 902	2 312 538	-	(904 799)	-	2 649 641
Leasehold improvements	-	119 206	-	(29 646)	-	89 560
Other property, plant and equipment	15 711	-	-	(5 833)	-	9 878
Red Hub Assets	-	-	-	(46 331)	-	(46 331)
Tools and loose gear	-	531 461	-	(193 934)	-	337 527
	11 879 644	**10 687 396**	**(33 757)**	**(6 794 083)**	**(538 294)**	**15 200 906**

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - ECRDA - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Land	715 000	-	-	-	715 000
Buildings	2 540 336	-	-	(75 727)	2 464 609
Leasehold property	7 560 491	-	-	(2 904 587)	4 655 904
Furniture and fixtures	1 042 745	-	(21 992)	(311 296)	709 457
Motor vehicles	2 119 859	-	-	(436 063)	1 683 796
Office equipment	328 630	233 168	(8 783)	(159 750)	393 265
IT equipment	1 369 216	564 808	(170 020)	(522 102)	1 241 902
Other property, plant and equipment	-	21 432	-	(5 721)	15 711
	15 676 277	**819 408**	**(200 795)**	**(4 415 246)**	**11 879 644**

Pledged as security

None of the carrying value of assets are pledged as security:

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 to 50 years
Leasehold property	Straight-line	2 to 5 years(period of lease)
Plant and equipment	Straight-line	5 to 10 years
Furniture and fixtures	Straight-line	10 to 12 years
Motor vehicles	Straight-line	4 to 5 years
Office equipment under finance lease	Straight-line	Period of lease term
IT equipment	Straight-line	5 to 9 years

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	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

5. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)				
Leasehold property	1 918 231	4 655 904	1 918 231	4 655 904
Leasehold improvements	89 560	-	89 560	-
	2 007 791	4 655 904	2 007 791	4 655 904

Other information

Details of properties

Land and buildings consist of an office building situated at 128 Alexandra Road, Erf 893 King William's Town, which was acquired on 30 July 2004 at a cost of R3.7 million (allocated to Land = R.555 million and Buildings= R3.2 million).

Property on Erf 327 and Erf 328 situated in Cradock Magisterial District, purchased on 23 June 2003. The property was transferred to the ERDA in the merger on 01 April 2005 (representing land of R.160 million and buildings of R.58 million.

In addition, the entity's obligations under the finance lease are secured by the lessors' title over the leased equipment.

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6. Intangible assets

GROUP	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4 706 177	(4 506 171)	200 006	4 706 177	(4 303 578)	402 599

ECRDA	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4 706 177	(4 506 171)	200 006	4 706 177	(4 303 578)	402 599

Reconciliation of intangible assets - GROUP – 2023

	Opening Balance	Amortisation	Total
Computer software, other	402 599	(202 593)	200 006

Reconciliation of intangible assets - GROUP – 2022

	Opening balance	Additions	Amortisation	Total
	421 437	156 625	(175 463)	402 599

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6. Intangible assets (continued)

Reconciliation of intangible assets - ECRDA - 2023

	Opening Balance	Amortisation	Total
Computer software, other	402 599	(202 593)	200 006

Reconciliation of intangible assets - ECRDA - 2022

	Opening Balance	Additions	Amortisation	Total
Computer software, other	421 437	156 625	(175 463)	402 599

Pledged as security

None of the intangible assets have been pledged as security.

7. Investment under contingeny policy

Residual interest at cost Investment under contingent policy Terms and conditions	12 643 445	11 982 478	12 643 445	11 982 478

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

7. Investment under contingeny policy (continued)

Non-current assets				
Residual interest at cost	12 643 445	11 982 478	12 643 445	11 982 478

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 xxx (2022: 5.34%) as at March 2023. In terms of the policy, while in force, the entity may only access the funds through lodging claims incurred under its contracts of insurance. The entity 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 2023 was R12.6 million (2022: R11.5 million).

As the investment policy is depended on money market rates, the COVID 19 crisis may have had a negative impact on the growth of the policy, especially as both the prime interest rate and the economical grading of the county might have negatively impacted on the growth on the portfolio.

8. Deferred tax

Deferred tax asset

Deferred Tax	112 841 178	-	112 841 178	-

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable surpluses in excess of the surpluses arising from the reversal of existing taxable temporary differences; and
- the group has suffered a deficit in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

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	Group		ECRDA	
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9. Payables from exchange transactions

Trade payables	22 958 000	7 423 830	22 958 000	7 423 830
Staff Related Payables	(2 913)	980 476	(2 913)	980 476
Funds payable to Treasury (surrender)	768	9 693 768	768	9 693 768
Accrued leave pay	6 398 619	7 392 864	6 398 619	7 392 864
Accrued bonus	1 058 841	1 259 504	1 058 841	1 259 504
Accruals	1 208 340	1 959 871	1 208 340	1 959 871
Operating lease payables (if immaterial)	-	153 343	-	153 343
Deposits received	336 485	324 922	336 485	324 922
Salaries Control Account	104 901	-	104 901	-
Suspense Account	782	-	782	-
	32 063 823	29 188 578	32 063 823	29 188 578

There were no trade and other payables with extended payments terms at 31 March 2023. None of the repayment terms attached to contracts have been renegotiated in the last year.

10. Liabilities arising from non exchange transactions

Other payables from non-exchange transactions 1	13 511 178	810 940	13 511 178	810 940
Other payables from non-exchange transactions 2	(508 216)	(467 978)	(508 216)	(467 978)
	13 002 962	342 962	13 002 962	342 962

Reconciliation of total funds under administration	Agency 2023	Agency 2022	Group 2023	Group 2022
Balance at beginning of the year	342 862	416 564	342 862	416 564
Transfers/Receipts received during the year	59 202 499	68 040 476	59 202 499	68 040 476
Surrender of Administered Funds to Treasury	(252 268)	(9 693 869)	(252 268)	(9 693 869)
Interest capitalised on administered funds	201 582	157 899	201 582	157 899
Funds disbursed (net credit notes)	(46 677 959)	(58 578 208)	(46 677 959)	(58 578 208)
	12 816 716	342 862	12 816 716	342 862

A pilot project was launched where Oxfam Italia transferred R.627 million to the ECRDA in Septembre 2014. The funda re ring- fenced and used to disburse micro loans to beneficiaries, based on conditions and qualifying criteria determined by Oxfam and the Small Projects Foundation (SPF). The loans are included in the total loans advances per notexxx.

As at 31 March 2023, the administered fund amounted to R13 million (2022:R.342 million).

Other Liabilities arising from non exchange transactions

The entity acted as a warehousing agent for the Eastern Cape Department of Rural Department and Agrarian Reform (herein referred to as the Department) in respect of a farming project known as Shortland's Farm. The Department 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 so, 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, the new entity was not appropriately established and the Department instructed the ECRDA to take the transfer pending final transfer of the entity. Thos was done to accommodate the strict timeframes for the implementation of the project. The farm was since transferred, and is under the control of the ultimate beneficiary community who carry the risks and rewards of ownership. The R3.2 million purchase price was funded by the department. The purchase agreement was dated 27 September 2007.

At 31 March 2023 (since 31 March 2009), the transfer of the farm to the entity has been in progress, thus has not been concluded. The entity has accounted for this transaction as an administered fund and has not recognised the farm in its statement of financial position, as it does not have legal ownership of, or any rights or obligations to the land and derive no benefit from the use or the existence of the land. No future economic benefits or service potential will, or ever has, accrued to ECRDA.

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	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

11. VAT payable

Tax refunds payables	(88 093)	-	(88 093)	-

12. Employee benefit obligations

Defined contribution plan

It is the policy of the group to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The group is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is	1 844 769	3 691 557	1 844 769	3 691 557

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

13. Loans and Advances to Customers

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 AsgisaSA-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.

Loans and Advances to Customers	Agency and Group 2023	Agency and Group 2022
Loans and Advances to Customers	139 156 428	141 788 864
Interest (in-duplum) correction 2020 and prior	-	(6 486 282)
Interest (in duplum) correction - 2021	-	(2 085 787)
Interest(in-duplum) correction - 2022	-	(2 270 506)
Customers with credit balances	2 340 249	2 313 023
Less: Fair value adjustments arising on concessionary loans	-	(718 683)
Less: Specific credit impairments	(128 475 095)	(126 019 811)
Subtotal	13 021 582	6 520 818
Less: Unallocated loan repayments	-	(324 922)
	13 021 582	**6 195 896**

Detailed loans and advances granted to customers per type of loan	ECRDA	Asgisa	Mafisa	Uvimbas	Column heading
Loans granted at 31 March 2022	33 695 555	1 184 305	83 629 973	14 749 479	-
Less: Fair value adjustments arising on concessionary loans	(92 092)	-	(10)	(626 581)	-
Less: Specific credit impairments	(31 601 294)	(1 184 305)	(83 312 044)	(9 922 168)	-
Less: Unallocated loan repayments	(30 730)	-	(47 597)	(246 595)	-
	1 971 439	**-**	**270 322**	**3 954 135**	**-**

Movement in specific credit impairments	Agency and Group 2023	Agency and Group 2022
Balance at the beginning of the year	126 019 811	**120 756 878**
New impairments created	2 455 284	5 262 933
Subtotal	128 475 095	126 019 811
	128 475 095	**126 019 811**

The loss of income and employment on the economy as a result of Covid19 could decrease loan repayments - necessitating further impairments.

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

13. Loans and Advances to Customers (continued)

Contractual maturity analysis:	Agency and Group 2023	Agency and Group 2022
Repayable within 1 year and overdue	-	123 508 413
Repayable later than 1 year	-	9 750 899
	-	133 259 312

In terms of GRAP 1. 67, even though the repayments are not all expected to be realised within twelve months of the reporting date, the loan balances are classified as current assets on the statement of financial position.

Contractual Maturity Analysis on Carrying Value	Agency and Group 2023	Agency and Group 2022
Current Asset	-	1 945 938
Non Current Asset	-	4 249 958
	-	6 195 896

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

Sectoral Analysis	Agency and Group 2023	Agency and Group 2022
Agricultural	-	130 795 468
Non-agricultural	-	13 306 419
	-	144 101 887

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	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

13. Loans and Advances to Customers (continued)

Exposure to credit risk	Agency and Group 2023	Agency and Group 2022
Loans and advances neither past due nor impaired	-	6 297 938
Loans and advances past due but not impaired	-	582
Loans and advances individually assessed as impaired	-	137 803 367
	-	144 101 887

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 are receivable 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	Agency and Group 2023	Agency and Group 2022
Loans and advances neither past due nor impaired	-	4 722 544
Loans and advances individually assessed as impaired	-	20 391 536
	-	25 114 080

Expressed as a percentage of the loan book 2023xxx% (2022: 18.85%)
The collateral can be applied as stipulated in the individual loan agreements entered into with customers. The entity does not hold any bought in collateral for the year ended 31 March 2023 (2022)

Net exposure to cre (A-B):dit risk after deducting collateral held	Agency and Group 2023	Agency and Group 2022
Loans and advances neither past due nor impaired		1 575 394
Loans and advances past due but not impaired	-	582
Loans and advances individually assessed as impaired	-	117 411 831
	-	118 987 807

Net exposure after specific impairments	Agency and Group 2023	Agency and Group 2022
Loans and advances neither past due nor impaired	-	6 297 938
Loans and advances past due but not impaired	-	582
	-	6 298 520

Loans to customers are impaired when the loan terms have not been (defaulted payments) and/or when the loan has expired. Individual loan assessments are performed to evaluate the repayments, the arrears outstanding, the repayment period and the interest rate of the loan to calculate the impairment. Specific loan impairment was done on all loans in 2022 and 2021 due to the default rate.

All loans and advances are of one type of product, being loans, but with different repayment periods, collateral, interest rates and other terms. None of the loans and advances carry a credit rating from an external credit rating agency. There are no renegotiated loans and advances. The group does not have a credit quality grading system. The payment status is issued 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.

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

13. Loans and Advances to Customers (continued)

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 development 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 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 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 determine using the prime overdraft rate, and is calculated on the assumption that it will take one year to foreclose against the collateral and receive the cash.

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

14. Inventories

Magwa Inventories	5 006 333	-	5 006 333	-
Consumable stores	1 550 256	78 970	1 550 256	78 970
	6 556 589	78 970	6 556 589	78 970
Inventories (write-downs)	7 933 789	-	7 933 789	-
	14 490 378	**78 970**	**14 490 378**	**78 970**

Inventories 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 2023	Agency 2022	Group 2023	Group 2022
Opening balance	78 970	143 571	-	12 976 945
Inventory expensed during the year	-	469 714	-	469 714
Inventory through cost of sales	-	-	-	27 907 839
Inventory written down	-	-	-	(8 134 853)
Inventory sold	-	-	-	(21 925 988)
Inventory purchased during the year	-	(534 315)	-	(534 315)
	78 970	**78 970**	**-**	**10 759 342**

Harvesting costs were capitalised to inventory at Magwa Enterprise Tea (Pty) Ltd during the 2023 financial year. The valuation of inventory at the lower of cost or net realisable value resulted in the inventory write down of Rxxx (2022: R8.1 million).

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

15. Receivables from exchange transactions

Trade debtors	28 665 955	-	28 665 955	-
Deposits	271 735	271 735	271 735	271 735
Interest Accrued	268 635	145 971	268 635	145 971
Other receivables	5 827 393	-	5 827 393	-
Prepaid expenses	1 087 130	1 132 180	1 087 130	1 132 180
Staff Debtors Control	114 617	166 045	114 617	166 045
Sundry Debtors	2 197 785	1 502 949	2 197 785	1 502 949
	38 433 250	**3 218 880**	**38 433 250**	**3 218 880**

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	29 982	1 901	29 982	1 901
Bank balances	63 316 356	61 780 997	63 316 356	61 780 997
Short-term deposits	172 773	-	172 773	-
Bank overdraft	(44 522)	-	(44 522)	-
	63 474 589	**61 782 898**	**63 474 589**	**61 782 898**
Current assets	63 519 111	61 782 898	63 519 111	61 782 898
Current liabilities	(44 522)	-	(44 522)	-
	63 474 589	**61 782 898**	**63 474 589**	**61 782 898**

The above bank balances are broken down as follows:

Bank Balances	Agency 2023	Agency 2022	Agency and Group 2023	Agency and Group 2022
Cash on call and deposits at commercial banks	40 442 826	41 986 449	40 442 826	41 986 449
Cash on current accounts ar commercial banks	20 036 465	19 794 548	20 036 465	19 794 548
	60 479 291	**61 780 997**	**60 479 291**	**61 780 997**

The entity mainly places cash at Standards Bank and First National Bank. Liquidity is managed to ensure that funds are readily in place to fund both the entoty'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 rate of interest).

Rates of interest at 31 March 20203 were xxx (2022: 2.55%) for funds on call and xxx%(2022: 2.25%) for funds on deposit, Kangela Citrus Farms (Pty) Ltd has limited resources.

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

16. Cash and cash equivalents (continued)

Composition of cash and cash equivalents	Agency 2023	Agency 2022	Group 2023	Group 2022
Liabilities arising from non-exchange transactions (notexx)	-	342 862	-	342 862
Deferred grant income arising from non-exchange transactions (notexxx)		24 832 061	-	24 832 061
Funds at commercial banks- own and funder	-	36 607 975	-	39 615 891
	-	61 782 898	-	64 790 814

Detailed analysis of cash balances at reporting date:	Agency 2023	Agency 2022	Group 2023	Group 2022
MAFISA funding (DAFF)	46 790 036	43 395 081	-	43 395 081
Oxfam/SPF Funding	79 915	596 961	-	596 961
Stimulus Funds (DEDEAT)	126 565	9 516 304	-	9 516 304
Kangela Citrus Farms (Pty) Ltd	-	-	-	2 450 272
Magwa Enterprise Tea (Pty) Ltd	-	-	-	557 644
EPWP (DRDAR)	125 703	203 204	-	203 204
ECRDA Own Funds	13 319 462	8 071 348	-	8 071 348
	60 441 681	61 782 898	-	64 790 814

Heading	Agency 2023	Agency 2022	Group 2023	Group 2022
Cash available for operational use (ECRDA)	13 319 462	8 071 348	-	8 071 348
Cash held for project/programme implementation on behalf of this parties	47 122 219	53 711 550	-	53 711 550
Cash held by subsidiaries	-	-	-	3 007 916
	60 441 681	61 782 898	-	64 790 814

The entity accrued for the funds to be returned to Provincial Treasury in noteXXX. The entity can only retain cash to settle the payables (detailed in notexxx) as unused and uncommitted cash is returned to Government. The entity cannot fund operations or administrative expenses from funding held on behalf of third parties.

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 equivalents 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 equivalents mentioned above

The gorup does not have any overdraft or other loan facilities with any bank or other financial institutions.

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.

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17. Share capital / contributed capital

Issued

Ordinary	41 990 146	41 989 046	41 990 146	41 989 046

Capital Contributed	Agency and Group 2023	Agency and Group 2022
Capital consists of the value of the net of assets taken over from the Agricultural Bank of TRancskei and the Ciskeian Agricultural Bank on 01 July 2000.	25 232 691	25 232 691
The quity contribution relates to the funds received from the Eastern Cape Department of Rural Development and Agrarian Rfeorm utilised to fund teh advance to Kangela Citrus Farsm (Pty) Ltd	15 680 000	15 680 000
The contribution was acquired prior to the formal establishment of the corporation and relates to an amount tgransferred from trade payab;es previously owing the Department of Internal Affairs for farms purchased by clients of the former Ciskeian Agricultural Bank approximately 18 years before date of establishment.	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 entity has not registered its share capital and does not have a shre register as it has not issued any shares.

Restrictions of 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 2023 (2022: Nil)

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

18. Finance lease obligation

Minimum lease payments due				
- within one year	-	-	2 120 734	1 258 101
- in second to fifth year inclusive	-	-	625 332	1 875 728
	-	-	2 746 066	3 133 829
less: future finance charges	-	-	(365 610)	(293 166)
Present value of minimum lease payments	-	-	2 380 456	2 840 663
Present value of minimum lease payments due				
- in second to fifth year inclusive	-	-	625 332	1 649 134
- later than five years	-	-	-	1 191 529
	-	-	625 332	2 840 663

Finance Lease Liabilities	Agency 2023	Agency 2022	Group 2023	Group 2022
Capitalised finance lease liability	2 347 531	2 840 663	2 347 531	2 840 663
Less: Current portion	(2 120 734)	(1 649 134)	(2 120 734)	(1 649 134)
	226 797	1 191 529	226 797	1 191 529

It is group policy to lease certain office equipment (printers) under finance leases.

The fair value of the finance lease liabilities is approximately equal to their carrying amount. The entity has capitalised arrangements at the ruling prime overdraft raet at inception of each lease.

The entity recgonises finance leases where, at the inception of a lease, the present value of the minimum lease payments amounts to substatntially all of the fair value of the leased asset. The typical lease period is between 2 - 5 years for equipment and 2 years for cvodacom contracts. A contract was concluded with Brilliant Telecommunications in the 2021 financial year, for a period of 3 years. Such arrangements are summarised below.

New contracts were entered into with Konica Minolat, effective 01 September 2020 for a period of 3 years. At reporting date, the approximate aggregate monthly instalment of finance leases is Rxxx(2022: R34 516).

The Vodacom contracts are capitalised for a period of 2 years and the aggregate monthly instalment on the finance is Rxxx(2022:R120 595 at reporting date.

The Brilliant telecommunications contract is capitallised effective 01 January 2021 for a period of 3 years. At reporting date, the approximate aggregate monthly instalment was Rxxx(2022: R120 614.

The average lease term was x-y years and the average effective borrowing rate was -% (2022: -%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The group's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

19. Deferred grant income arising from non-exchange transactions

The unspent grants may only be used for expenditure in line with the conditions of the grant and must be returned to the grantor if not spent at the end of the financial year. The cash balances on lending are subjected to the same conditions.

Unspent conditional grants and receipts comprises of:

Deferred grant income arising from non-exchange				
Unspent grants 1	27 394 137	24 645 775	27 394 137	24 645 775

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

19. Deferred grant income arising from non-exchange transactions (continued)

Movement during the year				
Balance at the beginning of the year	24 645 775	22 900 016	24 645 775	22 900 016
Additions during the year	2 748 362	1 745 759	2 748 362	1 745 759
	27 394 137	24 645 775	27 394 137	24 645 775

MAFISA Grant	Agency 2023	Agency 2022	Group 2023	Group 2022
Liability for an equitable share in interest earned on MAFISA loans	-	5 171 578	-	5 171 578
Liability arising from interest earned on cash deposits on unspent funds	-	19 660 483	-	19 660 483
Subtotal	-	24 832 061	-	24 832 061
	-	24 832 061	-	24 832 061

20. Revenue

Sale of goods	10 275 550	-	10 275 550	-
Commissions Received	2 464 805	2 396 689	2 464 805	2 396 689
Interest received (trading)	1 437 321	1 666 391	1 437 321	1 666 391
Bad Debts Recovered	24 557	222 688	24 557	222 688
Administration and management fees received	-	39 673	-	39 673
Fees earned	38 250	40 910	38 250	40 910
Rental income	1 837 313	1 822 946	1 837 313	1 822 946
Donations Received	1 696 273	-	1 696 273	-
Other income	659 618	20 354	659 618	20 354
Sundry Income	838 299	147 602	838 299	147 602
Interest Income on loans	(6 272 941)	4 827 053	(6 272 941)	4 827 053
Reversal of Impairment	-	2 270 506	-	2 270 506
Government grants & subsidies	173 571 953	180 264 253	173 571 953	180 264 253
	186 570 998	193 719 065	186 570 998	193 719 065

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	10 275 550	-	10 275 550	-
Commissions Received	2 464 805	2 396 689	2 464 805	2 396 689
Interest received (trading)	1 437 321	1 666 391	1 437 321	1 666 391
Bad Debts Recovered	24 557	222 688	24 557	222 688
Administration and management fees received	-	39 673	-	39 673
Fees earned	38 250	40 910	38 250	40 910
Rental income	1 837 313	1 822 946	1 837 313	1 822 946
Donations Received	1 696 273	-	1 696 273	-
Other income	659 618	20 354	659 618	20 354
Sundry Income	838 299	147 602	838 299	147 602
Interest Income on loans	(6 272 941)	4 827 053	(6 272 941)	4 827 053
Reversal of Impairment	-	2270 506	-	2 270 506
	12 999 045	13 454 812	12 999 045	13 454 812

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue				
Transfer revenue				
Government grants & subsidies	173 571 953	180 264 253	173 571 953	180 264 253

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

21. Cost of sales

Sale of goods				
Write down of inventories to net realisable value	12 296 126	-	12 296 126	-

22. Lease rentals on operating lease

Equipment				
Contractual amounts	414 168	324 313	414 168	324 313

23. Other revenue

Administration and management fees received - third party	-	39 673	-	39 673
Fees earned	38 250	40 910	38 250	40 910
Rental income - third party	1 837 313	1 822 946	1 837 313	1 822 946
Donations Received	1 696 273	-	1 696 273	-
Other income	659 618	20 354	659 618	20 354
Sundry Income	838 299	147 602	838 299	147 602
Interest Income on loans	(6 272 941)	4 827 053	(6 272 941)	4 827 053
Reversal of Impairment	-	2 270 506	-	2 270 506
	(1 203 188)	9 169 044	(1 203 188)	9 169 044

24. Investment revenue

The amount included in Investment revenue arising from exchange transactions amounted to R -.

The amount included in Investment revenue arising from non-exchange transactions amounted to R -.

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to Rxxx (PY: Rxxx).

25. Government grants & subsidies

Operating grants				
Operating Grant	173 381 000	180 046 000	173 381 000	180 046 000
National Skills Fund	190 953	218 253	190 953	218 253
	173 571 953	180 264 253	173 571 953	180 264 253

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

26. Employee related costs

Basic	79 676 290	69 483 015	79 676 290	69 483 015
Bonus	5 281 603	6 899 890	5 281 603	6 899 890
Medical aid - company contributions	5 944 041	5 677 306	5 944 041	5 677 306
UIF	297 550	306 922	297 550	306 922
WCA	15 295	686 118	15 295	686 118
Leave pay provision charge	(541 992)	(11 747)	(541 992)	(11 747)
Salaries-Funeral	67 618	69 720	67 618	69 720
Defined contribution plans	1 844 770	3 691 557	1 844 770	3 691 557
Travel, motor car, accommodation, subsistence and other allowances Long-	1 706 122	1 542 638	1 706 122	1 542 638
service awards	856 104	111 591	856 104	111 591
Acting allowances	2 732 294	3 692 989	2 732 294	3 692 989
Housing benefits and allowances	1 861 228	2 474 426	1 861 228	2 474 426
Other # 4	2 000 261	620 998	2 000 261	620 998
	101 741 184	95 245 423	101 741 184	95 245 423

Remuneration of Chief Executive Officer				
Annual Remuneration	2 297 442	2 670 398	2 297 442	2 670 398
Settlement Payment	-	2 670 398	-	2 670 398
Other Benefits	8 746	85 700	8 746	85 700
	2 306 188	5 426 496	2 306 188	5 426 496

A legal matter between the ECRDA Board and Mr Dladla resolved a settlement payment, terminating his services at 31 March 2022.

Executive management is remunerated for services rendered as employees of the entity. Remuneration constitutes a basic salary which can be structured to comprise of a basic salary, a savings portion, a housing allowance and a vehicle allowance. Bonuses as a thirteenth cheque have been effected to all employees during the 2022 financial year - including executive management members.

Executive management is remunerated for services rendered as employees of the entity. Remuneration constitutes a basic salary which can be structured to comprise of a basic salary, a savings portion, a housing allowance and a vehicle allowance. Bonuses as a thirteenth cheque have been effected to all employees during the 2022 financial year - including executive management members.

Remuneration of chief finance officer				
Annual Remuneration	1 964 582	2 088 529	1 964 582	2 088 529
Acting Allowance	639 476	-	639 476	-
Other Benefits	81 236	59 420	81 236	59 420
	2 685 294	2 147 949	2 685 294	2 147 949

Remuneration of Chief Operations Officer				
Annual Remuneration	1 796 257	2 329 765	1 796 257	2 329 765
Acting Allowance	235 061	-	235 061	-
Other Benefits	311 767	109 809	311 767	109 809
	2 343 085	2 439 574	2 343 085	2 439 574

Corporate and human resources (corporate services)

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

26. Employee related costs (continued)

Annual Remuneration	1 906 005	1 999 771	1 906 005	1 999 771
Acting Allowance	25 318	-	25 318	-
Other Benefits	31 145	45 427	31 145	45 427
	1 962 468	2 045 198	1 962 468	2 045 198

Corporate Services Executive was suspended with effect from

Total Remuneration	Agency 2023	Agency 2022
Senior Management	9 495 637	12 059 217
Employees	85 507 584	95 245 423
	95 003 221	107 304 640

Executive management is remunerated for services rendered as employees of the entity. Remuneration constitutes a basic salary which can be structured to comprise of a basic salary, a savings portion, a housing allowance and a vehicle allowance. Bonuses as a thirteenth cheque have been effected to all employees during the 2022 financial year - including executive management members.

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

27. Administrative expenditure

Administration and management fees - third party	64 593	57 940	64 593	57 940

28. Depreciation and amortization

Property, plant and equipment	6 794 083	4 415 246	6 794 083	4 415 246
Investment property	38 306	38 217	38 306	38 217
Intangible assets	202 593	175 463	202 593	175 463
	7 034 982	4 628 926	7 034 982	4 628 926

Refer to notes 3 and 4 for depreciation and amortisation.

29. Impairment loss

Impairments				
Property, plant and equipment	538 351	-	538 351	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]				

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30. Finance costs

Non-current borrowings	789 294	-	789 294	-
Other interest paid	9 902	20 604	9 902	20 604
	799 196	20 604	799 196	20 604

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the group.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R - (2022: R -).

31. Auditors' remuneration

Fees	4 822 807	5 587 255	4 822 807	5 587 255

32. Debt impairment

Debt impairment	-	7 533 939	-	7 533 939
Contributions to debt impairment provision	213 198	-	213 198	-
	213 198	7 533 939	213 198	7 533 939

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	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

33. Contracted Services

34. General expenses

Accounting fees	32 515	-	32 515	-
Advertising	415 002	499 121	415 002	499 121
Assessment rates & municipal charges	1 202 325	1 148 024	1 202 325	1 148 024
Auditors remuneration	4 822 807	5 587 255	4 822 807	5 587 255
Bank charges	288 052	212 678	288 052	212 678
Cleaning	226 553	231 784	226 553	231 784
Commission paid	190 761	-	190 761	-
Computer expenses	49 476	36 097	49 476	36 097
Consumables	170 429	-	170 429	-
Delivery expenses	11 679	92 496	11 679	92 496
Discount allowed	8 439	-	8 439	-
Stakeholder Management Expenses	659 938	109 068	659 938	109 068
COVID 19 Expenses	3 250	40 224	3 250	40 224
Capital Goods Expensed	128 863	21 604	128 863	21 604
Insurance	720 819	392 982	720 819	392 982
IT expenses	307 549	230 485	307 549	230 485
Marketing	317 903	-	317 903	-
Magazines, books and periodicals	49 330	95 148	49 330	95 148
Motor vehicle expenses	92 557	-	92 557	-
Penalties & Interest	252 042	-	252 042	-
Fuel and oil	1 914 896	239 549	1 914 896	239 549
Postage and courier	26 320	18 540	26 320	18 540
Printing and stationery	551 478	459 262	551 478	459 262
Protective clothing	180 384	4 715	180 384	4 715
Repairs and maintenance	1 480 767	1 093 621	1 480 767	1 093 621
Security (Guarding of municipal property)	475 070	453 194	475 070	453 194
Software expenses	2 747 715	2 466 643	2 747 715	2 466 643
Staff welfare	424 547	43 081	424 547	43 081
Subscriptions and membership fees	125 197	57 209	125 197	57 209
Telephone and fax	2 777 608	3 077 114	2 777 608	3 077 114
Training	608 402	244 432	608 402	244 432
Travel - local	4 370 039	3 313 750	4 370 039	3 313 750
Skills Levy	1 222 213	971 308	1 222 213	971 308
Electricity	2 263 960	-	2 263 960	-
Utilities - 2	1 025 637	855 284	1 025 637	855 284
Utilities - Other	204 818	189 673	204 818	189 673
Catering Costs	196 236	83 906	196 236	83 906
Meal and Accommodation Allowance	49 500	71 167	49 500	71 167
Relocation Costs	251 652	83 885	251 652	83 885
Rental Charges Uitgawe 6	3 603 606	4 017 648	3 603 606	4 017 648
Recruitment Costs	408 593	51 061	408 593	51 061
Refreshment Costs	82 874	44 204	82 874	44 204
General Expenses	47 618	57 647	47 618	57 647
Venue expenses	204 808	177 910	204 808	177 910
Chemicals	-	191 325	-	191 325
Fees- MAFISA Scheme	225 360	428 027	225 360	428 027
Other expenses	16 653 101	47 923 835	16 653 101	47 923 835
	52 072 688	75 314 956	52 072 688	75 314 956

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

35. Cash (used in) generated from operations

Deficit	(7 483 376)	(6 370 720)	(7 483 376)	(6 370 720)
Adjustments for:				
Depreciation and amortisation	7 034 982	4 628 926	7 034 982	4 628 926
Gain on sale of assets and liabilities	24 669	113 725	24 669	113 725
Fair value adjustments	(153 343)	(1 929 122)	(153 343)	(1 929 122)
Administration fees guard risk (non cash)	-	-	-	45 000
Scrapping of property, plant and equipment	-	-	-	(266 341)
Fair value adjustments	-	-	-	(869 994)
Finance costs and penalties	-	-	-	13 385
Impairment deficit	538 351	-	538 351	-
Debt impairment	213 198	7 533 939	213 198	5 263 433
Non-cash donations and other in-kind benefits	-	-	-	191 325
Unwinding of subsidy cost/concessionary loans interest	-	-	-	(426 464)
Interest receive don loan book and staff debtors	-	-	-	2 130 084
Net on interest capitalised	-	-	-	(422 790)
Changes in working capital:				
Inventories	(14 411 408)	(78 970)	(14 411 408)	64 601
Receivables from exchange transactions	(35 214 370)	(3 218 880)	(35 214 370)	681 103
Consumer debtors	(213 198)	(7 533 939)	(213 198)	-
Increase or decrease in loans with credit balances	-	-	-	(29 205)
Payables from exchange transactions	2 875 247	29 188 576	2 875 247	(40 716 768)
VAT	(88 093)	-	(88 093)	-
Taxes and transfers payable (non-exchange)	12 660 000	342 962	12 660 000	623 866
Deferred grant income arising from non-exchange transactions	2 748 362	24 645 775	2 748 362	1 932 045
Administered fund liabilities	-	-	-	(73 702)
	(31 468 979)	47 322 272	(31 468 979)	(35 417 613)

36. Financial instruments disclosure

Categories of financial instruments

GROUP – 2023

Financial assets

	At fair value	Total
Loans and advances to customers	2 230 855	2 230 855
Trade and other receivables from exchange transactions	38 433 250	38 433 250
Cash and cash equivalents	63 519 111	63 519 111
	104 183 216	104 183 216

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	32 063 823	32 063 823

GROUP - 2022
Financial assets

	At fair value	Total
Land and advances to customers	7 236 170	7 236 170
Trade and other receivables from exchange transactions	3 218 880	3 218 880

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

36. Financial instruments disclosure (continued)

Cash and cash equivalents	61 782 898	61 782 898
	72 237 948	72 237 948

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	29 188 578	29 188 578

ECRDA - 2023
Financial assets

	At fair value	Total
Loans and advances to customers	2 230 855	2 230 855
Trade and other receivables from exchange transactions	38 433 250	38 433 250
Cash and cash equivalents	61 782 898	61 782 898
	102 447 003	102 447 003

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	32 063 823	32 063 823

ECRDA - 2022
Financial assets

	At fair value	Total
Land and advances to customers	7 236 170	7 236 170
Trade and other receivables from exchange transactions	3 218 880	3 218 880
Cash and cash equivalents	61 782 898	61 782 898
	72 237 948	72 237 948

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	29 188 578	29 188 578

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

37. Commitments

At the reporting date the entity and group had commitments amounting to Rxxx(2022: R6.4 million) relating to projects implementation where orders have been issued. ECRDA's operational commitments of R19.4 million (2022: R7.9 million) existed at 31 March 2023. Kangela Citrus Farms (Pty) Ltd had commitments of Rxxx(2022: R38 145) at the reporting date. This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due				
- within one year	2 230 423	2 396 213	2 230 423	2 396 213
- in second to fifth year inclusive	8 921 692	-	8 921 692	-
	11 152 115	2 396 213	11 152 115	2 396 213

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

The statement of financial performance details the expenditure incurred by the entity on the operating leases. A total of Rxxx(2022:R3.6 million) was during the financial year in respect of all lease expenses. A net straight lined operating lease liability of Rxxx (2022: R.153 million) exists.

The operating lease for the previous office space that was occupied at Beacon Bay terminated on 30 November 2022. The entity commenced with the tender process to secure new office premises in the second quarter of the 2023 financial year. The procurement process was concluded and new office space was acquired at Waverly Park. ECRDA entered into a lease agreement with Slip Knot Investment (Pty) Ltd, for a period of five(5) years commencing 15 March 2023, however premises were not ready for occupation, and ECRDA took occupation in April 2023. The rental escalates at 8% per annum for the fives, thus straight lining has been applied in arriving at the disclosed amounts above.

Operating leases - as lessor (income)

The entity earns income from the lease of office premises at the investment property at Mthatha. At reporting date, lease contracts generating income of R 1.8 million(2022:R.142million) per month were entered into. the contracts entered into for a period 12 months in which each party can cancel the contract worth appropriate notice being received by the entity. The entity does not enter into any non-cancellable operating lease.

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

38. Contingencies

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

Contingent Liabilities	2023	2022
ECRDA/SLABBERT BOERDERY (claim)	874 506	874 506
ECRDA/SLABBERT BOERDEARY (legal cost)	300 000	300 000
ECRDA/EC BEEF FUND (legal cost)	2 200 000	2 200 000
EC BEEF FUND/ECRDA (claim defended)	14 203 118	14 203 118
EC BEEF FUND/ECRDA (legal fees for defence)	350 000	350 000
SKG AFRICA (Pty) Ltd/ECRDA & OTHERS	2 000 000	2 000 000
NEHAWU/ECRDA	30 000	30 000
	19 957 624	19 957 624

Where the possibility of legal fees and /or other reimbusemet exists, it is reported contingency below.

Claims instituted by ECRDA:

ECRDA/SLABBERT BOERDERY: a claim by ARDA was inherited by ECRDA in the matter of Slabbert Boerdery. Slabbert Boerdery was sued for the non-delivery of lucerne whilst they claimed payment of R437 253 (plus interest) for the sale and delivery. During the case, the total amount has escalated to R874 506 as a result of fees and interest. A trail was to commence on 28 April 2021 but it was postponed when the attorney of Slabbert Boerdery withdrew. A new date has not been set. The legal cost estimate at reporting date for the matter amounts to R300 000 (2021: R300 000) per the ECRDA's attorneys. The defendant (Slabbert Boerdery) subsequently instituted a counter claim of R1 million. The timing and outcome of the matter can however not be determined at reporting date. Reasonable prospects of success. The matter has since been finalised by way of a settlement agreement, also made a court order dated 21/02/2023.

ECRDA/EC BEEF FUND: an application to the High Court to set aside the contract whereby livestock was delivered to Berlin Beef without proper procurement processes being followed in terms of the PFMA. The matter was heard on 05 December 2019 with subsequent judgement against ECRDA. The attorneys estimated the legal cost to be R500 000 at 31 March 2020 but as the subsequent leave to appeal was granted, and record of appeal prepared, the legal cost estimate increased to R2,2 million in 2021. The appeal in the Supreme Court of Appeal was heard on 22 November 2021. Judgment was delivered on 6 January 2022 in which the court upheld the appeal with costs. The respondents brought an application for leave to appeal in the Constitutional Court. The ECRDA is defending the application. The application is set down for hearing in the Constitutional Court on 6 September 2022. [also see EC BEEF FUND/ECRDA defended]. The attorneys estimated the additional legal expenses to amount to R2,2 million as at 31 March 2021, remaining unchanged for 2022. .

Claims defended by ECRDA:

EC BEEF FUND/ECRDA: a claim has been instituted against ECRDA for an amount of R14 203 118 for livestock allegedly delivered by the claimant to ECRDA. The matter is being defended by ECRDA, the outcome of which is dependent on the finalization of the Constitutional Court application [see ECRDA/EC BEEF FUND initiated by the ECRDA]. The legal cost estimate at reporting date amounts to R350 000 (2021: estimated at R300 000). The prospects of succeeding are reasonable even though the timing and outcome remains unknown. This matter was concluded on 01 February 2023, which is also the date on which the judgment was handed down. The court awarded costs in favour of ECRDA which will first be quantified to determine actual amount prior to payment. Claims defended by ECRDA:

SKG AFRICA (PTY)LTD/ECRDA & ANOTHER: An interdict was served on ECRDA (prior financial years) to stop the move from the Beacon Bay Crossing premises to the new leased premises, as well as an interdict to stop the implementation of the awarding of a tender for leased premises and further for the court to consider the review of the tender awarded. The court ordered in favour of ECRDA with regard to the interdict application however costs in the matter were reserved for the main review application to be instituted by SKG Africa. The ECRDA's legal costs for the interdict matter was R292 082 (estimated at R1 000 000).

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

38. Contingencies (continued)

The interdict application was resolved in the 2020 financial year but with no resolution as to legal costs order in the matter. This is to be confirmed upon outcome of the main review application in the review application which is yet to be heard. The matter was argued on 26 January 2023 and is pending judgment.

SKG AFRICA (PTY)LTD/ECRDA & OTHERS: A review application was brought against ECRDA to review a tender awarded for leased premises and to set aside the BEE Level 1 qualification and Regulation 4(1) applied, as unconstitutional. Matter was set down for hearing on 20 April 2020, however since then the Afribusiness NPC matter (not related to ECRDA) was enrolled at the Constitutional Court. ECRDA and SKG have agreed to move the SKG/ECRDA matter from the roll before full bench, pending the outcome of the Afribusiness NPC matter currently on appeal to the Constitutional Court. The Afribusiness NPC matter, before the full bench of the High Court, concerns the very issues that form the basis for the current proceedings involving ECRDA/SKG. The Constitutional Court Judgement in the Afribusiness NPC matter is expected by June 2021. ECRDA costs to be cost in the cause. ECRDA's legal costs have been estimated between R1,8 million - R2 million (Unchanged from 2021).
The outcome of this matter is unknown at reporting date. There are reasonable prospects of success.

Constitutional Court judgment delivered on 16 February 2022. Applicant provided us with a proposed draft order as it intended setting the matter down for hearing. We did not agree to the proposed draft order in light of the fact that the matter was not ready for hearing in that the Office of the State Attorney launched an application to the Constitutional Court to obtain clarification on the court order delivered on 16 February 2022. The matter was argued on 26 January 2023 and is pending judgment.

CCMA/ECRDA: NEHAWU referred a dispute in respect of interpretation of a Wage Agreement for the payment of bonusses to the CCMA. A certificate of non-resolution was issued in April 2021. The date of arbitration is awaited but the employer is of the opinion that the prospects of the claimant is low, therefore not exposing the ECRDA to costs exceeding R30 000. A notice of arbitration was not yet received by the entity.

Magwa Enterprise Tea (PTY) Ltd had a dispute of R1 034 490, with a service provider for a lack of evidence of work done and rates charged for professional engineering work done prior to 31 November 2019. The matter was resolved during the 2022 financial year.

Contingent assets

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

Contingent Asset	2023	2022
CRADOCK BIOFUEL - ARENGO 316 INVESTMENTS	12 530 043	12 530 043

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

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

39. Related parties

Relationships	
Directors	Refer to Directors' report note
ECRDA	Department of Rural Development and Agrarian Reform
Members of key management	Mr Simon Qobo - Chief Executive Officer Ms Janine Baxter - Chief Financial Officer (Suspended September 2022) Mr Navy Simukonda - Chief Operations Officer(Suspended September 2022) Mr Cello Gardner - Corporate Services Executive (Suspended September 2022) Ms Vuyiswa Zaza - Acting Chief Financial Officer Mr Nkosiphendule Quvile - Acting Chief Operations Officer Mr Lungisa Mntumtum - Acting Corporate Services Executive

	Group 2023	Group 2022	ECRDA 2023	ECRDA 2022
Related party balances				
Amounts included in Trade receivable (Trade Payable) regarding related parties				
Kangela Citrus Farms (receivables at fair value)			-	10 213 180
Kangela Citrus Farms (interest charged on loan during the year)			-	519 724
Kangela Citrus Farms (interest written off/reversed on loan in respect of prior years)			-	(281 013)

[State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement]

[State details of any guarantees given or received]

[State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement]

[State details of any guarantees given or received]

[State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement]

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Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

39. Related parties (continued)

[State details of any guarantees given or received]

Related party transactions

	Group 2023	Group 2022	ECRDA 2023	ECRDA 2022
Grants and Subsidies Received			-	
Department of Rural Development and Agrarian Reform (operating grant and transfer payments)				217 518 191
Department of Rural Development and Agrarian Reform (EPWP: Administered Fund)			-	15 090 000
Magwa Tea-administered funds transferred			-	41 583 000

A total of Rxxx(2022: R41.8 million) was allocated to the MET as per the provincial budget allocation from the Department of Rural Development and Agrarian Reform (DRDAR). The full amount was disbursed to the entity in the 2022 financial year.

The shares of Magwa Enterprise Tea (Pty) Ltd were transferred to ECRDA on 18 September 2020 as a transfer under common control. No consideration was paid for the funds transferred, and no assets were given up as consideration thereof. The operations of Magwa Enterprise Teas is funded through government grants, paid to the Tea Estae via the ECRDA as per the approved budget. The ECRDA, as 100% shareholder, fully consolidates the balances and transaction of Magwa Enterprise Tea (Pty) Ltd on a line-by-line basis. The company has its own Board of Directors and is managed by the ECRDA through secondment of the General Manager. The ECRDA does not instruct or approve daily operations and/or policies of the Tea Estate.

Key management information

Class	Description	Number
Non-executive board members	Board of Directors	11
Executive management	Executive Committee	4

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

40. Remuneration of Board Members

Executive

Non-executive

2023

	Members' fees	Re-imbursive travel costs	Total
Dr Nondumiso Maphazi (Chairperson)	475 662	-	475 662
Ms Nomthandazo Mbete (Deputy Chairperson)	495 929	3 881	499 810
Ms Nolitha Pietersen	338 925	-	338 925
Mr Gcinumzi Qotywa	338 925	10 645	349 570
Mr Mxolisi Koyo	338 925	10 263	349 188
Dr Andile Nontso	332 259	46 626	378 885
Ms Ntuthu Mbiko-Motshegoa	318 636	18 745	337 381
Ms Nokhanyo Maceba	332 259	45 566	377 825
Ms Nondumiso Ngonyama	358 749	45 790	404 539
Mr Senzeni Zokwana	318 636	-	318 636
Ms L Nare	27 096	-	27 096
Adv P Mayapi	26 490	-	26 490
Mr S Makunga	27 096	19 817	46 913
Mrs Z Thomas	27 096	-	27 096
Mr S Faku	27 096	-	27 096
Adv J Korkie	369 956	3 030	372 986
Mr M Msoki	21 949	-	21 949
Mr V Jarana	32 291	-	32 291
	4 207 975	204 363	4 412 338

2022

	Members' fees	Re-imbursive Costs	Total
Ms Nomthandazo Mbete (Deputy Chairperson)	332 216	899	333 115
Ms Nondumiso Ngonyama	229 328	24 135	253 463
Ms L Nare	402 856	3 965	406 821
Adv P Mayapi	317 880	-	317 880
Mr S Makunga	325 152	59 926	385 078
Mrs Z Thomas	325 152	-	325 152
Mr S Faku	325 152	-	325 152
Adv J Korkie	265 656	4 038	269 694
Mr M Msoki	263 388	-	263 388
Mr V Jarana	387 492	-	387 492
	3 174 272	92 963	3 267 235

The Board members' remuneration constitutes fees paid to individuals to oversee the governance of the entity. Apart from reimbursement of travel expenses and normal subsistence and travel required to attend Board meetings. All payments to Board members are considered as part of the normal operating parameters of the ECRDA as per our legal mandate.

41. Comparative figures

No adjustments have been made to comparative figures.

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

42. Risk management

Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meetings its obligations associated with financial liabilities.

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities. As a result of significant increase in defaulting repayments on the loans and advances to customers over the past few years and an increase in overhead expenses, the group has been under heavy liquidity strain. Repayment of agricultural loans tend to follow as seasonal trend rather than scheduled dates, hampering reliance on repayments to fund further advances. The majority of the loans are prescribed. The lasting impact of Covid 19 on the economy and markets and the decrease in the prime rate may further impact the liquidity of the ECRDA.

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 land and to generate income sufficient to defray operating costs.

The entity 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 the subsidiaries. The share-takeover of Magwa Enterprise Tea (Pty) Ltd on 18 September 2020, and the lasting National impact of the COVID 19 epidemic on scarce government resources has placed further strain on available resources for the entity.

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

Credit risk

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

The core business of the entity is to support rural development with 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 profile, given that its loan book is in the Eastern Cape only and largely in the agricultural sector.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	GROUP - 2023	GROUP - 2022	ECRDA - 2023	ECRDA - 2022
Loans and advances to customers	-	-	2 230 855	6 195 896

Market risk Interest rate risk

Market risk is 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 risks: 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 due to the significant loans impairment and the historical loans disbursed at a fixed interest rate.

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

43. Going concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated deficit of R (10 606 634), 2022:(R3 123 260) and that the entity's total assets exceed its liabilities by R 31 383 512 2022: (R38 865 788).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the Chief Executive Officer continue to procure funding for the ongoing operations for the entity and that this is further confirmed by the annual allocations voted to the entity by the Eastern Cape Provincial Government over the medium term expenditure framework. .

The Board has satisfied itself that the ECRDA is in a sound financial position and has access to funds to meet its foreseeable future requirements. The Board is not aware of any material changes that may adversely impact the operations of ECRDA. The Board is not aware of any material non compliance with statutory and regulatory requirements or of any pending changes to legislation which may affect the ECRDA.

44. Events after the reporting date

Management has assessed the operations of the entity, the ongoing business operations and all correspondence and contractual obligations that have been exercised during the financial year, the events between the financial year-end and the date of approving the financial statements and have not identified any subsequent events that impacts on the financial statements presented. In conclusion, Board and Management are not aware of any other material event which occurred after the reporting date and up to the date of this report.

45. Fruitless and wasteful expenditure

Opening balance as previously reported	191 902	98 851	191 902	98 851
Add: Fruitless and wasteful expenditure identified - current	3 686 770	106 949	3 686 770	106 949
Less: Amount recovered - prior period	-	(13 898)	-	(13 898)
Closing balance	**3 878 672**	**191 902**	**3 878 672**	**191 902**

46. Irregular expenditure

Opening balance as previously reported	-	-	25 983 352	25 652 550
Opening balance as restated	**-**	**-**	**25 983 352**	**25 652 550**
Add: Irregular Expenditure - current	-	-	273 527	330 802
Closing balance	**-**	**-**	**26 256 879**	**25 983 352**

Irregular expenditure is presented inclusive of VAT

Details of irregular expenditure incurred in the 2023 financial year:

Irregular expenditure incurred in the current year is mainly due to services render before ethe issue of a purchase order. This is as a result of transgressions to normal procurement processes.

Details of irregular expenditure incurred in the 2022 financial year:

1. ECRDA payments to the value of R330 802 were made to suppliers where the formal/normal procurement procedures were not followed.

2. Magwa - proof of vendor registration on National Treasury Supplier database was not obtained on procurement of R867 538. The SBD 4 form was not obtained from suppliers on procurement amounting to R2.5 million. The preferential point system was not used to evaluate quotes on procurement of R867 539. Three quotes were not obtained from suppliers on purchases of R451 914.

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

46. Irregular expenditure (continued)

Details of irregular expenditure from period before 2022(prior years)

1.Payments to the value of R1.8 million were effected to suppliers where contracts were extended beyond their engagement terms and the 15% variation was exceeded.
2.Payments to the value of R.954 m were made to suppliers where the formal procurement procedures were not followed..

3.Expenditure on bids awarded to the value of R13.9 million were considered irregular in terms of the National Treasury Instruction note no.1 of 2016/16 which requires that PFMA compliant institutions must, through the relevant Treasury publish the awards of all advertised competitive bids on the Tender Publication Portal. ECRDA did not submit to the relevant Treasury Administrator the required information of successful bidders, as a result these awards were not published on the Tender publication. The ECRDA published the bids and awards on the ECRDA website in compliance with National Treasury Instruction Note 32. The bid adjudication committee was not considered to be duly constituted in terms of the Supply Chain Management Policy as the SCM Manger participated in both the Bid Evaluation Committee and the Bid Adjudication Committee..
2. Payments to 4. Payments made to suppliers exceeded contract value by R69 419 attributable to a variation/increase in scope on the original orders issued.

47. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	(7 483 376)	(6 370 720)	(7 483 376)	(6 370 720)

48. Deviation from supply chain management regulations

Supply Chain regulations Government gazette No. 38565 issued on 17 March 2015 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 11 (a) of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the board and includes a note to the annual financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of outlined in the regulations. The reasons for these deviations were documented and reported to the Board who considered them and subsequently approved the deviation from the normal supply chain management regulations. In total deviations amount to R2,8 million, a detailed schedule is available for review.

Notes to the Annual Financial Statements

	Group		ECRDA	
Figures in Rand	2023	2022	2023	2022

49. Segment information

General information

Identification of segments

The group is organised and reports to management on the basis of three major regions: Southern region, Northern region and Eastern region. It is worth noting that in the previous financial year, management reported on six regions being Amathole, Nelson Mandela Metro, Karoo, OR Tambo, Chris Hani and Alfred Nzo.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The group operates throughout the Gauteng Province in ten cities. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Gauteng were sufficiently similar to warrant aggregation.

ECRDA
Eastern Cape
Rural Development
Agency

Eastern Cape Rural Development Agency
3-33 Phillip Frame Park
Waverley Park
East London
043 703 6300
info@ecrda.co.za
www.ecrda.co.za