



**TIMBALI**  
TECHNOLOGY INCUBATOR

# ANNUAL REPORT 2013-2014

Celebrating  
Incubation Success



## Vision

To be leaders in creating sustainable wealth for small-scale farmers in agricultural and related enterprises.

## Mission

To establish and support an enabling environment to promote B-BBEE agri- and related enterprises.

### Whom do we serve?

First and foremost the small-scale farmers. We ensure that owner-operated agri-businesses are commercially viable and sustainable through our services as a value chain incubator.

The local rural communities in which our farmers operate benefit from the jobs created, the income generated, and the empowerment of community members enabling support of as many as 8 dependants per farmer.

We serve social development organisations through development of new models in small-scale agribusiness, and assist to influence systemic change in the spheres of skills development, job creation, sustainability and enterprise development.

Our incubator is in pursuit of the national agenda and fully aligned with the National Development Plan for South Africa. We serve government through active and successful public-private-partnerships.

We serve the wider business community and provide them with access to small-scale farmers assisting them to meet their own B-BBEE procurement targets.

We share our model openly with the international community through publications, international conferences and forums to address solutions for food security, farming for the future, sustainability, environmental and human development.

### What do we offer ?

Agri-related incubation & value-added services

A contribution towards building the R&D Base in incubation services

An enabling environment for small-scale farmers and their communities.

Facilitate access to finance

Audit compliance for legal and other professional services

Training, development & mentoring

Incubation-related consulting

### Why do we matter ?

Timbali has developed a model for connecting low-skilled unemployed young farmers to sophisticated Global GAP Certified Markets. We use a “Cluster” model to improve economies of scale for small-scale start-up farmers. Our model borrows from tried and trusted franchise principles to provide a business format enabling ordinary people to deliver a repetitive, predictable high quality product. The agri-business cluster model of Timbali is a ground-breaking endeavour that is creating a platform for sustainable development of small-scale agriculture in South Africa.

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## Chairman's Report

The main responsibility of the Board of Directors is to ensure the sustainability and governance of the organisation. A growing company like Timbali and all its' SMMEs are one of the most challenging environments, and a great environment to test character, models and outcomes.

Due to the complexity in the incubation model, the responsibility of governance is actually hundred fold: the incubator is healthy when the SMMEs perform, and the SMMEs perform when the incubator is healthy. This symbiotic relationship multiplies the governance responsibility.

The board appreciates that strategy, risk, performance and sustainability are inseparable, as the King III report advises. In order to have a grasp of all these concepts for the incubator and the farmers' businesses, we spent a great deal of time to develop a dashboard.

### Dashboards

The dashboard gives the Board Members and other interested parties an overview of the figures from the previous year. It also shows the current target and the actual figures. The elements on the dashboard are:

1. Enterprise and Skills Development: How well are we doing at producing sustainable small-scale farmers?
2. Enterprise Profitability: How well are their enterprises doing?
3. Timbali's Financial Health: How well is the company doing?
4. Donor KPI's: How well are we meeting donor requirements?

### Governance

The board has appointed four sub-committees (Audit, technical, human resources, and fundraising) on which nominated directors and members of management serve. These committees and the board meet on a quarterly basis. The board regularly reviews and updates delegations of authority.

### Audit committee

The Audit Committee is responsible for review of the financial statements and accounting policies, the effectiveness of management information, and other system of internal control. It is also responsible for oversight of the overall risk profile of Timbali. Further, it is responsible for ensuring that the company complies with the various statutory and regulatory requirements. In addition, it is responsible for reporting on the effectiveness of the internal and external audit. The auditors have unrestricted access to the Chairman of the Audit Committee.

### Technical Committee

The technical committee is responsible for oversight of Timbali's production and marketing activities. The committee review production and market performance for all products and each cluster unit on a quarterly basis.

### HR Committee

The committee provides support to the CEO in all matters pertaining to staff. Oversight and review of the remuneration levels and practices are core responsibilities of the committee. The committee was responsible for

developing the new performance management systems during this financial year. The performance management system linked with the key performance indicators.

### Fundraising

The committee assists the CEO with the identification of potential funders. The sustainability and further growth of Timbali as an incubator to continue to developing agri-businesses is dependent on this committee. Timbali has spent substantial time and energy on the Jobs Fund application. The JF approval letter was received and all the contractual requirements met. The funding contract is now in its final stages of approval.

### Strategy

In September 2013, the board reviewed the strategy with the current funding partners. Timbali will continue on the strategic path to be a leader in agri-incubation. Our vision is to be leaders in creating sustainable wealth for all in agriculture and related enterprises through a scalable model. In seeking these overall strategic objectives, we have embraced young farmers, further diversification of crops and creating jobs and empowering emerging black farmers.

### Timbali's 2013/2014 Results continue to indicate 100% agri-incubation success with black females

Timbali Technology Incubator continued to assist 100% of the agri-businesses to survive their first and second year in business. Timbali established 39 new SMMEs during this financial year. Timbali's support for Black Economic Empowerment and Woman Empowerment as a national agenda points are exemplary, with 100% of the clients being black and 84% being female.

The new businesses added 110 direct jobs to the economy in addition to 379 indirect jobs and 211 casual/seasonal jobs (a total of 700 jobs). The 146 SMMEs Timbali supported achieved a 20% increase on their turnover from the previous financial year.

### Timbali level 4 B-BBEE contributor

Timbali's broad-based black economic empowerment status as at July 2014 was audited and verified by rating agency A2A Kopano

Incorporated. In terms of the dti codes of good practice, Timbali is a level 4 B-BBEE contributor with procurement recognition of 100%. This enables our customers to claim back 100% of their spending with our group for their own preferential procurement points.

### National Development Plan

Timbali Technology Incubator has developed a substantial Turn-Key Business Model operating in a grass-roots region where such services are so desperately needed. The franchise model operated by Timbali has produced results in a short time. Timbali has positioned itself to facilitate systemic change where it is really needed by assisting Government in achieving the objectives of the National Development Plan that sets out ambitious goals for poverty reduction, economic growth, economic transformation and job creation. Timbali as private sector NPC, in collaboration with its current partners and the Jobs Fund, has a major role to play in achieving these objectives in future.

### Institutional Support

Timbali acknowledges the Institutional support provided in Limpopo in collaboration with DAFF, Limpopo Department of Agriculture and Seda Limpopo Timbali is receiving significant support and collaboration. It needs to be noted that although Timbali is working well with the Limpopo Department of Agriculture, we are experiencing some difficulty in securing a meeting with Mpumalanga Department of Agriculture.

I express my sincere gratitude to the CEO and the staff of Timbali for their dedicated service during the past year. My fellow board members and I are so excited to look forward to the expansion of agri-parks in the next financial year with the Jobs Fund as a partner. We will keep on looking with a keen eye from a governance perspective, with Timbali's sustainability, the country's job creation goals, and our farmer's success as our focus.

**Bheki Mamphaga**  
Chairman

“What we do see depends mainly on what we look for. ... In the same field the farmer will notice the crop, the geologists the fossils, botanists the flowers, artists the colouring, sportsmen the cover for the game. Though we may all look at the same things, it does not all follow that we should see them.”

**John Lubbock**

*The Beauties of Nature and the Wonders of the World We Live in*







## CEO's Report

### Timbali is a vision that realise quantifiable growth

For me as the carrier of the Timbali dream and vision, the 2013/2014 year was a year of tremendous quantifiable growth. Timbali implemented our agri-incubation model in the agri-park on 12 ha of land for 10 years from 2002 to 2012. During this financial year, we extended implementation of our model onto over 500ha. This quantifiable growth is proving that Timbali's model has stood the test of time.

During our strategy session in September 2013, we unpacked the Timbali model in its finest details with our board members, management and funding partners. I thank the board for the critical questioning they provide through their dedicated focus on governance and sustainability. The strategic vision and planning translated into the clarification and detail that supports Timbali's excellence. The outcome of the session is tangible in our refined model, reported colourfully in the later pages of this report.

You will see the tangible results in the overview I provide below of every funder's achievements during 2013/2014.

#### SEDA Technology Programme (STP)

We highly value the continued investment and support of STP as our founding partner. What stand out for us in our relationship with STP are the structured KPIs that they established in Timbali from the start. STP is also involved in funding aspects of all three of Timbali's model, and the relationship allows us to innovate, test, fail, learn and succeed. Timbali over performed on most of the KPIs for SEDA, and maintain our 100% success rate for SMMEs for the first and second years of farming.

#### The Swiss-South African Co-Operation Initiative (SSACI)

SSACI placed a specific challenge to Timbali – ensuring that youth farmers can sustainably farm and are connected to the market. After a steep learning curve with the tremendous physical, financial and emotional support of SSACI, we have moved towards great success in the amaVeg cluster. We added some new markets to the mix, ensuring sustainable long-term options for these young farmers. We measure them on absenteeism, key performance indicators, productivity, and their financial performance. These 43 youths achieved an overall KPI performance of 73% - overcoming the challenges of farming by the minute on the most intensive crops possible: baby vegetables.

#### Department of Agriculture, Forestry and Fisheries (DAFF)

Duplicating our model was the final challenge Timbali had to overcome to be widely recognised for the impact our model can have in South Africa. We knew we had to achieve this with the most important national partner, DAFF. Our Limpopo branch reached the goals of firstly integrating the agendas of the farmers, the provincial and national structures, and the expertise available from Timbali. Our structures of collaboration with the monthly/quarterly Project Steering Committee and Project Implementation Committee, is a highlight.

Timbali's involvement on a broader scale to develop a significant Nwanedi Agricultural Development Infrastructure Master Plan in partnership with Aurecon and the national and provincial department ensured long-term sustainability for the farmers in the area.

Essentially, Timbali had the privilege to work with the 50 farmers in Nwanedi, covering more than 400ha. The farmers' tomato yields increased by more than 20%. The quality of all their products has improved significantly, and the mostly illiterate farmers have all mastered the art of record keeping.

A year ago, we were at the beginning of this journey in really testing the model to its core. Looking back, we can say in the voice of our late beloved Madiba: "It always seems impossible until it is done."

#### Anglo-American Chairman's Fund

The Anglo-American Chairman's Fund supported Timbali to do some serious tunnel maintenance. We can provide an upgraded service to our tenants with a direct impact on the conditions of production, positively influencing quality control.

#### Industrial Development Corporation (IDC)

During this financial year, we also implemented the targets of the funding from the IDC. The funding's objective of improving the agriculture industry through supporting the SMMEs were met and our excellent performance on the market through sales and volumes of sales are a direct result of the improved infrastructure the IDC made possible.

#### Syngenta

Syngenta has been one of our key supporters from the agriculture industry. Their financial contribution and pro-bono support, with the exposure they provide us to the global market research and trends are invaluable to Timbali.

#### A scalable model that stand the test of meticulous measurement and results

If you ask me what the one key success factor is that enables Timbali to be a colourful solution to the many socio-economic challenges in South Africa, I will say one word: MARKET! The way in which the Timbali model makes the market accessible and sustainable, is significant. We manage to integrate the small-scale farmer into an ecosystem that provides a market as long as the farmer produces a quality product 365 days of the year. Our systems give the small-scale farmer the ability to compete and earn a living, whilst providing jobs to the economy.

For the past 12 years, we have put our model through the paces. We have measured, adapted, measured, managed, and measured again. We will continue this trend in the future, and will report quantifiable growth in detail. Every meticulous detail of our dashboards, our KPIs, our funders and farmers performance, and the market figures, is what ensure that I believe more than ever that agri-incubation in South Africa will continue to add substantial value to our country.

For the past 12 years, we have put our model through the paces. We have measured, adapted, measured, managed, and measured again. We will continue this trend in the future, and will report quantifiable growth in detail.



*Louise de Klerk*  
Louise de Klerk  
CEO



## Key Performance Indicators

Quantitative Measures	Targets	Actual
<b>New SMMEs established</b>	37	39
<b>New projects initiated</b>	82	43
<b>Explanation:</b> With the constant decrease in funding it becomes more and more cumbersome for the incubator to establish new projects hence the inability to reach the set target.		
<b>Clients supported</b>	225	189
<b>Explanation:</b> With the constant decrease in funding it becomes more and more cumbersome for the incubator to establish new projects hence the inability to reach the set target.		
<b>SMMEs supported</b>	130	143
<b>SMMEs that survived the first year</b>	80%	100%
<b>SMMEs that survived the second year</b>	80%	100%
<b>% black-owned SMMEs established</b>	70%	100%
<b>% black-owned projects/SMMEs in portfolio</b>	80%	100%
<b>% woman-owned projects/SMMEs in portfolio</b>	30%	77%
<b>Direct jobs created</b>	100	110
<b>Indirect jobs created</b>	238	379
<b>Casual/seasonal jobs created</b>	40	211
<b>Total SMME turnover</b>	6 500 000	11 662 386
<b>New/upgraded technology transfer interactions completed</b>	4	41
<b>% of total income from fees, levies, rentals, etc.</b>	20%	19%
<b>Explanation:</b> Only our amaBlom and Siyatentala clients are paying for rentals and levies and not the off – site clients.		

### An analysis of the Key Performance Indicators

**Timbali's 2013/2014 Results continue to indicate 100% agri-incubation success with black females**

Timbali Technology Incubator continued to assist 100% of the

agri-businesses to survive their first and second year in business. Timbali established 39 new SMMEs during this financial year. Timbali's support for Black Economic Empowerment and Woman Empowerment as a national agenda points are exemplary, with 100% of the clients being black and 84% being female.

The new businesses added 110 direct jobs to the economy in addition to 379 indirect jobs and 211 casual/seasonal jobs (a total of 700 jobs). The 146 SMMEs Timbali supported achieved a 20% increase on their turnover from the previous financial year.

Timbali's focussed stakeholder relationship management programme has delivered results yielding more than R4-million in co-funding to invest in additional SMMEs and technology transfer in 2013/2014. Timbali generates 15% of their funding from services delivered to the clients, and Timbali diversified their funding sources with a balance between support from local and national government and private funding from local and international corporations. 73% of funds directly assist clients, with a minimal 23% spent on development and incubation administration activities.

117 technology transfer interactions assisted the farmers to increase their effectiveness (almost 3000% above target). Timbali's clustering model ensures that we consistently come up with innovative ideas through creating a competitive and thinking environment. Some of the important technology transfers activities included:

1. Improved dashboards and KPIs to enable the farmers to monitor performance and quality on a daily basis.
2. Introducing new Global GAP aligned operational manuals for baby vegetables.
3. Packhouse efficiency innovations i.e. special wash bays for carrots.
4. Integrated pest management systems and training.

The markets were favourable in the financial year. The SMMEs quality (especially in the amaBlom sector) was rewarded with above-market prices. The amaBlom Gerbera cluster received 80c more per stem than the market average, whilst the amaBlom Lisianthus fetched R1 per stem more than market average. This contributed to the turnover growth of the businesses.

Timbali has three key contracts with funders in place, and we have achieved 14 of the overall Key Performance measurements on these contracts. The 17 KPI's are for a period of three years each, and Timbali is well on track to deliver on all of these by the agreed timelines with the funders.



**Name** Senzo Khoza  
**Age** 32  
**Tenure** 1 month  
**Produce** Carrots  
**Dependents** 2

### How the Timbali dynamics inspired a young man

The Lowveld College of Agriculture, offers a two-year higher certificate and/or three-year diploma course in Plant Production. The first two years are full time, with the third year being practical experience through experiential training on a farm. Because of the nature of farming in the Lowveld, the College specialises in two areas, being Agronomy and Horticulture. Agronomy comprises studies in tobacco, cotton, sugar cane and dry-bean production, while Horticulture includes vegetable, subtropical fruit and citrus production under irrigation. The main supporting subjects are Soil Science, Irrigation, Plant Propagation, Computer Practices, Plant Protection, Botany, Agricultural Engineering and Farm Management. Timbali is grateful to be part of this partnership and together we shape the future farmers of South Africa.

After working at Timbali for a month, Senzo Khoza realised his passion for farming and decided to further pursue his career by studying towards a diploma in Agriculture. Senzo has vision and knows exactly where he is going and how he is going to get there. We asked him a few questions about his journey:

I would like to say a special thanks to Timbali who made me realise my passion and the entire staff and management for their Ubuntu and passion. There is life in agriculture, every life depends on it and it must not be taken lightly. I don't regret anything and I promise to be a very great example. I pursued agriculture with everything in me and I will make sure that everyone who sees me will be inspired to do the same.



**Name** Joyce Vhengani  
**Age** 42  
**Years with Timbali** 2 years  
**Produce** Tomato, Butternut, Maize, Cabbage and Watermelon  
**Dependents** 5

Joyce Vhengani is a pioneer. This strong-willed woman was last year's top farmer in cluster three in Nwanedi, Limpopo.

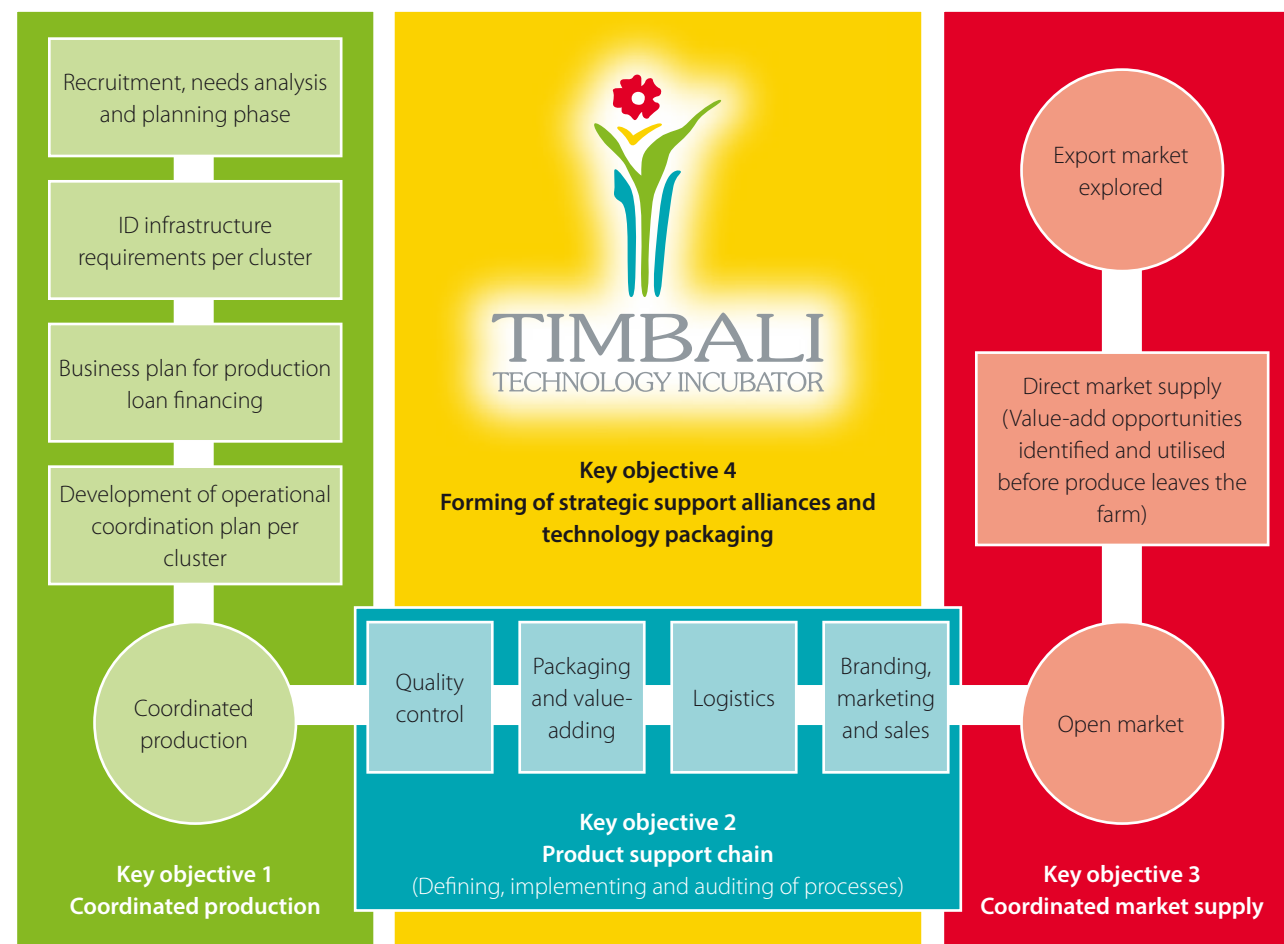
Joyce discovered that the way she was spraying was not efficient because the chemicals were not covering the entire plant. She decided to follow Timbali's advice to have two people that spray side by side simultaneously, from the bottom to the top of the plant. This method ensures better coverage and increased pest and disease control. Joyce is sure that by following this Timbali best practice concept there will be less infestation of problematic diseases and pests as well as better control, therefore less spraying and cost saving. Joyce Vhengani is an example of Timbali's Agri-park incubation model services to farmers on their own land.

The paradigms and guidelines within which Timbali implements the model in Limpopo includes:

- Limited market access;
- Business advisory services;
- Cluster coordination on famers own or rented land;
- Technical skills and technology packaging;
- Franchising principles provide predictable service to farmers by on farm recommendations and audits;
- Quality technical support & scientific farming awareness;
- Administration, business and Global GAP awareness;
- Quality management recommendations and adequate space for large-scale production.

## Our model

**Schematic representation of Timbali's enabling environment to successfully link small-scale farmers to markets in order to increase sustainability.**



**Name** Busiwe Mgwenya  
**Age** 40 years  
**Tenure** 8 years (since 2006)  
**Produce** Gerbera  
**Dependents** 3

### Busi improved year-on-year June earnings by 221%

Busiwe Mgwenya was the most improved farmer this month; growing her monthly turnover for the current financial year by 221% compared to the prior year. The average growth of all the farmers was 52% for the month of June of the current financial year compared to June the prior year. Busisiwe's business unit is often used for research and development purposes; but this has not deterred her from striving for excellence in her business.

## About Timbali

Timbali Technology Incubator (Timbali) set up small-scale farmers in sustainable businesses for the past 8 years. Timbali's vision to be leaders in creating sustainable wealth for all agriculture enterprises is made possible through public and private funding. Timbali, a non-profit organisation, provide business development services including but not limited to business management, accounting and sales. The tactics table shows the three different applications of the model.

Why are we sharing all this with you? We would like you to:

- Tell people about Timbali. The more awareness we create about the work we do and the services we offer, the better. Also don't hesitate to ask us critical questions about our model – we are happy to share and grow.
- Contact Timbali to provide you with enterprise development services. Becoming a funding partner of Timbali grows our footprint and capacity, and provides you with solid return on investment, B-BBEE scorecard points, and a tax-deduction.
- Share with us how we can work with you, or you can work with us.

### The Timbali Tactics Table

Tactics Defined	Agri Park Model A	Satellite Agri Park Model B	Effective Skills Development Model C
<b>1. Timbali's role and relationship with farmers</b>	Timbali prescribes quality supply chain procedures and enforce peer reviewed adherence Timbali is the farmer's landlord	Timbali is in a full-time consultation role The farmers on their land tenure units and heavily influence the progress and adherence to quality standards`	Timbali is in a part-time consultation role The farmers access the land and heavily influence the progress with skills development
<b>2. Characteristics of the model</b>	<ul style="list-style-type: none"> <li>• High infrastructure cost &amp; capital investment</li> <li>• High return</li> <li>• Low risk</li> <li>• Medium to high job creation potential</li> <li>• Highest SMME sustainability</li> <li>• Highest Incubation sustainability though rent &amp; levies</li> </ul>	<ul style="list-style-type: none"> <li>• Medium infrastructure cost</li> <li>• High return</li> <li>• High risk</li> <li>• High job creation potential</li> <li>• Medium SMME sustainability</li> <li>• Medium incubation sustainability through levies</li> </ul>	<ul style="list-style-type: none"> <li>• Low infrastructure cost</li> <li>• Medium return</li> <li>• High risk</li> <li>• Medium to low job creation potential</li> <li>• Medium to low farmer sustainability</li> <li>• Low incubation sustainability</li> </ul>
<b>3. Benefits</b>	<ul style="list-style-type: none"> <li>• Full Global GAP certification</li> <li>• Guaranteed market off-take</li> <li>• Full supply-chain support</li> <li>• Mitigate the external weather risks through covering</li> <li>• Monitoring scientific farming practices</li> <li>• Quality Management</li> <li>• Business management and admin services</li> </ul>	<ul style="list-style-type: none"> <li>• Co-ordinated production leads to large impact on bottom-line for farmers</li> <li>• Economy of scale</li> <li>• Access to scientific farming practices</li> <li>• Improved quality awareness</li> <li>• Awareness of business management &amp; Admin</li> <li>• Weekly interaction with the farmers</li> <li>• Less spatial growth limitations</li> </ul>	<ul style="list-style-type: none"> <li>• Access to scientific farming practices</li> <li>• Improved quality awareness</li> <li>• Awareness of business management &amp; Admin</li> <li>• Awareness of potential through clustering and co-ordinated production</li> <li>• Less spatial growth limitations</li> </ul>



## The Timbali Board



**Mr Bheki Mamphaga**  
(Chair) (Mpumalanga Economic  
Growth Agency-MEGA)



**Ms Louise de Klerk**  
(CEO) (Timbali) ex officio



**Ms Ntokozo Majola**  
(Seda)



**Mr Peter Hughes**  
(Industry Specialist)



**Dr Madime Mokoena**  
(DAFF)



**Ms Karin Hannweg**  
(Secretary) (ARC-ITSC)



**Mr Kenneth Duncan**  
(SSACI)



**Mr Ishmael Mmbadi**  
(Seda Technology Program  
Project Officer – observer)

## The Timbali Team

The Timbali Team grew with a new Technical Business Development Manager, Jason van Huyssteen and the promotion of Mylene Torres from Business Unit Manager (BUM) to Business Development Manager for market liaison and client development (BDM). Busisiwe Mkhize was promoted to Business Development Officer and new appointments were Nicolien Prinsloo as Accounting Administrator and Nadine Pretorius as Executive Assistant to the CEO.

### The Timbali team

Busisiwe Mkhize	Business Development Officer
Eleck Nkuna	Cluster Coordinator
Ernest Musandiwa	PSF Officer
Howard Malope	PSF Officer
Jason van Huyssteen	Technical BDM
Joseph Khoza	PSF Assistant
Lameck Chatyoka	Cluster Coordinator
Louise de Klerk	CEO
Lungisa Matshimane	Centre Manager
Marlender Malapane	Creditors Clerk
Martha Silinda	General Assistant
Mylene Torres	Market Liaison BDM
Nadine Pretorius	Executive Assistant to CEO
Nicolien Prinsloo	Accounting & Payroll Administrator
Prudence Nenweli	PSF Officer
Rachel Maphanga	Receptionist/ Data Capturer
Renette Rootman	Accountant
Salom Maphanga	Accounting Clerk
Sandie Muger/Mahandana	PSF Officer
Susann van Heerden	Sales Coordinator



**Rachel Maphanga, Receptionist/Data Capturer; Mylene Torres, Market Liaison BDM; Martha Silinda, General Assistant; Marlender Malapane, Accounting Clerk**



**Busisiwe Mkhize, Business Development Officer; Lameck Chatyoka, Cluster Coordinator; Howard Malope, PSF Officer; Nicolien Prinsloo, Accounting and Payroll Administrator.**



**Salom Maphanga, Accounting Clerk; Louise de Klerk, CEO; Nadine Pretorius, Executive Assistant to CEO; Renette Rootman, Accountant**



**Lungisa Matshimane, Centre Manager; Susann van Heerden, Sales Coordinator; Joseph Khoza, PSF Assistant; Jason van Huyssteen, Technical BDM.**



**The Nwanedi team: Sandie Muger Mahandana, PSF Officer; Ernest Musandiwa, PSF Officer; Prudence Nenweli, PSF Officer; Eleck Nkuna, Cluster Coordinator.**





**Name** Irene Chiloane  
(Graduate farmer)  
**Age** 35 years  
**Tenure** 10 years (since 2004)  
**Produce** Gerbera  
**Dependents** 1

Consistent delivery and improvements wins the race for Irene  
Irene Chiloane grew her monthly income for June with 30% compared to the previous year. She was the highest earner in the month of June, and is a frequent contender for the top spot due to her diligence.

## Risk Management

Agriculture in itself presents a number of natural risks that need to be anticipated and managed, i.e. weather and climate patterns and soil health. Apart from managing these risks, Timbali paid attention to:

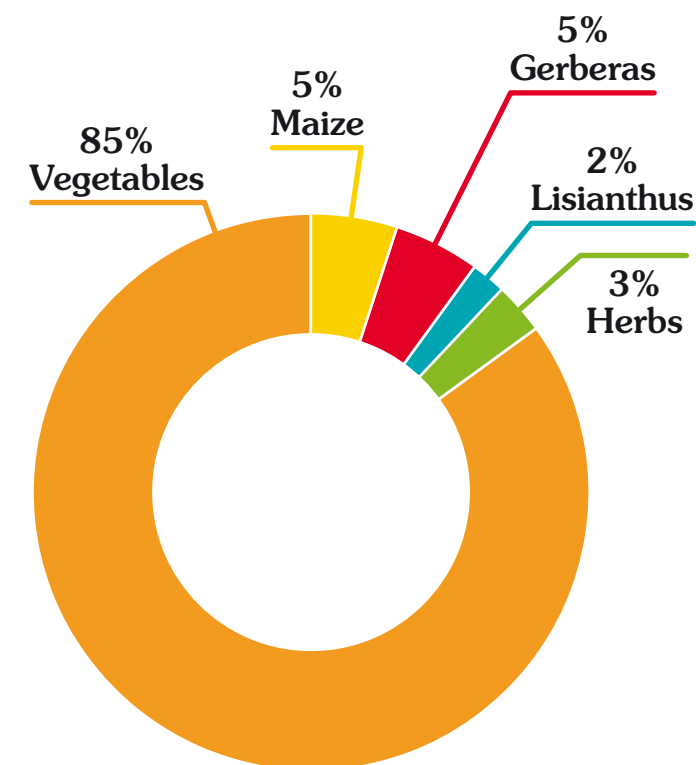
1. Funders, farmers and all stakeholders need to understand the model to implement it correctly, to achieve results. During this financial year, we ensured that our model is well documented. We communicated with all our stakeholders about our model, and the increased detail understanding of the model mitigated misunderstanding and ensured correct interpretation of data and allocation of resources.
2. Ensuring systems are implemented consistently. We used to measure the incubation part of the business in detailed KPIs. During this year, we extended the KPIs to all our farmers and every aspect of the business, and supported this with an overview dashboard for the board and a detailed performance management system for the employees. Every single little detail in Timbali's business and our farmers' business are now plotted onto a system that indicate all risks and allow us to mitigate risks speedily.

## Our Brands



## Our Clients

Timbali has supported 189 small-scale farmers in this financial year. One of the key things that have changed is that Timbali has diversified the number of crops. Timbali is still very well-known and connected for its success with cut flowers as a prototype. It is important to notice that Timbali's farmers crops have diversified tremendously as part of risk mitigation.



## Our Services

- Land and tunnel infrastructure
- Facilitated access to loan financing
- Quality control
- Technical agricultural training and business training
- Shared services, shared logistics, including spray teams and large-scale equipment
- Financial and Accounting services
- Technical mentoring and cluster coordination
- Sales and market access
- Production process infrastructure
- Innovation and technological development
- Technical skills transfer
- Network Growth







**Name** Caroline Madalane  
**Age** 32 years  
**Tenure** 7 years (since 2007)  
**Produce** Gerbera  
**Dependents** 6

Caroline Madalane joined Timbali in 2007. Caroline describes the journey of having her own business as an honour. "In the future, I want to expand my tunnel like some of the other business owners here. I would like the funders to know that my business is doing well and I am grateful for Timbali without whom this would not have been possible."

## Partners and Funders

### FUNDING



PROUDLY SUPPORTED  
BY ANGLO AMERICAN



**NEDBANK**

### PRO-BONO SERVICES / GOODS



## Highlights of 2013-2014

**Timbali continues to show a success rate of 100%.** Timbali Technology Incubator continued to assist **100%** of the agri-businesses to survive their first and second year in business. Timbali established **39 new SMMEs** during this financial year. Timbali's support for Black Economic Empowerment and Woman Empowerment as national agenda points are exemplary, with **100%** of the clients being **black** and **84%** being **female**. The new businesses added **110 direct jobs** to the economy in addition to **379 indirect jobs** and **211 casual/seasonal jobs** (a **total of 700 jobs**). The 146 SMMEs Timbali supported achieved a **20% increase** on their **turnover** from the previous financial year. Timbali's focussed stakeholder relationship management programme has delivered results yielding more than **R4-million in co-funding** to invest in additional SMMEs and technology transfer in 2013/2014. Timbali generates 15% of their funding from services delivered to the clients and diversified funding sources with a balance between support from local and national government and private funding from local and international corporations. 73% Of funds directly assist clients, with a minimal 23% spent on development and incubation administration activities. **117 technology transfer interactions** assisted the farmers to increase their effectiveness. Timbali's clustering model ensures that we consistently come up with innovative ideas through creating a competitive and thinking environment.







**Name** Elisabeth Matshusa  
**Age** 55  
**Tenure** 2 years  
**Produce** Tomato, Butternut, Okra, Herbs  
**Dependents** 7

**Agriculture: Small-scale farmers can overcome challenges through scientific farming practices**

Elisabeth is one of the 50 farmers that Timbali is assisting and improving through the transfer of new farming technology. Elisabeth is a tomato and butternut farmer in Limpopo. She was one of the farmers whose soil was in a very bad condition due to planting the same family of crops on the soil for many seasons.

Farms around Nwanedi have been infected with various soil born diseases as a result of planting the same family of crop (tomato & butternut) on the same land over and over again. The use of harmful chemicals affect the land negatively by killing all the useful organisms. It is for those reasons that Timbali saw it fit to introduce IPM (Integrated Pest Management) products, which are not only effective in controlling pests and diseases naturally, but also strengthening the immune system of the plant and promote nutrient absorption.

Elisabeth Matshusa (owner of Matshusa farming & trading and chairperson of the Maanda ngau pfana cooperative) was one of the first farmers who was eager to follow our recommendation of

buying IPM products. Before planting, she dipped each of the seedlings in Trichoderma, an IPM product that helps to prevent pests like Nematodes and soil born diseases like fusarium.

Three days after applying the Trichoderma on her tomato seedlings she experienced a setback as her water pump broke. She was unable to water her plants regularly for 30 days and counted on her neighbor for help. Due to the fact that she applied Trichoderma, which also helps to develop the roots system, most of her tomato plants showed very little sign of water stress even though they were nearly without water and in temperatures of above 30°C. Those "dry" days resulted in a loss of 30% of her plant population only and today the plants that survived are at a flowering stage. Not only that, but the flower set is very good at 7-9 flowers per branch, which is an indication of a healthy and thriving plant which will eventually lead to a high yield. The plants that survived are in an immaculate condition, especially after a follow-up intervention with the right fertilizers at the right rate as recommended by Timbali.



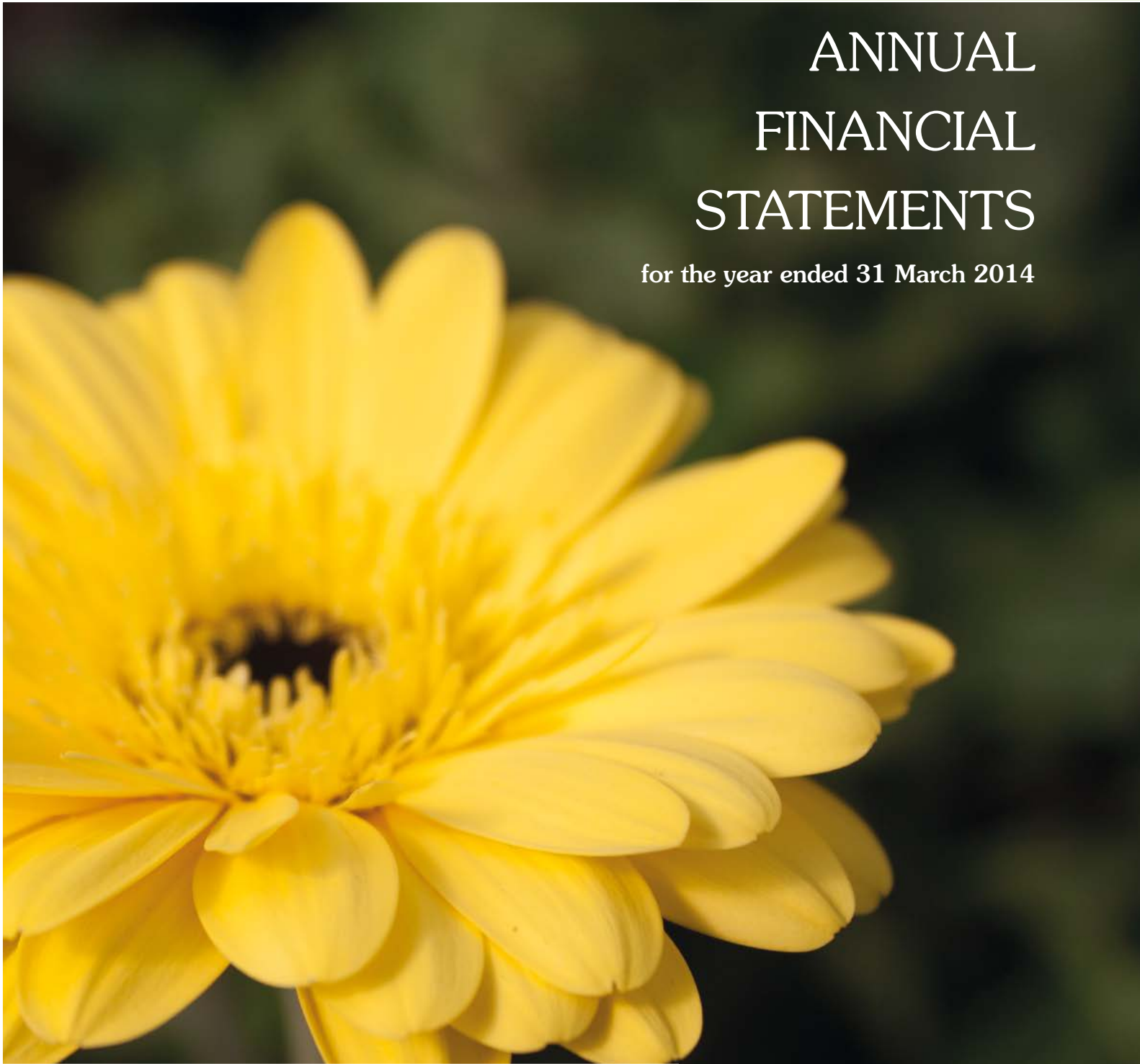
**Name** Precious Kwinda  
**Age** 21  
**Tenure** 2 years  
**Produce** Herbs, Tomato, Brinjals and Okra  
**Dependents** 4

**Success showcase: Precious bed bunches full of profit**

Under the shade of the big trees in Nwanedi, Precious Kwinda is harvesting twice a week from her 10 beds in an area of 100 square metres. Each of her beds has a value of almost R1000.00. She farms with Coriander, Brinjals, Indian wild rocket and Indian carrots. Even though she does not have cold storage facilities, she maintains the quality of the crops and uses the Timbali model to produce for 365 days of the year to sell to the informal Musina market.

# ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2014



**Preparer of the annual financial statements**

The annual financial statements have been prepared on behalf of Timbali Flower Growers NPC by R Rootman (CPA) SA, accountant.

The reports and statements set out below comprise the annual financial statements presented to the shareholders:



## Independent Auditor's Report

### To the Members of Timbali Flower Growers NPC

We have audited the annual financial statements of Timbali Flower Growers NPC which comprise the statement of financial position at 31 March 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 26 – 35.

### Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Audit opinion

In our opinion, the annual financial statements fairly present, in all material respects, the financial position of the company at 31 March 2014, and its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

### Report on Other Legal and Regulatory Requirements

In accordance with the funding requirement of the SEDA Technology Programme, DAFF and SSACI, we report the following:

1. The statement furnished to the SEDA Technology Programme, DAFF and SSACI in terms of section 38(1)(j) of the Public Finance Management Act is fair in all material respects
2. All transactions which came to our attention in the course of our examination were in our opinion in accordance with the applicable laws and instructions
3. All transactions which came to our attention in the course of our examination were in our opinion in accordance with the mandatory functions of the company determined by law or otherwise

In accordance with the funding requirement of the SEDA Technology Programme, DAFF and SSACI read with the Public Finance Management Act (section 51(1)(a)(i)), we include below our findings on the annual performance report, a summary of which is set out on pages 26 to 30:

### Predetermined objectives

No material findings to report



**A2A Kopano Incorporated**  
25 July 2014

**Per: FRL Eksteen**  
Registered Auditors

## Directors' responsibilities and approval

The directors are required by the South African Companies Act to maintain adequate accounting records to enable the company to satisfy all reporting requirements applicable to it and provide for the proper conduct of an audit. The accounting records required to be kept by the Act and this regulation must be kept in such a manner as to provide adequate precautions against theft, loss or intentional or accidental damage or destruction, falsification, to facilitate the discovery of any falsification and to comply with any other applicable law dealing with accounting records, access to information, or confidentiality. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards as to form and content and present fairly the statement of financial position, results of operations and business of the company, and explain the transactions and financial position of the business of the company at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the company and supported by reasonable and prudent judgements and estimates.

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

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

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the company will not be a going concern in the foreseeable future. The financial statements support the viability of the company.

The financial statements have been audited by the independent auditing firm, A2A Kopano Incorporated, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditors' unqualified audit report is presented on page 2 to 3.

The annual financial statements as set out on pages 5 to 25 were approved by the board on 25 July 2014 and were signed on its behalf by:



**BG Mamphaga**  
Chairperson of the board



**JP Hughes**  
Audit Committee Chair



**L de Klerk**  
Chief Executive Officer



# Directors' Report

The directors present their report for the year ended 31 March 2014.

## 1. Review of activities Main business and operations

The principal activity of the company is creating an enabling environment for predominantly previously disadvantaged individuals to develop and establish technology based agricultural industry and related SMME's within South Africa and there were no major changes herein during the year. Timbali has assisted in establishing successful small businesses in the cut flower industry and are currently venturing into enterprise development in vegetable and herb farming in various provinces. Future possible projects include the establishment of agri business parks. The operating results and statement of financial position of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

## 2. Going concern

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.

As stated above, the directors have a reasonable expectation that the company has, with the continued grant funding, adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt a going concern basis in preparing the financial statements.

## 3. Events after reporting date

All events subsequent to the date of the annual financial statements and for which the applicable financial reporting framework require adjustment or disclosure have been adjusted or disclosed.

## 4. Financial performance

Section 4 of the Companies Act expects directors to perform solvency and liquidity tests.

	31 March 2014	31 March 2013
<b>Solvency</b>		
Assets, fairly valued, exceed liabilities	R 9 022 111	R 9 181 250
Solvency ratio	67%	72%
<b>Liquidity</b>		
Liquidity ratio	1.38 : 1	1.42 : 1
Funds used as bridging finance until grant funding is received and for monthly cash expenses	R 503 633	(R 74 821)
Months operating expenditure covered by free cash flows	0.49	-0.09

The company remains dependent on grant funding to meet monthly overheads. The adherence by donors to payment of the grants on the contractually agreed upon dates assists management to better achieve agreed upon performance criteria.

## 5. Authorised and issued share capital

The company is incorporated as a Non-Profit Company under the Companies Act, and therefore has no authorised or issued share capital.

## 6. Income tax

The company has received income tax exemption in terms of section 10(1)(cN) of the applicable act on 26 September 2011, is a registered Public Benefit Organisation, and is authorised to issue donation receipts in terms of section 18A of the applicable act as from 7 November 2011.

## 7. Dividends

The company is incorporated as a Non-Profit Company under the Companies Act, and therefore is not allowed to declare or pay dividends.

## 8. Directors

The directors of the company during the year and to the date of this report are as follows:  
BG Mamphaga (Chairperson of the board)  
JP Hughes (Audit Committee Chair)  
KF Duncan  
PN Majola  
M Mokoena

Included in the board are two additional ex-officio attendees:  
Chief Executive Officer      L de Klerk  
Board secretary                K Hannweg (of the Agricultural Research Council)

In accordance with good governance practices, the company has appointed certain directors to form various committees. These committees and members are as follows:

Human Resources Committee	BG Mamphaga (Chairperson of the board) M Mokoena L de Klerk
Audit Committee	JP Hughes (Audit Committee Chair) BG Mamphaga (Chairperson of the board) L de Klerk
Technical Committee	JP Hughes (Audit Committee Chair) KF Duncan L de Klerk
Funding Committee	M Mokoena PN Majola L de Klerk

## 9. Secretary

The company's designated secretary is Van Zyl, Schutte & Kie (Proprietary) Limited.

## 10. Auditors

A2A Kopano Incorporated were the auditors for the year under review.



## Statement of Financial Position

Figures in Rand	Note(s)	2014	2013
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	7 409 949	7 876 562
Intangible assets	4	25 102	21 997
Biological assets	5	109 941	211 751
		7 544 992	8 110 310
<b>Current Assets</b>			
Inventories	6	471 986	20 721
Trade and other receivables	7	652 492	428 085
Cash and cash equivalents	8	5 125 094	4 183 883
		6 249 572	4 632 689
<b>Total Assets</b>		13 794 564	12 742 999
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Accumulated funds		9 383 996	9 181 246
<b>Non-Current Liabilities</b>			
Borrowings	9	149 044	310 253
<b>Current Liabilities</b>			
Trade and other payables	10	1 013 652	721 819
Current portion of long term liabilities	9	328 528	365 686
Deferred revenue	11	2 919 344	2 163 995
		4 261 524	3 251 500
<b>Total Equity and Liabilities</b>		13 794 564	12 742 999

## Statement of Comprehensive Income

Figures in Rand	Note(s)	2014	2013
<b>Revenue</b>	12	3 883 389	3 609 729
Cost of sales		(3 183 180)	(3 244 695)
Gross surplus		700 209	365 034
Other income	13	8 201 172	7 103 902
Operating costs	21	(8 808 808)	(6 721 044)
<b>Operating surplus</b>	14	92 573	747 892
Finance income	15	167 448	122 502
Finance costs	16	(57 271)	(43 519)
<b>Surplus for the year</b>		202 750	826 875

## Statement of Changes in Equity

Figures in Rand	Accumulated funds	Total
<b>Balance at 1 April 2012</b>	<b>8 354 371</b>	8 354 371
Total comprehensive income for the year	<b>826 875</b>	826 875
<b>Balance at 31 March 2013</b>	<b>9 181 246</b>	9 181 246
<b>Balance at 1 April 2013</b>	<b>9 181 246</b>	9 181 246
Total comprehensive income for the year	<b>202 750</b>	202 750
<b>Balance at 31 March 2014</b>	<b>9 383 996</b>	9 383 996

## Statement of Cash Flows

Figures in Rand	Note(s)	2014	2013
<b>Cash flows from operating activities</b>			
Surplus for the year		<b>202 750</b>	826 875
<i>Adjustments for:</i>			
Finance costs		<b>57 271</b>	43 519
Depreciation of property, plant and equipment and biological assets		<b>1 053 404</b>	889 367
Amortisation of intangibles		<b>3 474</b>	3 004
Investment income		<b>(167 448)</b>	(122 502)
Loss on disposal of property, plant and equipment		<b>35 998</b>	–
<b>Operating cash flow before working capital changes</b>			
<i>Working capital changes</i>			
(Increase)/decrease in inventories		<b>(451 265)</b>	8 784
(Increase)/decrease in trade and other receivables		<b>(224 407)</b>	54 528
Increase in trade and other payables		<b>1 047 182</b>	850 303
<b>Cash generated by operating activities</b>		<b>1 556 959</b>	2 553 878
Interest received		<b>167 448</b>	122 502
Finance costs		<b>(57 271)</b>	(43 519)
<b>Net cash from operating activities</b>		<b>1 667 136</b>	2 632 861
<b>Cash flows from investing activities</b>			
Property, plant and equipment acquired		<b>(521 278)</b>	(1 538 945)
Intangible assets acquired		<b>(6 579)</b>	(7 240)
Biological assets acquired		–	(190 567)
Proceeds on disposals of property, plant and equipment		<b>(30 502)</b>	–
Proceeds on disposals of biological assets		<b>30 801</b>	–
<b>Net cash utilised in investing activities</b>		<b>(527 558)</b>	(1 736 752)
<b>Cash flows from financing activities</b>			
Loans raised		<b>189 027</b>	373 504
Loans repaid		<b>(387 394)</b>	–
<b>Net cash (utilised in)/generated by financing activities</b>		<b>(198 367)</b>	373 504
Increase in cash and cash equivalents		<b>941 211</b>	1 269 613
Cash and cash equivalents at beginning of the year		<b>4 183 883</b>	2 914 270
<b>Cash and cash equivalents at end of the year</b>	8	<b>5 125 094</b>	4 183 883



Accounting Policies

- 1. General information**

Timbali Flower Growers NPC is a Proprietary Limited company incorporated in South Africa.
- 2. Summary of significant accounting policies**

These financial statements have been prepared in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities issued by the International Accounting Standards Board. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.
- 2.1 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the company's activities. Revenue is shown net of value-added tax, returns, and discounts.

The company recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the company's activities, as described below:

**Services revenue**

The service rendered is recognised as revenue by reference to the stage of completion of the transaction at the balance sheet date. Service income includes transport income and levies charged to graduates.

**Rental income**

Rental income from property that is leased to a third party under an operating lease is recognised in the statement of comprehensive income on a straight-line basis over the lease term and is included in 'other income'.

**Interest income**

Interest income is recognised using the effective interest method.
- 2.2 Funding and deferred income**

Funding received is recognised at fair value in surplus or deficit where there is a reasonable assurance that the funding will be received and the company has complied with all attached conditions. Funding received where the company has yet to comply with all attached conditions is recognised as a liability (and included in deferred income) and released to income when all attached conditions have

been complied with. Funding received is included in 'other income' in surplus or deficit.

- 2.3 Property, plant and equipment**

Items of property plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment deficits.

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.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following rates are used for the depreciation of property, plant and equipment:

Lease improvements	3,33% to 16,67%
Plant & Equipment	16,67%
Motor vehicles	10% to 20%
IT Equipment	33,33%
Office Equipment	20,00%
Clusters/Tunnels	5,00%
- 2.4 Intangible assets**

**Trademarks**

Separately acquired trademarks are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment deficits. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives, as follows:

Trademarks	10,00%
------------	--------
- 2.5 Biological assets**

As fair value is not readily determinable without undue cost or effort, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The company operates as a training institution, and as a result, plants are often used for a longer period than their normal economic life. As the company relies on grant funding, a future cash flow valuation is not practical. No sustainable market exists for the plants once they are in production, and therefore no selling price can be determined for fair value purposes.

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

Gerbera plants	20,00%
----------------	--------

- 2.6 Impairment of non-current assets**

At each balance sheet date, the carrying amounts of tangible and intangible assets and investments in associates are reviewed to determine whether there is any indication that those assets have suffered an impairment deficit. If the fair value less costs to sell of an asset (or group of assets) is estimated to be less than its carrying amount, the carrying amount of the asset (or group of assets) is reduced to its fair value less costs to sell. An impairment deficit is recognised immediately in surplus or deficit.

If an impairment deficit subsequently reverses, the carrying amount of the asset (or group of assets) is increased to the revised estimate of its fair value less costs to sell, but not in excess of the amount that would have been determined had no impairment deficit been recognised for the asset (group of assets) in prior years. This reversal is recognised immediately in surplus or deficit.
- 2.7 Inventories**

Inventories are stated at the lower of cost and selling price less costs to complete and sell. Cost is calculated using the first-in, first-out (FIFO) method. Standing crops, comprising plant material, are valued at the lower of cost and net realisable value.
- 2.8 Trade and other receivables**

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.
- 2.9 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

- 2.10 Borrowings**

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
- 2.11 Employee benefit obligations**

**Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.
- 2.12 Trade payables**

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.
- 2.13 Borrowing costs**

Borrowing costs are recognised on the basis of the effective interest method and is included in finance costs.
- 2.14 Foreign currency translation**

Transactions denominated in foreign currencies are translated into an entity's functional currency at the exchange rate prevailing at the transaction date.

Monetary items denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Exchange adjustments arising as the difference between the exchange rates at the balance sheet date, and the exchange rates at the transaction date of monetary items, are recognised in the statement of comprehensive income as financial income or expenses.
- 2.15 Judgements in applying the entity's accounting policies**

**Useful life of leasehold improvements**

The useful life of leasehold improvements has been assessed as 30 years, as it is the intention of the board to obtain a 30 year lease on the property. However, the terms of the lease have not been finalised, and therefore this assessment may need to change once these are finalised. Refer note 3.

## Notes to the Annual Financial Statements

### 3. Property, plant and equipment

	2014			2013		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
<i>Owned assets</i>						
Land and buildings	5 192 261	1 737 449	3 454 812	5 192 261	1 527 100	3 665 161
Plant and equipment	1 319 292	605 358	713 934	1 233 632	413 638	819 994
Motor vehicles	1 953 387	736 174	1 217 213	1 655 405	446 204	1 209 201
Clusters/Tunnels	6 945 676	5 068 747	1 876 929	6 912 580	4 856 578	2 056 002
Office equipment	445 262	396 511	48 751	438 753	358 360	80 393
IT equipment	265 399	167 089	98 310	229 795	183 984	45 811
	16 121 277	8 711 328	7 409 949	15 662 426	7 785 864	7 876 562

The carrying amounts of property, plant and equipment can be reconciled as follows:

	2014				2013
	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
<i>Owned assets</i>					
Land and buildings	3 665 161	–	–	(210 349)	3 454 812
Plant and equipment	819 994	85 660	–	(191 720)	713 934
Motor vehicles	1 209 201	297 982	–	(289 970)	1 217 213
Clusters/Tunnels	2 056 002	33 096	–	(212 169)	1 876 929
Office equipment	80 393	6 509	–	(38 151)	48 751
IT equipment	45 811	98 031	(5 496)	(40 036)	98 310
	7 876 562	521 278	(5 496)	(982 395)	7 409 949
	Carrying value at beginning of year	Additions	Disposals	Depreciation	2013 Carrying value at end of year
<i>Owned assets</i>					
Land and buildings	3 860 793	14 243	–	(209 875)	3 665 161
Plant and equipment	392 467	608 110	–	(180 583)	819 994
Motor vehicles	574 136	802 154	–	(167 089)	1 209 201
Clusters/Tunnels	2 189 032	75 594	–	(208 624)	2 056 002
Office equipment	114 072	4 947	–	(38 626)	80 393
IT equipment	44 201	33 897	–	(32 287)	45 811
	7 174 701	1 538 945	–	(837 084)	7 876 562

Motor vehicles with a carrying value of R1 060 453 are encumbered by an instalment sale agreement (refer note 9.)

Timbali Flower Growers NPC operates from land and premises (12 hectares) which was previously used by the Agricultural Research Council as a Research Farm in Friedenheim near Nelspruit. The title holder of the property is the ARC-ITSC, a division of the Agricultural Research Council, which was the initiator of Timbali. Timbali is in the process of attempting to secure a 30 year lease agreement on the property. The useful life of leasehold improvements has been assessed as 30 years which may need to change if the leasehold period is ultimately secured for a period other than 30 years

### 4. Intangible assets

	2014			2013		
	Cost	Accumulated amortisation/ impairment	Carrying value	Cost	Accumulated amortisation/ impairment	Carrying value
Goodwill, patents and trademarks	38 025	(12 923)	25 102	31 447	(9 450)	21 997

The carrying amounts of intangible assets can be reconciled as follows:

	Carrying value at beginning of year	Fair value gains/ additions	Amortisation/ impairments	Reclassified held for sale/ disposals	2014 Carrying value at end of year
Goodwill, patents and trademarks	21 997	6 579	(3 474)	–	25 102
	Carrying value at beginning of year	Fair value gains/ additions	Amortisation/ impairments	Reclassified held for sale/ disposals	2013 Carrying value at end of the year
Goodwill, patents and trademarks	20 178	–	(3 004)	–	17 174

### 5. Biological assets

	2014			2013		
	Cost	Accumulated amortisation/ impairment	Carrying value	Cost	Accumulated amortisation/ impairment	Carrying value
Biological assets	453 885	(343 944)	109 941	622 632	(410 881)	211 751

The carrying amount of biological assets can be reconciled as follows:

	Carrying value at beginning of year	Additions	Amortisation/ impairments	Reclassified held for sale/ disposals	2014 Carrying value at end of the year
Biological assets	211 751		(71 009)	(30 801)	109 941
	Carrying value at beginning of year	Additions	Amortisation/ impairments	Reclassified held for sale/ disposals	2014 Carrying value at end of the year
Biological assets	73 467	190 567	(52 283)	–	211 751

### Figures in Rand

	2014	2013
<b>6. Inventories</b>		
Inventories comprise:		
Consumable stores	31 182	15 885
Finished goods	78 919	4 836
Standing crops	361 885	–
	471 986	20 721



Notes to the Annual Financial Statements (continued)

Figures in Rand	2014	2013
<b>7. Trade and other receivables</b>		
Trade debtors	581 926	400 262
Prepaid expenses	6 740	6 100
Value Added Tax	63 826	21 723
	<b>652 492</b>	<b>428 085</b>
<b>8. Cash and cash equivalents</b>		
<b>Favourable cash balances</b>		
Cash on hand	1 440	2 923
Bank balances	5 123 654	4 180 960
	<b>5 125 094</b>	<b>4 183 883</b>
<b>Cash flow commitments</b>		
Deferred income commitments	(2 919 344)	(2 163 995)
Capital commitments (refer note 20)	(320 000)	(295 000)
Audit fees for Annual Financial Statements	(46 500)	(66 500)
Audit fees for performance audit	(15 000)	(12 000)
Income committed to specific projects	(481 885)	(751 536)
Borrowings	(477 572)	(675 939)
Trade receivables	652 492	428 085
Trade payables	(1 013 652)	(721 819)
<b>Funds used as bridging finance until grant funding is received and for monthly cash expenses</b>	<b>503 633</b>	<b>(74 821)</b>
Opening cash surplus	(74 821)	601 299
Add surplus from incubation services	700 209	365 034
Less amounts re-invested into training	(121 755)	(1 041 154)
	<b>503 633</b>	<b>(74 821)</b>
<b>9. Borrowings</b>		
Instalment sale agreements. These loans are secured by motor vehicles (refer note 3), bear interest at 9%–9.5% (2013: 8.5% – 9%) with monthly repayments of R34 149. Repayable within one year, transferred to current liabilities	477 572	675 939
	<b>(328 528)</b>	<b>(365 686)</b>
	<b>149 044</b>	<b>310 253</b>
<b>10. Trade and other payables</b>		
Accrued liabilities	234 738	158 488
Sundry creditors	31 140	13 956
Trade creditors	747 774	549 375
	<b>1 013 652</b>	<b>721 819</b>

Notes to the Annual Financial Statements (continued)

**11. Deferred revenue**

**Reconciliation of deferred income – 2014**

	Opening balance	Funding received	Utilised during the year	Closing balance
Anglo American Chairman's Fund (AACF)(Tshikululu) Funding	438	100 000	(26 704)	73 734
Department of Agriculture, Forestry and Fisheries (DAFF) Funding	848 894	2 000 000	(1 888 269)	960 625
Eskom	94 416	–	(94 416)	–
Swiss-South African Cooperation Initiative (SSACI)	870 247	2 000 000	(1 809 209)	1 061 038
Syngenta	–	373 063	(373 063)	–
Seda Technology Programme (STP) operating expenses	–	2 400 000	(2 400 000)	–
Seda Technology Programme (STP) additional funding	–	400 000	(173 484)	226 516
Department of Trade and Industry (DTI) – Lisianthus production cost	–	–	–	–
Department of Trade and Industry (DTI) – Crop rotational fund	350 000	–	–	350 000
Industrial Development Corporation (IDC)	–	850 000	(602 569)	247 431
	<b>2 163 995</b>	<b>8 123 063</b>	<b>(7 367 714)</b>	<b>2 919 344</b>

**Reconciliation of deferred income – 2013**

Anglo American Chairman's Fund (AACF) (Tshikululu) Funding	–	100 000	(99 562)	438
Department of Agriculture, Forestry and Fisheries (DAFF) Funding	–	2 388 000	(1 539 106)	848 894
Eskom	211 508	–	(117 092)	94 416
Swiss-South African Cooperation Initiative (SSACI)	500 000	2 000 000	(1 629 753)	870 247
Syngenta	–	339 147	(339 147)	–
Seda Technology Programme (STP) operating expenses	–	2 400 000	(2 400 000)	–
Seda Technology Programme (STP) additional funding	7 200	–	(7 200)	–
Department of Trade and Industry (DTI) – Lisianthus production cost	37 188	–	(37 188)	–
Department of Trade and Industry (DTI) – Crop rotational fund	350 000	–	–	350 000
	<b>1 105 896</b>	<b>7 227 147</b>	<b>(6 169 048)</b>	<b>2 163 995</b>

Deferred income for the Swiss-South African Cooperation Initiative (SSACI) and Department of Agriculture, Forestry and Fisheries occurred due to the delay in implementation of these projects.

**12. Revenue**

An analysis of revenue is as follows:

Sales	<b>3 883 389</b>	3 609 729
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Notes to the Annual Financial Statements (continued)

Figures in Rand	2014	2013
<b>13. Other Income</b>		
AmaFruit sales	–	29 695
Anglo American Chairman's Fund(AACF) (Tshikululu) Funding used	26 704	99 562
Consulting fees received	–	24 164
Department of Agriculture, Forestry and Fisheries (DAFF) Funding used	1 888 269	1 539 106
Donations received – in kind services	–	126 620
Eskom funding used	94 416	117 092
Industrial Development Corporation (IDC) funding used	602 569	
Insurance claims	14 938	39 867
Levies received	277 218	248 131
Plants sold	–	10 452
Profit on foreign exchange	–	8 755
Rental income	208 884	189 894
Seda Technology Programme (STP) additional funding used	173 484	–
Seda Technology Programme (STP) operating expense funding used	2 400 000	2 400 000
Swiss-South African Cooperation Initiative (SSACI) Funding used	1 809 209	1 629 753
Syngenta funding used	373 063	339 147
Transport income	332 418	301 664
	<b>8 201 172</b>	<b>7 103 902</b>

**14. Operating surplus**

Operating surplus is arrived at after taking into account the following items:

<i>Income</i>		
Profits on foreign exchange	–	8 755
Administration fees	208 884	189 894
	<b>208 884</b>	<b>198 649</b>

<i>Expenditure</i>		
Loss on disposal of property, plant and equipment	35 998	–
<i>Depreciation</i>		
<i>Owned assets</i>		
Buildings	210 349	209 875
Plant and equipment	191 720	180 583
Motor vehicles	289 970	167 089
Clusters/Tunnels	212 169	208 624
Office equipment	38 151	38 626
Computer equipment	40 036	32 287
	<b>982 395</b>	<b>837 084</b>

Auditors' remuneration		
Audit fees		
- current	45 650	74 500
Employee costs	4 039 229	3 322 998
<i>Operating lease charges</i>		
Premises	188 152	8 601
Equipment	17 158	34 716
	<b>205 310</b>	<b>43 317</b>

Notes to the Annual Financial Statements (continued)

Figures in Rand	2014	2013
<b>15. Finance income</b>		
<b>Interest income</b>		
Interest received	167 448	122 502
<b>16. Finance costs</b>		
Long-term loans	54 671	41 727
Bank overdrafts and acceptances	2 600	1 792
	<b>57 271</b>	<b>43 519</b>

**17. Income tax expense**

No provision for taxation has been made as the company has received income tax exemption in terms of section 10(1)(cN) of the applicable act, is a registered Public Benefit Organisation, and is authorised to issue donation receipts in terms of section 18A of the applicable act.

**18. Directors' emoluments**

Name	Fees paid to director for services	Fees paid for acceptance of office	Salary	Bonuses and performance related payments	Expense allowance	Contributions paid under pension scheme	Pensions
P Hughes	10 002	–	–	–	863	–	–

**19. Related party transactions**

The SEDA Technology Program (STP) and Swiss-South African Cooperation Initiative (SSACI) per agreement has the right to each appoint 1 director, and are therefore considered to be a related party

				Amounts owed (to)/by the related party at year-end	
Name	Relationship	Transactions		2014	2013
		2014	2013		
SEDA Technology Program	Funding received	(2 800 000)	(2 400 000)	-	-
Swiss-South African Cooperation Initiative	Funding received	(2 000 000)	(2 000 000)	-	-

**20. Capital commitments**

**Authorised expenditure contracted for but not yet delivered**

Purchase of new plants	5 000	115 000
Asset replacement and repairs	315 000	180 000
	<b>320 000</b>	<b>295 000</b>



Notes to the Annual Financial Statements (continued)

Figures in Rand	2014	2013
<b>21. Operating expenses</b>		
<b>Detail of other operating expenses is as follows:</b>		
Advertising, Marketing and Communication	363 197	185 740
Amortisation – Intangible assets	3 474	3 004
Auditors Remuneration – Fees	45 650	74 500
Bank charges	24 145	21 317
Business development	20 961	–
Cleaning	17 132	12 070
Computer expenses	41 112	45 221
Consulting and professional fees	346 006	525 531
Depreciation	1 053 404	889 367
Electricity and water	57 959	56 681
Entertainment and refreshments	26 925	17 336
Insurance	125 654	110 633
Loose equipment	34 323	14 545
Loss on sale of Fixed Assets	35 998	–
Motor vehicle expense	261 703	126 474
National Value Chain Development	16 000	–
Packhouse expenses	43 976	131 246
Postage and courier	7 365	9 436
Printing and stationery	92 897	72 330
Project expenses for amaVeg	360 807	–
Project management and reporting	8 750	–
Rent paid property and equipment	205 310	43 317
Repairs and maintenance	369 420	117 449
Research and development costs	107	24 989
Salaries	4 039 229	3 322 998
Security	133 745	120 123
Seeds	432	4 801
Staff development	16 779	14 841
Staff uniform	1 897	2 955
STP special funding – crop expenses	173 484	–
Subscriptions and conference fees	5 395	248
Telephone, internet and fax	140 941	44 597
Training	–	126 620
Transport	568 960	462 952
Travel and accommodation	129 671	134 311
Water Analysis	–	4 540
Weekly QMM Training	36 000	–
	<b>8 808 808</b>	<b>6 720 172</b>

Notes to the Annual Financial Statements (continued)

**Reporting of Key Performance Indicators**

**Key performance indicators**

In accordance with the funding requirement of the SEDA Technology Programme, DAFF and SSACI, the auditors reported the following as per the independent auditor's report on page 3:

1. The statement furnished to the SEDA Technology Programme, DAFF and SSACI in terms of section 38(1)(j) of the Public Finance Management Act is fair in all material respects
2. All transactions which came to our attention in the course of our examination were in our opinion in accordance with the applicable laws and instructions
3. All transactions which came to our attention in the course of our examination were in our opinion in accordance with the mandatory functions of the company determined by law or otherwise

In accordance with the funding requirement of the SEDA Technology Programme, DAFF and SSACI read with the Public Finance Management Act (section 51(1)(a)(i)), we include below our findings on the annual performance report.

**Predetermined objectives**

No material findings to report

## Reporting of Key Performance Indicators

### STP Key Performance Indicators

Quantitative measures	Target	Actual
New SMMEs established	35	39
New projects initiated	82	43
Clients supported	225	189
SMMEs supported	130	146
SMMEs that survived the first year	80%	100%
SMMEs that survived the second year	80%	100%
No of Graduates	10	10
% black-owned SMMEs established	70%	100%
% black-owned projects initiated	70%	100%
% black-owned projects/SMMEs in portfolio	80%	100%
% woman-owned SMMEs established	60%	84%
% woman-owned projects initiated	60%	64%
% woman-owned projects/SMMEs in portfolio	30%	77%
Direct jobs created	100	110
Funds Raised	R1 400 000	R4 780 694
Indirect jobs created	238	379
Casual/seasonal jobs created	40	211
New prospects entering pipeline	5	131
Total SMME turnover	R6 500 000	R11 662 386
% growth in SMME income	25%	26%
Forex earned by SMME	R1 000 000	R608 311
New/upgraded technology transfer interactions completed	4	117
Technology focused consortia	0	0
Clustering activities	4	41
% dependency on STP funding	66%	40%
% Level of income generated from other SA sources	14%	32%
% Level of Private sector income generated	0%	28%
% of client paying for services	60%	25%
% of total income from fees, levies, rentals, etc.	20%	19%
Total government grants received as a% of total costs	70%	60%
% of funding that goes to clients	65%	73%
Success stories		13
Interactions with STP (training workshops, conferences etc.)		13
Interns employed		8
Interactions with similar organisations eg. conferences, workshops etc.		39
MOU/MOAs concluded with key development stakeholders operating within the centre's business domain		1
Management interactions with staff		37
Published articles		18
Media reports		8

### DAFF (Limpopo) Key Performance Indicators

Quantitative measures	Target	Actual
Agri Enterprises Supported in Incubation phase	30	37
New initiated in Pre-Incubation Phase	40	58
Clients Supported	70	87
Black owned Agri-enterprises Supported	30	37
% of Black owned Agri-enterprises Supported	100%	100%
Woman owned Agri-enterprises Supported	13	37
% of Woman owned Agri-enterprises Supported	45%	100%
Jobs (Direct) created	70	225
Jobs (Indirect) created	210	834
Casual / Seasonal jobs created	90	517
New Prospects entering pipeline	45	43
Clustering Activities	2	38
Success Stories	8	17
Interactions with DAFF, LDA (training, workshops, conferences etc.)	8	34
Knowledge / management system	2	9
Interactions with similar organisations eg. conferences, workshops, meetings, etc.	6	38
MOU/MOAs concluded with key development stakeholders	4	5
Management interactions with staff	24	38
Published articles and/ or media reports	8	9

### SSACI (Friedenheim - amaVeg) Key Performance Indicators

Quantitative measures	Target	Actual
Agri Enterprises Supported in Incubation phase	40	17
New initiated in Pre-Incubation Phase	20	28
Clients Supported	40	44
Black owned Agri-enterprises Supported	16	44
% of Black owned Agri-enterprises Supported	100%	100%
% of Woman owned Agri-enterprises Supported	50%	53%
% Youths (under 35 years)	100%	100%
Jobs (Direct) created	150	86
Jobs (Indirect) created	120	222
Casual / Seasonal jobs created	300	59
Total SMME turnover	0	R1 236 589



