ECRDA

Eastern Cape Rural Development Agency

ANNUAL REPORT

2024 • GROWTH REALISED

ECRDA
Eastern Cape Rural Development Agency

PR248/2024
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CONTENTS

For attention: Honourable MEC Nonceba Kontsiwe

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 2023 to 31 March 2024.

Nondumiso Maphazi
Chairperson of the Board

ABBREVIATIONS

AIP	Audit Improvement Plan
AGSA	Auditor-General of South Africa
ARC	Audit, Risk and Compliance
B-BBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHIPS	Catalytic High Impact Priority Projects
CPA	Communal Property Association
CSE	Corporate Services Executive
DAFF	Department of Agriculture, Forestry and Fisheries
DALRRD	Department of Agriculture, Land Reform and Rural Development
DRDAR	Department Rural Development and Agrarian Reform
ECRDA	Eastern Cape Rural Development Agency
EIA	Environmental Impact Assessment
ICT	Information Communications Technology
MAFISA	Micro Agricultural Financial Institutions of South Africa
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NEHAWU	National Education, Health and Allied Workers Union
NIH	NEHAWU Investment Holdings
PFMA	Public Finance Management Act
RED HUB	Rural Enterprise Development Hub
SAHPRA	South African Health Products Regulatory Authority
SAPPI	South African Pulp and Paper Industries
SETA	Sector Education and Training Authority
SCM	Supply Chain Management

PART A
GENERAL INFORMATION

STRATEGIC OVERVIEW

Vision:
An inclusive and sustainable rural economy

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

Legislative and Other Mandates
The Eastern Cape Rural Development Agency (ECRDA) is classified as a Schedule 3C entity under the Public Finance Management Act (PFMA).
ECRDA was established through the merger of two existing public entities: the Eastern Cape Rural Finance Corporation (ECRFC) and AsgiSA-Eastern Cape (Pty) Ltd.
Integrating ARDA into the ECRDA was a further step by the ECRDA towards complying with Provincial Treasury Instruction 5 of 2013/14.
The agency's primary focus is on formulating, promoting, and ensuring the implementation of a comprehensive integrated rural development strategy for the Eastern Cape Province. Thus, ECRDA is dedicated to addressing and improving rural development issues in the region through a coordinated and strategic approach.

ECRFC Act 9 of 1999 and ECRFC Amended Act 2012

VALUES

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 interventions 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 my knowledge and belief, I confirm the following:
All information and amounts disclosed in the annual report are consistent with the Annual Financial Statements audited by the Auditor-General.

The annual report is complete, accurate and is free from any omissions.
The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the 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.

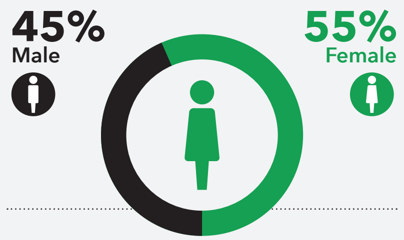
The external auditors are engaged to express an independent opinion on the Annual Financial Statements.
In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs for the entity for the financial year ended 31 March 2024.
Yours faithfully

Chairperson of the Board
Dr Nondumiso Maphazi

Interim Chief Executive Officer
Gcinumzi Qotywa

ECRDA Board Composition

Gender



Tenure

0 - 2 years
8 members

2 - 3 years
2 members

3 - 5 years
1 member

Age

35 - 39	01
40 - 49	03
50 - 59	04
60 - 69	03

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

THANDI MBETE (Deputy Chairperson)
Appointed April 2019
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

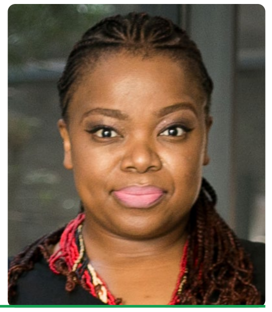
ADV. JOHN KORKIE
Appointed June 2021
Committees:
Audit & Risk (Chairperson)
Human Capital & Remuneration
Governance & Ethics

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

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

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

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



NONDUMISO NGONYAMA
Appointed June 2021
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

Committees

6 Board Committees

Audit & Risk Compliance
Meetings held: 9
No. of members: 6

Finance & Investment
Meetings held: 6
No. of members: 5

Governance & Ethics
Meetings held: 6
No. of members: 5

Human Capital & Remuneration
Meetings held: 8
No. of members: 6

Research, Projects & Stakeholder Management
Meetings held: 5
No. of members: 7

Strategy Implementation & Performance Management
Meetings held: 6
No. of members: 5

CHAIRPERSON'S FOREWORD

The 2023/24 financial year presented an opportunity for the board to further strengthen its oversight and accountability roles for the effective implementation of the ECRDA mandate. The board has a special responsibility to drive the strategic direction of the agency to respond to the government's development agenda. The board's focus was thus singularly focussed on sharpening its oversight tools to ensure that the organisation adequately responds to the demands of the development project. In particular, the board is seized with ensuring that there is a direct correlation between government investment and the development impact in the communities we serve.

Furthermore, the board had to ensure that adequate systems were in place to turnaround the disclaimer the agency received from the Auditor-General in the 2022/23 financial year. The organisation is enjoined to practice financial prudence in the delivery of its stated mandate. The board impressed on management this obligation which is at the epicentre of our efforts to regain public trust in the agency.

I am pleased that we have made significant strides, with the agency recording a qualified audit opinion in the period under review. The ECRDA is in a state of continuous improvement, and I am confident that an unqualified audit opinion will be achieved in the 2024/25 financial year. The appointment of the interim chief financial officer has led to these improvements which moved the agency from a disclaimer to a qualified opinion. We are also strengthening internal financial systems as well as operational efficiencies. The board is keeping a close eye on various management activities including risk management, IT, compliance management, associated policy formation and oversight of the implementation process.

The board is equally committed to filling critical vacant posts in the roles of chief executive officer, chief financial officer and corporate services. Certainty at executive management level is critical to building public and employee confidence in the institution. The agency intends to fill these posts with permanent human resources in the 2024/25 financial year. I am grateful for the stabilising role played by fellow board member Mr Gcinumzi Qotywa whom the board delegated to fill the role of interim chief executive officer following the dismissal of the previous chief executive officer.

The board has also established appropriate governance structures to ensure that it executes its obligations in an ethical manner in the interests of its various publics and stakeholder groupings. In addition, the board has ensured continuous communication with the executive authority through quarterly meetings. The board's accountability mechanism extended to all its stakeholders.

STRATEGY DEVELOPMENT

I am pleased that the board remains on the pulse of the agency contributing significantly to the strategy development and review process. In November 2023, the board held a strategy review session which aligned the outcomes of the agency with the ECRDA mandate. The board is also aware that the strategy implementation process is a collaborative exercise which requires the development of strategic partnerships. The board is grateful for the Department of Rural Development and Agrarian Reform's (DRDAR) attendance at the strategy review session and other partners. They provided critical inputs to the strategic exercise.

In all its dealings, the board encourages engagements with partner institutions to ensure the spread the reach and extent of the ECRDA's development impact. I am pleased that the agency leverages the resources of third-parties to exert a maximum development impact.

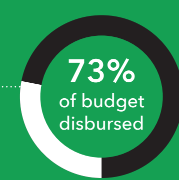
PROGRAMME IMPLEMENTATION

I am pleased that the agency implements catalytic high impact projects despite a challenging macro and micro economic environment characterised by fiscal constraints. In order to address prevailing food security challenges at the Rural Enterprise Development (RED) Hubs, the ECRDA is working with stakeholders to develop and approve a RED Hub business model. The model encompasses five critical pillars of production, aggregation, processing/value addition, distribution and markets. The ECRDA with the Eastern Cape Development Corporation (ECDC) is currently conducting a review and redesign study of the RED Hubs at Emalahleni, Mbizana and Mqanduli. The study will provide additional information on the business model and issues of ownership/governance.

In 2023/24, 55 loan applications worth R5,1 million were approved by the rural financial services function. These approvals reflect the ECRDA's ongoing efforts to providing rural finance to individuals and enterprises to address business needs. Of this amount, R4,4 million was disbursed representing 73% of the budget. Loan repayments in 2023/24 were R4,738 million versus a target of R3,8 million. With a R50 million allocation, Phase 1 of the ECRDA-ECDC Agri-Blended Finance Scheme approved 21 applications of R37,7 million which led to the creation of 457 jobs. Disbursements have been processed for 18 of the 21 approved applications, reaching a total cumulative disbursement value of R32,3 million.

R5,1million
in loans approved for 55 loan applicants

R4million
in loans disbursed



R4,738million
in loan repayments for 2023/24

Four forestry projects conducted harvesting activities with 16,194 tons delivered to the market. These were comprised of:

4 863 tons
Izinini

8529 tons
Mkambathi

1581 tons
Sixhotyeni

1221 tons
Gqukunqa

R12,951 million.
Total timber sales for the 2023/24 financial year

The board remains committed to the highest standards of corporate governance and in its subsidiary, Magwa Enterprise Tea. The board is well-versed on the path it needs to take to effect the desired mandate delivery outcomes. An accountable leadership ecosystem is being entrenched as we respond to government's development imperatives.

APPRECIATION

The board celebrates the life of a fellow board member Mxolisi Koyo who passed on in July 2024 during the compilation of this report. His contribution to the work of the ECRDA will always live on in our hearts. He held a special place to the hearts of many. We are poorer in the absence of his wisdom and intellect. I express my sincere gratitude to the former MEC of DRDAR Nonkqubela Pieters for her guidance during the period under review. I am grateful to the ongoing support of the board and its collective wisdom in exercising its governance role. I extend my appreciation to the ECRDA team for their commitment and dedication in responding to the varied development demands of our communities. I am thankful to the partners who avail their collective resources which assist the agency to extend its reach and impact.

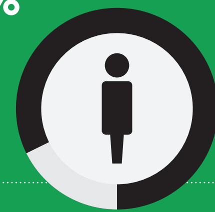
Nondumiso Maphaza
Chairperson of the Board

ECRDA Executive Composition

Gender

80% Male

20% Female



Tenure

1 - 2 years	67%
3 - 5 years	33%

Age

40 - 49	03
50 - 59	02
60 - 65	01

GCINUMZI QOTYWA
Interim Chief Executive Officer

VICKY NTSODO-BOYCE
Interim Chief Financial Officer

NAVY SIMUKONDA
Executive: Integrated Programme Management

RICARDO DE BEER
Executive: Trade and Investment

CELLO GARDNER
Executive: Corporate Services Executive

LUVO QONGGO
Acting Executive: Regional Development

INTERIM CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to present the annual performance report of the Eastern Cape Rural Development Agency for the 2023/24 financial year. Leading the ECRDA is a formidable enterprise which requires clarity of thought and incisive leadership acumen. It requires the organisation to marshal its collective resources in a manner which gives effect to the development aspirations of the rural communities we serve.

The ECRDA is taking practical steps which are designed to effect the desired mandate delivery outcomes. We are priming our human resources to be the trusted stewards of socio-economic change we envisage. We are empowering them with the skills and technical acumen to execute complex programme design, implementation and monitoring.

We are sharpening our internal efficiencies to respond swiftly to challenges to strategy implementation. We are inculcating and consolidating a culture of hard work within the agency in order to provide effective solutions to the myriad of development challenges confronting the rural hinterland. We are also retaining valuable human capital while recruiting top talent to assist us in attaining an improved development dividend.

As such, the Board impressed on management to develop the ECRDA into an effective, world-class development agent which is empowered to implement catalytic high impact projects. These projects are designed to make a meaningful contribution to the improvement of rural incomes, poverty alleviation, job creation and food security. The idea is to create rural entrepreneurs and enterprises that are sustainable and self-sufficient. To support these viability imperatives, the ECRDA is rolling out business support programmes which improve the competitiveness and productivity of rural enterprises.

These programmes are executed cognisant of the reality that the efficacy of financial support is dependent on the attendant non-financial support instruments. A variety of trainings, seminars and workshops across all the ECRDA's programmes are being rolled out to support our communities to become sustainable and viable business concerns. Furthermore, we are scoping and identifying market access opportunities for entrepreneurs in rural communities. This is critical support that ensures that there is a ready market for the products of rural enterprises.

FINANCIAL PRUDENCE

The ECRDA is taking bold decisions to turnaround the agency into a viable business of the state. The board has identified the need to improve the financial performance of the agency in order to build public trust. The ECRDA is aware that it has to prove its value through improved sustainability, cost reduction and astute management of public funds.

The ECRDA must manage the financial resources at its disposal in a manner which builds and maintains public trust. In 2023/24, meaningful work was done to reverse the adverse findings of the Auditor-General in relation to the ECRDA's financial performance. I am delighted that we have made considerable improvements from a disclaimer in 2022/23 to a qualified audit opinion in 2023/24. We are confident that in the 2024/25 financial year, we will attain an unqualified audit opinion. The ECRDA is serious about addressing internal weaknesses in its financial management and the board as well as executive management is keeping a keen eye on this area.

STRATEGIC ALLIANCES

We are equally aware that the ECRDA can only extend the reach and extent of its development apparatus through the development of strategic alliances. Government is faced with significant budgetary and fiscal constraints which require a prudent management of available resources. In this regard, we are building high-value partnerships with like-minded organisations in order to extend the reach of the development impact. We are leveraging partner resources and entering into agreements which should lead to the development of a viable socio-economic architecture in the Eastern Cape.

Across our programmes, we have prioritised the establishment of public-private partnerships which assist in the attainment of the ECRDA mandate. In this regard, I am delighted with the achievements of the first phase of the Agri-Blended Finance Scheme in partnership with the Eastern Cape Development Corporation (ECDC). The scheme is designed as a loan and grant instrument to assist viable farming operations across the province. By the end of the 2023/24 financial year, R37,7 million had been approved for disbursement to 21 agricultural enterprises. The implementation of this scheme supports the objectives of the Agriculture and Agroprocessing Master Plan.

R37,7million
approved for disbursment

21
agricultural enterprises approved for the above disbursment

FINANCIAL PRUDENCE

During the period under review, the ECRDA, had an approved budget of R249 million. This allocation was subsequently adjusted to an approved R248 million. This budget included funding for its operations, ring-fenced funding for the operations of Magwa Tea Enterprise, and projects outlined in the Annual Performance Plan and this report. The adjustment was mainly on reallocation of funds from Rural Enterprise Development (RED) Hubs projects into Amadlelo, and a revolving credit facility. By the end of the reporting period, the revolving credit facility remained unspent. The agency managed its available funding through monitoring of expenditure trends throughout the financial year to avoid over expenditure. Of note is R12,4 million that was received from the department on 31 March 2023, which was transferred to the intended recipient in April 2023, thus appearing as possible over expenditure on transfers disbursed.

The ECRDA's financial performance in the 2023/24 financial year was influenced by several factors related to the implementation of its resolutions. These included the review and/or improvement of policies and procedures which assist operations to be more efficient and effective thus creating an enabling environment for the ECRDA. In addition, there was a focus on rural development facilitation, project management and the provision of rural finance. These included providing oversight as the 100% shareholder of Magwa Tea Enterprise (Pty) Ltd.

The key activities of the ECRDA remained constant during the year, with no discontinued activities, except for Kangela Citrus Farm, which was not consolidated in the consolidated annual financial statements of the ECRDA.

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

The agency has continued to implement the cost containment measures regulations as gazetted. The agency is committed to clean governance and underpinned operations with compliant, transparent and effective supply chain support.

The surplus for the year under review is R16,5 million vs the adjusted 2022/23 surplus of R14,5 million. This emanates from a combination of improved operating revenue and in some instances reduced operating expenditure. An improvement in operating revenue was from increased rental income and interest received on investment.

R248 million approved budget

R185 million
Income 2023/24

R177 million
Income 2022/23

2023/24 Income	
Government Grants	156 789 568
Insurance Income	14 811 467
Interest on loans	5 963 092
Interest received-Investment	3 090 283
Other Income	2 865 845
Rental Income	2 044 821
Total	**185 565 076**

2022/23 Income	
Government Grants	145 456 953
Insurance Income	11 909 060
Interest on loans	5 695 642
Interest received-Investment	650 704
Other Income	11 741 080
Rental Income	1 837 313
Total	**177 290 752**

The statement of financial position reflects a sound asset base when compared to the liabilities of the agency, with a current asset ratio of 1.52:1. Other than cash and cash equivalents, the largest portion of the assets is the loans and advances to customers which is 25% of the total assets of R109 million.

SPENDING TRENDS OF THE AGENCY

Grant funding fluctuates from year to year as the allocation is based on the annual requests and targets linked to provincial initiatives and targets.

Revenue streams

Source	2021/22	2022/23	2023/24
Grant Funding	180 264 253	145 456 953	156 789 568
Rental Income	1 822 946	1 837 313	2 044 821
Interest Income	6 493 444	6 346 346	9 053 375

Expenditure streams

Source	2021/22	2022/23	2023/24
Employee Related Costs	107 410 865	95 332 135	100 721 969
Project Expenses		14 956 828	12 599 518
Contracted Services	3 439 367	2 944 031	6 150 490
Administration Costs	75 314 956	49 490 528	49 553 302

The increase in employee-related costs emanates from the suspension of executives and the Chief Executive Officer, wherein appointments in acting positions were made followed by the appointment of the Interim CEO and Chief Financial Officer from August and September 2023 respectively. Contracted services were another cost driver to the disciplinary processes of the executives which were handled by a firm of attorneys.

Request for roll over of funds
There has been a request for the roll-over of funds for the 2023/24 financial year. The requested amount was R66,286m. The amount mainly relates to accruals at year end, MAFISA funds. The process of approving the roll-overs is being undertaken by Provincial Treasury during the budget adjustments estimate process which takes place in October each year.

Supply Chain Management
A formal approved SCM policy for the procurement of goods and services is in place. The revisions to the policy were approved by the Board in February 2024. There were no unsolicited bids received during the year under review.

SCM processes and systems
The ECRDA is satisfied that adequate processes and systems are in place to ensure that procurement is done in a fair, transparent and equitable manner as required by the Constitution and all relevant SCM legislative documents. The reduction in the value of irregular expenditure incurred is an indication of the extent to which the systems and controls have improved in relation to procurement processes.

Challenges experienced
General capacity challenges were a significant stumbling block to effective and efficient procurement procedures. This was because of the placement review process that led to vacancies in critical positions in SCM. The challenge was resolved by a Board resolution to undertake a placement review process, which was concluded in March 2024.

Events after reporting date
There are no significant subsequent events except for the conclusion of the disciplinary processes of both the CEO and CFO as reported in the annual financial statements.

Subsidiaries
The subsidiary included in the group is Magwa Tea Enterprise (Pty) Ltd, where ECRDA has 100% shareholding. ECRDA did not consolidate Kangela Citrus Farm, due the loss of control emanating from the court interdict that was issued in 2018.

Audit Outcomes
The ECRDA, had in 2022/23 received a disclaimer of opinion, due to various reasons which had been communicated. The agency aimed to improve the outcome to an unqualified opinion. However, the ECRDA has received a qualified audit opinion from the Auditor General of South Africa. This improvement was because of efforts by the board of stabilising the institution through the appointment of the Interim CEO and CFO. The finance manager was also appointed in May 2024, as the annual financial statements were being concluded for submission for audit.

The ECRDA endeavours to improve the audit outcome into an unqualified opinion in the 2024/25 financial year, through the implementation and monitoring of the audit improvement plan. Focus will be on filling the executive manager positions of CEO, CFO and Corporate Services. The agency is in the process of exploring the best ICT systems that would assist in managing its loans and advances to customers, as well as an integrated system for all its business requirements.

OPERATIONAL PERFORMANCE

I am delighted that we have made considerable improvements in the execution of our catalytic high impact projects. We are making a formidable development impact although the agency is in a state of continuous improvement. I am pleased that we are making a recognisable impact despite significant resource constraints. A summary of programme performance is reflected below.

Rural financial services

In 2023/24, 55 loan applications worth R5,1 million were approved. These approvals reflect the ECRDA's ongoing efforts to providing rural finance to individuals and enterprises to address business needs. Despite having an available budget of R6 million for the 2023/24 financial year, only R4,4 million was disbursed representing 73% of the budget.

R5,1million
in loans approved for 55 loan applicants

73% of budget disbursed

R4million
in loans disbursed

R4,738million
in loan repayments for 2023/24

Loan repayments in 2023/24 were R4,738 million versus a target of R3,8 million.

With a R50 million allocation, Phase 1 of the ECRDA-ECDC Agri-Blended Finance Scheme approved 21 applications of R37,7 million which led to the creation of 457 jobs. Disbursements have been processed for 18 of the 21 approved applications, reaching a total cumulative disbursement value of R32,3 million. Lima, the ECDC appointed service provider for pre- and post-investment support, has recommended an additional 11 applications with a combined value of R13,361 million. This brings total committed funding to R50,753 million from 31 applications. This bodes well for the partnership, as the total committed programme funding will be expended in the new financial year.

R50m
allocation of the ECRDA-ECDC Agri-Blended Finance scheme

Cannabis and hemp development

In 2023/24, the cannabis and hemp budget was R10,45 million. This budget was committed to the cannabis incubators, hemp applications, training and awareness activities and concluded agreements among other activities.

In terms of farmer support, four tons of hemp seeds were imported through the award of a hemp seed supply and delivery bids to two local hemp seed import service providers. These bids comprise 1,3 tonnes of NPK procured through the award of an NPK supply and delivery contract and 1,000 L herbicides procured through another contract.

A total of 110 hemp farmers were trained on hemp primary cultivation. The training took place at Fort Cox Agriculture and Forestry Institute. A one hectare experimental hemp field was established at the college by the farmer trainees as part of a practical training course.

110
hemp farmers trained on hemp primary cultivation

Agroprocessing

In 2023/24, the agroprocessing programme was allocated a R4,7 million budget. The budget was used for external social facilitation services, safeguarding of assets, servicing of tractors, procurement of production inputs, and subsidised cost of employment at the Emalahleni, Mbizana and Tshabo RED Hubs. The Tshabo RED Hub was allocated R3,2 million for infrastructure, production inputs and social facilitation. The hub hired 100 general workers to assist with field de-bushing and to secure assets.

R4,7 million
budget allocation for the agroprocessing programme in 2023/24

Wool and mohair

In 2023/24, the wool and mohair budget was R1 million to support communal and emerging farmers. The funds were mainly spent on Responsible Production Standards training. The certification of sheds as responsible production units also includes providing training on "animal handling" which is a national educational course in which each of the shed members are trained. If successful, they receive an NQ4 certificate. It includes wool classing and preparation, and solutions offered to the sheds in this regard. Indepth training on climate change reasons and mitigation measures is included.

Forestry development

In 2023/24, the forestry unit's R3 million budget primarily went to the employee costs of two projects and for resources contracted by all forestry projects. A total of 124,3 hectares were established through planting and coppicing at Izinini and Mkambathi in 2023/24.

Four projects conducted harvesting activities in 2023/24. A total of 16,194 tons were harvested and delivered to the market.

4 863 tons
Izinini

8529 tons
Mkambathi

1581 tons
Sixhotyeni

1221 tons
Gqukunqa

R12,951 million.
Total timber sales for the 2023/24 financial year

FUTURE OUTLOOK

The ECRDA intends to improve its financial performance to achieve an unqualified audit opinion in the 2024/25 financial year. The finance function is being primed to provide an effective support service to the core business units. We are continuing with plans to develop the internal capacity for empowering programme design and execution. We are also attracting high value skills to fill critical posts including the roles of chief executive officer, chief financial officer and corporate services executive. We are stabilising the organisation to take advantage of future growth prospects while effecting the desired socio-economic dividend.

APPRECIATION

I am grateful to DRDAR, the shareholder for its enduring support in a challenging operating environment. I am thankful to the board for its astute oversight role as well as to the entire ECRDA team for its resilience and commitment as we traverse the rural development terrain. I am grateful to the communities we serve and for their patience as we attempt to deliver the requisite development returns.

Gcinumzi Qotywa
Interim Chief Executive Officer

OPERATIONS REVIEW

RURAL FINANCIAL SERVICES

The ECRDA continues to execute an empowering rural finance programme which is designed to stimulate economic growth, revenue generation and job creation in the rural communities of the Eastern Cape. The idea is to grow rural enterprises to a point where they are self-sufficient by strengthening their sustainability imperatives. Ultimately, rural finance provides the tools for rural entrepreneurs to enter the mainstream economy.

The ECRDA is equally aware that in order to improve the efficacy of its rural finance instruments, it needs to deploy robust non-financial business support tools to bolster the competitiveness of these enterprises. In this regard, the agency implements numerous business support programmes which are intended to improve the general competitiveness of rural entrepreneurs as well as their productivity. Competitive and productive rural enterprises are well-primed to compete favourably with their global counterparts.

Rural enterprises are often deprived of access to financial markets, credit lines and the economic value chain which are critical inputs to vibrant and energised business activity. An agency of the state, the ECRDA is well-positioned to provide financial support to rural businesses who often lack the collateral that private lenders demand. This means the ECRDA becomes the lender of first resort for rural entrepreneurs. As a developmental entity, the ECRDA therefore takes on a higher risk appetite by supporting even those entrepreneurs who are considered unbankable by private lenders. This means the ECRDA and like-minded state agencies, will incur higher loan impairment rates compared to private lenders. Government agencies are thus required to maintain a careful balancing act between organisational sustainability and development imperatives to ensure their long-term viability.

The agency also adopts a robust educational approach which inculcates a culture of timeous loan repayments. When recipients of loan funding meet their repayment obligations, government is able to use these funds to assist other needy entrepreneurs. Non-payment of loans, significantly limits the agency's ability to extend credit to other deserving rural enterprises.

In this regard, in 2023/24, the ECRDA's plans were centred around becoming the preferred regional financier and trusted partner for rural financial services. As such, the agency undertook a drive to form strategic partnerships with institutions that play a complementary role in the development finance arena. Mutually-beneficial strategic partnerships enhance the limited institutional resource capacity within the ECRDA, ensuring meaningful impact on communities.

In addition, the rural financial services function planned to support commercially-viable rural enterprises to stimulate the rural economy, and alleviate poverty through the retention and creation of sustainable jobs and enterprises.

The objective was to process 50 loan applications, implement the collections policy by recovering loan funding from customers with arrears up to 120 days, and to support five priority commodities, horticulture, grains, red meat, piggeries and poultry through blended finance programmes. All these targets were achieved.

To achieve these targets, the ECRDA improved debt collection efforts and the marketing of loan products in rural and peri-urban areas to attract more entrepreneurs, especially youth. These efforts were aided by the review of the board-approved Collections Policy and Credit Policy.

OPERATIONAL PERFORMANCE

In 2023/24, 55 loan applications worth R5,1 million were approved. These approvals reflect the ECRDA's ongoing efforts to providing rural finance to individuals and enterprises to address business needs.

Despite having an available budget of R6 million for the 2023/24 financial year, only R4,4 million was disbursed representing 73% of the budget. The following factors contributed to the lower than expected loan disbursement:

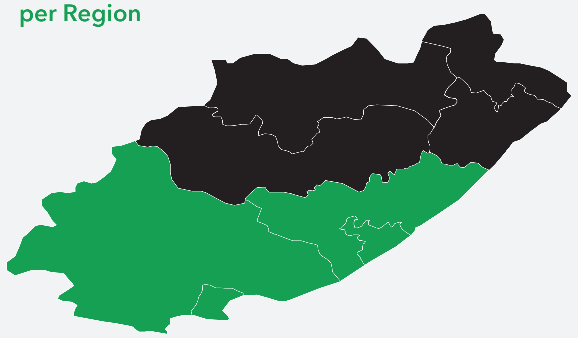
Initial Budget Exhaustion: The initial allocation of R3 million was exhausted by July 2023. This constrained the ability to attract loans for about two months.

Additional Budget Allocation: An additional R3 million was allocated in September 2023 to address the funding shortfall. However, the time required to allocate and disburse these additional funds limited the impact within the financial year.

Blended Finance Scheme: The introduction of the Agri-Blended Finance Scheme, which included a grant element, attracted interest from clients. This scheme was advertised in November 2023, and its appeal may have diverted potential applicants away from traditional loan options, affecting the disbursement rate of the standard loan products.

Declined loan applications were largely due to credit default judgments, debt review statuses, poor quality of business plans and affordability among others. This reduced the number of viable applications that could be processed and funded.

Approved Loan Applications per Region



R2 006 448
Southern Regions

R1 908 500
Eastern Regions

R1 176 935
Northern Regions

R5 091 883
Total

Disbursements - Agricultural and Non-Agricultural Loans

R3 630 955.11
Agricultural loans — 83%

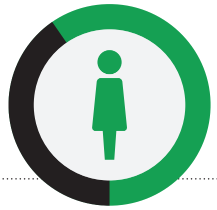
R740 000
Non-Agricultural loans — 17%

4 370 955.11
Total

Demographic Split of Loan Disbursements (Enterprise Ownership)

11 Male

15 Female

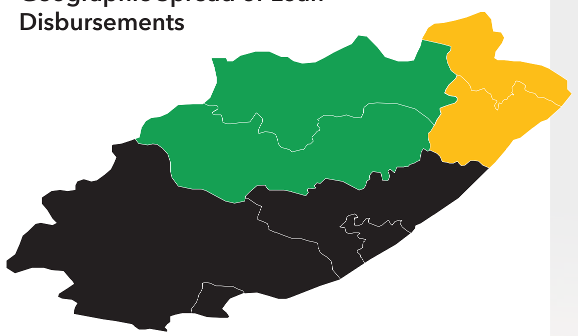


07 Youth

22 Group

173 Beneficiaries

Geographic Spread of Loan Disbursements

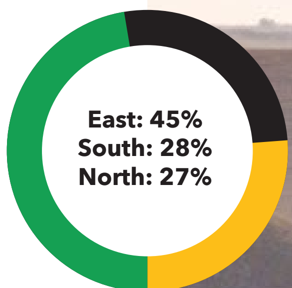


R1,950,948.28
Northern Regions:
Chris Hani & Joe Gqabi

R1,243,162.68
Southern Regions:
Amathole, Sarah Baartman, BCMM & NMMM

R1,176,844.15
Eastern Regions:
Alfred Nzo & OR Tambo

R 4,370,955.11
Total



ECRDA – Eastern Cape Development Corporation (ECDC) Blended Finance Scheme

With a R50 million allocation, Phase 1 of the ECRDA-ECDC Agri-Blended Finance Scheme approved 21 applications of R37,7 million which led to the creation of 457 jobs.

Regional Spread of Agri-Blended Finance Scheme Approvals

R20 376 445
Southern Regions

R12 815 587
Eastern Regions

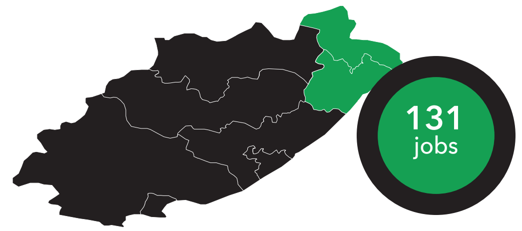
R4 561 591
Northern Regions

R37 753 632
Total

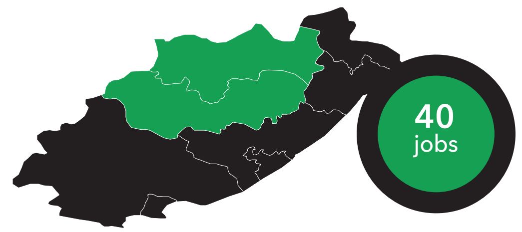
Agri- Blended Finance Scheme disbursements

Disbursements have been processed for 18 of the 21 approved applications, reaching a total cumulative disbursement value of R32,3 million. Lima, the ECDC appointed service provider for pre- and post-investment support, has recommended an additional 11 applications with a combined value of R13,361 million. This brings total committed funding to R50,753 million from 31 applications. This bodes well for the partnership, as the total committed programme funding will be expended in the new financial year.

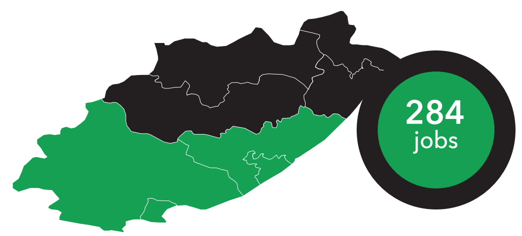
Regional and product spread of Agri-Blended Finance Scheme Disbursements



Eastern	10,608,259	131
Grain	1,465,120	40
Macadamia nuts	2,472,507	34
Mixed	6,498,932	51
Poultry	171,700	6



Northern	3,663,896	40
Dairy	1,714,909	5
Livestock	771,909	14
Mixed	1,177,077	21



Southern	18,073,545	284
Livestock	4,027,643	21
Macadamia nuts	3,764,802	105
Pineapple	10,137,430	150
Poultry	143,670	8
Grand Total	32,345,699	455

FUTURE PLANS

- The rural financial services function has identified the following future plans:
- Procure an agile, effective and cost-efficient loan management system
- Conduct funding awareness campaigns
- Reduce paperwork and use technology
- Improve on the turnaround/response and processing of loan applications

CANNABIS AND HEMP DEVELOPMENT

In 2023/24, the cannabis and hemp development function planned to provide input production support in the form of hemp seeds, fertiliser and herbicide to 100 cannabis and hemp small business operators. The project's objectives included providing sector-specific training to the identified 100 cannabis and hemp small businesses. In addition, the ECRDA planned to support the operationalisation of the Dohne and Magwa incubators.

Furthermore, the ECRDA set in motion the development of high value partnerships and alliances which will support the growth and development of the cannabis and hemp industry. This is critical as industrial hemp is a sunrise industry in South Africa. Partnerships with strategic partners with sector-specific knowledge, such as research entities, training providers, investors, product manufacturers, distributors, and market demand pathways are critical in establishing a successful sector across the differentiated industrial value chains for hemp industrialisation.

In 2023/24, there was no commercial industrial hemp primary production. This is because there is currently no hemp seed registered in South Africa for commercial purposes. Only a one hectare (ha) hemp agronomic research field was cultivated at Fort Cox Agricultural and Forestry Institute. It was cultivated by hemp permit holder farmers as part of a hemp primary production training exercise.

OPERATIONAL PERFORMANCE

In 2023/24, the cannabis and hemp budget was R10,45 million. This budget was committed to the cannabis incubators, hemp applications, training and awareness activities and concluded agreements among other activities.

R10,45 million
Cannabis and Hemp budget for 2023/24

In terms of farmer support, four tons of hemp seeds were imported through the award of a hemp seed supply and delivery bids to two local hemp seed import service providers. These bids comprise 1,3 tonnes of NPK procured through the award of an NPK supply and delivery contract and 1,000 L herbicides procured through another contract.

A total of 110 hemp farmers were trained on hemp primary cultivation. The training took place at Fort Cox Agriculture and Forestry Institute.

110
hemp farmers trained on hemp primary cultivation

A one hectare experimental hemp field was established at the college by the farmer trainees as part of a practical training course. The established field was managed by college staff and students who gained relevant knowledge on hemp primary production.

In relation to the cannabis incubators, the ECRDA facilitated discussions between the Dohne incubator and the Agricultural Research Council (ARC). The ARC is a national science council responsible for hemp agronomic research in the country.

The ARC established an agronomic research program in Addo to evaluate the performance of imported hempseed under South African agroclimatic conditions. The hemp cultivars that perform well will then be registered as hemp seed for commercial purposes in the country.

The Dohne incubator obtained a hemp cultivation permit from the Department of Agriculture, Land Reform and Rural Development (DALRRD) and a cannabis research permit from the Department of Health, resulting in the entity being able to undertake research on cannabis and hemp.

The ECRDA, with support from Pondoland Cannabis Belt local municipalities, Ntabankulu, Winnie Madikizela-Mandela, Ingquza Hill, Port St Johns, Nyandeni and the OR Tambo District Municipality, funded the inaugural meeting of indigenous cannabis growers of Pondoland. This meeting was held to establish the Pondoland Cannabis Belt Association. The association represents the interests of more than 20,000 estimated households which grow cannabis.

In June 2023, the ECRDA team formed part of 130 delegates that participated in the Cannabis and Hemp Action Lab organised by DALRRD and the Presidency Project Management Office. The action lab developed resolutions that national departments and entities should implement within specific time frames for the development of a comprehensive sector regulatory framework. The amendment of certain regulations by affected national departments is still ongoing.

During 2023/24, DALRRD amended the Plant Improvement Act and removed certain requirements for hemp permits (fencing; criminal record; 50 hectare limit). The South African Police Service (SAPS) issued a national notice to all police stations to guide the handling of cannabis arrests in the country.

FUTURE PLANS

- Attract an investor to set up operations in the province
- Undertake commercial trials on the lands of hemp cultivation permit holders using imported hemp seed to contribute towards expediting hemp seed registration for commercial purposes in the province
- Strengthening relations with strategic partners relevant to cannabis and hemp industrialisation program
- Continue to expedite the Magwa cannabis incubation within the prescript of applicable regulations governing cannabis and hemp.

AGROPROCESSING

The development of value addition ecosystem to support primary production is at the centre of the ECRDA's agroprocessing activities. The objective is to add value and beneficiation to the primary produce of communal farmers to improve their revenue generation capabilities. Beneficiation efforts are aimed at ensuring that communal farmers receive premium prices in the market for their products. Processing activities lead to the creation of job creation opportunities beyond primary production activities.

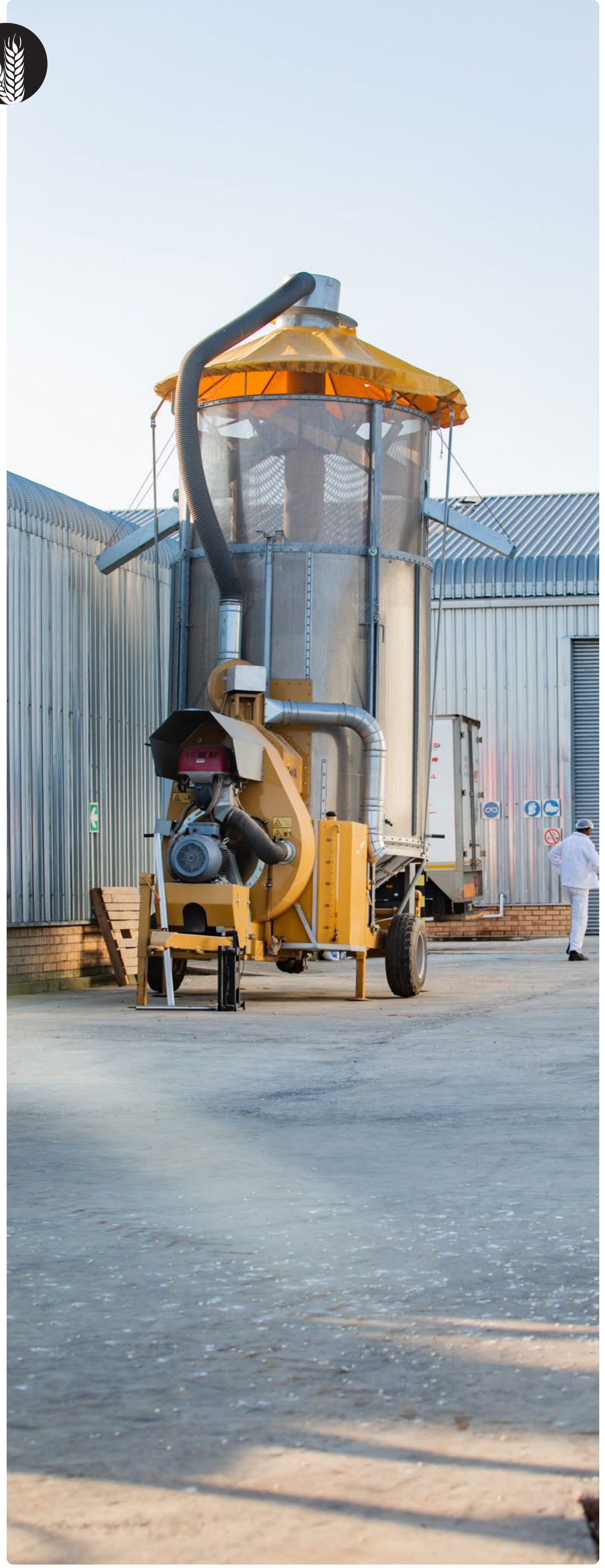
The ECRDA aims to achieve this by driving the growth and development of its Rural Enterprise Development (RED) Hubs as aggregation centres. The ECDC is thus augmenting the capacity of these aggregation centres to support the primary production activities of small-scale farmers. There is an ongoing capitalisation programme which is geared toward the attainment of these objectives. Relevant infrastructure is being developed at these centres which includes cold storage, as well as sorting and packaging facilities.

The ECRDA provides further support to the aggregation centres by extending market access activities to promote their products. Market access is crucial to ensuring that small-scale producers find a landing pad for their products and for supporting their sustainability goals.

The ECRDA 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.

In 2023/24, the ECRDA planned to upgrade the mill capacity and refurbish existing infrastructure storage at the Mbizana RED Hub. However, due to budgetary constraints, these plans were not achieved. The infrastructure for a potato processing facility shed was completed as well as the delivery and installation of a potato washer/sorter which was procured by the Eastern Cape Development Corporation.

In 2023/24, the Tshabo, Emalahleni and Mqanduli RED Hubs were supported with social facilitation services. Through social facilitation, the ECRDA engaged project stakeholders and established a Project Steering Committee (PSC) for each hub. The PSC is crucial for coordination, integration, support and accountability for the RED Hubs. A skills audit at the primary and secondary co-operatives was done. Thereafter, a recommendation for capacity-building trainings was made.



The ECRDA invited commodity association PotatoSA to assist with technical support, and establish to a potato production demonstration site . The commodity association provided valuable information on good agricultural (cultivar selection, land preparation, fertiliser and chemical applications) and management practices on potato production. A cooperative, Izambane Labantu, was supported with branded potato packaging materials by the agency.

Market opportunities are available for the RED Hubs. The Emalahleni RED Hub processes yellow maize into animal feed (crushed maize) and grit. Animal feed is sold to local retailers and community members. Grit is sold for further processing into snacks to a processing facility situated in East London.

The ECRDA continues to procure and provide security services to safeguard the infrastructure and assets at the hubs. For the Emalahleni RED Hub, board members took a responsibility of asset protection. This decision has been formalised and received endorsement from the Chief Executive Officer, as detailed in a Service Level Agreement (SLA) signed between the ECRDA and the Emalahleni RED Hub. To implement this, the Emalahleni RED Hub board has engaged security guards, a move that has been assessed as a more cost-effective solution for their specific needs.

At the Mqanduli RED Hub, the King Sabatha Dalindyebo Local Municipality engaged a security service provider to oversee the safety of the hub's assets.

Security services providers were appointed to safeguard the assets at the Tshabo, Ncora, and Mbizana Red Hubs.

RED Hub Aggregation Centres

The grain-producing RED Hub aggregation centres have a total of 38 active primary co-operatives.

10 cooperatives
Mbizana

12 cooperatives
Mqanduli

10 cooperatives
Ncora

6 cooperatives
Emalahleni

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

The Tshabo RED Hub has 12 primary cooperatives. The hub's primary activity is the production of flowers and vegetables. To support vegetable production, a borehole was establishment in Tshabo in 2023/24. Efforts were made to establish an additional tunnel for vegetable production. Instead, a decision was later made by the project beneficiaries to establish open field vegetable production, thus prioritising water reticulation. However, due to non-responsive bidders to bid documents this was not achieved.

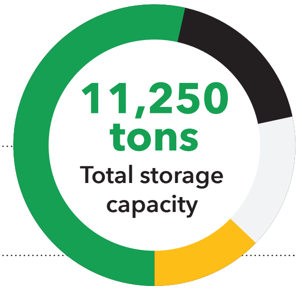
Grain Storage Capacity

2,500 tons
Mqanduli

4,750 tons
Ncora

2,000 tons
Mbizana

2,000 tons
Emalahleni



District Mechanisation Centres

During the period under review, the Department of Agriculture, Land Reform and Rural Development procured and delivered five tractors and their implements to the Mbizana RED Hub.

The district centres provide mechanisation services from ploughing and planting to harvesting operation for vegetable and grain producers. These services are offered to smallholder and commercial farmers.

OPERATIONAL PERFORMANCE

In 2023/24, the agroprocessing programme was initially allocated R11, 2 million which was later reduced to R4,7 million. The budget was used for external social facilitation services, securing of assets, servicing of tractors, procurement of production inputs, and subsidised cost of employment at the Emalahleni, Mbizana and Tshabo RED Hubs.

The Department of Rural Development and Agrarian Reform (DRDAR) and the Department of Agriculture, Land Reform and Rural Development asissted with primary production activities. A total of 190 hectares of white maize was planted at Mbizana Red Hub.

RED Hubs such as Mqanduli and Emalahleni were unable to plant in 2023/24 due to financial constraints. They were unable to purchase production inputs to complement the mechanisation subsidy of R 3 200/ha offered by DRDAR.

Famers of the Mbizana RED Hub managed to deliver nine tons of quality maize to the milling plants.

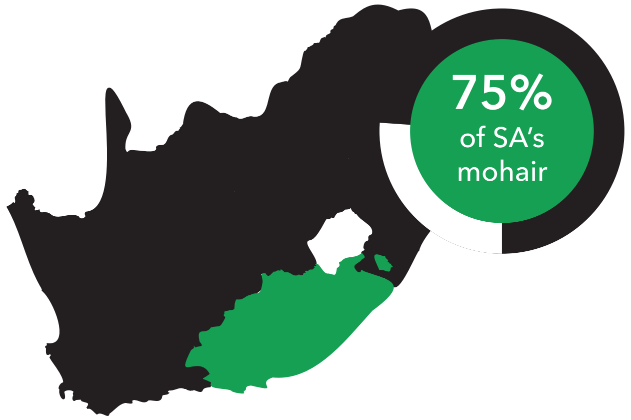
The Tshabo RED Hub was allocated R3,2 million for infrastructure, production inputs and social facilitation. The hub hired 100 general workers to assist with field de-bushing and to secure assets.

FUTURE PLANS

- Continue to provide social facilitation to all RED Hubs, and capacitate 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 facilities to feed mills.
- Increase mill capacity to break-even for the Mbizana RED Hub, and to add other operations such as a nursery, biofuels, animal feed processing facility, vegetable pack house and warehousing.
- Work with other stakeholders to develop and approve a RED Hub Business Model. The model encompasses five critical pillars: production, aggregation, processing/value addition, distribution and markets.
- The ECRDA with the ECDC is currently conducting a review and redesign study of the RED Hubs (Emalahleni, Mbizana and Mqanduli). The study will provide additional information on the business model and issues of ownership/governance.
- Continue to lobby experienced private players to provide financial and non-financial support. Private partners that can manage and run these RED Hubs.
- Continue to assist the RED Hubs with market access at regional and provincial levels.
- Establish a multi stakeholder approach to support RED Hubs and other projects that are critical for job creation and for the 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

WOOL AND MOHAIR

The ECRDA is pursuing the development of the wool and mohair sector which holds and abundant economic potential for the Eastern Cape. The province has significant unique selling points and a solid value proposition in the sector. the Eastern Cape produces 75% of South Africa's mohair and is regarded as the mohair capital of the world. The province is the main cattle and sheep breeding region of South Africa, producing 36% of South Africa's wool.



The programme intends to develop small-scale wool and mohair farmers so that they can compete with their commercial counterparts. 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 wool and mohair programme aims to transform the mohair industry by commercialising the operations of emerging mohair farmers and to introduce them to the global mohair value chain. According to Mohair South Africa, South African angora goat farmers produce 54% of global mohair production.

The Nelson Mandela Bay region is considered the global mohair capital because its port handles the bulk of South African exports. The region has the largest mohair spinner in the world in Kariega and another in Gqeberha not far behind. In addition, 90% of the produce is channelled through the ports of Ngqura and Gqeberha of which 70% is exported to Italy and China.

The potential for job creation in this industry is substantial in the manufacturing section of the value chain. These figures underline the significance of supporting grassroots wool and mohair development.

As such, in 2023/24, the ECRDA planned to conduct shearing shed training, so they can be certified as responsible wool/ mohair producing sheds. The agency also planned to undertake production training to increase meat production, to encourage an increase in household income.

The target was to train 24 communal shearing sheds and 15 emerging farmers in Responsible Wool and Mohair Production Standards to acquire certification to export their produce and receive premium prices for their sales. The plan was to also extend the training to ECRDA and DRDAR officials.

15 farmers
trained in basic wool sheep production

The main intervention areas included funding for on-farm production and sustainability and funding to complete the full value chain for wool and mohair producers. Another intervention was on-farm training for communal and emerging farmers on the latest production and health management systems for wool and mohair producers to attain long term sustainability.

OPERATIONAL PERFORMANCE

In 2023/24, the wool and mohair budget was R1 million to support communal and emerging farmers. The funds were mainly spent on Responsible Production Standards training.

The certification of sheds as responsible production units also includes providing training on "animal handling" which is a national educational course in which each of the shed members are trained. If successful, they receive an NQ4 certificate. It includes wool classing and preparation, and solutions offered to the sheds in this regard. Indepth training on climate change reasons and mitigation measures is included.

The increase in participation numbers and other sheds that want to participate and that attend the trainings, indicates that the training provides an exceptional high quality of practical operational value to the farmers. The farmers/sheds have indicated that they would appreciate additional sheep production training. Many more sheds are requesting the ECRDA to include them in future training. A crucial lesson has been the importance of partnerships. Effective partnerships build on synergies and deliver a better product for the target community.

FUTURE PLANS

There is a need for future project interventions. Only about +-200 sheds of the +-1,400 sheds in the Eastern Cape are certified as sheds that are responsibly producing wool for the international market.

Therefore, the need for the ECRDA to continue training for shearing sheds certification exists. Innovate ways to reach more farmers at the same time need to be developed. The current service providers have already developed some of these techniques, and are using them in the Mount Fletcher area.

FORESTRY DEVELOPMENT

In 2023/24 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 have to benefit from the natural endowments bestowed upon their communities. Government must ensure that beneficiary communities are not alienated from the economic spinoffs of projects 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).

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 a timber treatment processing plant around Bizana.

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. To minor extent wattle trees can also be grown on a commercial scale. 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. Pine trees are not ordinarily suitable for community-owned enterprises due to their slower growth. 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 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 2023/24, 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 are 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 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

There remain institutional issues at the Mkambathi project in which new Trustees were elected, but the election process was challenged in court by the existing Trustees. This has resulted in a legal process in court over the past 12 months and is still not settled. The Master of the High Court has since issued a new Letter of Authority, even though it was the Master of the High Court that requested an investigation of allegations of mismanagement from the community. Unfortunately, the cost of the legal proceedings is high and is being paid for by the forestry project. Apart from providing advice on this matter and reporting this conflict to DALRRD, the ECRDA was not directly involved in the legal proceedings.

The Sinawo project was destroyed during 2020 to 2023 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 DALRRD and the Land Claims Commission. The DALRRD facilitated the election of a new CPA committee during 2023, but unfortunately they did no social facilitation to resolve the internal issues within this community.

In 2023/24, the ECRDA supported the CPA's by participating in each project's monthly management meetings. The agency reviewed monthly operational and financial reports in order to establish progress against plans and expenditure against budget. The ECRDA also assisted with social facilitation by attending community meetings, when required. In 2023/24, the ECRDA extended financial support to the projects in the form of salaries and wages where the projects are not yet financially independent. Assistance was provided for the review of monthly account balances, review of monthly project payments and released payments to ensure supporting documentation is in order.

The ECRDA also provided monitoring and oversight while keeping expenditure within reasonable perimeters. Field visits to the plantation operations are conducted, if required. The agency also engaged with Sappi and PG Bison on a monthly basis.

The ECRDA has also signed Memoranda of Agreement with four community forestry projects, Izinini, Sixhotyeni, Mkambati and Gqukunqa, on the roles that ECRDA is playing in these projects.

In 2023/24, the forestry unit budget was R3 million. Of this amount, 80% went to employee costs of two projects and for resources contracted by all forestry projects. The balance of the budget went to travelling and accommodation expenses.

A total of 124,3 hectares were established through planting and coppicing at Izinini and Mkambathi in 2023/24. This area was planted with eucalyptus grandis/urophylla cuttings (GU clone material). The cuttings were sponsored by SAPPI.

Four projects conducted harvesting activities in 2023/24. A total of 16,194 tons were harvested and delivered to the market.

4 863 tons
Izinini

8529 tons
Mkambathi

1581 tons
Sixhotyeni

1221 tons
Gqukunqa

R12,951 million.
Total timber sales for the 2023/24 financial year

Total timber sales for the 2023/24 financial year amounted to R12,951 million.

An average of 148 full-time equivalent jobs were created at the four forestry projects throughout the 2023/24 financial year. A total of 307 434 hours of work was recorded for the year, or an average of 25 620 hours per month. An average of 65% of these jobs were for women and youth.

FUTURE PLANS

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

Continued financial support to the Sixhotyeni and Gq-ukunqa 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 and had secured harvesting contractors at the end of the 2023/24 financial year. This will allow them to develop resources to conduct their own harvesting operations. Such funds will also be allocated to any new partnerships that ECRDA might engage in. The Chevy Chase community within the Elundini Local Municipality and the Magwa Tea Estate at Ingquza Hill Local Municipality have expressed an interest for the ECRDA to provide support to their forestry development plans.

The agency will work closely with the Sinawo CPA and DALRRD to resolve the community conflict, and with the Mkambathi Trust to facilitate a handover to the new Board of Trustees subsequent to the final court ruling.

Engagements with the Department of Forestry Fisheries and Environment will continue to ensure the transfer of government plantations to some of these projects.

The ECRDA will facilitate a Business Plan for a potential timber treatment plant envisaged around the Mbizana area.

PART B
PERFORMANCE INFORMATION

OVERVIEW OF PERFORMANCE

Service Delivery Environment

The ECRDA service delivery environment is challenged with core rural realities such as poor accessibility, environmental sustainability and infrastructure maintenance that is sorely lacking in the rural areas which encompasses the service delivery environment of the ECRDA. In addition, the fiscus constraints that government is faced with has forced the ECRDA to reconsider how the agency delivers on its mandate.

Rural Development is much broader than agriculture, however agriculture is a catalyst for rural development and as such a good portion of the service delivery has been taking place in this sector. ECRDA has worked closely with its shareholder, other government departments and public entities, as well as the private sector, to form collaborations and partnership to secure bigger impact for rural communities.

During the 2023/24 financial year the agency had indicators in three (3) programmes. Programme 1, Administration is more support to the core programmes, which is aimed at increased socio-economic impact as well as increased levels of resource mobilisation through the delivery of services. The two core programmes are unpacked below.

Programme Management & Rural Development Interventions

In this programme the ECRDA delivered services in the following key projects

Cannabis: The agency supported 100 primary producers in this new industry through training and assisting with securing production inputs.

100
primary producers supported by ECRDA

RED Hubs: ECRDA has established five RED Hubs during the last two planning cycles. Despite many challenges that face the RED Hubs the agency was able to support the hubs with social facilitation, securing of assets and supporting the Mbizana RED hub towards becoming an Aggregation Centre.

Mbizana RED Hub
supported towards becoming an Aggregation Centre

Forestry: Four community owned forestry projects were supported with technical and management support. In addition, 124.3 hectares of new plantation was planted.

Aquaculture: A Provincial workplan for the MTEF was developed for consideration and sourcing of funding.

124.3 ha
planted across four community owned forestry projects

Wool & Mohair: The agency trained 804 communal and emerging farmers on responsible wool/mohair standards and the responsible production audit of all sites, communal shearing sheds and emerging farms, was completed.

804
communal and emerging farmers trained for responsible wool and mohair standards

Citrus: The Citrus Intervention Project, managed by the Eastern Cape Rural Development Agency (ECRDA), is a pivotal initiative aimed at supporting the citrus farmers in distress. Funded by a substantial allocation of R8,496 million from the Citrus Fund, this initiative aims to rejuvenate struggling orchards and enable farmers to produce high quality citrus fruits for the export market. A collaboration between the Department of Rural Development and Agrarian Reform (DRDAR) and ECRDA has resulted in the selection of 32 citrus farmers for participation in this transformative program.

Rural Financial Services: The ECRDA implemented both loan financing project and the Blended finance initiative.

For the 2023/24 financial year the ECRDA approved fifty-five loan applications to the value of R5m. These loan types ranged from production inputs, tractors, implements and farm infrastructure and livestock as well as non-agricultural loans.

R5m
in loans approved to 55 applicants

The ECRDA-ECDC Blended Finance Scheme has successfully approved twenty-one (21) applications, totalling R37 391 401. Disbursements have been processed for eighteen (18) of these approved applications, reaching a total cumulative disbursement value of R31,983,468.

R31,9m
in Blended Finance Schemes loans disbursed for 18 applicants

Trade & Investment: The ECRDA has been in discussions with various public and private sector organisations to facilitate collaboration and secure investment for rural development initiatives. During the 2023/24 financial year the agency secured a partnership with SEFA that secured R50m for this sector. In addition, a partnership was secured with Tanager to the value of R2m.

R50m
secured through a partnership with SEFA

There were some challenges that the ECRDA faced that impacted service delivery, specifically in the cannabis project. The Terms of Reference on Sandbox Regulatory Framework giving special dispensation on medicinal and industrial use of indigenous cannabis growers' primary produce from Mpondoland cannabis belt, against which the special SAHPRA medicinal license would have been obtained has not been completed by the Legal Services entities contracted by the Presidency PMO. The private sector partners require this legal framework certainty before committing investments in the facility to commercially exploit the indigenous cannabis produce. The current applicable laws forbid commercial exploitation of indigenous cannabis landraces.

In addition, some challenges were experienced at the Mbizana RED hub, where accessed was denied and as a result some of the targeted interventions to transform Mbizana into an aggregation centre could not be realised. These relate to obtaining Food Safety Certification and refurbishment of storage infrastructure.

Organisational environment

During the period under review the ECRDA fundamentally went back to basics, by revisiting its legislative mandate and aligning the agency outcomes directly with the act during its strategic review process.

The ongoing process of placement after the approval of an organisational structure in 2021, as well as the review of said placement, has finally been concluded during the fourth quarter of the 2023/24 financial year. The agency believes that many of the internal challenges relating to the roles and responsibilities and internal control issues would have been addressed by the finalisation of this placement process.

The ECRDA is very aware of the reputational damage that the agency has suffered through various negative news articles coupled with the disclaimer of the 2022/23 financial year. In a concerted effort to address this, the agency has identified priority areas for the interim period. These priority areas listed below:

- Restore Leadership and Management
- Finalise reconfiguration process
- Implement Salary Structure Alignment
- Renewed focus on mandate
- Restore organisational image
- Implement SIU Recommendations
- Enhance Policies, Information Management Systems and processes

The ECRDA believes that the organisational environment will improve by addressing the identified priorities and that this will ultimately result in the agency being able to focus wholly on implementing its mandate and having a positive impact on the service delivery environment.

Key policy developments and legislative changes

There were no key policy developments or legislative changes during the period under review.
Progress towards achievement of institutional Impacts and Outcomes
ECRDA has the following five-year targets, as depicted in Annexure A of the 2023/24 Annual Performance Plan.

Strategic Outcome	Target	Progress
Increased levels of resource mobilisation	R200m	2021/22 = R13m 2023/24 = R52m Outstanding = R135m
Increased socio-economic impact	Agricultural Value Chains mapped for job creation, food security and poverty alleviation	Agricultural Value Chain developed by management and ready for discussion
Effective, efficient and accountable entity	1) Performance Metrics 2) 100% of employees assessed 3) Employee engagement survey	1) Achieved 2) Outstanding 3) Achieved

INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

- Indicators achieved
  80% (20 indicators)
- Indicators partially achieved
  16% (4 indicators)
- Indicators not achieved
  4% (1 indicator)
- Indicators waived through board resolution
  0% (1 indicator)

Programme 1: Administration

This programme is responsible for planning, budgeting and organising of the entity to ensure the efficient performance of all divisions within the entity. The administrative programme act as the connecting link between divisions and units as well as the management of resources. The programme is responsible for ensuring an enabling environment for effective service delivery as well as keeping the entity accountable to its stakeholders through regular reporting on compliance with legislative and other governance requirements. Organisational performance is tracked through this programme to provide the Board and Shareholder with the necessary assurance that the entity is delivering on its mandate.

The following divisions form part of the programme; Office of the CEO, Financial Management and Corporate Services. Administration contributes towards the outcome of an effective, efficient and accountable entity as well as increased Socio-economic impact and increased levels of resource mobilisation. The outputs for this programme are good governance, accountability and sustainable resourcing.

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	*Actual Achievement 2023/24	Deviation from planned target to Actual Achievement 2023/24	Reasons for deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets
Effective, efficient and accountable entity	Good governance and accountability	1. Number of unqualified financial and performance audit outcome	1	1	1	0	-1	Vacancies in key positions in the Finance unit as well as lack of implementation of succession plan was key in this outcome. The position of Finance Manager was vacant since July 2022 and in addition the suspension of the CFO in September 2022, by the former CEO, left the agency with a huge skills and experience gap in terms of what was expected during audit.	n/a
Effective, efficient and accountable entity	Good governance and accountability	2. Number of strategic risk activities mitigated	67%	60%	10	10	0	Subsequent evidence was submitted, which increased the risks mitigated from 8 as per the 4 quarterly reports to 10 as per the annual target.	During 2021/22 and 2022/23 the indicator was measured in percentages. The agency has moved back to measuring in percentages from 2024/25 onwards

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	*Actual Achievement 2023/24	Deviation from planned target to Actual Achievement 2023/24	Reasons for deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets
Effective, efficient and accountable entity	Good governance and accountability	3. Number of interventions to support Magwa Enterprise Tea towards commercial viability	n/a	n/a	2	2	0	n/a	n/a
Effective, efficient and accountable entity	Good governance and accountability	4. Number of Shareholder Service Level agreements implemented	1	1	1	1	0	n/a	n/a
Effective, efficient and accountable entity	Good governance and accountability	5. Number of Audit Improvement Plans developed and actioned.	50%	80%	1	1	0	n/a	During 2021/22 and 2022/23 the indicator was measured in percentages. The agency has moved back to measuring in percentages from 2024/25 onwards
Effective, efficient and accountable entity	Good governance and accountability	6. Number of reports submitted to ARC on irregular, fruitless and wasteful expenditure, and compliance with Treasury Guidelines	4	4	4	4	0	n/a	n/a
Increased levels of resource mobilisation	Sustainable resourcing (loan finance)	7. Rand value of loans disbursed	R2.8m	R6.6m	R3m	R4 370 955	R1 370 955	Loans are demand driven, and the demand was higher for loans in the period under review	n/a
Increased levels of resource mobilisation	Sustainable resourcing (loan finance)	8. Number of collections policy's implemented to recover loan funding that are more than 120 days overdue	n/a	n/a	1	1	0	n/a	
Effective, efficient and accountable entity	Good governance and accountability	9. Number of performance metrics to define accountable behaviour developed and approved	n/a	n/a	1	1	0	n/a	n/a
Effective, efficient and accountable entity	Good governance and accountability	10. Number of performance assessments against predetermined goals for 139 employees	95%	100%	139	2	-137	This indicator was waived through a board resolution as a result of the placement process which was reviewed after an inquiry, and this caused uncertainty for employees relating to roles and responsibilities against which to contract.	During 2021/22 and 2022/23 the indicator was measured in percentages. The agency has moved back to measuring in percentages from 2024/25 onwards
Effective, efficient and accountable entity	Good governance and accountability	11. Number of Employee Engagement Survey conducted to assess workplace accountability annually	n/a	n/a	1	1	0	n/a	n/a
Effective, efficient and accountable entity	Good governance and accountability	12. Change Management programme developed and implemented to address organisational cultural change	n/a	n/a	1	0	-1	The plan was not implemented at 100%. The root cause for the 50% of planned actions, that was only partially achieved are listed below: 1. Implementation of the plan were negatively impacted by the placement process, as staff were not necessarily motivated in taking on some responsibilities as set out in the approved plan. 2. The POE, in the initial stage was not defined and therefor unclear. 3. The implementation of the plan was lacking.	n/a

Linking performance with budgets

Programme/ activity/objective	2022/23			2023/24		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1	92 656	74 545	18 111	96 120	94 542	1 578
Total	92 656	74 545	18 111	96 120	94 542	1 578

2.1. Programme 2: Programme Management & Rural Development Interventions

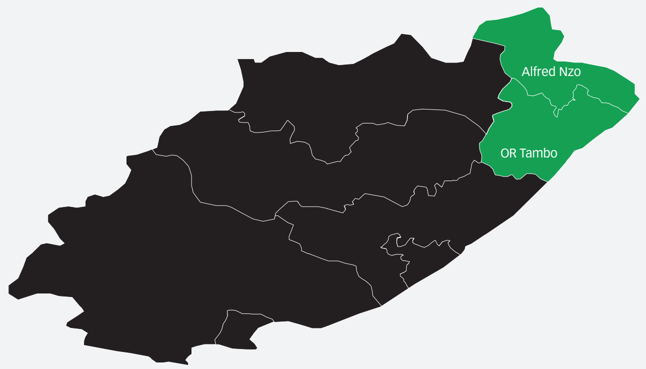
This programme has two sub-programmes in which all projects and rural development interventions are supported. The first is CHIPS implementation, which include projects related to RED Hubs, Forestry, Cannabis, mohair and wool. The second is Rural Finance, which includes access to loan finance and providing aftercare to projects that received loan funding.
This programme contribute to the outcome of increased socio-economic impact and the outputs are effective and efficient programme and project management services, sustainable capacity building and empowerment.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

a) Cannabis: The agency supported primary producers in this new industry through training and assisting with securing production inputs. The ECRDA has initiated collaborative discussions with the Agricultural Research Council (ARC), the national research body designated by DALRRD for cannabis agronomic research. A database of 92 hemp cultivation permit holders in the Eastern Cape was developed, with assistance from the Eastern Cape Hemp Producer Association. However, DALRRD, citing the Protection of Personal Information (POPI) Act, declined to share the list of hemp permit applicants with the ECRDA.

On October 12-13, 2023, the Abalimi Bomya Association, which was formed in the Mpondoland Cannabis Belt, representing indigenous cannabis growers in the Alfred Nzo and OR Tambo District Municipalities, convened a workshop. The event, attended by over 150 participants including growers, traditional leaders, and government representatives, was supported by the ECRDA. On November 2, 2023, the ECRDA hosted a Cannabis Commodity Dialogue webinar, a hybrid event with both virtual and physical attendance, drawing over 100 participants from various sectors including growers, economic analysts, processors, product exporters, and government officials.

92
a database with 92 hemp cultivation permit holders in the Eastern Cape was established



Mpondoland Cannabis Belt
comprised of indigenous growers in Alfred Nzo and OR Tambo

During November-December 2023, the ECRDA Cannabis Program facilitated discussions with MediGrow ZA, a leading medicinal cannabis grower and exporter in South Africa, to establish a hemp flower producer cluster in the province. MediGrow ZA has issued a letter of intent for flower produce offtake and seeks government co-investment to help hemp producer permit holders meet agricultural and collection practices for hemp flower production.

The agency is also engaging with Afrimat, a Cape Town-based company, to explore value-add opportunities for biomass from indigenous cannabis growers in the Mpondoland Cannabis Belt, aiming to integrate these growers into the broader cannabis economy. The ECRDA Cannabis Program facilitated discussions with MediGrow ZA, a leading medicinal cannabis grower and export business in South Africa to establish a hemp flower producer cluster in the province. MediGrow ZA provided the ECRDA with a letter of intent for flower produce offtake and requires government co-investment to enable hemp producer permit holders to comply with good agricultural & collection practices applicable to hemp flower primary production.

On 21 February 2024, the DRDAR signed a MoU with Medigrow on cannabis and hemp supplier development program. On 14 March 2024, the ECRDA engaged with Afrimat, a Cape Town-based company, to forge relations on value-add on biomass from the indigenous cannabis growers of the Mpondoland Cannabis Belt as part of the strategy to mainstream the indigenous cannabis growers into the cannabis economy. Between 22 – 24 Mach 2024, the ECRDA participated in the Cape Town Cannabis Expo, a premier event hosted in only the three cities of South Africa, namely, Durban, Johannesburg, and Cape Town.

The ECRDA Cannabis Program participated in the Cheeba Cultivation Summit held on 22 March 2024 that ran concurrently with the EXPO. From 26 to 27 March 2024, the ECRDA, with support from Abalimi Bomya Association and Transnational Institute of Netherlands, hosted a cannabis roundtable discussion that was attended by Cannabis Specialist and acting Regional Director: Eastern Region.

b) RED Hubs: ECRDA has established five RED Hubs during the last two planning cycles. Despite many challenges that face the RED Hubs the agency was able to support the hubs with social facilitation, securing of assets and supporting the Mbizana RED hub towards becoming an Aggregation Centre. The Agency continued to facilitate the finalisation of the potato sorting facility at the Mbizana RED Hub which has been constructed. Engagements with the RED Hub Management to enlighten them on the need to diversify into potato production in addition to grain. The demonstration site for potato production that was provided by Izambane Labantu Co-operative, and facilitated by the ECRDA, ECDC and DRDAR became a great success. The support that was received from Potato SA in form of potato seeds and mentorship, and technical support to producers also proved useful in giving the good yield during the fourth quarter. The results showed that the area has great potential.

The agency's social facilitation efforts have reignited stakeholder collaboration and participation. However, there remains a significant journey ahead to fully realize the projects' potential, necessitating an integrated planning and execution strategy guided by the ECRDA.

c) Forestry: The ECRDA successfully achieved on its forestry indicators for the financial year, actively participating in monthly forestry meetings at Mkambathi, Izinini, Sixhotyeni, and Gqukunqa during the fourth quarter, thus meeting the quarter's objective without deviation. In addition, 124.3 hectares of new plantation was planted. 177 jobs were maintained, of which 63% were women and youth, demonstrating the ECRDA's commitment to inclusive employment. Operational activities across the four projects focused on asset protection, planting, road maintenance, harvesting, and weed control. The harvesting operations at Mkambathi and Izinini progressed smoothly.

124.3 ha
of new plantation was planted

177 jobs
mantained of which 63% were woman

The ECRDA played a pivotal role in aiding the Sixhotyeni and Gqukunqa projects negotiating with potential harvesting contractors. ECRDA also secured an arrangement with PG Bison for these two projects to deliver up to 500 tons per month each, despite the restrictions that were placed on the intake of outside sources.

d) Aquaculture: The ECRDA developed an Eastern Cape Aquaculture Programme with the primary goal of promoting sustainable aquaculture practices in the province. Its objectives encompass enhancing food security, creating economic opportunities, and fostering environmental stewardship. The program seeks to achieve these objectives through the development of aquaculture facilities, the promotion of responsible aquaculture management, and the aim to increase the production of aquatic resources while preserving the ecological balance of the Eastern Cape's aquatic ecosystems. Additionally, the program aims to empower local communities by imparting aquaculture-related knowledge and skills, ultimately contributing to social and economic development in the region.

The program's key activities span a wide range, including site selection and infrastructure development, production and operations management, marketing and sales promotion, capacity building and training, and rigorous monitoring and evaluation. These activities are meticulously designed to achieve specific outcomes. Expected results include a significant increase in aquaculture product production, improved livelihoods for local communities through employment and entrepreneurship opportunities, and the establishment of a sustainable aquaculture industry in the Eastern Cape. Furthermore, the program prioritizes environmental sustainability by implementing responsible aquaculture practices to minimize adverse impacts on aquatic ecosystems.

Should the Eastern Cape Aquaculture Programme be approved it would require a budget allocation of R15,600,000 over the Medium-Term Expenditure Framework (MTEF) period. This funding would be distributed across various program components to ensure the successful implementation of the outlined activities.

The budget encompasses both capital investments, such as infrastructure development and equipment procurement, and operational expenses, including training programs, marketing initiatives, and ongoing monitoring and evaluation efforts. Importantly, the budget reflects a commitment to fiscal responsibility, ensuring efficient and effective resource utilization to achieve the program's objectives and deliver tangible benefits to the Eastern Cape Province.

Support for Small-Scale Fisheries in King Sabata Dalindyebo Local Municipality (KSDLM)
On 7th November 2023, KSDLM, in collaboration with strategic stakeholders, embarked on a project to bolster the sustainability of fishing cooperatives in Coffee Bay. This initiative is primarily focused on providing essential fishing gear to seven cooperatives in the area, aiming to enhance their operational effectiveness and long-term viability.

Angler Support in SANParks Corporate Social Investment (CSI) Project
The Angler Support Programme is a collaborative effort involving public and private entities, aimed at fostering robust relationships with neighbouring fishing communities. This initiative seeks to establish a co-learning platform that enhances mutual respect and collaboration. The objective is to ensure the sustainable management of fishing resources. On 7th and 8th December, SANParks, in partnership with the Ndlambe Local Municipality, the Eastern Cape Parks and Tourism Agency, ECRDA, and local fishermen, conducted a workshop on Marine Protected Areas (MPAs). This workshop was designed to educate and empower small-scale fishers, enhancing their understanding of MPA regulations and their significance in sustainable fishery management.

The ECRDA is collaborating with SANParks CSI Project with the aim of sharing information between public and private entities as well as with neighbouring fishing communities in an effort to building relations and create a platform for collaboration to ensure sustainability of our fishing resources. On the 15th and 30th of March 2024 this project was launched at the Alexandria and Kenton-on-Sea community precinct.

e) Wool & Mohair: The programme, designed to enhance wool sheep production and responsible farming practices in South Africa, is structured into four distinct phases, encompassing multiple elements to support its primary target markets. Its ambit includes preparing 24 sheds and their associated communal farmers for a responsible production audit, equipping 15 emerging farms and their farmers for a similar evaluation, and delivering comprehensive training in basic wool sheep production. The agency trained 804 communal and emerging farmers on responsible wool/mohair standards and the responsible production audit of all sites, communal shearing sheds and emerging farms, was completed.

804
communal and emerging farmers trained for responsible wool and mohair standards

15 farmers
trained in basic wool sheep production

f) Citrus: The Citrus Intervention Project, managed by the Eastern Cape Rural Development Agency (ECRDA), is a pivotal initiative aimed at supporting the citrus farmers in distress. Funded by a substantial allocation of R8,496 million from the Citrus Fund, this initiative aims to rejuvenate struggling orchards and enable farmers to produce high quality citrus fruits for the export market. A collaboration between the Department of Rural Development and Agrarian Reform (DRDAR) and ECRDA has resulted in the selection of 32 citrus farmers for participation in this transformative program.

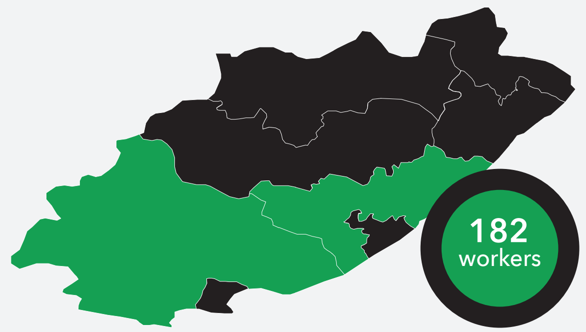
The assistance provided encompasses two main areas: farm worker salaries payments and production inputs for the farmers. While some required funding for compensating their farm employees, others seek support for acquiring necessary agricultural inputs which crucial for maintaining orchard health, improving yield, and enhancing the quality of citrus produce. There are also those in need of both input procurement and salary support. To address these diverse requirements, the fund has been equitably divided among all beneficiaries, granting them the flexibility to allocate the resources towards inputs and employee wages as per their specific needs.

The Citrus Intervention Project has effectively utilized all the allocated funds for farm workers' salaries and production inputs. As indicated in the table 1 below, the total payroll costs for farm workers reached R2,228,836.61, exceeding the allocate amount of R2,227,073.00. This demonstrates the efficient management and distribution of resources to address the immediate needs of citrus farmers.

Expenditure Item	Budget Allocation	Amount Spent	Balance	% Expenditure
Farm Workers Payroll	2,227,073.00	2,200,387.76	26 685.24	99%
Production inputs Invoice	6,268,927.00	6,301,649.67	-32 722.67	101%
Interest and Bank Charges	0	36 946.42	-36 946.42	-100%
TOTAL	**8,496,000.00**	**8,538,983.85**	**- 42 ,983.85**	**101%**

The total number of paid farm workers is 182 (see Table 2) with 36% being women and 27% being youth. This support not only ensures the livelihoods of agricultural workers but also strengthens the workforce essential for citrus cultivation.

District	Amathole	Sarah Baartman	Total
Male	82	34	116
Female	49	17	66
Youth	45	4	49
African	129	47	176
Coloured	2	4	6



g) Rural Financial Services: The ECRDA implemented both loan financing project and the Blended finance initiative.

I. For the 2023/24 financial year the ECRDA approved fifty-five loan applications to the value of R5m. These loan types ranged from production inputs, tractors, implements and farm infrastructure and livestock as well as non-agricultural loans. Of these approved loans R4.2m was disbursed during the period under review.

II. As of 31 March 2024, the following progress has been achieved. Advanced stage applications are twenty (20) and ready for submission to the Approval Committee, with a transaction value of R19,235,900. Thirty-nine (39) applications are still under consideration, with a transaction value of R63,466,097. It is anticipated that approximately 30% of these applications will be converted to approved transactions, albeit with potential adjustments to loan amounts.

Regrettably, of the 118 applications received 59 (50%) transaction valued at R123,106,191.48, will be declined due to quality issues, including credit default judgments and debt review statuses of applicants. Despite the complexities encountered, both parties remain resolute in their commitment in the partnership with the timelines pushed out and the contract extended to the 31 March 2025 to allow for sufficient time process the applications.

As of 31 March 2024, the Phase 1 ECRDA-ECDC Blended Finance Scheme has successfully approved twenty-one (21) applications, totalling R37 391 401. Disbursements have been processed for eighteen (18) of these approved applications, reaching a total cumulative disbursement value of R31,983,468. Lima, the ECDC appointed service provider for pre-and post-investment support, has recommended an additional eleven (11) applications with a combined value of R13,361,718, bringing the total committed funding to R50,753,119 across thirty-one (31) applications. This bodes well for the partnership as the total committed programme funding will be expended in the new financial year.

R31,9m
in Blended Finance Schemes loans disbursed for 18 applicants

+

R13,6m
for an additional eleven applications

R50,7
total committed funding across 31 applications

Programme: Programme Management & Rural Development Interventions / Sub-programme: CHIPS Implementation / Project - Cannabis

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	*Actual Achievement 2023/24	Deviation from planned target to Actual Achievement 2023/24	Reasons for deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets
Increased socio-economic impact	Effective and efficient programme and project management services	13. Number of Cannabis incubators operationalised	n/a	n/a	2	0	-2	Operationalising could not take place as the regulatory framework, giving special dispensation on medicinal and industrial use of cannabis, which is outside of the Agency's control, has to be finalised before a technical operating partner can be secured.	n/a
Increased socio-economic impact	Effective and efficient programme and project management services	14.Number of SMME's supported in the Cannabis Industry	n/a	n/a	100	100	0	n/a	n/a
Increased socio-economic impact	Effective and efficient programme and project management services	15. Number of people trained in the Cannabis industry	n/a	n/a	100	109	9	There is tremendous interest in this new industry, and thus more people than expected attended the training	n/a

Programme: Programme Management & Rural Development Interventions / Sub-programme: CHIPS Implementation / Project – RED Hubs

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	*Actual Achievement 2023/24	Deviation from planned target to Actual Achievement 2023/24	Reasons for deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets
Increased socio-economic impact	Effective and efficient programme and project management services	16. Number of RED Hubs transformed into sustainable aggregation centres (Mbizana as agreed with cooperatives)	n/a	n/a	1	0	-1	Food safety certification not completed The pre-audit was unable to take place, as access to the hub was denied the project owners (Sivukasonke Secondary Cooperative) due to unresolved dispute between the agency and the cooperative relating to payment of workers. Storage infrastructure refurbishment There was a reduction in budget as per a directive received from DRDAR, which impacted procurement processes and in addition to this the dispute between the agency and the cooperative also negatively impacted this target as the agency and prospective bidders were denied access to the hub for a briefing session. Feedstock for potato sorting facility The operationalization of the potato facility was contingent on the supply of potato feedstock from the Izambane Labantu Cooperative. However, there was no supply of potato feedstock because the Cooperative was still conducting trials with Potato South Africa, which were not completed by the end of the financial year.	n/a
Increased socio-economic impact	Effective and efficient programme and project management services	17. Number of RED Hubs supported through social facilitation to transform them into sustainable aggregation centres. (Tshabo, Ncora, Emalahleni and Mqanduli)	n/a	n/a	4	4	0	n/a	n/a

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	*Actual Achievement 2023/24	Deviation from planned target to Actual Achievement 2023/24	Reasons for deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets
Programme: Programme Management & Rural Development Interventions / Sub-programme: CHIPS Implementation / Project – Forestry									
Increased socio-economic impact	Effective and efficient programme and project management services	18. Number of hectares of forestry planted	0ha	73ha	104ha	127ha	23ha	The variance is due to an area at Mkambathi that was not scheduled for planting, however as the project received additional seedlings from SAPPI and it was ready to be planted as well as the conditions that were conducive for the planting the additional hectares were planted.	n/a
Increased socio-economic impact	Effective and efficient programme and project management services	19. Number of forestry projects capacitated with technical and management support.	5	5	4	4	0	n/a	n/a
									n/a
Programme: Programme Management & Rural Development Interventions / Sub-programme: CHIPS Implementation / Project – Wool & Mohair									
Increased socio-economic impact	Effective and efficient programme and project management services	20. Number of farmers trained on animal husbandry, environment protection, financial management, labour relations and greening.	n/a	n/a	495	804	309	The number of farmers that required training at the shearing sheds exceeded our estimation. Quarterly the agency reported on the number of attendees to the training during that quarter, however for the end of the year the actual farmers that received training were counted, and if the same farmer was trained in different quarters that duplication was removed to avoid double counting. It was also possible to train the additional farmers as the service provider quoted per shed, not per farmer.	n/a
Programme: Programme Management & Rural Development Interventions / Sub-programme: CHIPS Implementation / Project – Aquaculture									
Increased socio-economic impact	Effective and efficient programme and project management services	21. Number of Aquaculture Programme workplans developed with budget for the MTEF period	n/a	n/a	1	1	0	n/a	n/a
Programme: Programme Management & Rural Development Interventions / Sub-programme: Rural Financial / Project – Loan Client Support									
Increased levels of resource mobilisation	Sustainable resourcing (loan finance)	22. Number of loan applications processed on CRM	n/a	n/a	50	80	30	Loan intake is demand driven and the demand was higher than anticipated.	n/a
Increased levels of resource mobilisation	Sustainable resourcing (loan finance)	23. Number of collections policy's implemented to recover loan funding of customers between 0 and 120 days in arrears	n/a	n/a	1	1	0	n/a	n/a

Programme: Programme Management & Rural Development Interventions / Sub-programme: CHIPS Implementation / Project – Citrus Intervention

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	*Actual Achievement 2023/24	Deviation from planned target to Actual Achievement 2023/24	Reasons for deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets
Increased socio-economic impact	Effective and efficient programme and project management services	24. Number of customised support program for citrus producers in partnership with commodity organisations.	n/a	n/a	1	1	0	n/a	n/a
Increased levels of resource mobilisation	Sustainable resourcing (loan finance)	25. Number of priority commodities supported through blended support programmes.	n/a	n/a	4 (horticulture, red meat, grains, piggeries, and poultry)	4 (horticulture, red meat, grains, piggeries, and poultry)	0	n/a	n/a

Linking performance with budgets

Programme/ activity/objective	2022/23			2023/24		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 2	95 712	115 543	(19 831)	149 682	138 706	9 975
Total	95 712	115 543	(19 831)	149 682	138 706	9 975

Programme 3: Trade & Investment

This programme is geared towards securing investment for a pipeline of bankable packaged projects as well as facilitating market linkages for projects and clients as well as creating partnerships. This is done through two sub programmes CHIPS project packaging and capital raising and market linkages.

This programme contributes towards the outcome of increased socio-economic impact as well as increased level of resource mobilisation that provide solutions to the outputs of effective and efficient programme and project management as well as sustainable resourcing.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

During the 2023/24 financial year the ECRDA participated in an outbound mission to Tunisia and Egypt from September 9-21, 2023. During the visit, the delegation discussed issues of agriculture which include high value crops such as fruits and manufacturing which are areas of opportunity for investment and job creation.

The ECRDA and Chris Hani Development Agency (CHDA) resuscitated the negotiations with Rose Blanche Holdings, which had started in 2019 but later collapsed. Rose Blanche Holdings is a Tunisian-based company that is a major producer of pasta, flour, and couscous and supplies these products to the European market. The ECRDA, CHDA, and the company are currently discussing a draft Memorandum of Engagement that would involve investment in seed multiplication, grain production (i.e., barley, wheat, and maize), and processing plants. The parties had agreed that the senior management of Rose Blanche would visit the province before the end of November 2023 to finalise the agreement and to do due diligence and planning. DRDAR has, in principle, committed to providing its support to facilitate for this prospective investor. The partnership with Rose Blanche is crucial for the province as the company requires a significant amount of grain production and seed multiplication and this bodes well for ECRDA.

The delegation also met with Evergreen Egypt United as part of an exploratory exercise. Evergreen Egypt United has sufficient experience and capabilities to establish fish and shrimp hatcheries with varying production capacities of up to 20 million fish fry and 2 billion shrimp larvae. DRDAR, together with the ECRDA are considering engaging the company and this has the potential to reinvigorate the agency's Marine Tilapia project. The project was conceived during the development of Strategy 2020–25; the cash flow projections and financial architecture of the project were promising. However, the capital investment required for the project did not materialise and the project had to be abandoned.

The ECRDA and CHDA have signed a Memorandum of Engagement with FeedCom, a high-tech Egyptian-based company. FeedCom specialises in feed manufacturing for livestock and has expressed interest in expanding into the South African production sector. FeedCom is also planning a visit to the province to undertake a technical assessment and due diligence before making a final investment decision.

The ECRDA actively participated in the 6th Annual African Agri Investment Indaba ("AAII") held from November 20 to 22, 2023, at the Cape Town International Convention Centre. Notably, the agency took on a prominent role as well as moderating the opening session of the conference. This event served as the global hub for discussions on food and agriculture investment in Africa, bringing together more than 900 key stakeholders, including governments, banks, financiers, investors, project owners, project developers, commercial farmers, and the agro-processing industry. The AAII aimed to address current trends influencing investors' confidence in African agriculture.

In terms of investments, the agency's capacity to attract external resources is crucial, relying on cultivating investor and donor confidence through effective implementation and transparent governance. Successful engagements, such as the Blended Finance Implementation Agreement with sefa committing R50 million, demonstrate the agency's commitment to collaboration and efficient program implementation. Moreover, a Memorandum of Agreement with Tanager securing R2 million in third-party funding emphasizes strategic alliances with non-profit organizations.

R50m
secured through a partnership with SEFA

R2m
in third-party funding with Tanager

The agency's proactive identification and engagement of potential development partners, including discussions with the MasterCard Foundation and the Dutch entrepreneurial development bank (FMO), highlight its dedication to meaningful collaborations and leveraging resources for sustainable rural development in the region.

As part of ongoing efforts, the ECRDA, in collaboration with DRDAR, held a meeting with the World Bank on December 14, 2023, seeking technical and expert assistance among others to support the agency in its endeavors around the rationalisation process whiles building internal capacity. This is aimed at positioning the agency as an effective and efficient implementing agent for the department.

ECRDA engaged in discussions with the two leading Special Economic Zones situated in the Eastern Cape province, namely the East London Industrial Development Zone and Coega Special Economic Zone. The primary objective of these discussions was to establish collaborative efforts in facilitating investments, with a specific focus on enhancing backward and forward linkages across sector value chains. The parties mutually agreed to share resource inputs as necessary, particularly in areas such as market intelligence and trade linkages concerning market off-take and project packaging.

Through active program design, fostering partnerships, and proactive rural development initiatives, the agency aims to position itself as a proactive force driving economic growth and investment in the Eastern Cape, with a targeted focus on rural communities. These efforts align with the commitment to building a substantial partnership base, diversifying resources, and generating additional financial and technical support for all its programs.

During the last quarter, the division engaged in discussions with PepsiCo to explore potential areas of collaboration, particularly in supporting emerging farming communities that benefit from ECRDA programmes and funding initiatives. PepsiCo South Africa is renowned for its involvement with some of the most loved local and international brands, with a diverse range including Doritos, Cheetos, Gatorade, Pepsi-Cola, Mountain Dew, Quaker, SodaStream, White Star, SASKO, Simba, Liqui Fruit, Bokomo, Weet-Bix, and Lay's.

These discussions culminated in the introduction of The Kgodiso Development Fund; an independent entity established by PepsiCo with an initial investment of R600 million. This fund aims to foster sustainable development and growth within communities. To facilitate this collaboration, the ECRDA and Kgodiso Development Fund entered into a Non-Disclosure Agreement, demonstrating a commitment to confidentiality, and enabling both parties to work closely together.

This partnership holds promise for driving positive socio-economic impact, fostering agricultural development, and contributing to the overall well-being of the communities served by the ECRDA. Through combined expertise, resources, and shared goals, the collaboration between ECRDA and the Kgodiso Development Fund has the potential to create lasting and meaningful change, benefiting both the farming communities and the broader society.

ECRDA, in collaboration with DRDAR and DEDEAT, held several meetings with Medigrow to discuss the establishment of a pharmaceutical-grade facility within the COEGA SEZ. This facility, covering 6650m2, is tailored for processing hemp products, indoor cultivation of medical cannabis. Medigrow has committed to being an off taker for small growers supported by ECRDA. The involvement of the Trade and Investment Promotion Division to provide investment packaging and business support, conditional upon meeting Medigrow's cultivar requirements for supplier quality and output. This collaborative effort aims to facilitate sustainable economic development and promote local agriculture while ensuring compliance with international market standards.

ECRDA met with ECDC to explore accessing the Economic Development Fund (EDF) for supporting its programming especially its high impact catalytic programmes. The EDF, established by the Eastern Cape Provincial Government, aims to catalyse industrial development and economic growth by investing in programmes and ventures demonstrating developmental impact and commercial viability. Leveraging the EDF underlines efforts to stimulate economic expansion, promote equitable development, foster entrepreneurship, and generate sustainable employment opportunities across the region. Accessing the fund will enhance the effectiveness of ECRDA's initiatives, aligning with broader economic development objectives and driving long-term prosperity and socio-economic advancement within the Eastern Cape.

Programme: Programme Management & Rural Development Interventions / Sub-programme: CHIPS Implementation / Project – Forestry

Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	*Actual Achievement 2023/24	Deviation from planned target to Actual Achievement 2023/24	Reasons for deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets
Increased socio-economic impact	Effective and efficient programme and project management services	26. Rand value of investment secured	R13m	R0	R100m	R52m	R48m	The partial achievement of the R100 million target can be attributed to the delayed initiation of capital raising discussions with development partners, which was primarily caused by the late appointment of the Executive for Trade and Investment Promotion. The interview panel was approved during January 2023, after which the advert went out, and a shortlist was developed. Interviews took place during April and recommendations went to the board in May. The incumbent had to give a month notice in June and was then commenced duties in July. This delay impacted the timing of the engagement, particularly towards the end of the year, resulting in a slower progress towards achieving the target.	n/a

Linking performance with budgets

	2022/23			2023/24		
Programme/ activity/objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 3	54 038	47 260	6 778	2 296	1 830	466
Total	54 038	47 260	6 778	2 296	1 830	466

Strategy to overcome areas of under performance

The disclaimer is being responded to through correcting the Annual Financial Statements (AFS) for the 2022/23 financial year. The Internal Audit has reviewed the AFS, and they were tabled with the ECRDA Audit, Risk and Compliance Committee during the third quarter of 2023/24 for discussion and thereafter they were presented to the Board. The ECRDA has also been implementing the Audit Improvement plan to address the weaknesses in the agency.

Cannabis incubator development and operationalisation strategy narrative include:

Legislative Reforms:

- Supporting the work of the Presidency PMO, Cannabis Advisor, in the development of the sandbox interim regulatory framework on the mainstreaming of the indigenous cannabis growers into the main legal cannabis economy.
- Continue advocating, via the National Cannabis Steering Committee, for the amendment of the Drugs and Drugs Trafficking Act to decriminalize the possession and trade of cannabis.

Strengthening relations with indigenous cannabis growers of Mpondoland Cannabis Belt:

- Enter into MoU with Mpondoland Cannabis Belt / Abalimi Bomya Association to advance areas of common interest in indigenous cannabis industry development, such as introducing of the quality management system in the primary cultivation and complementary medicine products.
- Enter into MoU with respective Research entities to collaborate on cannabis agronomic research.

Investment mobilisation:

- Issue a Request for Proposal to prospective investors interested in commercializing cannabis landraces for medicinal and industrial uses.

Revenue Collection

	2022/23			2023/24		
Sources of revenue	Estimate	Actual Amount Collected	(Over)/Under Expenditure	Estimate	Actual Amount Collected	(Over)/Under ECollection
	R'000	R'000	R'000	R'000	R'000	R'000
DRDAR Grant	181 424	227 749	(46 325)	232 879	232 879	0
Own Revenue	20 520	12 890	7 630	15 219	18 578	(3 359)
Total	201 944	248 269	46 325	248 098	251 457	(3 359)

In terms of overall revenue collected the entity over-achieved its target of R15.2m and collected revenue equal to R18.5 m against the estimated target of R3.3m.

Loan recovery: The entity has implemented a series of targeted initiatives aimed at improving loan collection, a critical aspect for maintaining operational viability and ensuring continued service delivery. Additional proposed initiatives include the deployment of IT solutions that enhance the accuracy of loan documentation, such as detailed loan statements sent to customers to minimise errors that could impede collection efforts. Additionally, the agency has implemented a system of sending timely reminders to clients before payment deadlines, a strategy designed to reduce late payments and consequently improve collection rates.

To further facilitate timely loan repayments, ECRDA has introduced flexible payment options tailored to meet the unique needs of its diverse customer profile, informed by their unique business requirements. This approach simplifies the payment process for clients, making it easier for them to make consistent payments and thereby increasing the likelihood of on-time payments. In addition to these measures, ECRDA regional offices provide ongoing post investment support (aftercare services) to loan clients to ensure they generate sufficient income to meet their loan obligations.

The regions are also leveraging support from other strategic partners like SEDA, National Financial Literacy Association (NFLA) that can assist with financial management education initiatives, such as workshops and resources and this will play a pivotal role in equipping clients with essential skills to manage their finances more effectively.

Despite these proactive strategies, ECRDA has encountered instances of revenue under collection. The primary factors contributing to this issue include discrepancies in loan documentation, late payments by clients, and the financial hardships faced by some borrowers. These challenges have sometimes hindered clients' ability to make timely repayments, impacting the overall effectiveness of the collection process.

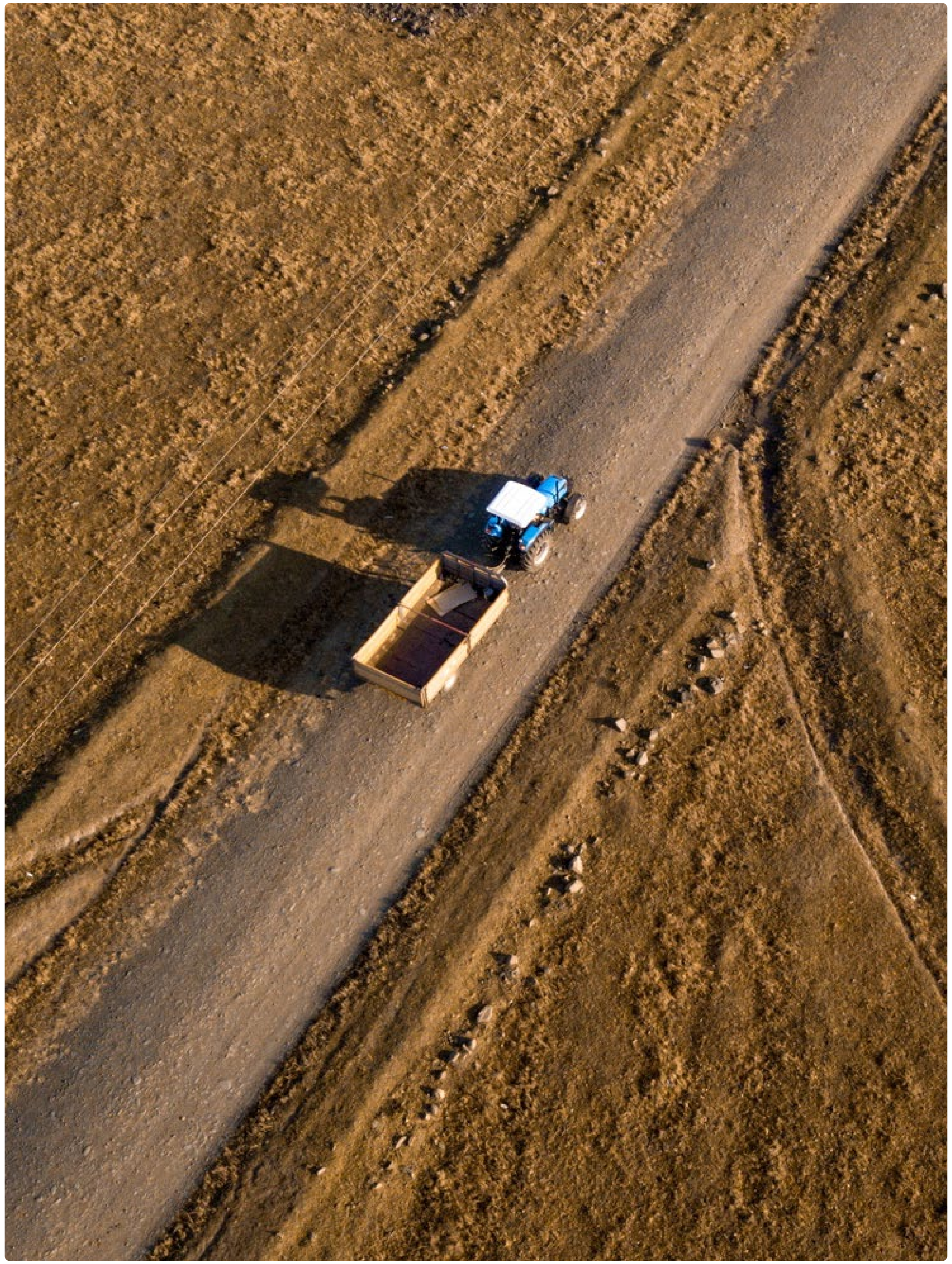
In response to these challenges, ECRDA is actively considering and implementing additional enhancements to improve loan recovery rates. Among these are advanced data analytics, which are being used to predict payment behaviours and identify potential default risks, enabling pre-emptive interventions to reduce impairments. The agency is also continuing its credit educational programmes to inform clients about the importance of timely repayments and the consequences of defaults, aiming to improve their commitment to scheduled payments. Additionally, reward systems for timely payments, such as reduced interest rates on future loans or other financial benefits, are being introduced to encourage punctuality.

Through the comprehensive implementation of these initiatives, ECRDA aims to significantly enhance its loan recovery rates, thereby ensuring financial stability and service delivery impact. The impact of revenue loan collection on service delivery has been effectively mitigated by these measures, enabling ECRDA to continue meeting its operational objectives and performance targets. These efforts ensure the realisation of an inclusive and sustainable rural economy.

CAPITAL INVESTMENT

During the period under review there was no capital investment to report.

	2022/23			2023/24		
Infrastructure projects	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
0	0	0	0	0	0	0
Total	0	0	0	0	0	0



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 a public entity's enabling legislation, and the Companies Act, corporate governance regarding 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 Accounting Authority of the public entity are responsible for corporate governance.

PORTFOLIO COMMITTEES

- 4 May 2023
- 17 November 2023
- 6 December 2023

EXECUTIVE AUTHORITY

The ECRDA is compliant with all laws and regulations relevant to its areas of operation. As a Provincial public entity, it is committed to providing the shareholder with all relevant performance and organisational information to allow for effective monitoring, evaluation and oversight. To this end, it has ensured that all reports due for submission to the shareholder and other authorities have been developed thoroughly and submitted timeously. The ECRDA submits quarterly reports to the executive authority aligned with the Annual Performance Plan of the entity. These reports are supported by a portfolio of evidence that are verified through auditing processes.

ACCOUNTING AUTHORITY / BOARD

ECRDA is governed by a 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. As the Accounting Authority of the ECRDA, the Board of Directors plays a vital role in providing effective leadership, strategic direction, ethical governance, competent guidance and oversight and overall accountability. As the focal point and custodian of corporate governance within the ECRDA, the Board embraces and takes seriously its responsibilities in setting the appropriate example and tone for the rest of the agency. It is further committed to ensuring that the culture within the agency is aligned to this ethical tone through the implementation of appropriate policies and practices. To achieve these goals, Board members are called on to discharge their duties with:

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

The Board supports the highest standards of corporate governance and the ongoing development of best practice.

Board Charter

The ECRDA Board has adopted a Charter, in line with the recommendations of the King IV Report on Corporate Governance, which sets out its responsibilities in terms of:

- adoption of strategic plans and acknowledges its responsibilities in relation to the strategy,
- determination of policy processes to ensure compliance with South African laws and regulations, in general as well as internal policies,
- determination of policy processes to ensure effective risk management
- monitors operational performance and management
- ensures management of effective and transparent communication, both internally and externally
- ensures directors orientation and evaluation / assessment
- adheres to continuous Board development programmes

Composition of the Board

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g., Audit committee / Ministerial task team)	No. of Meetings attended
Nondumiso Maphazi	Board Chairperson	May 2022	n/a	• Doctoral Degree of Philosophy: Public Administration (NMU) • Honors 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 • Certificate: Primary Health Care • National Diploma: General Nursing science, Midwifery, Community Health nursing and Psychiatric nursing (Charlotte Searle Nursing College)	• Public Administration • Leadership and Development • Governance	Zusilwele Thina NGO	• Governance and Ethics committee • Research, Projects and Stakeholder Management committee • Strategic Plan Implementation and Performance Management committee	33
Nomthandazo Mbete	Deputy Chairperson	May 2022	n/a	• National Diploma: Cost and Management Accounting • Post Graduate Diploma: Strategic Management and • Corporate Governance Certified Financial Accountant • Certified Cultural Transformative Tools Expert	• Strategy • Leadership & Development • Finance • Governance	• Ilngcinga Investment • Ilngcinga Foundation • Qulani Nozala	• Strategic Plan Implementation and Performance Management committee • Governance, and Ethics committee • Finance and Investment Committee	30
Nolitha Pietersen	Board Member	May 2022	n/a	• Master of Business Administration (NMU) • CA(SA) Membership (SAICA) • BCom (accounting) Hons. & CTA (UJ)	• Finance • Business • Risk Management • Governance	• ECDC • SITA • Zamindlela Consulting • Bonilitha Investments • Thabindo Projects • Building Supplies Direct • Muncintupha • Emalahleni Local Municipality	• Finance and Investment Committee • Audit, Risk and Compliance committee	25
Mxolisi Koyo	Board Member	May 2022	n/a	• Diploma: Agricultural Extension and Rural Development • Bachelor of Agriculture	• Agriculture • Governance	• None	• Research, Projects and Stakeholder Management committee • Finance and Investment Committee • Governance and Ethics committee	34

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g., Audit committee / Ministerial task team)	No. of Meetings attended
Nondumiso Pumela Ngonyama	Board Member	May 2022	n/a	• Certificate in Practice Management • Certificate in Legal Practice • LLB • Master's in law	• Legal • Governance	• EC Liquor Board • Morden Business Holdings (Pty) Ltd • NP Ngonyama & Associate Attorneys	• Human Capi tal and Remuneration Management Committee • Finance and Investment Committee • Governance and Ethics committee	28
Andile Nontso	Board Member	May 2022	n/a	• Secondary Teachers Diploma (Cicira College of Education) • Bachelor of Arts and Bachelor of Education (UNITRA) • Master of Education (UFS)	• Education • Business	• Anomp Investment • Dr Andile Nontso Foundation	• Research, Projects and Stakeholder Management Committee • Human Capital and Remuneration Management Committee	33
Senzeni Zokwana	Board Member	May 2022	n/a	• Senior Certificate for Managers (UNISA)	• Labour	• None	• Research, Projects and Stakeholder Management Committee • Human Capital and Remuneration Management Committee • Strategic Plan Implementation and Performance Management committee	32
Nontuthuzelo Mbiko	Board Member	May 2022	n/a	• Post Grad Diploma: Poverty, Land and Agrarian Studies through institute for Poverty, Land and Agrarian Studies at University of Western Cape (current studies)	• Agriculture	• Offal Queen Group • Shisanyama Association of SA • Women in Agriculture • Farmer Prox Energy • OQ processing • OQ Energy Zone • OQ Logistics • OQ Sea Wealth	• Research, Projects and Stakeholder Management Committee • Finance and Investment Committee • Research, Projects and Stakeholder Management committee	30
John Korkie	Board Member	May 2022	n/a	• National Diploma in Education • LLB • Advance Diploma in Labour Law • Advance Certificate in Governance & Leadership • Accredited Mediator • Master's in law	• Legal • Leadership & Governance	• Mayibuye Transport Corporation	• Audit, Risk and Compliance committee • Human Capital and Remuneration Management Committee	32
Nokhanyo Maceba	Board Member	May 2022	n/a	• Degree: B. Agric. Economics (UFH)	• Agriculture	• Agruse Vision 2020 (Pty) Ltd • Potato SA	• Audit, Risk and Compliance Committee Human • Capital and Remuneration Management Committee • Research, Projects and Stakeholder Management committee	29
Gcinumzi Qotywa	Board Member [delegated as ICEO from 5 Aug 2023]	May 2022	n/a	• BA: Education • BA Hons. Education • Programme Leadership Development • Master of Arts: Environment & Society • Master's in business administration	• Leadership and Development • Business Administration • Governance	• Nondzaba Investment Holdings (Pty) Ltd • Nondzaba Consulting (Pty) Ltd • Nondzaba Hospitality (Pty Ltd • Simply Trailers (Pty) Ltd • Clear 16 (Pty) Ltd	• Governance, Ethics and Strategy Committee • Human Capital and Remuneration Committee • Audit, Risk and Compliance Committee Human	15
Velile Pangwa	n/a	October 2022	n/a	• CA(SA) Membership (SAICA) • BCom: Honours Accounting • Post Graduate diploma: Management Finance Accounting • BCom: Accounting	• Finance • Audit and Risk • Governance		• Independent ARC Chairperson	
Samuel Bosire	n/a	October 2022	n/a	• Doctor of Business Administration (NMU, RSA) • Master of Public Administration (MPA) (UFH, RSA) • Master of Business Administration (MBA) (Heriot-Watt University-Edinburgh Business School, Scotland) • Bachelor of Business Administration • Management Information Systems (Andrews University – USA)	• Business Administration • Public Administration • Information Technology		• Independent ARC Member	

COMMITTEES

Committee	No. of meetings held	No. of members	Name of members
Audit, Risk and Compliance (ARC)	9	6	Mr V Pangwa Dr S Bosire Adv J Korkie Mr G Qotywa [delegated as ICEO from 5 Aug 2023] Ms N Pietersen Ms N Maceba
Finance and Investment	6	5	Ms Pietersen Ms Mbete Mr Koyo Dr Nontso Ms Mbiko-Motshegoa
Human Capital and Remuneration	8	6	Mr Qotywa [delegated as ICEO from 5 Aug 2023] Ms Ngonyama Ms Maceba Adv Korkie Dr Nontso Mr Zokwana
Strategy Implementation and Performance Management	6	5	Ms Mbete Dr Maphazi Ms Ngonyama Ms Mbiko-Motshegoa Mr Zokwana
Research, Projects and stakeholder management	5	7	Mr Koyo Dr Nontso Dr Maphazi Ms Ngonyama Ms Maceba Ms Mbiko-Motshegoa Mr Zokwana
Governance and Ethics	6	5	Dr Maphazi Mr Qotywa [delegated as ICEO from 5 Aug 2023] Ms Mbete Mr Koyo Ms Pietersen

REMUNERATION OF BOARD MEMBERS

Remuneration of Board members is determined by the shareholder.

Name	Remuneration	Other allowance	Other re-imbursements	Total
Ngonyama NP	R377 220			R377 220
Korkie J	R379 644			R379 644
Mbete N	R503 748			R503 748
Dr Maphazi N	R518 904			R518 904
Koyo M	R379 644			R379 644
Zokwana S	R372 372			R372 372
Qotywa G	R126 548			R126 548
Nontso A	R372 372			R372 372
Maceba N	R372 372			R372 372
Pietersen N	R379 644			R379 644
Motshegoa N	R372 372			R372 372
Bosire S		R55 189		R55 189
Pangwa V		R145 983		R145 983

RISK MANAGEMENT

The ECRDA Board considered and approved a Risk Management Policy on the 30th of November 2023.

The ECRDA developed a Strategic Risk Register, with mitigating activities. The implementation of those mitigations is the responsibility of the executive team, in the absence of an appointed Chief Risk Officer, and the monitoring of the implementation takes place in the office of the CEO.

The ECRDA has a combined Audit, Risk and Compliance Committee that is being presided by an independent chairperson and the committee does oversight with regards to risk management.

The ECRDA risk register is a multi-year register, as some mitigation activities are ongoing, and others were planned for the 2024/25 financial year as they required budget interventions. During the period under review the agency implemented all the risk mitigation activities that were due in the 2023/24 financial year.

The implementation of these mitigation activities, specifically those relating to social facilitation at project level did have a positive impact on performance.

INTERNAL CONTROL UNIT

The internal auditors had reported on key findings with regards to the internal control environment and management will address these during the 2024/25 financial year.

INTERNAL AUDIT AND AUDIT COMMITTEES

During the 2023/24 financial year the Internal Audit function performed the following Internal Audit Reviews. The work performed by Internal Audit is as per the approved Internal Audit Plan and the Internal Audit Charter.

#	Audit Project		Report Close- out Date
A: Reported at Previous ARC meetings for the financial period 2023/24			
1.	Ad hoc review: Staff placement process	Ad hoc review – Not rated	28 /08/2023
2.	Ad hoc review: Bad to be written off review.	Ad hoc review – Not rated	24/ 07/ 2023
3.	Quarter One (1) Performance Information Review	Requires Improvement	24 /07/2023
4.	Quarter Two (2) Performance Information Review	Requires Improvement	28 /08/ 2023
5.	Follow-Up Review Q1	Requires improvement	24 /07/2023
6.	Follow-Up Review Q2	Requires Improvement	28 /08/ 2023
B: Reported at ARC meeting of 24 January 2024			
7.	Performance information Review for Q3	Requires improvement	23/01/ 2024
C: Reported at Special ARC meeting of 23 February 2024			
8.	Stakeholder Management Review	Ineffective control	23/02/2024
9.	Supply Chain Management Review	Requires improvement	23/02/2024
10.	ICT Review	Requires improvement	23/02/2024
11.	Human Resource management Review	In effective control	07/03/2024
12.	2024/25 Annual Performance Plan Review	Requires Improvement	16/04/2024
D: Reported at Special ARC meeting of 17 May 2024 for consideration in next ARC			
13.	2023/2024 Annual Financial Statement Review		
14.	2023/24 Annual Performance Report Review		
15.	2024/2025 Strategic Risk Assessment Workshop		

The tabled below discloses relevant information on the audit committee members and meeting attendance.

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Re-signed	No. of Meetings attended
Velile Pangwa	• CA(SA) Membership (SAICA) • BCom: Honours Accounting • Post Graduate diploma: Management Finance Accounting • BCom: Accounting	External	n/a	October 2022	n/a	9
Samuel Bosire	• Doctor of Business Administration (NMU, RSA) • Master of Public Administration (MPA) (UFH, RSA) • Master of Business Administration (MBA) (Heriot-Watt University-Edinburgh Business School, Scotland) • Bachelor of Business Administration - Management Information Systems (Andrews University – USA)	External	n/a	October 2022	n/a	7
Nolitha Pietersen	• Master of Business Administration (NMU) • CA(SA) Membership (SAICA) • BCom (accounting) Hons. & CTA (UJ)	External	n/a	May 2022	n/a	8
Nokhanyo Maceba	• Degree: B. Agric. Economics (UFH)	External	n/a	May 2022	n/a	5
John Korkie	• National Diploma in Education • LLB • Advance Diploma in Labour Law • Advance Certificate in Governance & Leadership • Accredited Mediator • Master's in law	External	n/a	May 2022	n/a	6
Gcinumzi Qotywa	• BA: Education • BA Hons. Education • Programme Leadership Development • Master of Arts: Environment & Society • Master's in business administration	Refer delegation from 5 August 2023	Interim Chief Executive Officer	May 2022	n/a	4

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 Broad-Based Black Economic Empowerment expired in February and the process for a new valid certificate will only commence in the first quarter of 2024/25 financial year. The Entity will endeavour to improve this status in the next assessment period.

Fraud and Corruption

The agency adheres to best practices in the fight against fraud and corruption, as employees are required to report any fraud to their immediate line managers, Internal Audit and to the Audit, Risk and Compliance committee. Employees are encouraged to also report any fraud to the Office of the Premier via the free National Anti-Corruption Hotline. As far as management is aware, there were no alleged fraud incidents reported during the 2023/24 financial year.

Minimising Conflict of Interest

The ECRDA requires all suppliers to register on its database and to declare its shareholders and any conflict of interest. Employees that participate in the Bid Evaluation and Adjudication committees are required to declare any potential conflict of interest at each committee meeting and in addition during meetings declarations of interests are also stated.

Code of Conduct

The ECRDA adheres to the National Treasury Code of Conduct for supply chain management. Furthermore, the agency aspires to subscribe to its core values of transparency, excellence, honesty, integrity, innovation, commitment to empowerment and ubuntu.

Health Safety and Environmental Issues

The agency recognises that the well-being of its employees is important and as such the ECRDA conforms to the rules as enshrined in the Occupational Health and Safety Act (Act 85 of 1993). ECRDA established an Occupational Health and Safety Committee, comprising employees in different roles, to ensure that no one operates in hazardous situations. Furthermore, during monthly facility inspections expression is also given to compliance to Health, Safety and Environmental issued in the workplace.

Company /Board Secretary

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

- Assisting in the proper induction, orientation, ongoing training and development of directors, including assessing the specific training needs of directors in their fiduciary and other governance responsibilities.
- Providing comprehensive practical support and guidance to directors, with particular emphasis on supporting the chairperson of the Board, the chairpersons of committees and the Audit, Risk
- and Compliance Committee.
- Ensuring that the Board and Committees' Charters are kept up to date.
- Ensuring the proper compilation and timely circulation of Board documents and assisting the chairperson of the Board and chairpersons of committees with drafting of yearly meeting schedules.
- The company secretary has the duty to obtain appropriate responses and feedback to specific agenda items and matters arising from earlier meetings in board and board committees deliberations.
- Facilitate Board Evaluations / Assessments
- Ensuring that minutes of all meetings of the directors, as well as meetings of the Audit, Risk and Compliance Committee, are properly recorded.
- Develop and maintain the resolutions registers

Social Responsibility

ECRDA contribute to the socio-economic development and upliftment of marginalised communities as per its developmental mandate. The entity was established to promote, support and facilitate rural development in the Eastern Cape Province in a sustainable manner.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2024.

Audit Committee Responsibility

The audit committee consists of the members listed hereunder and should meet four (4) times per annum as per its approved terms of reference. Mr Qotywa was appointed through a Board resolution as the Interim Chief Executive Office, with effect from 05 August 2023. During the current year, nine (9) meetings were held made up of 4 ordinary meetings and 5 special meetings.

Name of member	Number of meetings attended
Mr V Pangwa (Chairperson)	9
Dr S Bosire	7
Ms N Pietersen	8
Mr G Qotywa	4
Adv J Korkie	6
Ms N Maceba	5

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

The system of internal controls applied by the economic entity over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit 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 no matters were reported that indicate any 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 efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

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.

In-Year Management and Monthly/Quarterly Report

The public entity has submitted monthly and quarterly reports to the Executive Authority.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Board of Directors
- reviewed changes in accounting policies and practices
- reviewed the entities compliance with legal and regulatory provisions

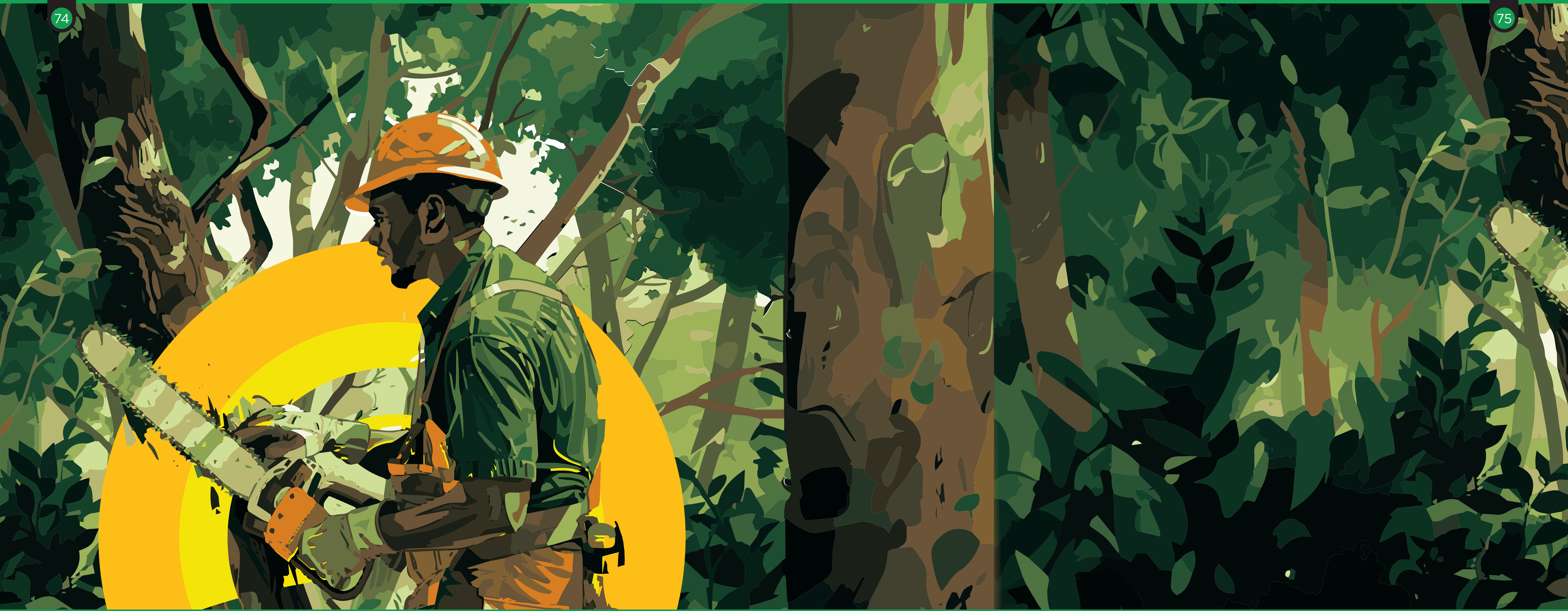
Mr V Pangwa
Chairperson of the Audit Committee
ECRDA
31/07/2024

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition.

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:

Criteria	Response Yes / No	Discussion (Include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions or other authorisations 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 the 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 Black Economic Empowerment?	Yes	ECRDA provides loan funding with preferential interest rates to rural clients in order to promote B-BBEE in rural areas.



PART D
HUMAN RESOURCE MANAGEMENT

INTRODUCTION

The review of the staff placement process commenced in November 2023. This process followed a previous staff placement process, which was found to be unfair towards the Agency as well as towards its employees. This contributed to many staff feeling uncertain about their future in the Agency, which led to low staff morale, and which obviously impacted on staff motivation and performance.

The administration of human resources had operated according to normal standards. These include the payroll and benefits administration functions. In respect of skills development, the Skills Development Committee continued with its work and ensured enhanced capacity development within the organization.

The performance management system was not implemented during the period under review. The board resolved to have the performance management implementation waived for the period under review and that all staff be empowered to be ready in the new financial year for a revised performance management approach.

A Change Management Plan, supported by the development of some HR policies and wellness interventions, was developed and implemented throughout the Agency. This, as a result of a higher demand in staff requiring support related to their welfare.

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

The new Skills Development Committee had regular meetings and also called for applications for bursaries. All applications received during the year was considered within policy provisions and budget availability.

Albeit a partial achievement, the Change Management Plan was rolled out throughout the Agency in an attempt to keep staff motivated and inspired. The impact thereof was to be determined in a survey conducted after the end of the year under review.

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

As indicated above, the staff placement process had a major impact on staff morale and staff motivation and thus had a significant impact on the performance of the agency, in particular in respect of people management issues. The placement process and the review thereof resulted in little to no staff movement during the first half of the year, with more movement of staff taking place during the latter part of the financial year as a result of the progress made during the staff placement review process. The only appointment made was for an Executive Trade and Investment, Two Interim Executives (Due to suspensions) and three cleaners for a short-term period.

A new recruitment drive has commenced with more critical vacancies to be advertised during the first quarter of the new financial year. This will be guided by the required skills and competencies needed to propel the Agency towards achievement of its stated objectives.

Employee performance management framework

During the year under review the Performance Management System was not possible to implement due to placement process where there was not stability. The Board approved the waiver of the performance contracting process and that staff must be prepared/empowered to focus on a revised performance management system for the new financial year.

Employee wellness programmes

Wellness matters were identified and managed on an individual basis for each respective employee and support was granted to employees on an ongoing basis.

A change management plan was developed and partially implemented. Staff morale was quite low and may have contributed to this partial implementation. The change management plan was aimed towards facilitating and encouraging a process of behavioural change.

Policy development

The following policies were approved by the Board during the period under review:
- Training and Development Policy
- Leave Policy
- Working Hours Policy

Highlight achievements

The staff placement review process was completed at 100% by the end of the reporting period.

The management/union relationship has taken a positive turn with a commitment from both sides to work together in support of achieving organisational objectives.

The implementation of a scheme to support pension fund and group life have enhanced opportunities to display the ECRDA as a caring organisation.

Challenges faced by the public entity

The challenges faced by HR in its implementation of people management issues impacts the Agency as a whole.

The placement process and the review thereof placed an additional burden on the day-to-day management and HR operations within the Agency. In addition, the matching of individual skills and competencies with that of the job requirements will need to be monitored to ensure continuous development, empowerment and guidance of staff with a view of improving agency performance.

Management/union relations were quite strained during most of the period under review.

The implementation of a Performance Management System was especially challenging, resulting in a decision by the Board to "approve the waiver of the 2023/2024 performance contracting".

Compliance to HR policy provisions and audit outcomes in most areas needs to be strengthened within the Agency, as these clearly impacted on agency performance and audit findings.

Future HR plans /goals

With the staff placement review process completed, the Agency is set to ensure that employees are developed through formal training as well as a range of capacity development programmes. This would be coupled with well-designed employee assistance programmes to mitigate the low levels of morale experienced as a result of the prolonged staff placement process, which was reviewed with clear guidelines and set the tone for a great degree of certainty and stability.

Further, a well-designed and simple performance management system will guide staff towards achievement of agency objectives as detailed in the Annual Performance Plan and the Annual Operational Plan. The performance management system will inform staff development initiatives for acute alignment to agency objectives.

In addition, new and critical skills and competencies are to be attracted to the Agency through a dedicated recruitment drive. This will also afford current employees the opportunity to test their skills and competencies against the market and apply for critical vacancies during this staff acquisition process.

A new Employment Equity Plan will be developed to guide the employment equity targets required during the above-mentioned talent acquisition process.
The following tools are being developed to support the development, maintenance and retention of employees:
- Onboarding process
- Succession implementation plan
- Retention plan
- Skills transfer process and plan
- Mentoring plan
- Exit management questionnaire

To improve on our customer service, a service delivery model is being developed to showcase an integration of people, process and systems. This model will be enhanced by the implementation of service level agreements with internal clients as well as service delivery questionnaires to guide constant checks and balances on our service level offerings and standards.

A new model for improving the relationship with organized labour will be designed with the commencement of the revision of the current Recognition Agreement. The model will be based on respect for the rules and regulations of the Agency and development/empowerment of both management and organised labour in the management of labour relationships.

With the organisational culture poised to shift to greater openness, transparency, and participation, a communication strategy will be strengthened to be relevant, speedy and accurate. HR will collaborate with the Communications Services unit to fulfil this planned process.

Policies

The following policies are amongst policies that the organisation is planning to review:
- Recruitment policy
- Harassment policy
- Disciplinary policy
- Remuneration policy
- Relocations policy

Human Resource Oversight Statistics

Personnel related expenditure

Programme/ activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Administration	94 542	51 725	55%	60	892
Programme Implementation and rural Development Intervention	151 168	52 914	35%	76	657
Trade and Investment	1 830	1 830	100%	2	1 059

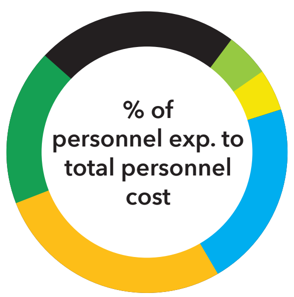
Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	R 18 724	18%	8	R 2 340
Senior Management	R 4 471	4%	3	R 1 490
Professional qualified	R 27 422	26%	24	R 1 143
Skilled	R 29 075	27%	42	R 692
Semi-skilled	R 20 107	19%	44	R 457
Unskilled	R 6 670	6%	17	R 392
TOTAL	**R 106 469**	**100%**	**138**	

Personnel related expenditure

R106,4m
Total Personnel Expenditure

138
Number of employees

- Top Management **18%**
- Senior Management **4%**
- Professional qualified **26%**
- Skilled **27%**
- Semi-skilled **19%**
- Unskilled **6%**



R1,74m
Training

20
Trained employees

Performance Rewards

There were no performance rewards issued during the period under review.

Programme/activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
Administration	51 725	615	1%	11	4 708
Programme Implementation and Rural Development Intervention	52 914	259	49%	9	5 879
Trade and Investment	1 830	874	0,00%	0	-

Programme	2023/24 No. of Employees	2023/24 Approved Posts	2023/24 No. of Employees	2023/24 Vacancies	% Of vacancies
Administration	56	62	60	2	3%
Programme Implementation and rural Development Intervention	78	109	76	33	30%
Trade and Investment	0	5	2	3	60%

The placement process led to the creation of temporal positions and the number of employees employed under the programme implementation and rural development may be appointed to the 33 positions advertised.

Personnel level	2023/24 No. of Employees	2023/24 Approved[1] (Funded) Posts	2023/24 No. of Employees	2023/24 Vacancies	% Of vacancies
Top Management	5	10	8	2	20%
Senior Management	6	5	3	2	40%
Professional qualified	24	53	24	29	54%
Skilled	42	47	42	5	10.6%
Semi-skilled	44	44	44	0	0%
Unskilled	17	17	17	0	0%
TOTAL	**138**	**164**	**138**	**38**	**23.1%**

Top management has two interim positions that were approved for a short period due to suspensions of two executives. Two employees who were on Senior Management before placement moved to Professionally qualified after new grades were approved and placement review process finalised.

[1] The structure has a total of 209 positions, but only 164 of these are funded

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	5	3	0	8
Senior Management	6	0	1	3
Professional qualified	24	0	2	24
Skilled	42	0	0	42
Semi-skilled	44	0	0	44
Unskilled	17	3	3	17
Total	**138**	**6**	**6**	**138**

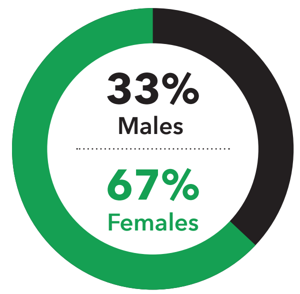
Reasons for staff members leaving

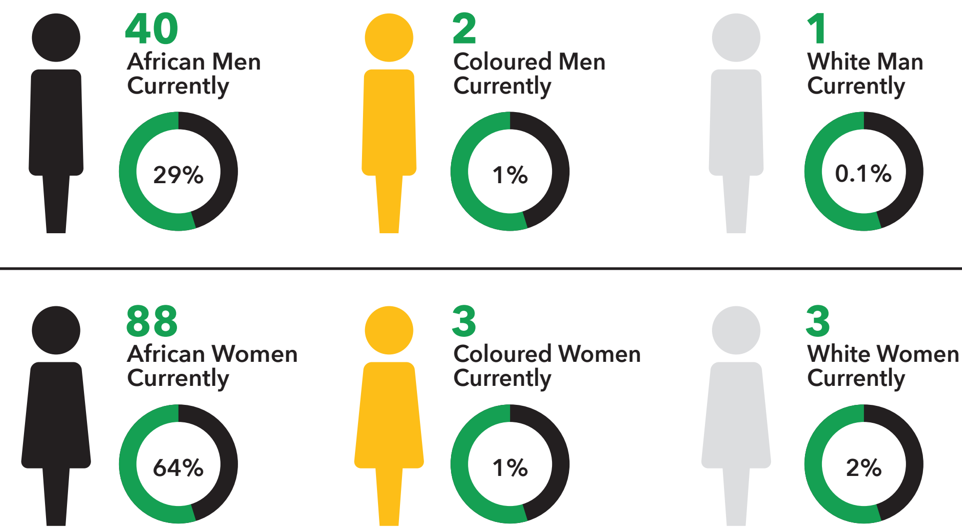
Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	**1**	**20%**
Dismissal	0	0%
Retirement	**2**	**40%**
Ill health	0	0%
Expiry of contract	**3**	**40%**
Other	0	0%
Total	**6**	**100%**

Nature of disciplinary Action	Number
Verbal Warning	1
Written Warning	2
Final Written warning	0
Dismissal	0

	MALE							
	African		Coloured		Indian		White	
Levels	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	2	2	2	0	1		
Senior Management	2	2	0	2	0	1	1	1
Professional qualified	9	9	0	2	0	1	0	1
Skilled	9	15	0	1	0		0	1
Semi-skilled	13	23						
Unskilled	5	5						
TOTAL	40 (29%)	56 (41%)	2 (1%)	7 (5%)	0	3 (2%)	1 (0.1%)	3 (2%)

Employee Gender Equity Status





	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
Levels	**Current**	**Target**	**Current**	**Target**	**Current**	**Target**	**Current**	**Target**
Top Management	2	2	0		0		1	1
Senior Management	0	4	0	1	0		0	
Professional qualified	13	8	0	2	0	1	2	2
Skilled	30	20	1	2	0	1	0	
Semi-skilled	29	15	2	2	0	1	0	
Unskilled	12	10	0		0		0	
TOTAL	88 (64%)	59 (42%)	3 (1%)	7 (5%)	0	3 (2%)	3 (2%)	3 (2%)

Two females are foreign nationals while one male is a foreign national. The Employment Equity plan is being reviewed. During the period under review the agency had no disabled employees.

PART E
PFMA COMPLIANCE REPORT

IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES UPDATED

Irregular expenditure

Description	2022/23	2023/24
Opening balance	25 983 352	28 696 037
Adjustment to opening balance		
Opening balance as restated		
Add: Irregular expenditure confirmed/incurred		
Current year	2 837 540	2 859 252
Identified current incurred prior year	5 448 317	
Less: Irregular expenditure recoverable		
Less: Irregular expenditure not recoverable and written off		
Closing balance	**34 269 209**	**37 128 461**

Reconciliation of irregular expenditure. Irregular expenditure amounting R2.7 million related to 2022/23 is being investigated

Reconciling notes

Description	2022/23	2023/24
Irregular expenditure that was under assessment	25 983 352	34 269 209
Irregular expenditure that relates to the prior year and identified in the current year	5 448 317	0
Irregular expenditure for the current year	2 837 540	2 859 252
Total	**34 269 209**	**37 128 461**

Irregular expenditure

Description[2]	2022/23	2023/24
Irregular expenditure under assessment	-	0
Irregular expenditure under determination	-	4 871 610
Irregular expenditure under investigation	28 696 037	2 712 685
Total	**28 696 037**	**7 584 295**

Details of irregular expenditure (under assessment, determination, and investigation)
Irregular expenditure reported for R4.8m, disciplinary actions taken after year-end. Irregular of expenditure of R3.5million was identified in the current with R701 562, relating to 2022/23, which will also be investigated.

Description	2022/23	2023/24
Irregular expenditure condoned	0	0
Total	**0**	**0**

1 Transfer to receivables
2 Group similar items

Details of irregular expenditure condoned
The accounting officer will consider recommendations by internal audit and condone/decline irregular expenditures.

Description	2022/23	2023/24
Irregular expenditure NOT condoned and removed	0	0
Total	**0**	**0**

Details of irregular expenditure removed – (not condoned)

Description	2022/23	2023/24
Irregular expenditure recoverable	0	0
Total	**0**	**0**

Details of current and previous year irregular expenditure written off (irrecoverable)
Irregular expenditure recoverable will depend on the decision by the accounting officer's decision to condone or decline

Description	2022/23	2023/24
Irregular expenditure written off	0	0
Total	**0**	**0**

Details of current and previous year irregular expenditure written off (irrecoverable)
Additional disclosure relating to Inter-Institutional Arrangements

Description
n/a
Total

Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)

Description	2022/23	2023/24
n/a		
Total		

Disciplinary steps taken

The disciplinary process of the Chief Executive Officer (Mr Qobo) was concluded in March 2024, and the board took a resolution to terminate his employment contract in April 2024.
Details of disciplinary or criminal steps taken as a result of irregular expenditure

Fruitless and wasteful expenditure

Description	2022/23	2023/24
Opening balance	93 051	353 766
Adjustment to opening balance	239 155	0
Opening balance as restated	332 206	353 766
Add: Fruitless and wasteful expenditure confirmed	21 560	901 120
Less: Fruitless and wasteful expenditure recoverable	0	0
Less: Fruitless and wasteful expenditure not recoverable and written off	0	0
Closing balance	**353 766**	**1 254 886**

[4] Transfer to receivables

Reconciliation of fruitless and wasteful expenditure
Reconciling notes

Description	2022/23	2023/24
Fruitless and wasteful expenditure that was under assessment	93 051	353 766
Fruitless and wasteful expenditure that relates to the prior year and identified in the current year	239 155	
Fruitless and wasteful expenditure for the current year	21 560	901 120
Total	**353 766**	**1 254 886**

Fruitless and wasteful expenditure

Description[4]	2022/23	2023/24
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	0	0
Total	**0**	**0**

Details of fruitless and wasteful expenditure (under assessment, determination, and investigation)
Fruitless and Wasteful expenditure has been quantified and will be referred to Internal Audit for further investigations with the aim of recovering.

Description	2022/23	2023/24
Fruitless and wasteful expenditure recoverable	0	0
Total	**0**	**0**

Details of fruitless and wasteful expenditure recoverable

Description	2022/23	2023/24
Fruitless and wasteful expenditure written off	0	0
Total	**0**	**0**

Details of fruitless and wasteful expenditure not recoverable and written off
The amount recoverable has not been quantified as yet and will depend on further investigations and recommendations by internal audit.

Disciplinary steps taken

No disciplinary or criminal steps has been taken as yet until final determination is made.

Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) &(iii))[6]

Material losses through criminal conduct	2022/23	2023/24
Theft	0	0
Other material losses	0	0
Less: Recoverable	0	0
Less: Not recoverable and written off	0	0
Total	**0**	**0**

[3] Transfer to receivables
[3] Group similar items

Details of disciplinary or criminal steps taken as a result of fruitless and wasteful

1.3. Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) &(iii))[5]

Material losses through criminal conduct	2022/23	2023/24
Theft	0	0
Other material losses	0	0
Less: Recoverable	0	0
Less: Not recoverable and written off	0	0
Total	**0**	**0**

Details of material losses through criminal conduct

Nature of other material losses	2022/23	2023/24
(Group major categories, but list material items)	0	0
Total	**0**	**0**

Details of other material losses

Nature of losses	2022/23	2023/24
(Group major categories, but list material items)	0	0
Total	**0**	**0**

Other material losses recoverable

Nature of losses	2022/23	2023/24
(Group major categories, but list material items)	0	0
Total	**0**	**0**

Other material losses not recoverable and written off

Late And/or Non-Payment of Suppliers

Description	Number of invoices	Consolidated Value
Valid invoices received	1187	300 610
Invoices paid **within** 30 days or agreed period	634	15 434
Invoices paid **after** 30 days or agreed period	553	285 176
Invoices older than 30 days or agreed period **(unpaid and without dispute)**	0	0
Invoices older than 30 days or agreed period **(unpaid and in dispute)**	144	749

Payment of suppliers
Late submission of invoices submitted late by end-user's and disputes on service rendered are the reasons for late payments.

SUPPLY CHAIN MANAGEMENT

Procurement by other means
Information related to material losses must also be disclosed in the annual financial statements.

Deviations Register April 2023 - November 2023

	Supplier	Description	Fraxion Ref Number	Amount	Unit	Principle	Irregular or Not?	Comment	Date
	VIPROJECTS	Consultation for medical aid updates 2023 on the 10 January 2023	9711	9062.01	Corporate Services - HR	Single source	No	Deviation memo attached	24-Apr-23
	Encrypted Media Pty Ltd	SCMU05-2022/23 CANCELLATION: ECRDA WEBSITE	10281	R 500,00	SCM	Locally Based Newspaper In Which Bid Was Advertised	No	Deviation memo attached	31-May-23
	Adapt IT Pty Ltd	GRAP template & consolidation	10238	R 386 429,72	Finance	Sole source	No	Deviation memo attached	18-May-23
	The Institute of Directors in SA	IoD membership for 5 Board Members	10169	R 15 050,00	OCEO	Sole source	No	Deviation memo attached	31-May-23
	Commerce Edge South Africa (Pty) Ltd	CIPS Membership MV Esben	10114	R 1 880,25	SCM	Membership renewal	No	Deviation memo attached	16-May-23
	The Institute of Directors in SA	Training of directors	10107	R 384 696,85	OCEO	Sole source	No	Deviation memo attached	24-Apr-23
	VIPROJECTS	Processing of EPWP payroll on 24/04/2023	N/A	R 11 787,50	Corporate Services - HR	Single source	No	Deviation memo attached	26-Apr-23
	Payroll Education	Bursary Appl 2023 Joni N	10294	R 23 000,00	Corporate Services - HR	Continuation of studies with the same institution from previous year	No	Deviation memo attached	30-May-23
	Government Printing Works	15 X Boxes A4 Paper	10305	R 5 968,50	Corporate Services - ICT	Sole source	No	Deviation memo attached	26-May-23
	Tiso Blackstar (Daily Dispatch/ Arena Holdings Pty Ltd	SCMU05-2022/23 BID CANCELLATION: DAILY DISPATCH	10235	R 3 312,00	SCM	Local Newspaper	Not	Deviation memo attached	10-May-23
	Tiso Blackstar (Daily Dispatch/ Arena Holdings Pty Ltd	Advertisement of various positions in the Daily Dispatch on the 19th of May 2023	10272	R 4 440,15	Corporate Services	Local Newspaper	Not	Deviation memo attached	17-May-23
DEV087	Government Printing Works	Office printing paper	10187	R 3 979,00	Cradock Office	Treasury approved supplier	No	Deviation memo attached	20-Jun-23
DEV101	Government Printing Works	Office printing paper	10382	R 7 958,00	Cradock Office	Treasury approved supplier	No	Deviation memo attached	06-Jul-23
	Tiso Blackstar (Daily Dispatch0/ Arena Holdings Pty Ltd	Advertisement of various positions in the Sunday Times on the 21st May 2023	10271	R 40 292,55	SCM	Local Newspaper	Not	Deviation memo attached	15-Jun-23
	Government Printing Works	Office printing paper	10382	R 7 958,00	Cradock Office	Treasury approved supplier	No	Deviation memo attached	06-Jul-23
DEV102	Tiso Blackstar (Daily Dispatch0/ Arena Holdings Pty Ltd	Publication of SCMU 01-2023/24 on DailyDispatch	10364	R 6 624,00	SCM	Local Newspaper	Not	Deviation memo attached	06-Jul-23
	Buffalo Toyota	Vehicle Service & Repairs	10585	R 7 881,41	H/O	Single source	No	Deviation memo attached	25-Aug-23
	NCR	NCR renewal and branch fees	5549	R 19 573,65	KWT Branch	The service provider is the sole service provider/specialis	No	Deviation memo attached	27-Jul-23
	Meyers Motors (Pty) Ltd	Service & Repairs to HSD931EC	10538	R 8 236,31	Finance	Single source	No	Deviation memo attached	11-Aug-23
	Meyers Motors (Pty) Ltd	Service & Repairs to HSD931EC	10909	R 13 301,00	Finance	Vehicle procured from meyers	No	Deviation memo attached	24-Oct-23
DEV105	Daily Dispatch	Extension of Closing date for SCMU 02-2023/24	10873	R 2 484,00	SCM	Local Newspaper	Not	Deviation memo attached	17-Oct-23
DEV104	Daily Dispatch	Publication of a Tender of DailyDispatch SCMU 02-2023/24	10936	R 6 624,00	SCM	Local Newspaper	Not	Deviation memo attached	10-Oct-23
DEV103	Daily Dispatch	Publication of an Award on DailyDispatch - SCMU 01 - 2023/24	10847	R 3 312,00	SCM	Local Newspaper	Not	Deviation memo attached	10-Oct-23
	Government Printing Works	Office printing paper	10772	R 7 958,00	H/O	Treasury approved supplier	No	Deviation memo attached	06/11/2023
DEV118	Tiso Blackstar (Daily Dispatch0/ Arena Holdings Pty Ltd	Publication of SCMU 03	10936	R 6 624,00	H/O	Local Newspaper	Not	Deviation memo attached	27-Oct-23
DEV108	Tiso Blackstar (Daily Dispatch0/ Arena Holdings Pty Ltd	Publication on Daily Dispatch on ECRDA Commodity	10934	R 16 008,00	H/O	Local Newspaper	Not	Deviation memo attached	31-Oct-23
	Tiso Blackstar (Daily Dispatch0/ Arena Holdings Pty Ltd	Tender Advert for SCMU 06 - 2023/24	11373	R 3 312,00	H/O	Local Newspaper	No	Deviation memo attached	14-Jun-23
	Tiso Blackstar (Daily Dispatch0/ Arena Holdings Pty Ltd	SCMU04-2022/23 AWARD PUBLICATION	9990	R 4 440,15	H/O	Local Newspaper	No	Deviation memo attached	31-Jan-24
	Tiso Blackstar (Daily Dispatch0/ Arena Holdings Pty Ltd	SCMU 06 - 2023/24 DAILY DISPATCH ADVERT	11292	R 6 426,20	H/O	Local Newspaper	No	Deviation memo attached	02-Feb-24

REPORTING OF EXPANSIONS AND VARIATIONS OF CONTRACTS 2023/24

No	Project Description	Name of Supplier	Contract Number	Reason for expansion or variation of contract	Original contract value	Value of contract expansion or variation of contract	Value of previous contract expansion or variation of contract	Award Date	Contract start date	Contract expiry
1	APPOINTMENT FOR COROLLA VEHICLE REPAIRS AND MAINTANANCE	Buffalo Toyota	E017402	Buffalo Toyota has been appointed to provide the above-mentioned scope of works. The variation order has been deemed essential as the vehicle is needed to do field work for the ECRDA	R 9 183,34	R 5,627,44	N/A	20-Feb-23	20-Feb-23	Upon conclusion of services
2	REQUEST FOR PROPOSALS: APPOINTMENT OF AN ARCHITECT CONSULTANT FIRM FOR THE MAINTENANCE OF QONCE REGIONAL OFFICES	ITM Architects cc	RFP 40 - 2022/23	Scope of work not covered. No financial implications incurred.	R 274 080,71	N/A	N/A	07-Mar-23	07-Mar-23	2023/07/07 (Contract extended until November 2023)
4	Projects payroll annual licence.	VIProjects	E017584	Purchase order amount of R 42 117,00 was issued without VAT.	R 42 117,00	R 6 317,55	N/A	01-Apr-23	02-Apr-23	31-Mar-24
5	REQUEST FOR PROPOSALS: APPOINTMENT OF A SERVICE PROVIDER TO DEVELOP, DESIGN, LAYOUT, PROOFREAD AND PRINT THE 2022/23 ANNUAL REPORT	PIVOT Communication	RFP 03 - 2023/24	The variation memo due to expansion in the scope of work. The variation is for photography fees which were not included in the original scope of work.	R 205 054,20	R28 580.00 (this is 14% of the original contract and falls within the 15%) limitation for variances.	N/A	03-Jul-23	03-Jul-23	13-Aug-23
6	REQUEST FOR PROPOSALS: APPOINTMENT OF A PROFESSIONAL SERVICE PROVIDER FOR INTERNAL AUDIT SERVICES FOR A PERIOD OF TWENTY-FOUR (24) MONTHS	Lunika Chartered Accountants and Auditors	RFP 33 - 2022/23	A variation order has been deemed seemed essential due to adhoc audit requests by ECRDA.	R 865 536,00	R 129 830,40. (This is 15% of the original contract value)	N/A	17-Jan-23	17-Jan-23	17-Jan-25
7	Travelling arrangements for Mr Ricardo DeBeers	Willards Travel Service	E018014	Expansion order deemed essential due to the invoice received that is mor than a n order amount, that is a result of accommodation service being more than the amount quoted. The value of the order is R100,170.00 (Incl VAT) the value of the invoice is R107,593.95	R 100 170,00	R 7423.95 including VAT	N/A	10-Sep-23	N/A	N/A
8	Travelling arrangements for Mr Mxolisi Koyo	Willards travel service	E017751	Variation order was deemed essential due the fact that the Km's travelled were more than the km's quoted for.	R 14 669.01	R35.77 including VAT	N/A	07-Jun-23	N/A	N/A
9	Traveling arrangements for Mr Gcinumzi Qotywa	Willards travel service	E017950	Expansion order deemed essential due to the Invoice received that is more than the order amount. that is a result of the car hire days being Extended as Mr Qotywa was also requested to attend the Presidential Imbizo in Tsomo Chris Hani District on the 11 August 2023. The value of the order is R10 759.00 (Incl VAT) the value of the invoice is R18 536.40(Incl VAT).	R 10 759,00	R 7 777.40 Including VAT	N/A	07-Aug-23	N/A	N/A
10	Travelling arrangements for Mr Mxolisi Koyo	Willards travel service	E017957	Expansion order deemed essential due to the Invoice received that is more than the order amount, that is a result of refuelling. The value of the order is R11 476.00 (Incl VAT) the value of the invoice is R14 835.45 (Incl VAT).	R 11 476,00	R 3 359,45 Incuding VAT	N/A	16 August 2023	N/A	N/A

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

Report on the audit of the consolidated and separate financial statements

Qualified opinion

1. I have audited the consolidated and separate financial statements of the Eastern Cape Rural Development Agency set out on pages 108 to 208, which comprise the consolidated and separate statement of financial position as at 31 March 2024, 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 notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In our opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Eastern Cape Rural Development Agency as at 31 March 2024, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Standards (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for qualified opinion

Loans and advances to customers

3. I was unable to obtain sufficient appropriate audit evidence that loans and advances to customers for the current and previous year were properly accounted for, due to the status of accounting records. I was unable to confirm all loans and advances to customers were accounted by alternative means. Consequently, I was unable to determine whether any adjustment was necessary for loans and advance to customers stated at R26.6 million (2023: R 19, 1 million) in the statement of financial position. Additionally, there was an undeterminable impact on the current year and prior amounts for the related interest on loans, commission received, reversal of impairment, unspent conditional grants and receipts and debtors with credit balances in the consolidated and separate financial statements.

Statement of changes in net assets

4. Accumulated surplus and deficit were not correctly prepared and disclosed as required by the Standards of GRAP 1, Presentation of financial statements. This was due to multiple errors in determining accumulated surplus and deficit. I was not able to determine the full extent of the errors in the accumulated surplus and deficit, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to accumulated surplus and deficit as stated at R34,4 million (2023: R50,6 million) in the consolidated and separate statement of changes in net assets.

Net cash flow from operating activities

5. Net cash flows from operating activities were not correctly prepared and disclosed as required by the Standards of GRAP 2, Cash flow statements. This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities as stated at R20,4 million (2023: 26,7 million) in the consolidated and separate financial statements respectively.

Net cash flow from investing activities

6. Net cash flows from investing activities were not correctly prepared and disclosed as required by the Standards of GRAP 2, Cash flow statements. This was due to multiple errors in determining cash flows from investing activities. I was not able to determine the full extent of the errors in the net cash flows from investing activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from investing activities as stated at R42, 1 million (2023: 13, 1 million) in the consolidated and separate financial statements respectively.

Net cash flow from financing activities

7. Net cash flows from financing activities were not correctly prepared and disclosed as required by the Standards of GRAP 2, Cash flow statements. This was due to multiple errors in determining cash flows from financing activities. I was not able to determine the full extent of the errors in the net cash flows from financing activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from financing activities as stated at R 15,3 million (2023: 9,8 million) in the consolidated and separate financial statements respectively.

Statement of comparison of budgets and actual amount

8. The entity did not disclose the budget and the actual amounts, as required by GRAP 24, Presentation of budget information in financial statements. The reconciliation of the actual amounts on a comparable basis to the surplus in the statement of financial performance is understated by R4,7 million in the statement of comparison of budget and actual amounts.

Segment information

9.I was unable to obtain sufficient appropriate audit evidence regarding the segment information of as the totals of segment revenues, reported segment surplus or deficit, segment assets, segment liabilities and other material segment items to did not agree to the amounts in the statement of financial performance and statement of financial position. Due to the status of accounting records, I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the segment information disclosed in note 49 to the consolidated and separate financial statements respectively.

Prior period error

10. The entity did not prepare, present and disclose all prior period errors in the financial statements, as required by GRAP 3, Accounting policies, changes in accounting estimates and errors. The nature and amount of the correction for each financial statement item affected and the amount of the correction at the beginning of the earliest previous period were not completely disclosed. Consequently, I was unable to determine whether any adjustments were necessary to the prior period errors disclosed in note 41 to the consolidated and separate financial statements.

Comparative amounts

Total revenue and expenditure

11. Total revenue and expenditure was materially misstated by R2,6 million due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Insurance income stated at R11,9 million in the corresponding figure was understated by R1 ,8 million.
- Employee related costs stated at R95,3 million in the corresponding figure was understated by R0,8 million.

General expenditure

12. During 31 March 2023, I was unable to obtain sufficient appropriate audit evidence for insurance due to the status of accounting records. I was unable to confirm the insurance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figure of insurance, stated at R8, 7 million in note 34 of the consolidated and separate financial statement respectively.

Context for opinion

13. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditorgeneral for the audit of the consolidated and separate financial statements section of my report.

14. 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 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.

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

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

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

17. 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

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

19. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report. This description, which is located at page xx, forms part of our auditor's report.

Report on the annual performance report

20. 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 information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

21. I selected the following material performance indicators related to programme management & rural development interventions presented in the annual performance report for the year ended 30 March 2024. I selected those indicators that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

- Number of Cannabis incubators operationalised.
- Number of SMME's supported in the Cannabis Industry
- Number of people trained in the Cannabis Industry
- Number of RED Hubs transformed into sustainable aggregation centres. (Mbizana as agreed with cooperatives)
- Number of RED Hubs supported through social facilitation to transform them into sustainable aggregation centres. (Tshabo,Ncora, Emalahleni and Mqanduli)
- Number of hectares of forestry planted.
- Number of farmers trained on animal husbandry, environment protection, financial management, labour relations and greening.
- Number of customised support program for citrus producers in partnership with commodity organization.
- Number of loan applications processed on CRM.
- Number of collections policy's implemented to recover loan funding of customers between O and 120 days in arrears
- Number of priority commodities supported through blended support programmes.

22. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.

23. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure

- that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

24. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

25. The material findings on the reported performance information for the selected material indicators are as follows:

Number of people trained in the Cannabis Industry

26. An achievement of 109 people trained was reported against a target of 100 people trained. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I projected it to be materially more than reported. Consequently, it is likely that the achievement against the target was better than reported.

Number of hectares of forestry planted

27. Adequate processes had not been established to consistently measure and reliably report on the achievement of this indicator and its target of hectares of forestry planted. The entity did not directly plant the hectares but funded the projects involved in the planting. Consequently, the entity would have found it difficult to determine the correct achievement to be reported against the planned target. Furthermore, I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the reported achievement might be more or less than reported and were not reliable for determining if the targets had been achieved.

Various indicators

28. Various indicators were not clearly defined during the planning process. Consequently, the indicators are not useful for measuring and reporting on progress against planned objectives.

Indicator	Target
Number of Cannabis incubators operationalised.	2
Number of RED Hubs transformed into sustainable aggregation centres. (Mbizana as agreed with cooperatives)	1
Number of customised support program for citrus producers in partnership with commodity organization.	1

Various indicators

29. 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
Number of SMME's supported in the Cannabis Industry	100
Number of RED Hubs supported through social 4 facilitation to transform them into sustainable aggregation centres. (Tshabo,Ncora, Emalahleni and Mqanduli)	4

Other matter

30. I draw attention to the matter below.

Achievement of planned targets

31. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements. This information should be considered in the context of the material findings on the reported performance information.

32. The table that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 37 to 58.

Programme 2 Project Management and Rural Development Interventions

Targets achieved: 83%
Budget spent: 98%

Key indicators not achieved	Planned Target	Reported achievement
Number of Cannabis incubators operationalised	2	0
Number of RED Hubs transforrned into sustainable aggregation centres. (Mbizona as agreed with cooperatives)	1	0

Material misstatements

33. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for programme management & rural development interventions. Management did not correct the misstatements and I reported material findings in this regard.

Report on compliance with legislation

34. 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 is responsible for the entity's compliance with legislation.

35. 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.

36. 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.

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

Annual financial statements, performance report and annual reports

38. 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) (a) and (b) of the PFMA. Material misstatements of revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Expenditure management

39. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 47 to the annual financial statements, as required by section 51 (1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with SCM regulations.

40. Effective steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 46 to the annual financial statements, as required by section 51 (1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest and penalties on late payments.

41. Prepayments were made before goods and services were received, in contravention of treasury regulation 31.1.2(c).

Revenue management

42. 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

43. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51 (1)(e)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

Other information in the annual report

44. The accounting authority is responsible for the other information referred to does not include the consolidated and separate financial statements, the auditor's report and those selected material indicators in the scoped-in objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

45. My opinion on the consolidated and separate financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

46. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected material indicators in the scoped-in objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

4 7. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary

Internal control deficiencies

48. 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.

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

50. Lack of a strong control environment that ensures effective implementation and monitoring of internal controls, to ensure sound financial and performance management and compliance with laws and regulations.

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

East London
9 August 2024
Auditor General

AUDITOR-GENERAL SOUTH AFRICA
Auditing to build public confidence

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 material performance indicators 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 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 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 38 of 2000 (CIDB)	Section 18(1)
CIDB regulations	Regulations 17; 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	Sections 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 of2015-16	Par. 3.4
NT SCM Instruction Note 4A of 2016-17	Par. 6
NT SCM Instruction Note 07 of 2017-18	Par. 4.3
NT SCM Instruction Note 05 of 2020-21	Paragraphs 4.8; 4.9; 5.3
Erratum NT SCM Instruction Note 05 of 2020-21	Par. 2
Second Amendment to NT SCM Instruction Note 05 of 2020-21	Par. 1
NT Instruction Note 11 of 2020-21	Paragraphs 3.1; 3.4(b); 3.9

PART F
FINANCIAL INFORMATION

INDEX

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

ECRDA
Eastern Cape
Rural Development
Agency

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
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 are 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 group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board 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 2025 and, in the light of this review and the current financial position, 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 department has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The annual financial statements set out on pages 10 to 112, which have been prepared on the going concern basis, were approved by the Board on 31 July 2024 and were signed on its behalf by:

Dr Nondumiso Maphazi
Chairperson

BOARD'S REPORT

The Board of Directors submit their report for the year ended 31 March 2024.

Incorporation

The entity was incorporated through a merger of the ECRFC, Asgisa and Uvimba, and was established in line with the provisions of the ECRFC Amendment Act 1 of 2012.

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 to persons domiciled, ordinarily resident or carrying on business within the Province;
- Promoting and encouraging private sector investment in the Province and the participation of the private sector in contributing to economic growth;
- Promoting, assisting and encouraging the development of the Province's human resources and financial infrastructure, in association with other institutions having similar or related objects;
- Acting as the government's agent for performing any development related tasks and responsibilities that the government considers may be more efficiently or effectively performed by a corporate entity;
- Driving and co-ordinating integrated programmes of rural development, land reform and agrarian transformation in the Province;
- Project managing rural development interventions in the Province;
- Promoting applied research and innovative technologies for rural development in the Province;
- Planning, monitoring, implementing and evaluating rural development in the Province;
- Facilitating the participation of the private sector and community organisations in rural development programmes.

Going concern

We draw attention to the fact that at 31 March 2024, the entity had an accumulated surplus/(deficits) of R 13,497,198 ; (2023:(R3,358,197) and that the entity's total assets exceed its liabilities by R 55,486,244; (2023: R38,630,849).

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 Directors continue to procure funding for the ongoing operations for the entity and that the appropriation 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 disciplinary process of the Chief Executive Officer, Mr Qobo, was concluded in March 2024. The final report with the outcomes was presented to the Board of Directors on 26 April 2024, wherein the Board took a decision to terminate his contract with effect from 26 April 2024. The CEO has subsequently submitted an appeal to the Board, which is still under discussions. In addition, as settlement agreement was signed with the CFO, with her last day being 31 May 2024.

Directors' 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 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 Nomathandazo 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
Adv John Korkie	South African
Mr Gcinumzi Qotywa (Interim Chief Executive Officer)	South African

Company Secretary

The Company Secretary of the entity is Ms Vuyokazi Xaxa.
Business address: 3-33 Phillip Frame Park
Waverley Park
East London
5201

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 monitor the group's compliance with the code on quarterly 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:
  o non-executive directors, all of whom are independent directors as defined in the King IV Code; and
  o 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 remuneration of all the Executives of the ECRDA are determined by the Board. Board meetings.

The Board has met on 35 separate occasions during the financial year. The Board was scheduled to meet at least 4 times per annum, however due to the challenges that were experienced by the entity, it held thirty one (31) Special Board meetings. Some of the Special Board meetings could not have been avoided as they were meant for approval of reports that would be submitted to the MEC. In addition preparations for the Portfolio Committee and SCOPA necessitated the Special meetings.

The Board established six(6) sub committees, including the Audit and Risk Committee, which are Finance and Investment Committee (FINVEST), Human Capital and Remuneration (HCR), Strategy Implementation and Performance Management (SIPM), Research, Projects and Stakeholder Management (RPSM), and Governance and Ethics (GEC). The committees were established to ensure the proper execution of its responsibilities.

The Audit and Risk Committee met nine(9) times, FINVEST met six (6) times, HCR met eight (8) times, SIPM met six(6) times, RPSM met five (5) times, lastly GEC mest six (6) times. In all these meetings quorum requirements were met.

Audit and risk committee

The committee met 9 times during the financial year to review matters necessary to fulfil its role.

Internal audit

The entity has outsourced its internal audit function to Lunika Incorporated who succeeded Price Waterhouse Coopers (PWC) who was the entity's previous internal auditors. PWC terminated its contract during the 2022/23 financial year, which led to the appointment of Lunika Incorporated. This is in compliance with the Public Finance Management Act, 2003.

Controlling entity

The entity's controlling entity is DRDAR.

Bankers

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

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 (SA) will continue in office for the next financial period.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the Board on 31 July 2024 and were signed on its behalf by:

Dr Nondumiso Maphazi
Board Chairperson

ECRDA CONSOLIDATED
Trading as ECRDA
Annual Financial Statements for the year ended 31 March 2024

Statement of Financial Position as at 31 March 2024

		Economic entity		Controlling entity	
Figures in Rands	Note(s)	2024	2023 Restated*	2024	2023 Restated*
Assets					
Current Assets					
Inventories	13	5,127,913	6,549,174	96,005	90,193
Receivables from exchange transactions	14	12,583,731	10,129,937	7,656,154	6,077,115
VAT receivable	15	23,386	87,937	-	-
Loans and advances to customers	12	7,658,093	5,775,925	7,658,093	5,775,925
Cash and cash equivalents	16	67,229,594	60,907,795	66,372,194	60,486,083
		92,622,717	**83,450,768**	**81,782,446**	**72,429,316**
Non-Current Assets					
Biological assets that form part of an agricultural activity	3	3,083,948	3,083,948	-	-
Investment property	4	1,496,018	1,534,324	1,496,018	1,534,324
Property, plant and equipment	5	10,876,063	16,868,807	6,863,992	11,051,669
Intangible assets	6	87,905	200,006	87,905	200,006
Deferred tax	7	5,698,554	4,498,049	-	-
Loans and advances to customers	12	18,951,832	13,324,352	18,951,832	13,324,352
		40,194,320	**39,509,486**	**27,399,747**	**26,110,351**
Total Assets		**132,817,037**	**122,960,254**	**109,182,193**	**98,539,667**
Liabilities					
Current Liabilities					
Finance lease obligation	18	633,319	2,254,452	633,319	2,254,452
Operating lease liability	8	275,070	-	275,070	-
Payables from exchange transactions	9	14,770,025	9,729,126	11,995,725	9,375,250
Liabilities arising from non-exchange transactions	10	1,837,484	13,003,731	1,837,484	13,003,731
Unspent conditional grants and receipts	19	31,352,559	27,477,954	31,352,559	27,477,954
Provisions	20	7,376,366	6,894,283	7,376,366	6,894,283
Bank overdraft	16	118	44,522	118	44,522
		56,244,941	**59,404,068**	**53,470,641**	**59,050,192**
Non-Current Liabilities					
Finance lease obligation	18	225,308	858,627	225,308	858,627
Total Liabilities		**56,470,249**	**60,262,695**	**53,695,949**	**59,908,819**
Net Assets		**76,346,788**	**62,697,559**	**55,486,244**	**38,630,848**
Share capital / contributed capital	17	41,989,146	41,989,046	41,989,046	41,989,046
Accumulated surplus		34,357,642	20,708,513	13,497,198	(3,358,198)
Total Net Assets		**76,346,788**	**62,697,559**	**55,486,244**	**38,630,848**

* See Note 41

ECRDA CONSOLIDATED

Trading as ECRDA
Annual Financial Statements for the year ended 31 March 2024

Statement of Financial Performance

Figures in Rands	Note(s)	Economic entity 2024	Economic entity 2023 Restated*	Controlling entity 2024	Controlling entity 2023 Restated*
Revenue					
Revenue from exchange transactions					
Sale of goods	21	6,816,408	10,275,550	-	-
Rental of facilities and equipment	21	2,044,821	1,837,313	2,044,821	1,837,313
Sundry Income		3,484	1,528,740	3,484	1,528,740
Fees earned		44,400	38,250	44,400	38,250
Commissions received	21	2,600,618	3,117,786	2,600,618	3,117,786
Reversal of Impairment		210,268	6,876,499	210,268	6,876,499
Recoveries- Bad Debts		7,075	26,462	7,075	26,462
Other Income		2,323,808	647,334	-	-
Donations Received		-	1,696,273	-	-
Fair Value Adjustments		-	153,343	-	153,343
Interest on Loans	21	5,963,092	5,695,642	5,963,092	5,695,642
Insurance Income		14,811,467	11,909,060	14,811,467	11,909,060
Interest received - investment	24	3,164,900	705,666	3,090,283	650,704
Total revenue from exchange transactions		**37,990,341**	**44,507,918**	**28,775,508**	**31,833,799**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	26	156,789,568	145,456,953	156,789,568	145,456,953
Total revenue	21	**194,779,909**	**189,964,871**	**185,565,076**	**177,290,752**
Expenditure					
Employee related costs	27	(118,419,259)	(111,565,735)	(100,721,969)	(95,332,135)
Remuneration of Board Members	40	(5,003,767)	(4,666,504)	(4,515,547)	(4,207,975)
Administration		(15,155)	(14,593)	(15,155)	(14,593)
Project Expenses	32	(12,599,518)	(14,956,828)	(12,599,518)	(14,956,828)
Depreciation and amortisation	28	(6,336,506)	(7,282,690)	(4,345,211)	(4,984,078)
Reversal of impairments	29	(21,398)	(538,351)	-	-
Finance costs	30	(421,547)	(574,624)	(421,547)	(574,624)
Lease rentals on operating lease	23	(2,352,063)	(3,604,407)	(2,352,063)	(3,604,407)
Debt Impairment	31	(54,341)	(1,423,391)	(52,530)	(1,210,193)
Collection costs		-	(76,229)	-	(76,229)
Bulk purchases		(395,764)	(389,392)	-	-
Contracted services	33	(7,254,312)	(4,256,503)	(6,150,490)	(2,944,031)
Transfers and Subsidies	25	-	(1,696,273)	-	(1,696,273)
Loss on disposal of assets and liabilities		(56,640)	(24,669)	(56,640)	(24,669)
Inventories losses/write-downs		(4,624,835)	(7,933,789)	(84,287)	-
Cost of Sales		(9,083,820)	(12,296,126)	-	-
General Expenses	34	(45,387,857)	(39,770,729)	(37,710,322)	(33,097,487)
Total expenditure		**(212,026,782)**	**(211,070,833)**	**(169,025,279)**	**(162,723,522)**
(Deficit) surplus before taxation		**(17,246,873)**	**(21,105,962)**	**16,539,797**	**14,567,230**
Taxation		(1,200,505)	109,028,232	-	-
(Deficit) surplus for the year		**(16,046,368)**	**(130,134,194)**	**16,539,797**	**14,567,230**

* See Note 41

ECRDA CONSOLIDATED

Trading as ECRDA
Annual Financial Statements for the year ended 31 March 2024

Statement of Changes in Net Assets

Figures in Rands	Share capital / contributed capital	Accumulated surplus / deficit	Total net assets
GROUP			
Balance at 01 April 2022	**41,989,046**	**150,842,707**	**192,831,753**
Changes in net assets			
Surplus for the year	-	(130,134,194)	(130,134,194)
Total changes	-	(130,134,194)	(130,134,194)
Balance at 31 March 2022	**41,989,046**	**20,708,513**	**62,697,559**
Restated* Balance at 01 April 2023	**41,989,146**	**50,626,284**	**92,615,430**
Changes in net assets			
Surplus for the year	-	(16,046,368)	(16,046,368)
Other 1	-	(222,274)	(222,274)
Total changes	-	(16,268,642)	(16,268,642)
Balance at 31 March 2024	**41,989,146**	**34,357,642**	**76,346,788**
Note(s)	17		
ECRDA			
Balance at 01 April 2022	**41,989,046**	**(17,925,428)**	**24,063,618**
Changes in net assets			
Surplus for the year	-	14,567,230	14,567,230
Total changes	-	14,567,230	14,567,230
Balance at 31 March 2022	**41,989,046**	**(3,358,198)**	**38,630,848**
Restated* Balance at 01 April 2023	**41,989,046**	**(2,820,324)**	**39,168,722**
Changes in net assets			
Other 1	-	(222,275)	(222,275)
Net income (losses) recognised directly in net assets	-	(222,275)	(222,275)
Surplus for the year	-	16,539,797	16,539,797
Total recognised income and expenses for the year	-	16,317,522	16,317,522
Total changes	-	16,317,522	16,317,522
Balance at 31 March 2024	**41,989,046**	**13,497,198**	**55,486,244**
Note(s)	17		

ECRDA CONSOLIDATED
Trading as ECRDA
Annual Financial Statements for the year ended 31 March 2024

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rands	Note(s)	2024	2023 Restated*	2024	2023 Restated*
Cash flows from operating activities					
Receipts					
Rental Income		2,044,821	1,837,313	2,044,821	1,837,313
Sale of goods and services		5,582,542	10,275,550	-	-
Grants		250,276,173	227,798,012	250,276,173	227,798,012
Interest income		3,164,900	841,327	3,090,283	786,121
Interest on loans		5,963,092	5,695,642	5,549,713	5,478,068
Fees and Commission received		2,645,018	3,117,786	2,645,018	3,156,036
Insurance Income		14,811,467	11,909,060	14,811,467	11,909,060
Other Income		2,823,097	1,528,740	3,484	1,528,740
		287,311,110	263,003,430	278,420,959	252,493,350
Payments					
Employee costs		(117,854,725)	(110,734,535)	(100,157,435)	(94,500,935)
Suppliers		(78,730,189)	(95,439,028)	(67,654,779)	(83,037,723)
Finance costs		(421,547)	(574,624)	(421,547)	(574,624)
Remuneration of Directors		(4,643,060)	(4,666,504)	(4,154,840)	(4,207,975)
Disbursements of non-exchange from administered funds		(100,921,312)	(71,677,192)	(100,921,312)	(71,677,192)
Transfers and subsidies paid		-	-	-	(1,696,273)
Outflows on loans to customers		(5,190,172)	(6,655,705)	(4,370,955)	(6,655,705)
		(307,761,005)	(289,747,588)	(277,680,868)	(262,350,427)
Net cash flows from operating activities	35	**(20,449,895)**	**(26,744,158)**	**740,091**	**(9,857,077)**
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(252,336)	(3,932,403)	(43,417)	(43,417)
Proceeds from sale of property, plant and equipment	5	11,820	24,669	11,820	24,669
Purchase of loans and advances to customers		-	85,702	8,110,441	1,442,302
Proceeds on disposal of property, plant and equipment and intangible assets		(56,640)	-	(56,640)	-
Acquisition of intangible assets		-	-	-	(790,221)
Other cash movement MAFISa & Admin Funds		48,382,973	21,245,067	5,024,560	11,982,000
Net cash flows from investing activities		**42,122,725**	**13,051,026**	**7,497,051**	**8,243,324**
Cash flows from financing activities					
Repayment of other financial liabilities		(13,000,000)	11,982,478	-	-
Finance lease payments		(2,306,626)	(2,216,886)	(2,306,626)	272,416
Net cash flows from financing activities		**(15,306,626)**	**9,765,592**	**(2,306,626)**	**272,416**
Net increase/(decrease) in cash and cash equivalents		**6,366,204**	**(3,927,540)**	**5,930,516**	**(1,341,337)**
Cash and cash equivalents at the beginning of the year		60,863,272	64,790,813	60,441,560	61,782,898
Cash and cash equivalents at the end of the year	16	**67,229,476**	**60,863,273**	**66,372,076**	**60,441,561**

* See Note 41

ECRDA CONSOLIDATED
Trading as ECRDA
Annual Financial Statements for the year ended 31 March 2024

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rands	Note(s)	2024	2023 Restated*	2024	2023 Restated*

The accounting policies on pages 19 to 56 and the notes on pages 57 to 112 form an integral part of the annual financial statements.

* See Note 41

ECRDA CONSOLIDATED
Trading as ECRDA
Annual Financial Statements for the year ended 31 March 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis Figures in Rands	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

ECRDA CONSOLIDATED
Trading as ECRDA
Annual Financial Statements for the year ended 31 March 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis Figures in Rands	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						
Rental of facilities and equipment	1,850,000	-	**1,850,000**	2,044,821	**194,821**	N1
Sundry Income	600,000	(551,616)	**48,384**	3,484	**(44,900)**	N2
Fees earned	60,000	(18,467)	**41,533**	44,400	**2,867**	
Commissions received	3,895,000	(2,038,148)	**1,856,852**	2,600,618	**743,766**	N3
Reversal of Impairment	-	-	**-**	210,268	**210,268**	
Recoveries- Bad Debts	350,000	(341,741)	**8,259**	7,075	**(1,184)**	N4
Interest on Loans	5,000,000	(2,076,622)	**2,923,378**	5,963,092	**3,039,714**	N5
Insurance Income	-	-	**-**	14,811,467	**14,811,467**	N7
Interest received - investment	3,182,000	-	**3,182,000**	3,090,283	**(91,717)**	N6
Loan Repayments	8,120,000	(3,100,000)	**5,020,000**	-	**(5,020,000)**	N7
Total revenue from exchange transactions	**23,057,000**	**(8,126,594)**	**14,930,406**	**28,775,508**	**13,845,102**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	226,079,000	7,088,595	**233,167,595**	156,789,568	**(76,378,027)**	N8
Total revenue	**249,136,000**	**(1,037,999)**	**248,098,001**	**185,565,076**	**(62,532,925)**	
Expenditure						
Personnel	(116,162,000)	11,042,000	**(105,120,000)**	(100,721,969)	**4,398,031**	
Remuneration of Board	(4,569,000)	269,000	**(4,300,000)**	(4,515,547)	**(215,547)**	
Administration	-	-	**-**	(15,155)	**(15,155)**	N9
Project Expenses	(25,650,000)	4,500,000	**(21,150,000)**	(12,599,518)	**8,550,482**	N10
Depreciation and amortisation	-	-	**-**	(4,345,211)	**(4,345,211)**	N11
Finance costs	(26,000)	(224,000)	**(250,000)**	(421,547)	**(171,547)**	N12
Lease rentals on operating lease	(7,500,000)	4,910,000	**(2,590,000)**	(2,352,063)	**237,937**	
Debt Impairment	-	-	**-**	(52,530)	**(52,530)**	N13
Contracted Services	(1,000,000)	(3,450,000)	**(4,450,000)**	(6,150,490)	**(1,700,490)**	N14
General Expenses	(26,853,000)	(1,509,000)	**(28,362,000)**	(37,710,322)	**(9,348,322)**	N15
Total expenditure	**(181,760,000)**	**15,538,000**	**(166,222,000)**	**(168,884,352)**	**(2,662,352)**	
Operating surplus	**67,376,000**	**14,500,001**	**81,876,001**	**16,680,724**	**(65,195,277)**	
Loss on disposal of assets and liabilities	-	-	**-**	(56,640)	**(56,640)**	
Inventories losses/write-downs	-	-	**-**	(84,287)	**(84,287)**	
	-	**-**	**-**	**(140,927)**	**(140,927)**	
Surplus before taxation	**67,376,000**	**14,500,001**	**81,876,001**	**16,539,797**	**(65,336,204)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**67,376,000**	**14,500,001**	**81,876,001**	**16,539,797**	**(65,336,204)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rands	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Reconciliation						
Basis difference						
Depreciation				4,345,211		
Debt impairment				52,530		
Loss on Disposal				56,640		
Interest on loans				(5,963,092)		
Sundry Income				(3,484)		
Entity difference						
Reversal of impairment				(210,268)		
Commission received				(2,600,618)		
Fines and penalties				309,687		
Format and classification differences						
Insurance Income				(14,811,467)		
Insurance expense				14,136,825		
Actual Amount in the Statement of Financial Performance				**11,851,761**		

Variances being explained are those that are above 10%. In addition to note is that the budget was prepared on a cash basis, whilst the financial reporting is in terms of the GRAP standards, which is the accrual basis of accounting.

N1- There is 11% variance on rental facilities.This is mainly caused by the amounts of rentals that are in arrears with unpredictable recoverability

N2 - There is 93% variance on sundry income, as less was received than budgeted.

N3 - There is a 40% variance on commissions received being more than what was anticipated. The commission received is as a result of administering the MAFISA loan book. This is based on 8% of interest received on MAFISA loans. Even though the agreement with MAFISA expired a few years ago, the loan book is till being administered by ECRDA and therefore receives the commission based on the interest accruing on MAFISA loans.

N4 - Bad debts recoveries were 14% lower than anticipated. This budgeted amount was based on an estimate on circumstances existing at the time of the estimate.

N5 - Interest on loans increased due to minimum movement in terms of the recoveries in the loan book. N6 - This is interest received on cash held at commercial banks. Interest earned is more than anticipated.
N7 - There's a varinace because this was not budgeted for and is as a result of the insurance income recognised based on the guardrisk insurance policy.

N8 -The variance is as a result of grants received that are recorded as administered funds or liabilities from non-exchange transactions. The variance can be traced to funds received, which is included under administered funds.

N9 - These are costs recorded as administration costs, however not included in the budget as a separate line items, hence the 100% variance.

N10 - R12. 5 million has been spent on project expenditure, against the budget of R21 million. The expenditure items are recorded in other line items within the financial statements to achieve consistency with the reporting requirements. The variance is due to delays in the implementation of projects, starting from planning phases.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rands	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

N11 - There is a variance because depreciation and amortisation were not budgeted for.

N12 - There is 60% over expenditure on finance costs. This is mainly due to interest charged on administration of the MAFISA SCHEME bank account.

N13 - There is a 100% variance because the budget is on a cash basis and therefore does not cater for debt impairment.

N14 - Contracted services were overspent by 54%. These include professional costs incurred on legal services, business and advisory services. Legal costs increased due to the disciplinary processes of the suspended Executives. Also included are professional fees incurred on the project expenses.

N15- These are all other operational expenses, which were above budget due to instances for example of insurance expenditure on guardrisk which was not in the budget.

Accounting Policies

		Economic entity		Controlling entity	
Figures in Rands	Note(s)	2024	2023	2024	2023

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 twelve (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.

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 reassesses whether it controls another entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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.

Accounting Policies

1.5 Interests in other entities (continued)

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.

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.

Accounting Policies

1.5 Interests in other entities (continued)

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.

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 controlling entity 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.

Accounting Policies

1.5 Interests in other entities (continued)

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.

Equity method

On initial recognition, the investment in an associate or a joint venture is recognised at cost and the carrying amount is increased or decreased to recognise the entity as investor's share of the surplus or deficit of the investee after the date of acquisition. The entity as investor's share of the investee's surplus or deficit is recognised in the entity as investor's surplus or deficit. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the entity as investor's proportionate interest in the investee arising from changes in the investee's equity that have not been recognised in the investee's surplus or deficit. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The entity as investor's share of those changes is recognised in net assets of the entity as investor.

An investment in an associate or a joint venture accounted for using the equity method is classified as a non-current asset.

The entity with joint control of, or significant influence over, an investee, accounts for its investment in an associate or a joint venture using the equity method except when that investment qualifies for exemption.

Impairment losses

After application of the equity method, including recognising the associate's or joint venture's deficits, the entity applies the Standard of GRAP on Financial Instruments to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. The entity also applies the Standard of GRAP on Finanical Instruments to determine whether any additional impairment loss is recognised with respect to its interest in the associate or joint venture that does not constitute part of the net investment and the amount of that impairment loss. Whenever application of the Standard of GRAP on Financial Instruments indicates that the investment in an associate or a joint venture may be impaired, the entity applies the Standard of GRAP on Impairment of Cash-Generating Assets and/or the Standard of GRAP on Impairment of Non-Cash-Generating Assets.

The recoverable amount of an investment in an associate or a joint venture is assessed for each associate or joint venture, unless the associate or joint venture does not generate cash inflows from continuing use that are largely independent of those from other assets of the entity.

1.6 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables, loans and receivables

The economic entity assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.
The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.6 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value- in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Useful lives of investment property, property, plant and equipment and intangible assets

The entity's management determines the estimated useful lives and related depreciation charges for the investment property, property, plant and equipment and intangible assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
  - Developing accounting policies
  - Deciding what information to disclose
  - Deciding how to present information
  - Assessing ommissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

Accounting Policies

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.

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 entity, 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.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30 to 50 years

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Accounting Policies

1.8 Investment property (continued)

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.

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.

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 equipmnet, 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 the 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.

Accounting Policies

1.9 Property, plant and equipment (continued)

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.

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 veing 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.

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
Office Equipment - Finance Lease	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 an asset may be shorter than its economic life.

Accounting Policies

1.9 Property, plant and equipment (continued)

Depreciation of an asset begins when it is available for use i.e when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the date that the asset is derecognised. Therefore the depreciation does not cease when an asset become sidle 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.

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).

1.10 Property, plant and equipment- Fruit and Tea Bushes

Initial recognition

The entity recognises an asset (tree) 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 entity, and the fair value of cost of the asset can be emasured reliably.

Subsequent measurement

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

Accounting Policies

1.11 Intangible assets(continued)

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.

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

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.

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.

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Accounting Policies

1.12 Financial instruments(continued)

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.

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.

Accounting Policies

1.12 Financial instruments (continued)

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.

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

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 fair value

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

Accounting Policies

1.12 Financial instruments (continued)

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.

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 economic entity 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.

Accounting Policies

1.12 Financial instruments (continued)

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:

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.

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.

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Accounting Policies

1.12 Financial instruments (continued)

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.

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.

Accounting Policies

1.12 Financial instruments (continued)

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.

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.

Accounting Policies

1.14 Leases (continued)

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.

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 economic entity 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 economic entity.

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.

Accounting Policies

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 a 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 economic entity acquired exclusively with a view to resale.

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

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 economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

Designation

At initial recognition, the economic entity 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 economic entity's objective of using the asset.

The economic entity 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.

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Accounting Policies

1.18 Impairment of cash-generating assets (continued)

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

Irrespective of whether there is any indication of impairment, the economic entity 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.

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 economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the economic entity:

- 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 economic entity 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.

Accounting Policies

1.18 Impairment of cash-generating assets (continued)

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.

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 economic entity 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 economic entity 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 economic entity uses 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.

Reversal of impairment loss

The economic entity 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.

Accounting Policies

1.18 Impairment of cash-generating assets (continued)

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.

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.

Accounting Policies

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

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 economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

Designation

At initial recognition, the economic entity 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 economic entity's objective of using the asset.

The economic entity 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 economic entity 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 economic entity 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 economic entity 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 economic entity 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 economic entity 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:

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.

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic entity 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 economic entity 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 economic entity 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 economic entity 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.

1.20 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of a economic entity 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.

Accounting Policies

1.21 Employee benefits (continued)

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.

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 surplus/(deficits).

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.

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.

Accounting Policies

1.22 Provisions and contingencies (continued)

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, the 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.

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.

Accounting Policies

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.

Interest

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.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Accounting Policies

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.

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.

Accounting Policies

1.25 Revenue from non-exchange transactions

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.

1.26 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.

Binding arrangement

The economic entity 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 economic entity 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 economic entity concludes that it is not the agent, then it is the principal in the transactions.

The economic entity 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 economic entity 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 economic entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the economic entity is an agent.

Accounting Policies

1.26 Accounting by principals and agents (continued)

Recognition

The economic entity, 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 economic entity, 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 economic entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.27 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.

1.28 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.29 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was incurred in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful 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).

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

1.30 Irregular expenditure

Irregular expenditure is recorded in the notes to the consolidated financial statements when confirmed. The amount recorded is equal to the value of the expenditure incurred in relation to a contract that is deemed irregular. 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.

1.31 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.

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Accounting Policies

1.31 Segment information(continued)

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.

1.32 Budget information

The group is 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 the 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 2024/03/31.

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 51.

1.33 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.

Accounting Policies

1.34 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.

1.35 Offsetting

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

1.36 Changes in accounting policy, estimates and errors

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements, where applicable.

Correction of erroros is applied restrospectively in the preiod in which an error occurred in accordance with GRAP3 requirements, except to the extent that it is impracticable to determine the preiod-specific effects of the cummulative effect of the errod. In such cases the entity/grouop shall reate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specifi effects or the cumulative effect of the change in accounting policy. In such cases the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which restrospective restatement is practicable.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the economic entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

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 economic entity has adopted the revisions for the first time in the 2023/2024 annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 April 2024 or later periods:

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

The Board undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Applicability of going concern in the public sector

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity's operations will result in the termination of all its functions.

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The "intention" to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

The liquidation or cessation of a public sector entity's operations is rare, and only in the case of dissolution without any continuation of the entity's operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity's functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Where some of an entity's functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity's financial statements on a going concern basis remains appropriate.

Disclosure on going concern

The Board's project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

The effective date of these revisions have not yet been set.

It is unlikely that the standard will have a material impact on the economic entity'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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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.

It is unlikely that the standard will have a material impact on the economic entity's annual financial statements.

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Figures in Rands

3. Biological assets that form part of an agricultural activity

Economic entity	2024			2023		
	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	3,083,948	-	3,083,948

Reconciliation of biological assets that form part of an agricultural activity – Group 2024

	Opening balance	Total
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	Total
Trees in timber plantation - Consumable	3,083,948	3,083,948

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 productiive capacity restoration of the plantation after years of neglect. The tea bushes are classified as Bearer Biological Assets and are reported at cost.

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4. Investment property

Economic entity	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2,388,564	(892,546)	1,496,018	2,388,564	(854,240)	1,534,324

Controlling entity	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2,388,564	(892,546)	1,496,018	2,388,564	(854,240)	1,534,324

Reconciliation of investment property - GROUP - 2024

	Opening balance	Depreciation	Total
Investment property	1,534,324	(38,306)	1,496,018

Reconciliation of investment property -GROUP- 2023

	Opening balance	Depreciation	Total
Investment property	1,572,631	(38,307)	1,534,324

Notes to the Annual Financial Statements

Figures in Rands

4. Investment property (continued)

Reconciliation of investment property - ECRDA- 2024

	Opening balance	Depreciation	Total
Investment property	1,534,324	(38,306)	1,496,018

Reconciliation of investment property - ECRDA- 2023

	Opening balance	Depreciation	Total
Investment property	1,572,631	(38,307)	1,534,324

Pledged as security

No assets are pledged as security.

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 on disposal

The latest valuation was perfromed in March 2024 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 R9.4 million (valued at R8.7 million in March 2021), 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, however there are ongoing payment defaults by tenants. ECRDA has, in its plans strategies to enhance revenue collections and simultaneously renovate the premises to attract more clients.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

4. Investment property (continued)

Amounts recognised in surplus or deficit				
Rental revenue from Investment property	2,044,821	1,837,313	2,044,821	1,837,313
From Investment property that generated rental revenue				
Repairs and maintenance	-	102,927	-	102,927

Included in the surplus of the ECRDA for the year is operating expenditure, inclusive of repairs and maintenance of Rnil (2023:R102 927) which arose from investment property that generated rental revenue of R2.04 million (2023: 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.

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Figures in Rands

5. Property, plant and equipment (continued)

Economic entity	2024			2023		
	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	4,096,671	(1,347,861)	2,748,810	4,174,242	(1,272,134)	2,902,108
Office Equipment - Finance Lease	9,588,008	(8,745,339)	842,669	10,803,228	(7,426,430)	3,376,798
Plant and machinery	3,970,692	(1,047,687)	2,923,005	5,269,926	(1,047,687)	4,222,239
Furniture and fixtures	3,937,873	(3,717,134)	220,739	4,021,704	(3,427,695)	594,009
Motor vehicles	5,705,080	(4,593,784)	1,111,296	5,849,040	(4,157,727)	1,691,313
Office equipment	1,416,605	(1,242,615)	173,990	1,379,527	(1,133,923)	245,604
IT equipment	8,119,504	(6,254,588)	1,864,916	8,217,131	(5,532,482)	2,684,649
Leasehold improvements	52,174	-	52,174	89,560	-	89,560
Capital Goods	36,460	(32,170)	4,290	36,460	(26,460)	10,000
Tools and loose gear	219,174	-	219,174	337,527	-	337,527
Total	**37,857,241**	**(26,981,178)**	**10,876,063**	**40,893,345**	**(24,024,538)**	**16,868,807**

Controlling entity	2024			2023		
	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	3,786,375	(1,347,861)	2,438,514	3,786,375	(1,272,134)	2,514,241
Office Equipment - Finance Lease	9,588,008	(8,745,339)	842,669	10,803,228	(7,426,430)	3,376,798
Plant and machinery	1,077,687	(1,047,687)	30,000	1,077,687	(1,047,687)	30,000
Furniture and fixtures	3,841,543	(3,717,134)	124,409	3,841,543	(3,427,695)	413,848
Motor vehicles	5,406,230	(4,593,784)	812,446	5,406,230	(4,157,727)	1,248,503
Office equipment	1,416,605	(1,242,615)	173,990	1,379,527	(1,133,923)	245,604
IT equipment	7,977,262	(6,254,588)	1,722,674	8,030,157	(5,532,482)	2,497,675
Capital Goods	36,460	(32,170)	4,290	36,460	(26,460)	10,000
Total	**33,845,170**	**(26,981,178)**	**6,863,992**	**35,076,207**	**(24,024,538)**	**11,051,669**

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2024

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	715,000	-	-	-	-	715,000
Buildings	2,902,108	-	-	(153,290)	(8)	2,748,810
Office Equipment - Finance Lease	3,376,798	-	-	(2,534,129)	-	842,669
Plant and machinery	4,222,239	1,258	-	(1,300,492)	-	2,923,005
Furniture and fixtures	594,009	5,285	-	(378,555)	-	220,739
Motor vehicles	1,691,313	109,602	-	(689,619)	-	1,111,296
Office equipment	245,604	36,504	-	(108,118)	-	173,990
IT equipment	2,684,649	27,987	(44,820)	(802,169)	(731)	1,864,916
Leasehold improvements	89,560	-	-	(29,646)	(7,740)	52,174
Capital Goods	10,000	-	-	(5,710)	-	4,290
Tools and loose gear	337,527	71,700	-	(175,841)	(14,212)	219,174
	16,868,807	**252,336**	**(44,820)**	**(6,177,569)**	**(22,691)**	**10,876,063**

Reconciliation of property, plant and equipment -Group - 2023

	Opening balance	Additions	Additions through transfer of functions/ mergers	Transfers Received	Depreciation	Impairment loss	Total
Land	715,000	-	-	-	-	-	715,000
Buildings	2,589,968	-	-	992,367	(141,876)	(538,351)	2,902,108
Office Equipment - Finance Lease	4,674,833	1,785,286	-	-	(3,083,321)	-	3,376,798
Plant and machinery	5,614,074	-	-	-	(1,391,835)	-	4,222,239
Furniture and fixtures	1,000,159	-	-	-	(406,150)	-	594,009
Motor vehicles	2,524,637	-	-	-	(833,324)	-	1,691,313
Office equipment	364,553	19,095	-	-	(138,044)	-	245,604
IT equipment	1,418,463	2,100,929	-	-	(834,743)	-	2,684,649
Leasehold improvements	119,200	-	-	-	(29,640)	-	89,560
Capital Goods	15,710	-	-	-	(5,710)	-	10,000
Tools and loose gear	531,461	-	-	-	(193,934)	-	337,527
Asset under construction	965,274	27,094	(992,368)	-	-	-	-
	20,533,332	**3,932,404**	**(992,368)**	**992,367**	**(7,058,577)**	**(538,351)**	**16,868,807**

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - ECRDA- 2024

	Opening balance	Additions	Disposals	Depreciation	Total
Land	715,000	-	-	-	715,000
Buildings	2,514,241	-	-	(75,727)	2,438,514
Office Equipment - Finance Lease	3,376,798	-	-	(2,534,129)	842,669
Plant and machinery	30,000	-	-	-	30,000
Furniture and fixtures	413,848	575	-	(290,014)	124,409
Motor vehicles	1,248,503	-	-	(436,057)	812,446
Office equipment	245,604	36,505	-	(108,119)	173,990
IT equipment	2,497,675	6,337	(44,820)	(736,518)	1,722,674
Capital Goods	10,000	-	-	(5,710)	4,290
	11,051,669	43,417	(44,820)	(4,186,274)	6,863,992

Reconciliation of property, plant and equipment - ECRDA - 2023

	Opening balance	Additions	Depreciation	Total
Land	715,000	-	-	715,000
Buildings	2,589,969	-	(75,728)	2,514,241
Office Equipment - Finance Lease	4,674,833	1,785,286	(3,083,321)	3,376,798
Plant and machinery	30,000	-	-	30,000
Furniture and fixtures	708,821	-	(294,973)	413,848
Motor vehicles	1,684,560	-	(436,057)	1,248,503
Office equipment	364,553	19,095	(138,044)	245,604
IT equipment	1,238,303	1,985,504	(726,132)	2,497,675
Capital Goods	15,710	-	(5,710)	10,000
	12,021,749	3,789,885	(4,759,965)	11,051,669

Pledged as security

Carrying value of assets pledged as security:

None of the carrying values 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
Office Equipment - Finance Lease	Straight-line	2 to 5 years (period of lease)
Plant, machinery 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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5. Property, plant and equipment (continued)

	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023
Assets subject to finance lease (Net carrying amount)				
Office Equipment - Finance Lease	842,669	3,376,798	842,669	3,376,798
Leasehold improvements	52,174	89,560	-	-
	894,843	3,466,358	842,669	3,376,798

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).

An independent valuer was appointed to value all the properties of ECRDA, including the property at 128 Alexandra Road. The valuation was performed by Ms Gray-Browne of Penny Lindtrom Valuations, a registered valuator holding a recognised and relevant professional qualification (Reg No, 7714/3), who valued the property at R5.4 million using the capitalised income method.

Property on Erf 327 and ERF 328 situated in Cradock Magisterial District, purchased on 23 June 2003. The property was transferred to the ECRDA in the merger on 01 April 2005(representing land of R. 1609 million and buildings of R.58 million).

An independent valuer was appointed to value all the properties of ECRDA, including the property in Cradock. The valuation was performed by Mr Gunton of Penny Lindtrom Valuations, a registered valuator holding a recognised and relevant professional qualification (Reg No, 7841/4), who valued the property at R1.2 million using the comparable sales approach.

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

Economic entity	2024			2023		
	Cost / Valuation	Accumulated Depreciation and Accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4,706,177	(892,546)	87,905	4,706,177	(4,506,171)	200,006

Controlling entity	2024			2023		
	Cost / Valuation	Accumulated Depreciation and Accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4,706,177	(4,618,272)	87,905	4,706,177	(4,506,171)	200,006

Reconciliation of intangible assets -Group - 2024

	Opening balance	Depreciation	Total
Computer software, other	200,006	(112,101)	87,905

Reconciliation of investment property -Group- 2023

	Opening balance	Depreciation	Total
Computer software, other	402,599	(202,593)	200,006

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6. Intangible assets (continued)

Reconciliation of intangible assets - ECRDA - 2024

	Opening balance	Amortisation	Total
Computer software, other	200,006	(112,101)	87,905

Reconciliation of intangible assets - ECRDA- 2023

	Opening balance	Amortisation	Total
Computer software, other	402,599	(202,593)	200,006

Pledged as security
None of the intangible assets have been pledged as security.

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	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

7. Deferred tax

Deferred tax asset

Deferred Tax	5,698,554	4,498,049	-	-

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:

Reconciliation of deferred tax asset \ (liability)				
At beginning of year	4,498,049	112,841,176	-	-
Assessed loss available for future periods set-ff:	1,200,505	10,248,817	-	-
Magwa	-	(118,591,944)	-	-
Prior year correction				
	5,698,554	**4,498,049**	**-**	**-**

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 economic entity has suffered a deficit in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

8. Operating lease asset (liability)

Current liabilities	(275,070)	-	(275,070)	-

ECRDA entered into property lease agreement with SKG for a period of five(5) years commencing 01 April 2023. The straight lined average annual lease liability for a period of five(5) years is R2.2 million. The lease has an escalation clause of 8% per annum for its duration until 31 March 2028.

9. Payables from exchange transactions

Trade payables	5,220,840	4,705,383	4,992,251	4,456,408
Payments received in advanced - contract in process	68,260	-	-	-
Staff Related Payables	5,630,702	1,697,084	3,153,251	1,592,183
Accruals	1,665,095	1,208,340	1,665,095	1,208,340
Deposits received	531,000	468,502	531,000	468,502
Debtors with credit balances	1,649,809	1,649,809	1,649,809	1,649,809
Clearing Account/Suspense	4,319	8	4,319	8
	14,770,025	**9,729,126**	**11,995,725**	**9,375,250**

There were no trade and other payables with extended payment terms at 31 March 2024, however due to instances where there are queries on invoices of come service providers, those remain outstanding and have not been paid within the 30 days as stipulated in the PFMA. These issues are being followed up with the end users, so that queries can be resolved and paid. None of the repayment terms attached to contracts have been renegotiated in the last year. In addition, included in payables from exchange transactions, is staff related payables relating to salary savings bonus accruals at year-end, which have increased when compared to the previous financial year, third party payments which are due within seven days after the end of the month and the salary control account. Third party payments were subsequently settled after year-end.

Notes to the Annual Financial Statements

Figures in Rands	Economic entity 2024	Economic entity 2023	Controlling entity 2024	Controlling entity 2023

10. Liabilities arising from non-exchange transactions

Transfers payable	(575,754)	2,693	(575,754)	2,693
Advance receipts - Transfers	2,413,238	13,001,038	2,413,238	13,001,038
	1,837,484	**13,003,731**	**1,837,484**	**13,003,731**

Liabilities arising from non-exchange transactions	Agency and Group 2024	Agency and Group 2023	Agency 2024	Agency 2023
Total funds under administration and cash and cash equivalents belonging to administered funds	1,837,484	13,003,731	1,837,484	13,003,731

Reconciliation of total funds under administration	Group 2024	Group 2023	Agency 2024	Agency 2023
Balance at beginning of the year	13,003,731	10,036,730	13,003,731	10,036,730
Transfers/Receipts received in the year	90,546,985	84,202,749	90,546,985	84,202,749
Surrender of administered funds to Funder/ Treasury	(934,985)	(9,693,869)	(934,985)	(9,693,869)
Interest capitalised on administered funds Funds	143,065	135,417	143,065	135,313
disbursed (net credit notes	(100,921,312)	(71,677,192)	(100,921,312)	(71,677,192)
	1,837,484	**13,003,835**	**1,837,484**	**13,003,731**

Comprising	Group 2024	Group 2023	Agency 2024	Agency 2023
Oxfam	(103,806)	332,289	(103,806)	332,185
Stimulus (DEDEAT)	(12,664)	110,260	(12,664)	110,260
Distressed Entities	-	12,462,000	-	12,462,000
EPWP- DRDAR	(17,962)	99,286	(17,962)	99,286
Revolving credit facility	2,001,952	-	2,001,952	-
Blended Finance	12,948	-	12,948	-
Citrus	(42,984)	-	(42,984)	-
	1,837,484	**13,003,835**	**1,837,484**	**13,003,731**

The balances that were reported in the 2021/22 were adjusted as an error had occurred by recognising funds to be surrendered to Treasury as a result reducing the total amount of the liabilities from non exchange transactions to R.3 million instead of the R10 million as reflected above. The surrender of funds is correctly diclosed in the 2022/23 financial year; the comparatives. The 2022/23 balance was further increased by the funds that were transferred to ECRDA on 31 March 2023, to be transferred to the Citrus farmers, however these funds could only be disbured in the 2023/24 financial. Oxfam funds were returned to the funder, following correspondence that was received from the funders requesting for the release of the remaining funds.

It further transpired that Oxfam was paid more that the amount that was due to them, hence the debit balance shown in the above reconciliation.

As at 31 March 2024, the administered fund amounted to R1.8 million (2023: R13.0 million).

Other Liabilities arising from non exchange transactions

The entity acted as a warehousing agent for the Eastern Cape Department of Rural Development and Agrarian Reform(herein referred to the as 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. This was done to accommodate the strict timeframes for the implementation of the project. The R3.2 million purchase price was funded by the department. The purchase agreement was dated 27 September 2007.

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Figures in Rands	Economic entity 2024	Economic entity 2023	Controlling entity 2024	Controlling entity 2023

10. Liabilities arising from non-exchange transactions (continued)

At 31 March 2024 (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. The Board took a resolution to transfer the farm to DLLRD, however DLLRD is not in agreement with the process and therefore engagements are still ongoing.

11. Employee benefit obligations

Defined contribution plan

It is the policy of the economic entity 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. An employer scheme was established in January, with contributions to the scheme commencing in February 2024. Majority of the employees joined the employer scheme, hence the increase in expense item shown below.

The economic entity is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is	2,214,932	1,844,770	2,214,932	1,844,770

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	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

12. Loans and advances to customers

Loans and advances to customers	Agency and Group 2024	Agency and Group 2023
Loans and advances to customers	141,335,556	141,788,864
Disbursements	4,370,955	6,655,705
Interest on loans	6,429,472	5,988,027
Interest write back	-	1,385,886
Loans adjustments	-	624,141
Interest Reversal	(2,718,526)	(11,183,467)
Repayments	(5,549,713)	(5,478,068)
Debtors with credit balances	1,649,809	1,649,809
Interest on loans - Adjustment for fair value	2,024,781	1,853,739
Less: Fair value arising on concessionary loans Less:	(184,776)	(299,271)
Specific credit impairments	(123,235,592)	(123,500,105)
Subtotal	24,121,966	19,485,260
Less Unallocated loan repayments	(322,750)	(332,175)
Write off reversal	2,608,000	-
	26,407,216	19,153,085

Detailed loans and advances granted to customers per type of loan	ECRDA	Asgisa	Mafisa	Uvimba	Total
Loans granted at 31 March 2023	33,387,768	1,184,305	82,927,006	24,289,785	I 141,788,864
Interest on loans	2,611,900	41,747	3,127,204	207,175	5,988,027
Interest write back	-	-	1,953	1,383,933	1,385,886
Repayments	(2,778,141)	-	(526,106)	(2,173,821)	(5,478,068)
Other Adjustments	6,791,216	(8,797)	(7,119,327)	(4,190,853)	(400,073)
Fair value on concessionary loans	(299,271)	-	-	-	(299,271)
Specific credit impairments	(33,736,985)	(1,217,255)	(78,789,464)	(9,756,400)	(123,500,105)
Unallocated loan repayments	-	-	-	-	(332,175)
	5,976,487	-	(378,734)	9,759,819	19,153,085

Detailed loans and advances granted to customers per type of loan	ECRDA	Asgisa	Mafisa	Uvimba	Total
Loans granted at 31 March 2024	42,648,849	-	80,947,093	17,005,670	140,601,612
Interest on loans	3,483,083	1,420	2,812,607	132,362	6,429,472
Repayments	(3,196,848)	-	(39,211)	(2,313,654)	(5,549,713)
Other Adjustments	(619,234)	1,420	2,531,815	(2,121,766)	8,780,274
Fair value arising on concessionary loans	(184,776)	-	-	-	(184,776)
Less: Specific credit impairments	(35,136,842)	-	(81,702,790)	(6,450,206)	(123,289,837)
Less: Unallocated loan repayments	-	-	-	-	(379,815)
	6,994,232	2,840	4,549,514	6,252,406	26,407,217

Movement in specific credit impairments	Agency and Group 2024	Agency and Group 2023
Balance at the beginning of the year	123,500,106	130,376,604
New impairments created	(264,513)	(6,876,498)
Subtotal	123,235,593	123,500,106
	123,235,593	123,500,106

The loss of income and employment on the economy as a result of Covid19 decreased loan repayments-which could necessitate further impairments.

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	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

12. Loans and advances to customers (continued)

Contractual maturity analysis	Agency and Group 2024	Agency and Group 2023
Repayable within 1 year and overdue	114,106,124	117,253,958
Repayable later than 1 year	30,977,486	23,457,458
	145,083,610	140,711,416

Contractual Maturity Analysis of Carrying Value	Agency and Group 2024	Agency and Group 2023
Current Asset	7,658,093	5,745,925
Non Current Asset	18,749,124	13,407,160
	26,407,217	19,153,085

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

Sector Analysis	Agency and Group 2024	Agency and Group 2023
Agricultural	135,559,677	130,501,323
Non-agricultural	9,523,933	10,210,093
	145,083,610	140,711,416

Exposure to credit risk	Agency and Group 2024	Agency and Group 2023
Loans and advances neither past due nor impaired	8,399,190	5,883,338
Loans and advances individually assessed as impaired	136,684,420	134,828,077
	145,083,610	140,711,415

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 past due and impaired. Loans and advances that are past due but not impaired arise where the discounted collateral exceeds the carrying amount.

Collateral held against loands and advances (limited to customer balance outstanding)	Agency and Group 2024	Agency and Group 2023
Loans and advances neither past due nor impaired	3,418,219	5,395,640
Loans and advances individually assessed as impaired	13,946,359	13,180,711
	17,364,578	18,576,351

Expressed as a percentage of loan book 2024: 16% (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 collatreal for the year ended 31 March 2023 (2022:Nil)

Specific Benefit Asset	Agency and Group 2024	Agency and Group 2023
Opening Balance	1,252,278	1,249,471
Fair value arising on concessionary loans	184,776	299,271
Unwinding for the year	(320,470)	(296,464)
	1,116,584	1,252,278

Detailed Social Benefit Assets per type of Loan	ECRDA	Asgisa	Mafisa	Uvimba	Total
Opening balance 01 April 2022	381,162	-	5,173	863,136	1,249,471

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Figures in Rands	2024	2023	2024	2023

12. Loans and advances to customers (continued)

Fair value arising on concessionary loans	299,271	-	-	-	299,271
Unwinding for the year	(70,394)	-	(5,173)	(220,896)	(296,464)
	610,039	-	-	642,240	1,252,278

Detailed Social Benefit Assets per type of Loan	ECRDA	Asgisa	Mafisa	Uvimba	Total
Opening balance 01 April 2023	610,038	-	-	642,240	1,252,278
Fair value arising on concessionary loans	184,775	-	-	-	184,775
Unwinding for the year	(121,692)	-	-	(198,777)	(320,470)
	673,121	-	-	443,463	1,116,583

Net exposure to credit risk after deducting collateral held	Agency and Group 2024	Agency and Group 2023
Loans and advances neither past due nor impaired	907,653	1,046,288
Loans and advances individually assessed as impaired	5,699,869	5,742,811
	6,607,522	6,789,099

Net exposure after specific impairments	Agency and Group 2024	Agency and Group 2023
Loans and advances neither past due nor impaired	6,982,111	6,295,179
Loans and advances past due not impaired	1,220,572	3,421,129
	8,202,683	9,716,308

13. Inventories

Production supplies	5,031,908	6,458,981	-	-
Consumable stores	96,005	90,193	96,005	90,193
	5,127,913	6,549,174	96,005	90,193

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 laibilities.

Reconciliation of inventory	Group 2024	Group 2023	Agency 2024	Agency 2023
Opening balance	6,549,174	10,759,342	90,193	78,970
Inventory expensed during the year	(339,646)	81,035	(84,287)	81,035
Inventory through cost of sales	10,297,053	12,296,126	-	-
Inventory write down	(4,074,233)	(7,933,789)	-	-
Inventory sold	(7,538,212)	(8,583,728)	-	-
Inventory purchased during the year	233,777	(69,812)	90,099	(69,812)
	5,127,913	6,549,174	96,005	90,193

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 R4.6 million(2023: R7.9 million).

Inventory pledged as security

No inventory is pledged as security.

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	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

14. Receivables from exchange transactions

Trade debtors	4,766,146	3,872,748	47,833	47,833
Deposits	327,963	271,735	327,963	271,735
Sundry Debtors	674,611	554,480	674,611	554,480
Interest Receivable/Accrued	337,814	268,635	337,814	268,635
Prepaid expenses	6,361,519	5,052,722	6,152,255	4,824,815
Staff Debtors Control	115,678	109,617	115,678	109,617
	12,583,731	10,129,937	7,656,154	6,077,115

Included in receivables from exchange transactions are rental debtors, deposits paid to the municipalities and preoaid expenses. Included in the prepaid expenses, is the Guardrisk insurance premium prepayment for each of the two financial years.

Trade and other receivables impaired

As of 31 March 2024, trade and other receivables of R 2,103,723 (2023: R 1,917,744) were impaired and provided for. The amount of the provision was R 1,830,039 as of 31 March 2024 (2023: R 1,777,509).

The ageing of these rent receivable or rental debtors is as follows:

Rent Receivable ageing 2024	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 days	Total
Rental debtors	96,981	176,704	-	82,190	1,747,849	2,103,724
Subtotal	96,981	176,704	-	82,190	1,747,849	2,103,724
Impairment	-	-	-	(82,190)	(1,747,849)	(1,830,039)
	96,981	176,704	-	-	-	273,685

Rent Receivable ageing 2023	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 days	Total
Rental debtors	140,235	-	137,924	53,131	1,586,454	1,917,744
Subtotal	140,235	-	137,924	53,131	1,586,454	1,917,744
Impairment	-	-	(137,924)	(53,131)	(1,586,454)	(1,777,509)
	140,235	-	-	-	-	140,235

15. VAT receivable

VAT	23,386	87,937	-	-

This transaction surfaces at group level, since Magwa Tea, a subsidiary of ECRDA is a registered VAT vendor.

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8,755	29,862	1,320	6,792
Bank balances	67,220,721	60,877,933	66,370,756	60,479,291
Bank overdraft	-	(44,522)	-	(44,522)
	67,229,476	60,863,273	66,372,076	60,441,561

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Figures in Rands	Economic entity 2024	2023	Controlling entity 2024	2023

16. Cash and cash equivalents (continued)

Current assets	67,229,594	60,907,795	66,372,194	60,486,083
Current liabilities	(118)	(44,522)	(118)	(44,522)
	67,229,476	60,863,273	66,372,076	60,441,561

The above bank balances are broken down as follows:

Bank Balances	Group and Agency 2024	Agency and Group 2023	Agency 2024	Agency 2023
Cash on call and deposits at commercial banks	44,008,987	42,871,604	44,007,667	40,433,181
Cash on current accounts at commercial banks	23,220,489	20,430,092	22,363,089	20,008,380
	67,229,476	63,301,696	66,370,756	60,441,561

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

Rates of interest at 31 March 2024 were 8.7% (2023: 8.06%) for funds on call and 8.7% (2023: 8.06%) for funds on deposit.

Composition of cash and cash equivalents	Group 2024	Group 2023	Agency 2024	Agency 2023
Liabilities arising from non-exchange transactions (note 10)	1,837,484	13,003,731	1,837,484	13,003,731
Deferred grant income arising from non-exchange (note 19)	31,286,296	27,411,691	31,286,296	27,411,691
Funds at commercial banks - own and funder	34,105,696	22,886,274	33,246,976	20,026,139
	67,229,476	63,301,696	66,370,756	60,441,561

Detailed analysis of cash balances at reporting date	Group 2024	Group 2023	Agency 2024	Agency 2023
MAFISA funding (DAFF)	50,427,006	46,790,036	50,427,006	46,790,036
Oxfam/SPF Funding	3,426	79,915	3,426	79,915
Stimulus Fund (DEDEAT)	-	126,565	-	126,565
EPWP (DRDAR	24,509	125,703	24,509	125,703
Red Hubs (DRDAR)	760,948	-	760,948	-
DRDAR Revolving Credit	2,002,351	-	2,002,351	-
DRDAR Citrus Intervention	56,692	-	56,692	-
DRDAR Cannabis	8,724,851	-	8,724,851	-
ECRDA Own Funds	5,229,693	16,179,477	4,370,973	13,319,462
	67,229,476	63,301,696	66,370,756	60,441,681

	Group 2024	Group 2023	Agency 2024	Agency 2023
Cash available for operational use (ECRDA)	4,370,973	13,319,462	4,370,973	13,319,462
Cash held for projects/programme implementation on behalf of third parties	61,999,783	47,122,100	61,999,783	47,122,219
Cash held by subsidiaries	858,720	2,860,134	-	-
	67,229,476	63,301,696	66,370,756	60,441,681

The entity can only retain cash to settle the payables (detailed in note 9) 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 protions therefof) were pledged as security for any financial liability.

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16. Cash and cash equivalents (continued)

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 group does not have any credit or either 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.

17. Share capital / contributed capital

Issued				
Ordinary	41,989,146	41,989,046	41,989,046	41,989,046

Capital Contributed	Agency and Group 2023	Agency and Group 2022
Capital consists of the value of the net assets taken over from the Agricultural Bank of Transkei and Ciskeian Agricultural Bank on 01 July 2000	25,232,691	25,232,691
The equity contribution relates to the funds received from the Eastern Cape Department of Rural Development and Agrarian Reform utilised to fund the advance to Kangela Citrus Farms (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 transferred from trade payables previously owing the Department of Internal Affairs for farms purchased by clients of the former Ciskeian Agricultural Bank approximately 18 years before the 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 contribited through the Eastern Cape Provincial Government by asset taken over (see above) is treated as capital contribution. The entity has not registered its share capital and does not have a share 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 2024 (2023: Nil)

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Figures in Rands	2024	2023	2024	2023

18. Finance lease obligation

Minimum lease payments due				
- within one year	689,866	2,436,441	689,866	2,436,441
- in second to fifth year inclusive	229,487	977,310	229,487	977,310
	919,353	3,413,751	919,353	3,413,751
less: future finance charges	(60,726)	(300,672	(60,726)	(300,204)
Present value of minimum lease payments	**858,627**	**3,113,079**	**858,627**	**3,113,547**
Present value of minimum lease payments due				
- in second to fifth year inclusive	224,840	812,575	224,840	812,575

Finance Lease Liabilities	Group 2024	Group 2023	Agency 2024	Agency 2023
Capitalised finance lease liability	858,627	3,113,079	858,627	3,113,079
Less: Current portion	(633,319)	(2,254,452)	(633,319)	(2,254,452)
	225,308	**858,627**	**225,308**	**858,627**
Non-current liabilities	225,308	858,627	225,308	858,627
Current liabilities	633,319	2,254,452	633,319	2,254,452
	858,627	**3,113,079**	**858,627**	**3,113,079**

It is economic entity policy to lease certain office equipment (printers) under finance leases.

The fair value of the finance lease liabilities is approximately equal to their carying amount. The entity has capitalised arrangements at the rulling prime overdaft rate at inception of each lease.

The entity recognises finances leases where, at the inception of lease, the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset. The typical lease period is between 2 to 5 years for equipment and 2 years for vodacom contracts. A contract was concluded with Brilliant Telecommunication in the 2021 financial year, for a period of 3 years. Such arrangements are summarised below:

The Vodacom contracts are capitalised for a period of 2 years and the aggregate monthly instalment on the finance is R114 601 (2023: R112 801) at reporting date.

The Brilliant telecommunications contracts is capitalised effcetive 01 January 2021 for a period of 3 years. At reporting date, the approximate aggregate monthly instalment was R135 764 (2023: R134 088).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The economic entity's obligations under finance leases are secured by the lessor's charge over the leased assets. .

19. Unspent conditional grants and receipts

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:

Unspent conditional grants and receipts				
Deferred grant income from non-exchange transactions	31,352,559	27,477,954	31,352,559	27,477,954

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	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

19. Unspent conditional grants and receipts (continued)

Movement during the year				
Balance at the beginning of the year	27,477,954	24,645,775	27,477,954	24,645,775
Additions during the year	3,874,605	2,832,179	3,874,605	2,832,179
	31,352,559	**27,477,954**	**31,352,559**	**27,477,954**

MAFISA Grant	Group 2024	Group 2023	Agency 2024	Agency 2023
Liability for an equitable share in interest earned on	5,406,457	5,294,468	5,406,457	5,294,468
MAFISA loans	25,946,102	22,183,486	25,946,102	22,183,486
Liability arising from interest earned on cash deposits on unspent funds				
	31,352,559	**27,477,954**	**31,352,559**	**27,477,954**

20. Provisions

Reconciliation of provisions - GROUP - 2024

	Opening Balance	Additions	Total
Staff Leave pay provision	6,894,283	482,083	7,376,366

Reconciliation of provisions - GROUP - 2023

	Opening Balance	Utilised during the year	Total
Staff Leave pay provision	7,392,864	(498,581)	6,894,283

Reconciliation of provisions -ECRDA - 2024

	Opening Balance	Additions	Total
Staff Leave pay provision	6,894,283	482,083	7,376,366

Reconciliation of provisions - ECRDA - 2023

	Opening Balance	Utilised during the year	Total
Staff Leave pay provision	7,392,864	(498,581)	6,894,283

The leave pay provision represents management's best estimate of the entity's liability in relation to leave days accrued by employees at the end of the financial year. Number of leave days due to employees at the end of the financial year, are as outlined in the HR policy.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

21. Revenue

Sale of goods	6,816,408	10,275,550	-	-
Rental of facilities and equipment	2,044,821	1,837,313	2,044,821	1,837,313
Sundry Income	3,484	1,528,740	3,484	1,528,740
Fees earned	44,400	38,250	44,400	38,250
Commissions received	2,600,618	3,117,786	2,600,618	3,117,786
Reversal of Impairment	210,268	6,876,499	210,268	6,876,499
Recoveries- Bad Debts	7,075	26,462	7,075	26,462
Other Income	2,323,808	647,334	-	-
Donations Received	-	1,696,273	-	-
Fair Value Adjustments	-	153,343	-	153,343
Interest on Loans	5,963,092	5,695,642	5,963,092	5,695,642
Insurance Income	14,811,467	11,909,060	14,811,467	11,909,060
Interest received - investment	3,164,900	705,666	3,090,283	650,704
Government grants & subsidies	156,789,568	145,456,953	156,789,568	145,456,953
	194,779,909	**189,964,871**	**185,565,076**	**177,290,752**
The amount included in revenue arising from exchanges of goods or services are as follows:				
Sale of goods	6,816,408	10,275,550	-	-
Rental of facilities and equipment	2,044,821	1,837,313	2,044,821	1,837,313
Sundry Income	3,484	1,528,740	3,484	1,528,740
Fees earned	44,400	38,250	44,400	38,250
Commissions received	2,600,618	3,117,786	2,600,618	3,117,786
Reversal of Impairment	210,268	6,876,499	210,268	6,876,499
Recoveries- Bad Debts	7,075	26,462	7,075	26,462
Other Income	2,323,808	647,334	-	-
Donations Received	-	1,696,273	-	-
Fair Value Adjustments	-	153,343	-	153,343
Interest on Loans	5,963,092	5,695,642	5,963,092	5,695,642
Insurance Income	14,811,467	11,909,060	14,811,467	11,909,060
Interest received - investment	3,164,900	705,666	3,090,283	650,704
	37,990,341	**44,507,918**	**28,775,508**	**31,833,799**
The amount included in revenue arising from non- exchange transactions is as follows:				
Taxation revenue Transfer revenue				
Government grants & subsidies	156,789,568	145,456,953	156,789,568	145,456,953

Revenue above is made up of revenue from exchange transactions and revenue from non- exchange transations. Included in revenue from exchange is income accrued on rental of offices in Mthatha, interest received from commercial banks and interest on loans. Further there is commission received through the agreement that was signed with MAFISA, wherein in terms of the old agreement 7% of the 8% of the interest received on loans accrued to ECRDA as commission revenue and the new agreement the full 8% accrued to ECRDA.

Revenue from non-exchange transactions, are grants received from DRDAR and Natiional Skills Fund. A total of R232 million was received during the year from the parent department DRDAR, of which R74 million was accounted for through administered funds, as monies were transferred as required.

22. Cost of sales Sale of goods

Sale of goods				
Cost of goods sold	9,083,820	12,296,126	-	-

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	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

23. Lease rentals on operating lease

Premises				
Contractual amounts	2,230,423	3,604,407	2,230,423	3,604,407
Equipment				
Contractual amounts	121,640	-	121,640	-
	2,352,063	**3,604,407**	**2,352,063**	**3,604,407**

Refer to operating lease commitments note for details.

24. Investment revenue

Interest revenue				
Bank	3,164,900	705,666	3,090,283	650,704

Total interest income, is recorded as generated from interest bearing accounts, such as call accounts with the commercial banks.

25. Transfer and subsidies

Other subsidies				
Payments to Subs	-	1,696,273	-	1,696,273

These were transfers in the prior period to Magwa upon request of additional funding for the wages of seasonal workers, which was in addition to the transfers made as direceted by the service level agreement signed with DRDAR on grants transferred to ECRDA.

26. Government grants & subsidies

Operating grants				
Government grant	156,503,000	145,266,000	156,503,000	145,266,000
National Skills Fund	286,568	190,953	286,568	190,953
	156,789,568	**145,456,953**	**156,789,568**	**145,456,953**
MAFISA SCHEME				
Balance unspent at beginning of year	27,477,954	24,645,775	27,477,954	24,645,775
Current-year receipts	3,874,605	2,832,179	3,874,605	2,832,179
	31,352,559	**27,477,954**	**31,352,559**	**27,477,954**

Conditions still to be met - remain liabilities (see note 19).

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Figures in Rands	2024	2023	2024	2023

27. Employee related costs

Basic	102,535,715	86,932,668	84,838,425	70,699,068
Bonus	-	5,231,603	-	5,231,603
Medical aid - company contributions	6,202,768	6,065,168	6,202,768	6,065,168
UIF	299,309	297,550	299,309	297,550
Leave pay provision charge	564,534	308,989	564,534	308,989
Provident Fund	2,214,932	1,844,770	2,214,932	1,844,770
Funeral Benefits	67,068	67,618	67,068	67,618
Travel, motor car, accommodation, subsistence and	1,072,881	1,587,308	1,072,881	1,587,308
other allowances Long-service awards	626,819	856,104	626,819	856,104
Acting allowances	3,072,370	4,083,101	3,072,370	4,083,101
Housing benefits and allowances	1,443,963	2,172,995	1,443,963	2,172,995
Retirement Benefit Payout	100,000	50,000	100,000	50,000
Ex Gratia Awards	-	2,000,261	-	2,000,261
Relocation Allowance	218,900	67,600	218,900	67,600
	118,419,259	111,565,735	100,721,969	95,332,135

Remuneration of all staff consitute all the elements or line items listed above. Included in the bonuses line items in 2022/23 financial year is a provision for the bonus of the suspended Executives which amounts to R282 356. R4.9 million was paid to all other employees, excluding the Executives. Following Board discussion on the performance bonuses, it became evident that since the performance bonus paid to all staff and that accrued for the suspended Executives, formed part of the charges of the CEO, Mr Qobo, the performance bonuses that were accrued will not be paid out and thus a reversal of the accrual has been effected in the 2023/24 financial year, In addition, the whole transaction in relation to performance bonuses has resulted into irregular expenditure in 2023/24 financial year.

Short term benefits comprise the normal leave accrued as per the Human Resource policy of the ECRDA. The policy does not cater for any post employment benefits, terminations or long term benefits, with the exception of a R50 000 payout upon retirement of an employee.

28. Depreciation and amortisation

Property, plant and equipment	6,177,569	7,058,577	4,186,274	4,759,965
Investment property	38,306	38,306	38,306	38,306
Intangible assets	120,631	185,807	120,631	185,807
	6,336,506	7,282,690	4,345,211	4,984,078

Refer to notes 4, 5 and 6 for depreciation and amortisation.

29. Impairment loss

Impairments				
Property, plant and equipment	21,398	538,351	-	-

30. Finance costs

Finance Costs	421,547	574,624	421,547	574,624

The above is finance costs incurred on the administration of the MAFISA Scheme and other interest paid by the institution to other financiers.

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Figures in Rands	2024	2023	2024	2023

31. Debt impairment

Debt impairment	1,811	213,198	-	-
Contributions to debt impairment provision	52,530	1,210,193	52,530	1,210,193
	54,341	1,423,391	52,530	1,210,193

32. Project Expenses

This is all expenditure incurred on the projets ECRDA is responsible for. Below is a list of projects and related expenditure

Expenditure	Group 2024	Group 2023	Agency 2024	Agency 2023
Professional Fees	3,838,084	1,581	3,838,084	1,581
Capital goods	39,283	4,635,489	39,283	4,635,489
Training and development	950,000	1,067,448	950,000	1,067,448
Marketing	-	137,975	-	137,975
Stakeholder management	838,633	28,683	838,633	28,683
Catering	43,827	30,767	43,827	30,767
Repairs and maintenance	573,550	4,140,121	573,550	4,140,121
Travel and accommodation	1,241,249	131,562	1,241,249	131,562
Employee Related Costs	3,991,061	4,736,197	3,991,061	4,736,197
Security Services	684,007	-	684,007	-
General expenses	232,836	-	232,836	-
Insurance	48,762	47,005	48,762	47,005
Legal Fees	118,225	-	118,225	-
	12,599,517	14,956,828	12,599,517	14,956,828

Expenditure incurred or recorded above on projects expenditure relates in many instances to the following:

Professional fees, repairs and maintenance, travel and employee related costs

Security services, catering costs for steakholder engagements

33. Contracted Services

These are professional services that were contracted in by the institutions.

Contracted Services	Group 2024	Group 2023	Agency 2024	Agency 2023
Business and Advisory	2,656,971	3,104,869	1,604,753	1,844,897
Legal Services	4,597,341	1,151,634	4,545,737	1,099,134
	7,254,312	4,256,503	6,150,490	2,944,031

Contracted services have increased in the current year when compared to the prior period, due the legal costs incurred during the discplinary processes of the suspended Executives. Two of the cases were concluded in December 2023 and they resumed duty in January 2024. The disciplinary proccess of the CEO was concluded in March 2024. Legal costs in relation to the CFO will continue to be incurred until the finalisation thereof.

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Figures in Rands	2024	2023	2024	2023

34. General expenses

Audit Committee Remuneration	201,082	124,297	201,082	124,297
Advertising	278,565	415,002	241,461	342,133
Assessment rates & municipal charges	653,252	1,202,325	653,252	1,202,325
Auditors remuneration	5,777,604	5,097,462	5,495,818	4,993,468
Bank charges	293,994	275,964	255,719	239,352
Cleaning	238,091	268,159	219,352	227,124
Commission paid	120,581	190,761	-	-
Computer expenses	561,206	357,500	544,437	338,175
Consulting and professional fees	-	256,956	-	256,956
Consumables	114,707	37,970	-	-
Software Expenses	3,474,326	2,747,241	3,474,326	2,747,241
Relocation Costs	28,000	184,052	28,000	184,052
Discount allowed	2,920	8,439	-	-
Fines and penalties	347,154	441,207	309,687	189,165
Lease equipment FL expense	195,207	214,901	195,207	214,901
Insurance	14,136,825	8,652,003	14,136,825	8,652,003
Marketing	48,220	311,403	48,220	311,403
Harvesting Costs	482,241	-	-	-
Promotions and sponsorships	39,675	70,424	39,675	63,924
Magazines, books and periodicals	414,928	203,780	414,928	203,780
Motor vehicle expenses	356,685	226,034	272,774	133,477
Fuel and oil	1,641,201	1,914,896	619,499	697,336
Placement fees	89,448	406,807	89,448	406,807
Productions	370,430	-	-	-
Postage and courier	29,559	26,320	1,950	17,760
Printing and stationery	203,466	333,433	134,999	242,708
Workmen's Compensation	151,389	15,295	151,389	15,295
Protective clothing	214,416	180,384	-	8,209
Repairs and maintenance	767,299	1,348,428	197,809	270,053
Security	525,963	475,070	525,963	475,070
Staff welfare	227,990	424,547	41,145	246,304
Subscriptions and membership fees	131,541	125,197	104,074	48,244
Telephone and fax	696,705	1,503,291	580,885	1,387,944
Transport and freight	375,793	-	-	-
Training	643,901	608,402	636,214	561,713
Travel - local	4,140,794	4,322,959	3,784,817	4,200,586
Travel - overseas	246,066	-	246,066	-
General Expenses	376,226	251,975	299,114	251,975
Assets expensed	157,418	132,459	-	-
Electricity	2,597,250	2,263,960	-	-
Water	839,808	1,029,657	839,808	1,029,657
Refuse	186,778	209,045	186,778	209,045
Meal & Accommodation All	161,278	415,002	161,278	415,002
Catering	280,932	196,236	280,932	196,236
Stakeholder Engagement	741,417	659,938	741,417	659,938
Storage Costs	217,462	204,808	217,462	204,808
Skiils Development Levy	1,310,753	1,222,213	1,041,201	914,494
Refreshments	49,874	87,923	49,874	87,923
Bursaries	237,760	-	237,760	-
Other expenses	9,677	126,604	9,677	126,604
	45,387,857	39,770,729	37,710,322	33,097,487

There is no material movement when comparing the previous financial year general expenses and the current financial year. To mention though is the reclassification of the insurance premiun expense that was incorrectly classified as assets and has now been reclassified into general expenses, as insurance premium of R12 million.

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Figures in Rands	2024	2023	2024	2023

35. Cash (used in) generated from operations

(Deficit) surplus	(16,046,368)	(130,134,194)	16,539,797	14,567,230
Adjustments for:	6,336,506	7,282,690	4,345,211	4,984,078
Depreciation and amortisation				
Loss on sale of assets and liabilities	56,640	24,669	56,640	24,669
Fair value adjustments	-	(153,343)	-	(153,343)
Commission received	-	(2,678,092)	-	-
Sundry INcome	-	(1,528,740)	-	-
Social benefit from concessionary loans	-	239,160	-	-
Finance costs	421,547	574,624	-	-
Impairment deficit	21,398	538,351	-	-
Debt impairment	54,341	1,423,391	52,530	1,210,193
Movements in operating lease assets and accruals	275,070	(153,343)	275,070	-
Discount Allowed	-	8,439	-	-
Reversal of impairment	210,268	(6,876,499)	(210,268)	(6,876,499)
Unwinding of subsidy cost	320,470	299,270	320,470	299,270
Movements in finance lease liabilities	(2,254,452)	272,416	(2,254,452)	272,416
Inventory losses or write-downs	4,624,835	7,933,789	(84,287)	-
Interest received on loan book and staff debtors	(5,963,092)	(5,695,642)	(5,963,092)	(5,695,642)
Fines and Penalties	347,154	441,207	309,687	189,165
Increase/decrease in credit impairments	5,263,433	(7,855,512)	(494,712)	(3,463,874)
Assets expensed	-	132,459	-	-
Movement in staff related payables	(13,132,771)	(8,419,942)	(12,527,442)	-
Changes in working capital:	1,421,261	(4,210,168)	(5,812)	(11,223)
Inventories				
Receivables from exchange transactions	(2,453,794)	1,592,004	(1,103,281)	(337,682)
Loand and advances to customers	7,254,132	(12,632,766)	7,254,132	(12,632,766)
Change in deferred taxes	(1,200,505)	109,028,232	-	-
Other asset 2	-	(3,715,135)	-	(5,433,148)
Payables from exchange transactions	1,947,270	12,457,103	2,247,689	12,530,088
VAT	64,551	(930,115)	-	-
Unspent conditional grants and receipts	(3,874,605)	2,832,179	(3,874,605)	2,832,179
Increase/dcerease in administerd fund liabilities from	(3,661,101)	12,660,769	(3,661,101)	(12,660,769)
non exchnage transfers Leave provision movement	(482,083)	498,581	(482,083)	498,581
	(20,449,895)	(26,744,158)	740,091	(9,857,077)

36. Financial instruments disclosure

Categories of financial instruments

Group- 2024

Financial assets

	At fair value	Total
Loans and advances to customers	26,609,925	26,609,925
Trade and other receivables from exchange transactions	12,583,731	12,583,731
Cash and cash equivalents	67,229,594	67,229,594
	106,423,250	106,423,250

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	14,770,025	14,770,025

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

36. Financial instruments disclosure (continued)

Group – 2023
Financial assets

	At fair value	Total
Loans and advances to customers	19,100,277	19,100,277
Trade and other receivables from exchange transactions	10,129,937	10,129,937
Cash and cash equivalents	60,907,795	60,907,795
	90,138,009	**90,138,009**

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	9,729,126	9,729,126

ECRDA- 2024
Financial assets

	At fair value	Total
Loans and advances to customers	26,609,925	26,609,925
Trade and other receivables from exchange transactions	7,656,154	7,656,154
Cash and cash equivalents	66,372,194	66,372,194
	100,638,273	**100,638,273**

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	11,995,725	11,995,725

ECRDA - 2023
Financial assets

	At fair value	Total
Loans and advances to customers	19,100,277	19,100,277
Trade and other receivables from exchange transactions	6,077,115	6,077,115
Cash and cash equivalents	60,486,083	60,486,083
	85,663,475	**85,663,475**

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	9,375,249	9,375,249

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	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023
37. Commitments				
Authorised operational expenditure				
Already contracted for but not provided for				
• Operational Expenditure	21,483,895	10,350,991	21,483,895	10,350,991
Total operational commitments				
Already contracted for but not provided for	21,483,895	10,350,991	21,483,895	10,350,991
Total commitments				
Total operational commitments				
Authorised operational expenditure	21,483,895	10,350,991	21,483,895	10,350,991

At the reporting date, Magwa Tea Entrise did not report any commitments. ECRDA has operational commitments of R21.4million (2023: R10.3 million) at 31 March 2024. This committed expenditure relates to operational expenses and will be financed by available bank facilities and retained surpluses.

Operating leases - as lessee (expense)

Minimum lease payments due				
- within one year	2,230,423	2,230,423	2,230,423	2,230,423
- in second to fifth year inclusive	6,691,269	8,921,692	6,691,269	8,921,692
	8,921,692	**11,152,115**	**8,921,692**	**11,152,115**

The statement of financial performance details the expenditure incurred by the entity on the operating lease. A total of R2.35 million (2023: R3.6 million) was incurred during the financial year in respect of lease expenses. A net straight lined operating lease liability of R.275mil(2023: Rnil) 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 five years, 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 of its investment property in Mthatha. At reporting date, lease contracts generating income of R2 million (2023:R1.8 million) per annum were entered into. The contracts entered into are for a period of 12 months in which each party can cancel the contract with appropriate notice being received by the entity. The entity does not enter into any non-cancellable operating lease.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

38. Contingencies

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

Contingent Liabilities	Agency 2024	Agency 2023
ECRDA/Blue Cut Flora	7,273,330	-
ECRDA/Dladla, Gardner & Simukonda	1,800,000	-
	9,073,330	-

Where the possibility of legal fees and/or other reimbursement exists, it is reported below as a contingency.

Claims defended by ECRDA:

SKG AFRICA (Pty) Ltd / ECRDA & OTHERS: 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 the 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 were R292 082 (estimated at R1 000 000). 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 judgement. Thefore at 31 March 2023, judgement was not yet issued. This matter was more on the contract that was being contested and therefore impractical to estimate the costs as none have been stated in the attorneys letters.
A Judgement on the issue of costs was issued in August 2023, and costs were awarded in favour of SKG against ECRDA and other Respondents to the matter. Parties are to share the costs in this regard. ECRDA accepted advice of counsel not to challenge the costs order as it will imply further litigation costs and that ECRDA should rather comply. Once the costs are determined between the legal representatives ECRDA will pay. The costs therefore were still not known at 31 March 2024.

ECRDA/ BLUE CUT FLORA: In this matter Blue Cut Flora claims to have done work at the Tshabo Red Hub despite the termination of the contract. ECRDA appointed attorneys to analyse correspondence in this regards and advise the ECRDA on the best way foward. The amount claimed is R7.2 million.

ECRDA/ DLADLA, GARDNER & SIMUKONDA: In this matter, there is a claim from the three individuals againts ECRDA on alleged defamatory statements by Mr Qobo, who was the CEO, through utterances made in a Strategy session that was held in 2022. ECRDA is defending the matter and a Plea has been sent through the appointed attorneys. The summons is sueing for an amount of R500 000 for each individual. The estimate per the current order is R600 000 per person, amounting to R1.8 million.

CCMA CASES/ECRDA: The matters relate to several cases that have been lodged by the employees with the CCMA. Cases range between unfair labour practises, unilateral change of working conditions, re-instatement by some who claim they were unfairly dismissed. At the date of reporting there is no estimated costs that can be reliably placed on the cases, nor the timing of when they will be concluded is unkown.

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. Arengo 316 Investments (Pty) Ltd is currently in a business rescue process, of which ECRDA has indicated the amounts owed by Arengo, based on the last confirmation of debt in 2016. Subsequent engagements took place in April and May 2024 between ECRDA and IDC, wherein ECRDA submitted an affidavit of the amounts that are to be recovered from Arengo to be included in the business rescue process being undertaken by IDC. These amounts are R7 469 957,

Contingent Assets	Agency 2024	Agency 2023
Cradock Biofuel - Arengo 316 Investments	7,469,957	7,469,957

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Figures in Rands

39. Related parties

Relationships	
Directors	Refer to Directors' report note
Controlled entities	Magwa Tea
Members of key management	Mr S Qobo - Chief Executive Officer (Terminated 26 April 2024) Mr G Qotywa - Interim Chief Executive Officer Ms J Baxter - Chief Financial Officer (Suspended September 2022) Ms V Ntsodo-Boyce - Interim Chief Financial Officer Mr R De Beer - Executive Rural Finance and Investment Promotion Mr N Simukonda - Executive Integrated Programme Management Mr C Gardner - Corporate Service Executive (Contract ended 30 April 2024) Ms B Kamohi - Acting Corporate Services Ms V Xaxa- Company Secretary

Related party balances

Amounts included in Trade Receivables regarding related parties

Kangela Citrus Farms (receivables at fair value)	12,109,648	10,994,474
Related party transactions		
Interest paid received from related parties		
Kangela Citrus Farms	1,115,174	781,294
Grants Received/Paid to Related Parties		
Magwa Enterprise Tea (Pty) Ltd	(29,380,000)	(29,810,523)
DRDAR (Operating and transfer payments)	232,879,000	215,538,273
DRDAR (EPWP Administered Fund)	14,170,735	13,906,248

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	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

39. Related parties (continued)

A total of R29.8 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 2023/24 financial year.

The shares of Magwa Enterprise Teas (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 Tea are funded through government grants, paid to the Tea Estate via ECRDA as per the approved budget. The ECRDA, as 100% shareholder, fully consolidates the balances and transactions of Magwa Enterprise Teas(Pty) Ltd on a line-by-line basis. The company has its own Board of Directors and is managed by the ECRDA through the secondment of a General Manager. The ECRDA is not involved in the daily operations of Magwa Tea.

ECRDA owns 51% shareholding of Kangela Citrus Farms. The transactions between ECRDA and Kangela are disclosed above for both financial years. It should be noted that ECRDA received a court order, interdicting it from interfering on the business operations of Kangela Citrus Farm. Even though ECRDA, lost control of Kangela Citrus Farms, it however remains a related party and the balances disclosed above were loans issued to Kangela by ECRDA.

Key management information

Class	Description	Number
Non-executive board members	Board of Directors	11
Executive management	Executive Committee	5

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39. Related parties (continued)

Remuneration of management Management class: Executive management 2024

Name	Acting Allowance	Basic salary	Other short-term employee benefits	Other benefits received	Total
Mr S Qobo	-	2,850,499	-	17,168	2,867,667
Mr G Qotywa (ICEO)	-	2,119,210	-	25,187	2,144,397
Ms J Baxter	-	2,112,265	124,317	59,420	2,296,002
Ms V Ntsodo-Boyce (ICFO)	-	1,126,432	-	17,631	1,144,063
Mr C Gardner	-	2,026,337	-	-	2,026,337
Mr N Simukonda	-	1,947,995	-	63,906	2,011,901
Mr R de Beer	-	1,457,571	-	20,070	1,477,641
Ms V Xaxa	-	2,085,576	-	74,620	2,160,196
Mr N Quvile (Acting COO)	494,454	-	-	-	494,454
Mr L Mtumtum (Acting Corporate Services)	275,418	-	-	-	275,418
Mrs V Zazi(Acting CFO)	320,757	-	-	-	320,757
	1,090,629	15,725,885	124,317	278,002	17,218,833

2023

Name	Acting Allowances	Basic salary	Other benefits received	Total
Mr S Qobo	-	2,297,442	8,746	2,306,188
Ms J Baxter	-	1,964,582	81,236	2,045,818
Mr C Gardner	-	1,906,005	31,145	1,937,150
Mr N Simukonda	-	1,796,257	311,767	2,108,024
Ms V Xaxa	-	660,265	15,142	675,407
Ms C Mnqeta (Acting CEO)	641,727	-	-	641,727

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39. Related parties (continued)

Mrs V Zazi(Acting CFO)	334,899	-	-	334,899
Mr N Quvile (Acting COO)	235,061	-	-	235,061
Mr L Mtumtum	25,318	-	-	25,318
	1,237,005	8,624,551	448,036	10,309,592

*Refer to note "Employee related costs"

Included in the remuneration of Executive Management is the remuneration of both the Interim CEO and CFO. The Interim CEO was appointed in August 2023 for a period of six months. The appointment was extended in January 2024 until the conclusion of Mr Qobo's disciplinary process. The disciplinary was concluded and the Board resolved to terminate Mr Qobo in April 2024. The Interim CEO will therefore continue in the position, until the vacancy is filled. The recruitment process has since commenced. In addition, the ICFO contract was also extended to continue until 31 July 2024, the conclusion of the current year audit. Ms Baxter's disciplinary process is still in progress. For the major part of the financial year, whilst the other two Executives were on suspension, Mr L Mtumtum was acting in the capacity of the Corporate Services Executive and Mr N Quvile in that of the Executive Manager for IPM.

Management class: Key advisors/Sub committees
2024

	Remuneration	Total
Audit Committee		
Mr V Pangwa (Chairperson)	145,893	145,893
Mr S Bosire	55,189	55,189
	201,082	201,082

2023

	Remuneration	Total
Audit Committee		
Mr V Pangwa (Chairperson)	69,107	69,107
Mr S Bosire	55,189	55,189
	124,296	124,296

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Figures in Rands	2024	2023	2024	2023

40. Remuneration of Board Members

Non-executive
2024

	Members' fees	Total
Dr Nondumiso Maphazi (Chairperson)	518,904	518,904
Ms Nomathandazo Mbete (Deputy Chairperson)	503,748	503,748
Ms Nolitha Pietersen	379,644	379,644
Mr Gcinumzi Qotywa	126,548	126,548
Mr Mxolisi Koyo	379,644	379,644
Dr Andile Nontso	372,372	372,372
Ms Ntuthu Mbiko- Motshegoa	372,372	372,372
Ms Nokhanyo Maceba	372,372	372,372
Ms Nondumiso Ngonyama	377,220	377,220
Mr Senzeni Zokwana	372,372	372,372
Adv John Korkie	379,644	379,644
	4,154,840	4,154,840

2023

	Members' fees	Total
Dr Nondumiso Maphazi (Chairperson)	475,662	475,662
Ms Nomathandazo Mbete (Deputy Chairperson)	495,929	495,929
Ms Nolitha Pietersen	338,925	338,925
Mr Gcinumzi Qotywa	338,925	338,925
Mr Mxolisi Koyo	338,925	338,925
Dr Andile Nontso	332,259	332,259
Ms Ntuthu Mbiko- Motshegoa	318,636	318,636
Ms Nokhanyo Maceba	332,259	332,259
Ms Nondumiso Ngonyama	358,749	358,749
Mr Senzeni Zokwana	318,636	318,636
Adv John Korkie	369,956	369,956
Ms L Nare	27,096	27,096
Adv P Mapayi	26,490	26,490
Mr S Makunga	27,096	27,096
Mrs Z Thomas	27,096	27,096
Ms M Msoki	21,949	21,949
Mr V Jarana	32,291	32,291
Ms S Faku	27,096	27,096
	4,207,975	4,207,975

The remuneration of Board members constitutes fees paid to individuals to oversee the governance of the entity. All payments to Board members are considered to be part of the normal operating parameters of the ECRDA as per the legal mandate. There is a slight decrease in fees as compared to the prior year, due to Mr Qotywa being appointed as an Interim CEO with effect from August 2023.In addition, the previous Board's terms was extended for a month in 2022/23 financial year.

41. Prior period errors

The adjusting journals were processed in the comparative figures, which emanated from various issues:

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	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

41. Prior period errors (continued)

Following the disclaimer of opinion in the comparatives, the entity made adjustments or corrections to the balances and transactions that were reported in the 2022/23 financial year. Various issues led to the desclaimer of opinion in the previous financial year. Instability in the administrative leadership with the suspension of the CFO, further there was struggle with the previous years accounting and financial records, which were only known to the resigned Finance Manager and suspended CFO. ECRDA could not get resources to assist timeously as a result the financial statements preparation process only started in May 2023, which led to the balances being incorrect. Amounts per the consolidated figures were the same as those of the entity.Below is a detail of the movement from the disclaimed balanced to the comparatives in these financial statements.

Debtors with credit balances: In response to and audit query, it became apparent that the balances were dating as far back as the amalgamation of the entities that were part of the establishment of the ECRDA. An amount of R 690 441, was adjusted, by reducing the balance and increasing other income.

Depreciation: This is as a result of errors that were identified on depreciation in the asset register.

Leave pay provision: In responding to the audit query, leave for 2022/23 was recalculated and resulted in the upward adjustment of R717 271.

Insurance policy premium with Guardrisk was incoorectly classified as an Investment under contingency policy;i.e an asset. Upon review of the policy document, it became apparent that the insurance policy does not meet the recognition criteria as an asset, as a result was reclassified into the statement of financial performance as expenses. Assets were therefore reduced by R13 million, further eliminated interest that was being recognised on the investment. An insurance income has been disclosed with a corresponding insurance expense and prepaid expense for the 4 months into each financial year. The prepaid expense is included in the receivables line item. Insurance expense is included under general expenses.

Below are the restated balances

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	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

41. Prior period errors (continued)

Statement of financial position	Group Reported 31/03/2023	Adj's	Group Restated 2023	ECRDA Reported 31/03/2023	Adj's	ECRDA Restated 2023
Inventories	14,490,378	(7,941,204)	6,549,174	14,490,378	(14,400,185)	90,193
Receivables from exchange transactions	38,433,250	28,303,313	10,129,937	38,433,250	(32,356,135)	6,077,115
Vat Receivable	-	87,937	87,937	-	-	-
Loans and advances to customers	-	5,775,925	5,775,925	-	5,775,925	5,775,925
Cash and Cash equivalents	63,519,111	(2,611,316)	60,907,795	63,519,111	(3,033,028)	60,486,083
Biological assets	3,083,948	-	3,083,948	3,083,948	(3,083,948)	-
Property, plant and equipment	15,200,906	1,667,899	16,868,805	15,200,906	(4,149,237)	11,051,669
Investment under contingency	12,643,445	(12,643,445)	-	12,643,445	(12,643,445)	-
Deferred Tax	112,841,178	(108,343,129)	4,498,049	112,841,178	(112,841,178)	-
Loans and advances to customers	2,230,855	11,093,497	13,324,352	2,230,855	11,093,497	13,324,352
Finance lease obligation	(2,546,799)	292,347	(2,254,452)	(2,546,799)	292,347	(2,254,452)
Payables from exchange transactions	(32,063,823)	22,334,697	(9,729,126)	(32,063,823)	22,688,573	(9,375,250)
Liabilities arising from non-	(13,002,962)	(769)	(13,003,731)	(13,002,962)	(769)	(13,003,731)
exchange VAT payable	88,093	(88,093)	-	88,093	(88,093)	-
Deferred grant income from non exchange transactions	(27,394,137)	(83,817)	(27,477,954)	(27,394,137)	(83,817)	(27,477,954)
Provisions	-	(6,894,283)	(6,894,283)	-	(6,894,283)	(6,894,283)
Other financial liabilities	(17,355,114)	17,355,114	-	(17,355,114)	17,355,114	-
Finance lease obligation	-	(858,627)	(858,627)	-	(858,627)	(858,627)
Accumulated Surplus	(10,606,634)	31,315,148	20,708,514	(10,606,634)	7,248,437	(3,358,197)
Subtotal	159,561,695	(21,238,806)	81,716,263	159,561,695	(125,978,852)	33,582,843
	159,561,695	(21,238,806)	81,716,263	159,561,695	(125,978,852)	33,582,843

Statement of financial performance	Group Reported 31/03/2023	Adj's	Group Restated 2023	ECRDA Reported 31/03/2023	Adj's	ECRDA Restated 2023
Sale of goods	10,275,550	-	10,275,550	10,275,550	(10,275,550)	-
Sundry income	838,299	690,441	1,528,740	838,299	690,441	1,528,740
Commission received	2,464,805	652,981	3,117,786	2,464,805	652,981	3,117,786
Reversal of impairment	-	6,876,499	6,876,499	-	6,876,499	6,876,499
Bad debts Recovered	24,557	1,905	26,462	24,557	1,905	26,462
Other income	659,618	(12,284)	647,334	659,618	(659,618)	-
Donations Received	1,696,273	-	1,696,273	1,696,273	(1,696,273)	-
Interest income on loans	(6,272,941)	11,968,583	5,695,642	(6,272,941)	11,968,583	5,695,642
Insurance Income	-	11,909,060	11,909,060	-	11,909,060	11,909,060
Interest Received - Investment	1,437,321	(731,655)	705,666	1,437,321	(786,616)	650,705
Government grants and subsidies	173,571,953	(28,115,000)	145,456,953	173,571,953	(28,115,000)	145,456,953
Employee related costs	(111,695,350)	(129,615)	(111,565,735)	(111,695,350)	16,363,215	(95,332,135)
Remuneration of Board members	(4,332,272)	(334,232)	(4,666,504)	(4,332,272)	124,297	(4,207,975)
Administration	(64,593)	50,000	(14,593)	(64,593)	50,000	(14,593)
Project Expenses	-	(14,956,828)	(14,956,828)	-	(14,956,828)	(14,956,828)
Depreciation and amortisation	(7,034,982)	(247,708)	(7,282,690)	(7,034,982)	2,050,904	(4,984,078)
Reversal of Impairments	(538,351)	-	(538,351)	(538,351)	538,351	-
Finance costs	(799,196)	224,572	(574,624)	(799,196)	224,572	(574,624)
Lease rentals on operating lease	(414,168)	(3,190,239)	(3,604,407)	(414,168)	(3,190,239)	(3,604,407)
Debt impairment	(213,198)	(1,210,193)	(1,423,391)	(213,198)	(996,995)	(1,210,193)

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

41. Prior period errors (continued)

Bulk purchases	(389,392)	-	(389,392)	(389,392)	389,392	-
Contracted services	(4,256,503)	-	(4,256,503)	(4,256,503)	1,312,472	(2,944,031)
Transfers and subsidies	-	(1,696,273)	(1,696,273)	-	(1,696,273)	(1,696,273)
Inventorires losses/ write-downs	-	(7,933,789)	(7,933,789)	-	-	-
Cost of sales	(12,296,126)	-	(12,296,126)	(12,296,126)	12,296,126	-
General Expenses	(52,072,688)	12,301,959	(39,770,729)	(52,072,688)	18,975,201	(33,097,487)
Taxation	-	109,028,232	109,028,232	-	-	-
Subtotal	(9,411,384)	95,146,416	85,994,262	(9,411,384)	22,050,607	12,639,223
	(9,411,384)	**95,146,416**	**85,994,262**	**(9,411,384)**	**22,050,607**	**12,639,223**

Disclosure notes	Group Reported 31/03/2023	Adj's	Group Restated 2023	ECRDA Reported 31/03/2023	Adj's	ECRDA Restated 2023
Contingent Liabilities	-	-	-	19,957,624	(19,957,624)	-
Continent Assets	-	-	-	12,530,043	(5,060,086)	7,469,957
Fruitless and wasteful expenditure	3,878,672	(3,415,904)	462,768	3,878,672	(3,167,957)	260,715
Irregular Expenditure	-	8,956,789	8,956,789	26,256,879	(17,971,022)	8,285,857
Related parties (Kangela receivable)	-	-	-	-	10,994,474	10,994,474
Related parties: Kangela interest received	-	-	-	-	781,294	781,294
DRDAR (Grants)	-	-	-	-	215,538,273	215,538,273
Magwa Tea Enterprise	-	-	-	-	29,810,523	29,810,523
DRDAR EPWP Administered Fund)	-	-	-	-	13,906,248	13,906,248
Subtotal	3,878,672	5,540,885	9,419,557	62,623,218	224,874,123	287,047,341
	3,878,672	**5,540,885**	**9,419,557**	**62,623,218**	**224,874,123**	**287,047,341**

42. Comparative figures

Certain comparative figures have been reclassified in so far as they relate to the preceding note.

Some comparitives have not captured above, however those that were included under administrative expenses and other operating expenses, have been remapped into general expenditure if not presented separately on the face of the annual financial statements.

43. Risk management

Financial risk management

The economic entity'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.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

43. Risk management (continued)

Liquidity risk

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

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity 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 a 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 teh ECRDA.

The group is currently dependent on the Eastern Cape Provincial Government for subsidies to fund loan advances and cover operating expenses. The size and quality of the loan book is not sufficient to finance the increased demand of agricultural land and to generate income suffcient 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 DRDAR and is therefore dependent upon the financial support from the Provincial Government for the ongoing support of the subsidiaries. The share-takeover of Magwa Tea (Pty) Ltd on 18 September 2020, and the lasting national impact of COVID 19 pandemic on scarce government resources has placed furtrher strain on available financial resources of the entity.

Payables from exchange transactions.

These are primarily trade payables that arise from the agency's operational activities, staff related payables, debtors with credit balances and others. These payables are typically settled within 30 days. The payables are non-interest bearing and are settled in the normal course of business.

Payables from non-exchange transactions

These payables consists of funds transferred to the ECRDA from the parent department DRDAR, with the intention that ECRDA transfers the funds to the identified entities or farmers. These funds are generally transferred within 30 days of receipt.

The table below summarises the maturity profile of the agency's financial liabilities based on contractual undiscounted payments:

Financial liability type	Group 2024	Group 2023	Agency 2024	Agency 2023
Payable from exchange transactions	14,770,025	9,729,126	11,995,725	9,375,250
Liabilities from non-exchange transactions	1,837,484	13,003,731	1,837,484	13,003,731
	16,607,509	**22,732,857**	**13,833,209**	**22,378,981**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

43. Risk management (continued)

Credit risk

Credit risk is the risk that the counterparts will not repay obligations on times 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 its credit policy.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The core business on the entity is to support rural development within the Eastern Cape province. The target market is at the upper end of credit risk fargility in the agricultural sector and small businesses sector with high sensitivity to climate 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-2024	Group-2023	Agency-2024	Agency-2023
Loans and advances to customers	26,609,925	19,100,277	26,609,925	19,100,277

Market risk

Interest rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will change or fluctuate as a result of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk and other price risk. The group does not have exposure to currency 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.

44. Going concern

We draw attention to the fact that at 31 March 2024, the entity had an accumulated surplus/(deficits) of R 13,497,198, (2023:R(3,358,198)and that the entity's total assets exceed its liabilities by R 55,486,244, (2023:R38,630,848).

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 members continues 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. Even though ECRDA is struggling to generate own revenue through its loan debtors, 90% of its budget is funded by the parent department.

The Board has satisified itself that the ECRDA is in a sound financial position and has access to funds to meet its foreseeable future obligations or 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.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

45. 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, and have not identified any susequent events that impacts on the financial statements presented. The disciplinary process of the Chief Executive Officer (Mr Qobo) was concluded in March 2024 and the Board took a resolution to terminate his employement contract in April 2024. A settlement agreement was reached with the Chief Financial Officer (Ms Baxter), and in terms of the agreement, the relationship between the two parties terminated with effect from 31 May 2024. In conclusion, the Board and Management are not aware of any other material event which occurred after the reporting date and up to the date of this report.

46. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure identified - current	938,587	223,613	901,120	21,560
Fruitless and wasteful expenditure identified current relating to prior period	-	239,155	-	239,155
Closing balance	**938,587**	**462,768**	**901,120**	**260,715**

Fruitless and wasteful expenditure is presented inclusive of VAT. This is as a result of interest charged on late payment of invoices and penalties from SARS on non submission of EMP201 returns and late payment. In the current year, fruitless relating to penalties and interest was identified, which amounts to R239 155.

47. Irregular expenditure

	-	-	-	-
Add: Irregular Expenditure - current	2,859,252	3,508,472	2,859,252	2,837,540
Irregular Expenditure identifed current year but incurred in prior period	-	5,448,317	-	5,448,317
Closing balance	**2,859,252**	**8,956,789**	**2,859,252**	**8,285,857**

Irregular expenditure is presented inclusive of VAT

Details of irregular expenditure incurred in the 2024 and 2023 financial year:

Included in irregular expenditure disclosed above, is an amount of R4.9 million relating to performance bonuses that were approved not in line with the delagations of authoirty. A disciplinary process had taken place and written outcomes were presented in April 2024. The Board implemented consequence management on those that had approved/authorised the payment of performance bonuses to all employees of ECRDA. I additions, the salary overpayments amounting to R453 388 that were identified by management are included above. Professional consultants were appointed without following a procurement process, this amounted to R1.3 million. The audit process identified irregular expenditure incurred through payment of travel allowances and acting allowances, which were paid in contravention of HR policies of the ECRDA. Refer to the register for more details.

Details of irregular expenditure incurred in the 2022 financial year

ECRDA payments to the value of R330 802 were made to suppliers where the normal procurement processes were not followed.

Magwa- proof of vendor registration on National Treasury supplier database was not obtained on procurement of R867 538. The SBD4 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 purchase of R451 914.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rands	2024	2023	2024	2023

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 as outlined in regulations. The reasons for these deviations were documented and reported to the Board who considered them and subsequently noted the deviation from the normal supply chain management regulations In total deviations amount to R1million, a detailed schedule is available for review.

49. Segment information

General information

Identification of segments

ECRDA organises and reports to management on the basis of three major functional areas: Administration, Project Management & Rural Development Interventions and Trade & Investments. Of the three major functional areas, only two have been identified as reportable segments in terms of GRAP 18 which are Programme 2: Project Management & Rural Development Interventions and Programme 3: Trade & Investments.

The segments were organised around the type of service delivered by the entity and the target market which management uses for the determination of strategic objectives as per the Annual Operational Plan (AOP).

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, which will ensure compliance with the relevant legislative and policy mandates.

There are other units within the entity and also the Annual Operational Plan such as Programme 1: Administration which has 3 sub-programmes namely; Office of the CEO, Office of the CFO and Corporate Services that upon assessment and application of GRAP 18.8; it was noted that they do not undertake activities of the entity that generate significant economic benefits or service potential and therefore were not identified as reportable segments.

Aggregated segments

There were no segments of the entity that were aggregated for this disclosure.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Programme 3: Trade & Investment	Raises capital, builds partnerships for investment

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Figures in Rands

49. Segment information (continued)

Segment surplus or deficit, assets and liabilities

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49. Segment information (continued)

Consolidated segment report of financial position

2024

	Controlling Entity Segment Breakdown			
	Other	Trade & Investments	Segment Total	Total
	R	R	R	R
Assets				
Inventories	5,127,913	-	5,127,913	5,127,913
Receivables from exchange transactions	12,583,731	-	12,583,731	12,583,731
VAT receivable	23,386	-	23,386	23,386
Loans and advances to customers	7,658,093	5,775,925	7,658,093	5,775,925
Cash and cash equivalents	67,229,594	60,907,795	66,372,194	60,486,083
Biological assets that form part of an agricultural activity	3,083,948	3,083,948	-	-
Investment property	1,496,018	1,534,324	1,496,018	1,534,324
Property, plant and equipment	10,876,063	16,868,807	6,863,992	11,051,669
Intangible assets	87,905	200,006	87,905	200,006
Deferred tax	5,698,554	4,498,049	-	-
Loans and advances to customers	18,951,832	13,324,352	18,951,832	13,324,352
	40,194,320	**39,509,486**	**27,399,747**	**26,110,351**
Total Assets	**132,817,037**	**106,193,206**	**119,165,064**	**110,107,389**
Liabilities				
Finance lease obligation	633,319	2,254,452	633,319	2,254,452
Operating lease liability	275,070	-	275,070	-
Payables from exchange transactions	14,770,025	9,729,126	11,995,725	9,375,250
Liabilities arising from non-exchange transactions	1,837,484	13,003,731	1,837,484	13,003,731
Unspent conditional grants and receipts	31,352,559	27,477,954	31,352,559	27,477,954
Provisions	7,376,366	6,894,283	7,376,366	6,894,283
Bank overdraft	118	44,522	118	44,522
Finance lease obligation	225,308	858,627	225,308	858,627
Total Liabilities	**56,470,249**	**60,262,695**	**53,695,949**	**59,908,819**
Total Assets less Total Liabilities	**76,346,788**	**45,930,511**	**65,469,115**	**50,198,570**
Share capital / contributed capital	41,989,146	41,989,046	41,989,046	41,989,046
Accumulated surplus	34,357,642	20,708,513	13,497,198	(3,358,198)
Total Net Assets	**76,346,788**	**62,697,559**	**55,486,244**	**38,630,848**

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49. Segment information (continued)

2023

	Controlling Entity Segment Breakdown			
	Other	Trade & Investments	Project Management & Rural Development Interventions	Segments Total
	R	R	R	R
Assets				
Inventories	5,127,913	6,549,174	96,005	90,193
Receivables from exchange transactions	12,583,731	10,129,937	7,656,154	6,077,115
VAT receivable	23,386	87,937	-	-
Loans and advances to customers	7,658,093	5,775,925	7,658,093	5,775,925
Cash and cash equivalents	67,229,594	60,907,795	66,372,194	60,486,083
Biological assets that form part of an agricultural activity	3,083,948	3,083,948	-	-
Investment property	1,496,018	1,534,324	1,496,018	1,534,324
Property, plant and equipment	10,876,063	16,868,807	6,863,992	11,051,669
Intangible assets	87,905	200,006	87,905	200,006
Deferred tax	5,698,554	4,498,049	-	-
Loans and advances to customers	18,951,832	13,324,352	18,951,832	13,324,352
	40,194,320	**39,509,486**	**27,399,747**	**26,110,351**
Total Assets	**132,817,037**	**122,960,254**	**109,182,193**	**98,539,667**
Liabilities				
Finance lease obligation	633,319	2,254,452	633,319	2,254,452
Operating lease liability	275,070	-	275,070	-
Payables from exchange transactions	14,770,025	9,729,126	11,995,725	9,375,250
Liabilities arising from non-exchange transactions	1,837,484	13,003,731	1,837,484	13,003,731
Unspent conditional grants and receipts	31,352,559	27,477,954	31,352,559	27,477,954
Provisions	7,376,366	6,894,283	7,376,366	6,894,283
Bank overdraft	118	44,522	118	44,522
Finance lease obligation	225,308	858,627	225,308	858,627
Total Liabilities	**56,470,249**	**60,262,695**	**53,695,949**	**59,908,819**
Total Assets less Total Liabilities	**76,346,788**	**62,697,559**	**55,486,244**	**38,630,848**
Share capital / contributed capital	41,989,146	41,989,046	41,989,046	41,989,046
Accumulated surplus	34,357,642	20,708,513	13,497,198	(3,358,198)
Total Net Assets	**76,346,788**	**62,697,559**	**55,486,244**	**38,630,848**

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49. Segment information (continued)

Consolidated segment report of financial performance

2024

	Controlling Entity Segment Breakdown			
Figures in Rands	Other	Trade & Investments	Project Management & Rural Development Interventions	Segments Total
	R	R	R	R
Income				
Revenue from exchange transactions				
Sale of goods	6,816,408	10,275,550	-	-
Rental of facilities and equipment	2,044,821	1,837,313	2,044,821	1,837,313
Sundry Income	3,484	1,528,740	3,484	1,528,740
Fees earned	44,400	38,250	44,400	38,250
Commissions received	2,600,618	3,117,786	2,600,618	3,117,786
Reversal of Impairment	210,268	6,876,499	210,268	6,876,499
Recoveries- Bad Debts	7,075	26,462	7,075	26,462
Other Income	2,323,808	647,334	-	-
Donations Received	-	1,696,273	-	-
Fair Value Adjustments	-	153,343	-	153,343
Interest on Loans	5,963,092	5,695,642	5,963,092	5,695,642
Insurance Income	14,811,467	11,909,060	14,811,467	11,909,060
Interest received - investment	3,164,900	705,666	3,090,283	650,704
Total revenue from exchange transactions	**37,990,341**	**44,507,918**	**28,775,508**	**31,833,799**
Revenue from non-exchange transactions				
Transfer revenue				
Government grants & subsidies	156,789,568	145,456,953	156,789,568	145,456,953
Total revenue	**194,779,909**	**189,964,871**	**185,565,076**	**177,290,752**
Expenses				
Employee related costs	(118,419,259)	(111,565,735)	(100,721,969)	(95,332,135)
Remuneration of Board Members	(5,003,767)	(4,666,504)	(4,515,547)	(4,207,975)
Administration	(15,155)	(14,593)	(15,155)	(14,593)
Project Expenses	(12,599,518)	(14,956,828)	(12,599,518)	(14,956,828)
Depreciation and amortisation	(6,336,506)	(7,282,690)	(4,345,211)	(4,984,078)
Reversal of impairments	(21,398)	(538,351)	-	-
Finance costs	(421,547)	(574,624)	(421,547)	(574,624)
Lease rentals on operating lease	(2,352,063)	(3,604,407)	(2,352,063)	(3,604,407)
Debt Impairment	(54,341)	(1,423,391)	(52,530)	(1,210,193)
Collection costs	-	(76,229)	-	(76,229)
Bulk purchases	(395,764)	(389,392)	-	-
Contracted services	(7,254,312)	(4,256,503)	(6,150,490)	(2,944,031)
Transfers and Subsidies	-	(1,696,273)	-	(1,696,273)
Loss on disposal of assets and liabilities	(56,640)	(24,669)	(56,640)	(24,669)
Inventories losses/write-downs	(4,624,835)	(7,933,789)	(84,287)	-
Cost of Sales	(9,083,820)	(12,296,126)	-	-
General Expenses	(45,387,857)	(43,653,575)	(37,710,322)	(33,097,487)

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49. Segment information (continued)

Total expenditure	**(212,026,782)**	**(214,953,679)**	**(169,025,279)**	**(162,723,522)**
(Deficit) surplus before taxation	**(17,246,873)**	**(24,988,808)**	**16,539,797**	**14,567,230**
Taxation	(1,200,505)	109,028,232	-	-
(Deficit) surplus for the year	**(16,046,368)**	**(134,017,040)**	**16,539,797**	**14,567,230**

Notes to the Annual Financial Statements

49. Segment information (continued)

2023

Figures in Rands	Other	Trade & Investments	Project Management & Rural Development Interventions	Segments Total
	Controlling Entity Segment Breakdown			
	R	R	R	R
Income				
Revenue from exchange transactions				
Sale of goods	6,816,408	10,275,550	-	-
Rental of facilities and equipment	2,044,821	1,837,313	2,044,821	1,837,313
Sundry Income	3,484	1,528,740	3,484	1,528,740
Fees earned	44,400	38,250	44,400	38,250
Commissions received	2,600,618	3,117,786	2,600,618	3,117,786
Reversal of Impairment	210,268	6,876,499	210,268	6,876,499
Recoveries- Bad Debts	7,075	26,462	7,075	26,462
Other Income	2,323,808	647,334	-	-
Donations Received	-	1,696,273	-	-
Fair Value Adjustments	-	153,343	-	153,343
Interest on Loans	5,963,092	5,695,642	5,963,092	5,695,642
Insurance Income	14,811,467	11,909,060	14,811,467	11,909,060
Interest received - investment	3,164,900	705,666	3,090,283	650,704
Total revenue from exchange transactions	**37,990,341**	**44,507,918**	**28,775,508**	**31,833,799**
Revenue from non-exchange transactions				
Transfer revenue				
Government grants & subsidies	156,789,568	145,456,953	156,789,568	145,456,953
Total revenue	**194,779,909**	**189,964,871**	**185,565,076**	**177,290,752**
Expenses				
Employee related costs	(118,419,259)	(111,565,735)	(100,721,969)	(95,332,135)
Remuneration of Board Members	(5,003,767)	(4,666,504)	(4,515,547)	(4,207,975)
Administration	(15,155)	(14,593)	(15,155)	(14,593)
Project Expenses	(12,599,518)	(14,956,828)	(12,599,518)	(14,956,828)
Depreciation and amortisation	(6,336,506)	(7,282,690)	(4,345,211)	(4,984,078)
Reversal of impairments	(21,398)	(538,351)	-	-
Finance costs	(421,547)	(574,624)	(421,547)	(574,624)
Lease rentals on operating lease	(2,352,063)	(3,604,407)	(2,352,063)	(3,604,407)
Debt Impairment	(54,341)	(1,423,391)	(52,530)	(1,210,193)
Collection costs	-	(76,229)	-	(76,229)
Bulk purchases	(395,764)	(389,392)	-	-
Contracted services	(7,254,312)	(4,256,503)	(6,150,490)	(2,944,031)
Transfers and Subsidies	-	(1,696,273)	-	(1,696,273)
Loss on disposal of assets and liabilities	(56,640)	(24,669)	(56,640)	(24,669)
Inventories losses/write-downs	(4,624,835)	(7,933,789)	(84,287)	-
Cost of Sales	(9,083,820)	(12,296,126)	-	-
General Expenses	(45,387,857)	(43,653,575)	(37,710,322)	(33,097,487)

Notes to the Annual Financial Statements

49. Segment information (continued)

Total expenditure	**(212,026,782)**	**(214,953,679)**	**(169,025,279)**	**(162,723,522)**
(Deficit) surplus before taxation	**(17,246,873)**	**(24,988,808)**	**16,539,797**	**14,567,230**
Taxation	(1,200,505)	109,028,232	-	-
(Deficit) surplus for the year	**(16,046,368)**	**(134,017,040)**	**16,539,797**	**14,567,230**

50. Budget differences

Differences between budget and actual amounts

The Eastern Cape Rural Development Agency (ECRDA)'s publicly disclosed budget is prepared on the cash basis whilst the financial statements are prepared on an accrual basis. the budget is classified per strategic goal regardless of the underlying operating expenditure items, whereas the ECRDA consolidated annual finanical statements are based per income and expenditure items in line with the GRAP 1 requirements. Both the financial statements and the budget cover the period 01 April 2023 to 31 March 2024. The comparison of budget and actual amounts is based on the MTEF budget narrative as presented to the Department of Rural Development and Agrarian Reform (DRDAR) and the Provincial Treasury.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages to in the annual report.

These changes were approved by the Board and submitted to the department.

51. Investments in Subsidiaries

Subsidiaries of the Eastern Cape Rural Development Agency

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

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51. Investments in Subsidiaries (continued)

Heading	Agency 2024 in%	Agency 2023 in%
Kangela Citrus Farms (Pty) Ltd	51	51
Magwa Enterprise Tea (Pty) Ltd	100	100
	-	-

Kangela Citrus Farms (Pty) Ltd

On 29 May 2009, the Eastern Cape Department of Rural Developmnet and Agrarian Reform transferred its 51% interest in Kangela Citrus Farms (pty) Ltd to the agency. The balance of the shares is held by a workers' empowerment trust, which also owns the land on which the subsidiary company operates. This company is the farming operator of the citrus orchards and vegetable plantations. This transfer is common control transaction. The company has outsourced the management of the business to South African Fruit Exporters (SAFE) until October 2017 where after the ECRDA took over the management functions. The trust evicted Kangela Citrus Farms (Pty) Ltd from the farm with effect from 03 October 2018, resulting in ceased operations, through a court interdict. ECRDA therefore lost control over the operations of this subsidiary, as a result it was not consolidate in these annual financial statements. It should be noted further that the annual financial statements of Kangela were prepared on liquidation basis, an indication that the Board of ECRDA, should commence with the processes of winding up the company.

The company was incorporated under registration number 2003/030011/07 in the Republic of South Africa and has a March year end.

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

Magwa Enterprise (Pty) Ltd

All shares (100) issued by the Magwa Enterprise Tea (Pty) Ltd, transferred to the ECRDA on 18 September 2020. The company is a teas estate operating from land owned by the government on which land claims have bot been finalised. The transfer of the shares is a common control transaction.The company registration number is 2004/014891/07 and has a March year-end.

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

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