

# ANNUAL REPORT

## 2014-2015



Enterprise Development  
through agri-incubation



# Why Timbali?

## VISION

**To be the recognised leader in enabling smallholder commercial farmers to create sustainable wealth through a scalable model which provide market access to emerging smallholder farmers.**

## MISSION

**To identify market opportunities for smallholder farming enterprises and to create and support an enabling environment within which they are able to successfully serve these markets.**

### Whom do we serve?

First and foremost the smallholder 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 smallholder 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 smallholder 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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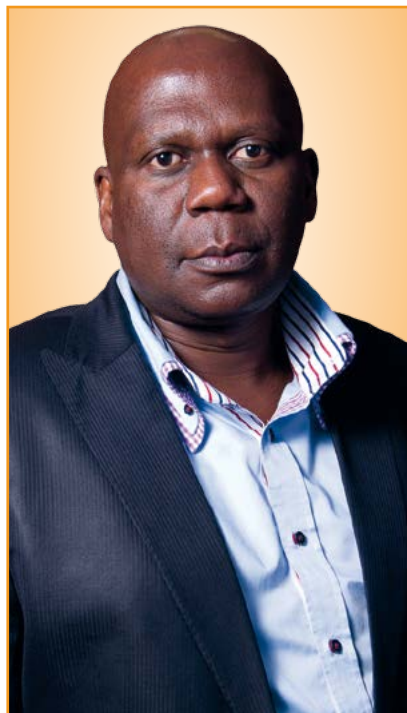
**Timbali Flower Growers NPC**  
(Registration Number 2002/006905/08)





# Chairman's Report

## Enterprise development as core focus for agri-incubation



*“Timbali is a responsible corporate citizen that strives to contribute meaningfully towards addressing South Africa’s socio-economic challenges.”*

In the 2014/2015 financial year, Timbali experienced the strongest growth in its history. Without continual growth and progress, words such as improvement, achievement and success have no meaning. Timbali’s growth brought a renewed motivation to the board to continually improve. We critically analysed the strategic decisions that were taken during the year, always keeping our focus on addressing inequality through self-employment, which is what Timbali’s core business, enterprise development, is all about. As you read through this report, remember that our main concern is the people we develop (enterprises development), followed by the industry in which we create businesses (agriculture).

### **Growth: being relevant in the South African agricultural landscape**

The national agenda places tremendous focus on smallholder agriculture as a mechanism to stimulate the economy, create jobs and build sustainability.

Timbali’s franchise model, which plugs entrepreneurs into an existing clustered supply chain and sales pipeline, stimulates economic growth and much needed skills development, and gives an underserved segment of the population access to markets. Youth un- and under-employment is of growing concern. Timbali vigorously promotes self-employment among young people, particularly through its Agri-Park A concept that creates opportunities for them to enter the agricultural industry. (Refer to our model on page 24)

Agriculture is the lifeblood of rural

economic development. It is a significant employment creation tool in rural areas, contributing 2.2% to the country’s GDP. I therefore think it had been a wise decision to place the complete agricultural value chain on the national agenda in the interest of food security.

The biggest challenge for Timbali is to ensure that we remain at the top of our growth curve. An intensive research and development effort will have to be undertaken in order for us to maintain our status. Failure on our part will jeopardise our continued relationship with current and prospective funders.

The Board is grateful for the opportunity to test Timbali’s developmental model through the intervention of the Swiss-South African Co-operation Initiative (SACCI). The agreement between SACCI and Timbali Technology Incubator, which provided technical skills training and business development services to emerging young farmers, could serve as a model for the support of smallholder commercial vegetable producers. The practical lessons learnt allowed Timbali to define key success and risks factors and make the adjustments needed to scale up our incubation services.

Women and youth empowerment are key elements of our model that packages services to help unlock some of the transformational challenges faced by the agricultural sector. The SSACI agreement was concluded in the third quarter of this financial year, resulting in us expanding our scope to baby vegetables. The process with SSACI, which included documenting

Timbali’s vision in a refined business plan, assisted with the conclusion of the partnership agreement with Timbali in the third quarter of this financial year.

Timbali is a responsible corporate citizen that strives to contribute meaningfully towards addressing South Africa’s socio-economic challenges. To this end, the board is guided by its vision and has committed itself to sharing that vision through channels such as the Timbali website, monthly newsletters, papers at conferences and accurate reporting to governance structures.

### **Sound governance**

The Timbali Board of Directors subscribes to and implements recommended governance frameworks, including the King III Corporate Governance Guidelines, and relevant legislative imperatives. Timbali’s governance structures are solid, with the board meeting quarterly and the board committees functioning effectively.

Timbali is a challenging organisation. It is a non-profit company whose core business is enterprise development. The latter is furthermore the non-income generating part of the business model. This dual governance requirement poses a challenge in terms of keeping the organisation afloat and sustainable. An over reliance on grant funding limits forward strategic thinking and planning as the withdrawal of funds may impact negatively on enterprise development. The Board has resolved that we should maintain our relationship with current funders in a satisfactory way and strive to deliver on what is expected of us. We

should furthermore not extend our scope to funders who might have different mandates.

### **Delivery on contracts**

The Small Enterprise Development Agency (SEDA) was the founding funder of Timbali. SEDA’s continued support has been a golden thread running through Timbali’s success story. The Agency’s dedication to incubation creates a platform for sharing and coordination with other government departments and is a huge enabler for Timbali. For these and other reasons we pay tribute to SEDA for its unwavering support.

The SSACI contract made Timbali aware of the challenges associated with the transformation agenda, notably how to deal with young and women agricultural entrepreneurs. The lessons will be most beneficial for the implementation of the Jobs Fund contract.

The Department of Agriculture, Forestry and Fisheries (DAFF) contract is one of the highlights of this year, stressing the importance of forming partnerships between different stakeholders, in this case national and provincial departments and private non-profit companies (NPCs). Also key is the drive to encourage farmers to adopt modern, scientific farming methods rather than continuing with dated, conventional subsistence practices. The success of this contract was even highlighted in the State of the Nation Address in February 2015.

Proper implementation of all contracts remains the Board’s priority in order to

maintain the incubator’s profile and allow it to continue to address social ills. This will furthermore allow us to replicate the model nationally and across the continent.

### **Addressing inequality**

Our approach to addressing inequality in South Africa takes various forms. Firstly, Timbali integrates all the elements of an agricultural business, including marketing and technical skills that incubatees are not necessarily exposed to in the formal education system. Secondly, we nurture entrepreneurial talent. Thirdly, we contribute to economic emancipation by enabling incubatees to generate income through their agri-enterprises.

I express my gratitude to the CEO and the staff of Timbali. Their endless effort, energy and hard work ensure that Timbali’s vision is not only documented on paper, but comes to life on a daily basis. My fellow board members and I are looking forward to the expansion of agri-parks with the Jobs Fund as a partner. We will continue to fulfil our governance duty with Timbali’s sustainability, the country’s job creation goals and our farmers’ success as our focus.

**Bheki Mamphaga**  
Chairman



# CEO's report

## Advancing equal opportunity through enterprise development



*“Our mission is to identify market opportunities for smallholder farming enterprises and to create and support an enabling environment within which they are able to successfully serve these markets.”*

“It turns out that advancing equal opportunity and economic empowerment is both morally right and good economics, because discrimination, poverty and ignorance restrict growth, while investments in education, infrastructure and scientific and technological research increase it, creating more good jobs and new wealth for all of us.” William J. Clinton.

Timbali's enterprise development key performance indicators of 84% women-owned SMMs with a turn-over of R15 million, 100% survival rate during first and second year and 100% youths in amaVeg agri-parks reflect our intention to advance equal opportunity and economic empowerment. The number of agri-business clients supported grew from 85 in 2012 to 183 in 2015. Coordination of market supply is proven by amaVeg's ability to secure growing programmes from a variety of niche markets. Turnover generated through coordinated vegetable production by smallholder farmers grew from R5,6 million in 2012 to R15 million in 2015.

The Minister of Rural Development and Land Reform is quoted as saying that 90% of the 5,9 million hectares of land that had been redistributed to smallholder farmers is not functional. The barriers that prevent a typical smallholder farmer of any age from succeeding are:

1. Poor access to markets;
2. Distance to market and stringent market requirements;
3. Geographic and climatic issues aggravated by topography, soil and water quality;
4. Infrastructure constraints;
5. Limited access to financing; and

6. Lack of knowledge, experience and technical and market information.

Timbali's business model contributes to systemic change and advances equal opportunity through the payment of levies for branded integrated supply chain services. Our Agri-Park Model A involves testing, developing and demonstrating ground-breaking approaches to establishing a franchise model that has strong sustainability potential.

Timbali Technology Incubator signed a contract with the Jobs Fund to create 300 agri-businesses by 2018. Together with Timbali's existing funders, the Jobs Fund is investing approximately R75 million to establish two agri-parks that will host self-employed agri-entrepreneurs. The agri-parks will create 805 permanent jobs and at least 1 800 seasonal jobs through the agri-business value chain. During this financial year, we procured two farms, developed the growing master plan that will deliver the successful agri-business side of the contract and started to recruit employees and potential young farmers.

Our mission is to identify market opportunities for smallholder farming enterprises and to create and support an enabling environment within which they are able to successfully serve these markets. With the expansion of Timbali during this financial year, more competitive smallholder farmers are more likely to create and sustain employment, which in turn is associated with decreasing levels of rural poverty. In highly competitive agricultural value chains, the success of our smallholder farmers is determined by their ability to farm viably, to increase the value of outputs and to

link into existing agricultural value chains. Our model is simple but effective in its endeavour to combine existing initiatives in innovative ways and in new areas.

### Growth through team work and collaboration

I have to thank Timbali's employees, our board, our funding partners and the farmers. Without your hard work and commitment Timbali could not have soared to the heights it has reached this year. Our company has changed during the last six months of the year. The importance of our franchise services and the capacity of our staff were put to the test and became mission critical in our mammoth scaling task. In 2014, the Timbali Task Team came to agree with Marty Neumeier, who wrote in his book Zag: “The central problem of brand-building is getting a complex organisation to execute a simple idea.” We had to change our thinking from complex challenges to simple solutions. We had to go from clutter to finding speed in simplicity. The same Marty Neumeier furthermore inspired us with these words: “For businesses (incubator) to bottle the kind of experiences that rivet minds and run away with hearts, not just one time but over and over, they'll need to do more than hire designers. They'll need to be designers. They'll need to think like designers, feel like designers, work like designers. The narrow-gauge mind-set of the past is insufficient for today's wicked problems. We can no longer play the music as written. Instead, we have to invent a whole new scale.”

When an organisation has to take a quantum leap in a short space of time, individuals who do not have the capacity

to make the change are often left behind. I am proud and grateful that this was not the case at Timbali. During this intense period we experienced the determination of each individual staff member to step up and do whatever it takes to deliver on our contractual obligations to ourselves, our funders, the farmers and the niche markets we serve.

### Sustainable enterprise development

The SEDA-SSACI support initiatives enabled Timbali to test its amaVeg model in different locations and with even more attention to detail. We pushed ourselves to invent a whole new scale. The outcome was that Timbali participated in the Jobs Fund's competitive bid to establish our Agri-Park Model A for youths. The Jobs Fund contract would not have been possible without SSACI's mandate to provide technical skills training and business development services to young emerging farmers. This programme provided us with the model for the support of smallholder commercial vegetable farmers. Timbali's success in producing smallholder farmers is evident in the performance of the clusters. The amaVeg clusters showed an increase of 13% in their average monthly profits compared to the previous year. As a company, Timbali increased its self-generated income by 19% year-on-year.

### Developing a scoreboard

It is a sobering fact that most small businesses neglect quantification. Timbali strives to be an exception. During this past year, we demonstrated an appreciation of our supply chain and the determinants of its success by quantifying performance in a dashboard. We continue to develop and improve appropriate systems to collect,





*“Before attending my agribusiness training at Timbali, I had to ‘unlearn’ in order to learn. Thanks Team Timbali!”*

**Kimani Muturi, Mali**

consolidate and report on production targets, sales objectives and financial performance to track our progress and the performance of staff and farmers.

The dashboard system captures key performance indicators on a daily, weekly and monthly basis. The principle is simple: if you meet your daily KPIs, you are guaranteed to meet the larger strategic objectives. Numbers give a business a whole new meaning, as the elderly farmers of Agri-Park Model B, located in Nwanedi, have come to learn and experience first-hand. Instead of accredited training, Timbali uses the farmer’s ability to supply the market as a quantifiable measure of success. The Timbali difference doesn’t exist in any one individual behaviour, intervention, skill or person, but rather in a critical set of best practices that must be aligned to maximise each agri-business’s chances for success. An example of this recipe in action is the Timbali Street-MBA and how it empowered mostly illiterate female farmers. When a local supplier instructed the women to use the incorrect fertilizer, they used their scientific soil analysis to explain to the supplier why they disagreed with his one-size-fits-all recommendation.

#### **Exploring international market linkages at Rungis and Fruit Logistica**

On 1 February 2015, several Timbali team members and farmers travelled to Europe to attend the Fruit Logistica Expo. The objective was to establish international contacts for export products, seek new and innovative farming ideas and receive updates on current and forecasted trends in the industry.

At the Rungis market in France, the group met with Marc Le Bris, the general manager of Vinas. Marc gave helpful information on being globally competitive and Timbali is looking forward to a fruitful future relationship with Vinas.

In Berlin we attended the Fruit Logistica Expo where 65 000 trade visitors from more than 135 countries, along with 2 785 exhibitors, presented a market overview of the fresh produce industry. This provided opportunities for Timbali to meet wholesalers, retailers, vegetable growers, importers and exporters.

“I want to bring home that we need to brand and package agriculture in a “fun”, “sexy” and “swag” way. We must present the huge business opportunity in order to attract the youth and let them see agriculture as a formidable career.”  
Busisiwe Mkhize, Business Development Manager

“I would like thank Timbali for allowing me to attend the Fruit Logistica Expo, it was a life changing experience. I saw that we as amaVeg can compete internationally with our quality of baby vegetables.”  
Nonhlanhla Ngomane, Farmer turned Packhouse Supervisor

#### **Networking and international linkages**

When you teach, you deepen your own understanding. The financial year ended on a high note when we shared our model through formal training. The International Crop Research Institute for the Semi-Arid Tropics (ICRISAT) is one of the partners implementing the Universities, Business and Research in Agricultural Innovation (UniBRAIN) project

sponsored by the Forum for Agricultural Research in Africa (FARA). As part of this project, ICRISAT asked Timbali Technology Incubator to present an introduction to agribusiness incubator management training session for UniBRAIN. The main objective of the session was to expose the 30 participants, from six countries, to the Timbali model in a practical way. These comments from some of the participants aptly summarise our achievements of this financial year:

Kimani Muturi, Mali: “Before attending my agribusiness training at Timbali, I had to ‘unlearn’ in order to learn. Thanks Team Timbali!”

Dan Acquaye, Ghana: “Timbali offers everyone who enters the sense of responsibility. It is real and replicable. The business model is simple, yet the impact is phenomenal. I am challenged to review my business model and have a clear vision of how my incubator should operate. I love the work environment, the team work, the knowledge of all the staff, the inclusive nature of the model and intimidation-free culture. I wish the agricultural project managers can come to Timbali for exposure and a change in mind-set.”

*Louise de Klerk*

**Louise de Klerk**  
CEO





# Analysis of key performance indicators

## 2014-15 results indicate 100% agri-incubation success with black women

The end of each financial year provides us with the opportunity to review the incubator and agri-business performance. We compare the results with what we thought the year would hold when we did our planning (we also transfer these planning and measurement skills to our entrepreneurs). Reporting to our funders is based on our commitment to them and the brand their incubatees sell under, namely amaBlom, amaVeg, amaSpice and amaMe.

Timbali's clients are farmers who are either in the process of setting up a small, micro or medium enterprise (SMME) or are already SMME owners in the process of incubation – thus an incubatee. We use the terms clients, incubatees, farmers and SMMEs interchangeably to refer to these clients. Some of our funding is received to

deliver on specific outcomes in a service delivery contract, while other funders allow us to allocate the funds within a framework of discretion.

This year, Timbali supported 183 farmers with specific service delivery contracts from STP, SSACI, DAFF and the Jobs Fund. Other funders that provided discretionary grant funding to achieve our goals are Nedbank, Anglo American CF and Syngenta.

The SMMEs achieved a turnover of R15 083 724. This is remarkable, considering that they sell their individual products for very small amounts. For example, R2,80 per flower stem and R8,00 per vegetable punnet.

A total of 1 331 direct, indirect and

seasonal jobs were created.

Timbali's model focuses on aspects that other incubators often neglect, such as understanding the market and the clustering of independent small business owners. These aspects enable the farmers to become self-sustainable and to contribute to Timbali's sustainability by paying rent and levies for services they receive.

Timbali's understanding of incubation is that it is not about the incubation process, the accredited training or the fact that clients graduate; it is about the day-to-day profitability of businesses. Where it matters most, namely in terms of turnover and job creation, Timbali has significantly overachieved the targets set by our funding partners.



### STP Key Performance Indicators

Quantitative measures	Target	Actual	Variance	Reason for variance
New SMMEs established	20	23	3	This is a buffer to ensure that in the event of dropouts we still meet the target.
New projects initiated	20	40	20	This is a buffer to ensure that in the event of dropouts we still meet the target.
Clients supported	180	183	3	This is a buffer to ensure that in the event of dropouts we still meet the target.
SMMEs supported	120	135	15	This is a buffer to ensure that in the event of dropouts we still meet the target.
SMMEs that survived the first year	80%	100%	20%	The cluster model increases SMMEs' chances to survive.
SMMEs that survived the second year	80%	100%	20%	The cluster model increases SMMEs' chances to survive.
Number of graduates	10	19	9	A number of clients requested to graduate to amaMe where they are farming on their own land.
% Black-owned SMMEs established	100%	100%	0	Set target achieved.
% Black-owned projects initiated	100%	100%	0	Set target achieved.
% Black-owned projects/SMMEs in portfolio	100%	100%	0	Set target achieved.
% Women-owned SMMEs established	60%	84%	24%	Although we do not turn away male clients we are passionate about empowering women because we believe that if you feed a woman you feed the nation.
% Women-owned projects initiated	60%	64%	4%	Although we do not turn away male clients we are passionate about empowering women because we believe that if you feed a woman you feed the nation.
% Women-owned projects/SMMEs in portfolio	60%	74%	14%	Although we do not turn away male clients we are passionate about empowering women because we believe that if you feed a woman you feed the nation.
Direct jobs created	75	83	8	An increase in SMMEs always results in the creation of more direct jobs.
Indirect jobs created	179	277	98	An increase in SMMEs always results in the creation of more indirect jobs.
Casual/seasonal jobs created	30	147	117	An increase in SMMEs always results in the creation of more casual jobs.
New prospects entering pipeline	5	144	139	More people are becoming aware of Timbali and are requesting incubation services.
Total SMME turnover (R)	7 000 000	15 083 723	8 083 723	Original target was conservative.
Forex earned by SMME (R)	400 000	203 456	196 544	This figure reflects only exports from onsite clients.
New/upgraded technology transfer interactions completed	10	11	1	We always try to expose our clients to new farming methods and techniques to maximise profitability.
Clustering activities/technology focused consortia	10	12	2	We strive to maximise growth and empower our clients by bringing in industry specialists to train clients and thereby increasing their growth, empowerment and income.

### Limpopo Department of Agriculture (LDA) Key Performance Indicators

Quantitative measures	Target	Actual	Variance	Reason for variance
Agri-enterprises supported in incubation phase	50	50	0	Set target achieved.
New clients initiated in pre-incubation phase	65	88	23	This is a buffer to ensure that in the event of dropouts we still meet the target.
Clients supported	115	88	-27	We only sign up clients via LDA and do not go to them directly.
Black-owned agri-enterprises supported	50	50	0	Set target achieved.
% of black-owned agri-enterprises supported	100 %	100%	0	Set target achieved.
Women-owned agri-enterprises supported	23	47	24	Although we do not turn away male clients we are passionate about empowering women because we believe that if you feed a woman you feed the nation.
% Women-owned agri-enterprises supported	45 %	94 %	49%	Although we do not turn away male clients we are passionate about empowering women because we believe that if you feed a woman you feed the nation.
Jobs (direct) created	125	559	434	The farmers' yield per ha improved significantly; hence they needed more labourers.
Casual/seasonal jobs created	155	1 021	866	The farmers' yield per ha improved significantly; hence they needed more labourers.
New prospects entering pipeline	75	78	3	More people are becoming aware of Timbali and are requesting incubation services.
Clustering activities	3	54	51	We strive to maximise growth and empower our clients by bringing in industry specialists to train clients and thereby increasing their growth, empowerment and income.
Success stories	12	19	7	We closely monitor, and capture, our clients' successes.
Interactions with DAFF, LDA (training, workshops, conferences, etc.)	12	69	57	We strive to maximise growth and empower our clients by bringing in industry specialist to train clients and thereby increasing their growth, empowerment and income.
Knowledge management system	3	14	11	When we introduce new crops and/or farming methods we develop operations manuals to serve as reference material.
Interactions with similar organisations at conferences, workshops, meetings, etc.	9	44	35	We use these events to share best practices and deal with challenges.
MOU/MOAs concluded with development stakeholders	6	5	-1	Timbali always optimises the use of available resources to ensure that the incubatee get the benefits (this statement does not explain the missed target)

Management interactions with staff	36	65	29	We ensure that staff and management stay aligned in terms of the company's vision and are informed of progress towards reaching our goals.
Published articles and/or media reports	12	9	-3	We tell the Timbali story at every opportunity (need an explanation for the missed target)



### SSACI

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

Quantitative measures	Target	Actual	Variance	Reason for variance
Agri-enterprises supported in incubation phase	40	44	4	This is a buffer to ensure that in the event of dropouts we still meet the target.
Clients supported	40	44	4	This is a buffer to ensure that in the event of dropouts we still meet the target.
% Black-owned agri-enterprises supported	100 %	100%	0	Contractual target achieved.
% Women-owned agri-enterprises supported	50 %	80 %	30%	Although we do not turn away male clients we are passionate about empowering women because we believe that if you feed a woman you feed the nation.
% Youths (under 35 years)	100%	100%	0	Contractual target achieved.
Jobs (direct) created	150	95	-55	The challenges farmers experienced in the first two years affected production, resulting in fewer direct jobs created.
Jobs (Indirect) created	450	364	-86	The challenges farmers experienced in the first two years affected production, resulting in fewer indirect jobs created.
Casual/seasonal jobs created	300	201	-99	The challenges farmers experienced in the first two years affected production, resulting in fewer casual jobs created.
Total SMME turnover (R)	0	2 252 234	2 252 234	Turnover was not a contractual obligation but was measured nonetheless.





#### Jobs Fund Key Performance Indicators

Quantitative measures	Target	Actual	Variance	Reason for variance
Approved concept master plan	1	1	0	Set target achieved.
Ha of land procured	120	434.67	314.67	The bigger farm was the only one available.
Infrastructure procured	yes/no	yes		Set target achieved.
Infrastructure installed	yes/no	yes		Set target achieved.
Number of new permanent staff	12	12	0	Set target achieved.
Number of farmers trained	0	110	110	Target only comes into effect in quarter 4, but farmer recruitment and training have started.
Quarterly reports submitted	2	2	0	Set target achieved.
Externally audited AFS as approved by AGM	1	0	-1	Annual financial statements to be concluded (statement cannot be conducted - do you mean they must still be audited/drawn up/submitted to the AGM?)
Permanent jobs created	0	12	12	Set target achieved (not true - the target was exceeded by far - need an explanation)
Casual jobs created	0	134	134	Target only comes into effect in quarter 4, but farmer recruitment and training have started.

Timbali's farmers are mostly self-sustainable. All of our Agri-Park A farmers generate income through sales, and pay rent and levies towards the services they receive from the incubator. Timbali uses its funding to develop the SMMEs and support the incremental incubation process.





# Key Performance Indicators

2014/2015 financial year	SEDA Technology Programme	Swiss South African Co-operation Initiative	Department of Agriculture, Forestry and Fisheries
New projects initiated	40	None in this financial year	30
New SMMEs established	23	None in this financial year	None in this financial year
Clients supported	183	32	88
SMMEs that survive their 1st and 2nd year in business	100%	100%	100%
Graduates	19	19	None
Woman owned businesses	74%	95%	94%
Youth owned businesses	30%	100%	None
Total direct, indirect and casual jobs created	1331	142	1892
Total SMME turn-over	R15 083 724	R945 750	R10 479 019

An analysis of the Key Performance Indicators

Timbali's 2014/2015 Results continue to indicate 100% agri-incubation success with black females

The end of each financial year provides us with the opportunity to take a snap-shot of the incubator and the agri-business performance. We compare the results with what we thought the year would hold when we did our planning – both planning and measurement are skills we also transfer to our entrepreneurs. We report to our key funders in different projects based on our commitment to them and the brand their incubatees sell under (including amaBlom, amaVeg, amaSpice and amaMe).

This year, Timbali supported 183 clients with three different service delivery contracts from STP, SSACI and DAFF. The SMMEs achieved a turn-over of R15 083 724. We celebrate this considering that they sell products for rands and cents (i.e. R2.80 per stem, or R8 per punnet of 8

or 12). A total of 1331 direct, indirect and seasonal jobs were created.

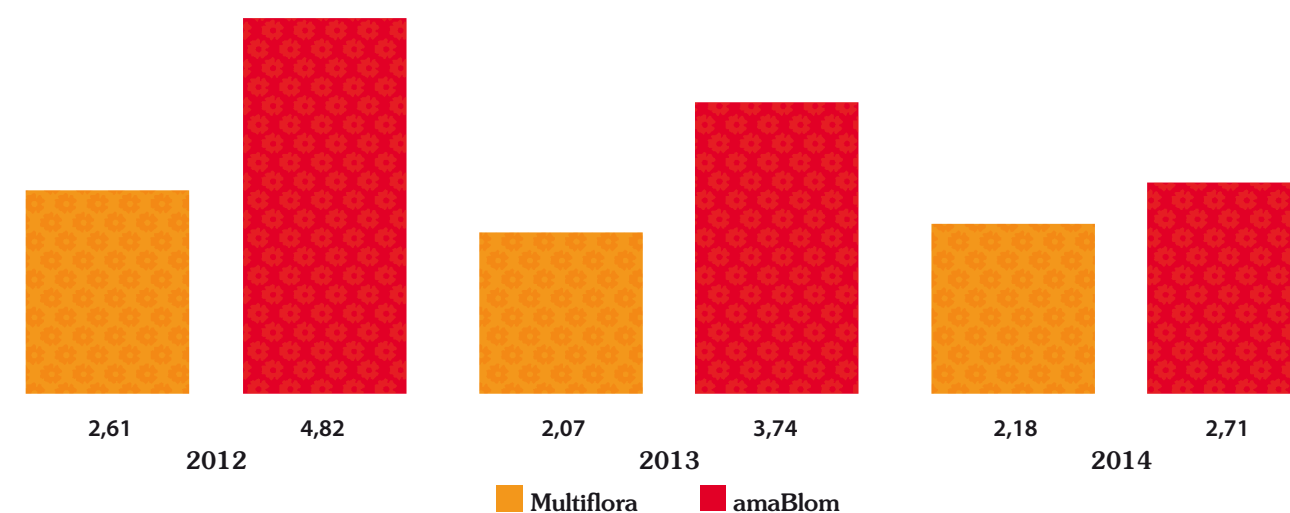
Timbali's model is focussed on aspects that are often not the centre piece in other incubators. Timbali is focussed on the market, the clustering of independent small-business owners. Delivering these valuable aspects of the model have paid off again this year, for our farmers, but also for the incubator with the percentage of funds we generate through continued service delivery to our clients.

Timbali's focus and understanding of incubation is the: it is not about the incubation process, the accredited training or the fact that SMMEs graduate, it is about the day-to-day profitability of their business. Where it matters most, the turn-over and job creation KPIs, Timbali has scored the highest percentage of over achievement on the targets' set by our funding partners.

It is important to remember that Timbali's farmers are mostly self-sustainable. All of

our farmers generate income through sales, and pay rent and levies towards the services they receive from the incubator. The agricultural side of the business is not supported by funding. The funding is used to develop the SMMEs and support the incremental incubation process.

**Benchmark against the market**  
Multiflora price vs. amaBlom and direct sales price





## Delivering on our partner contracts

Timbali has six funding partners of which four are key contracts with specific enterprise development objectives. The 2014/2015 financial year was one of renewed service delivery to our key funders and robust engagement with them. They ask critical questions and challenge us to continuously deliver excellence. We appreciate the intensity of these relationships both in terms of support and delivery.



### Jobs Fund

Timbali Technology Incubator signed a contract with the Jobs Fund to create 300 agri-businesses by 2017. The Jobs Fund, together with Timbali's existing funders, will invest approximately R75 million to establish two agri-parks that will host agri-entrepreneurs. The agri-parks will create 805 permanent jobs and at least 1 800 seasonal jobs

through the agri-business value chain.

During this financial year, we met the performance targets that were set, which included the procurement of two farms, developing the growing programme for the successful agri-business side of the contract and starting to recruit employees and potential farmers.



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

This partnership has showed that Timbali's model can be duplicated in rural land tenure districts where farmers work their own land (either tribal or personally owned). Timbali's cluster system of scientific farming and systematic business development delivered tremendous return on investment for the farmers. During this financial year, we assisted clients to increase their profitability by increasing their income vs. expense ratio from 1:20 to 1:41. This is a direct

outcome of developing the habit of quantification and record keeping to enhance planning, management and control.

The partnership between public and private entities is beneficial to the farmers. Their market access increased, and by adopting and applying the scientific farming methods that Timbali shares through technology transfer interactions, they produce more quality produce to deliver to the market.



### SEDA Technology Programme (STP)

As founding funder, SEDA is one of Timbali's key partners in keeping the focus on enterprise development. SEDA has been integrated into the new Small Business Ministry, where it focuses on sharing lessons learned in small business development. Timbali performed well on the SEDA KPIs, delivering 100% more new projects and three more new agri-

enterprises than anticipated.

84% of Timbali's clients are women and 100% of them are black – we exceeded STP's expectations in this regard.

Timbali has a 100% SMME survival rate for years one and two.



### Swiss South-African Cooperation Initiative (SSACI)

SSACI entered into a grant agreement with Timbali Technology Incubator to develop a replicable model for the provision of technical skills training and business development services to emerging smallholder commercial vegetable or herb farmers. This contract was key in preparing Timbali for growth. SSACI was an active partner whose support involved

not only money, but hands-on feedback and advice.

The goal of the project was to create 40 agri-businesses and 126 new direct jobs over a three-year period. Timbali created 44 agri-enterprises, 95 direct jobs and 201 casual jobs during the project period. The agri-enterprises have generated a cumulative turnover of over R2,2 million.

## Partners and sponsors

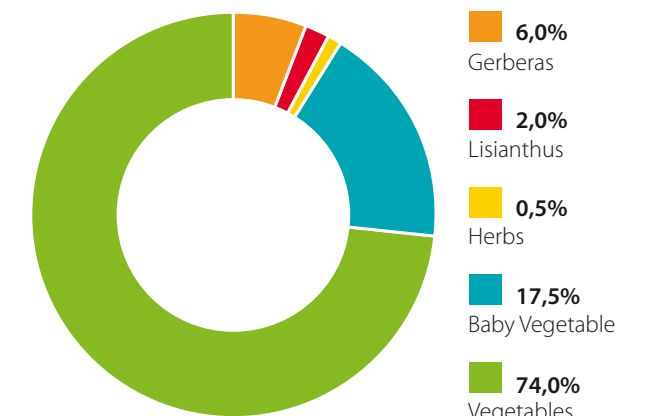
### Timbali sponsors



### Clients and the crops they farm with

Timbali has supported 183 smallholder farmers in this financial year. An important change was the increase in the number of crops grown by the clients. Timbali's brand is strongly connected to its success with cut flowers. Crop diversification was therefore seen as an important risk mitigation measure.

As a result of the diversification drive, 17,5% of the entrepreneurs now produce baby vegetables. This high-return commodity is, however, also risky to produce – if the crops are harvested an hour too early or too late, the market requirements are not met. (See lesson 6 on page 19.) Baby vegetables are labour intensive and require complete focus and dedication from the farmers.



### Our brands

With the market at the core of our model, the brands we build are very important given that our entrepreneurs are strongly associated with them. Our brands promise the market that it can expect the highest quality produce 365 days of the year. Our farmers understand the value of selling under a collective brand.





# Mitigating risks by implementing lessons learned

Timbali meticulously measures every detail of its incubation business in terms of how well we enable our entrepreneurs to succeed. Our dashboards thus reflect incubation measurements and measurements in our clients' businesses.

We analyse the data to learn from our successes and our failures, and document these lessons in our weekly management and quality meetings. We use them to improve and develop our system continuously and in real time.

Following are the key lessons we learned in this financial year. The learnings have all been implemented to mitigate risks.

## LESSON 1

### The incremental incubation model has tremendous value

Timbali implements a model of incremental incubation, starting at pre-incubation. The SSACI project specifically pointed out the value of this approach and allowed us to refine our model by implementing different tactics – first on Craig William's farm and then at the Timbali Agri-Science Park. The fact that the trainee entrepreneurs start their learning in pre-incubation on a working productive farm, translates into success during the incubation phase when they start generating their own income. The discipline and values, combined with business acumen and scientific farming experience that are built up through the incubation stages, allow us to phase in the key performance indicators, first on a daily basis, then weekly and eventually monthly. The approach culminates in strong financial returns.

## LESSON 2

### Younger and older entrepreneurs should be treated differently

Working with young people presented a steep learning curve for the incubator. We have noticed that although they perform well, young people prefer the safety of the agri-park to being isolated on their own properties. We had one exception where the graduate remained very connected to Timbali as an outgrower. The youth understand the value of the brand and how it connects them to the market. Interestingly, older entrepreneurs tend to create more permanent jobs, while the younger ones are more inclined to hire casual workers. The graduation of the amaMe farmers added a new dimension to the model by increasing our outgrower numbers.

## LESSON 3

### Life skills are critical

Working with the youth prompted us to include life skills in our skills development menu. All the farmers – young and old - gained huge value from the combination of soft skills with business and scientific farming skills. We learned that you CAN teach an old dog new tricks.

We also know that our team and farmers need to be reminded of these skills and practices. We therefore include short training sessions in the weekly schedule.

## LESSON 4

### Literacy is not a barrier when the market tests the skills of farmers

We are not entirely sure who coined the phrase "bush-MBA" for our practical qualification, but we know that it serves us well. Experience has taught us that accredited training in our environment is not possible. The farmers need to be out farming most of the day, and cannot afford to spend hours in a classroom. We have learned to present our training sessions in one-hour session where technology and business knowledge is transferred. Everything else is done with KPI sheets and practical demonstrations in the field. We use market response as our measurement tool; in essence, the consumer is our accreditation body. Implementing training as part of our incremental incubation model has furthermore ensured that literacy is not a barrier to access to market. Our systems ensure that application is practical and easy, making our training accessible to semi-skilled farmers and people with relatively low literacy levels.

## LESSON 5

### Agri-entrepreneurs are tough as nails

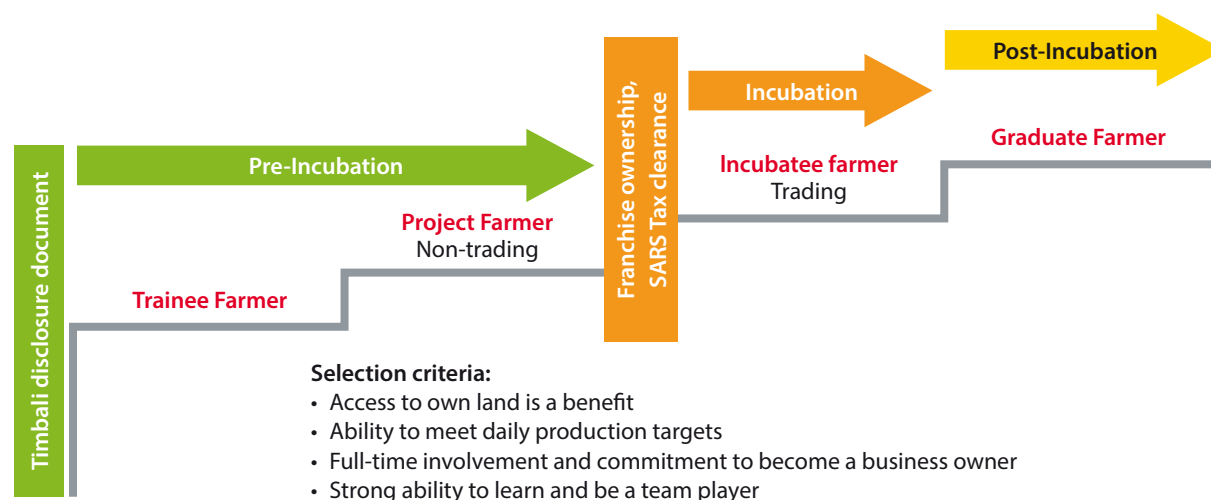
This year, and especially our expansion into baby vegetables, has highlighted the realities of farming. Agriculture is not for the fainthearted. We connect our farmers to fussy, sophisticated markets and they need to continuously improve their quality. Consistent focus and dedication, rather than short-term bursts of gratification, is the name of the game. This realisation allowed us to further improve our selection and support model.

## LESSON 6

### The market wants it all, and wants it now

Expanding our product range has meant that we connect our farmers to a more sophisticated market. To meet the quality standards and the mix of products that the market demands, entrepreneurs have to become more sophisticated. This also applies to the incubation market: the new generation of entrepreneurs entering the incubation system have access to information and demand specific services. Timbali has developed "listening" systems through our constant evaluation and feedback research. These, in combination with our data dashboards, tell us what the entrepreneurs and their clients want, and how we have to adapt our system to meet their demands. A result of this learning is visible in our concept master plan, where we cater for "bunches", or groups of produce that the markets procure together. We have also expanded our incubation services with a greater focus on packaging and branding, in response to our new generation of consumers and entrepreneurs.

## Timbali's Incremental Incubation Model





## Timbali stands out in incubator benchmarking study

*“Incubators should be measured against the SMME survival rate, and the revenue and profit the SMMEs generate. There is room for improvement in all the incubators, and it is our aim to provide this information and work together towards learnings what can be packaged and shared to improve the results of incubation in South Africa.”*

Ken Duncan, SSACI CEO

The Swiss-South African Cooperation Initiative (SSACI) supports enterprise development through a number of incubators and enterprise development initiatives, of which Timbali is one. SSACI and Timbali have one fundamental principle in common – decisions have to be data driven.

During 2014, SSACI partnered with SEDA Technology Programmes (STP) to commission an incubator benchmark study to determine the status of SEDA-funded incubators.

The study's scope covered the following:

1. Compare the STP-aligned key performance indicators of the 2013/2014 financial year with the average of all participating incubators;
2. Cluster incubators based on their performance without cost; and
3. Cluster incubators based on their performance and cost effectiveness.

The study did not reveal the identities of the participating incubators. Figures were normalized to take industry differences, years in assistance and other variables into account.

In all three analyses, Timbali was among the most effective incubators.

Highlights of the benchmarking study include:

- A total of 416 SMMEs were created by 21 incubators during the 2013/2014 financial year at a cost of R163 562 180 (average cost of R39 318 per SMME).
- The SMMEs created 2 133 direct jobs, and generated a total turnover of R377 552 965 by the end of the financial year.
- Eight out of the 21 incubators create more SMMEs than the average of 19.8.
- Only two incubators (of which Timbali is one) have a 100% survival rate in the second year of business.
- Timbali Technology Incubator scores higher than the average on 22 of the 30 KPIs listed.
- Only seven incubators' SMMEs generate a higher turnover than the funding they receive to run the incubator. Timbali is one of the seven.
- Overall, the study pointed out the relationship between measurement and performance.

## 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)



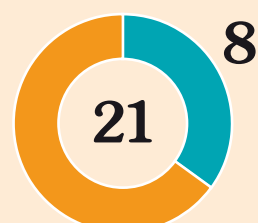
**Ms Karin Hannweg**  
(Secretary) (ARC-ITSC)



**Mr Kenneth Duncan**  
(SSACI)



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



The SMMEs created **2 133 direct jobs**, and generated a total turnover of R377 552 965.



Timbali is one of two incubators with a **100% survival rate** in the second year of business.



Timbali is **one of seven incubators' where SMMEs generate a higher turnover than the funding they receive.**



# 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

Lameck Chatyoka	Cluster Coordinator
Jooma Chitenje	PSF Officer
Louise de Klerk	Chief Executive Officer
Joseph Khoza	Assistant
Oupa Kuzwayo	Accounting and marketing assistant
Howard Malope	PSF Officer
Rachel Maphanga	Receptionist and data capturer
Salom Maphanga	Accounting clerk
Bright Matimbe	Cluster Coordinator
Lungisa Matshimane	Centre Manager
Busisiwe Mkhize	Business Development Officer
Rhulisani Mkhonto	Receptionist and data capturer
Sandie Mugerie Mahandana	PSF Officer
Ernest Musandiwa	PSF Officer
Prudence Nenweli	PSF Officer
Nonhlanhla Ngomane	Packhouse Supervisor
Eleck Nkuna	Cluster Coordinator
Nadine Pretorius	Executive Assistant to CEO
Nicolien Prinsloo	Debtor's clerk
Renette Rootman	Accountant
Bridget Sedibe	Data capturer
Martha Silinda	General Office Assistant
Mylene Torres	Business Development Manager for Markets
Susann van Heerden	Sales Coordinator
Jason van Huyssteen	Business Development Manager for Production



**Lameck Chatyoka**



**Jooma Chitenje**



**Louise de Klerk**



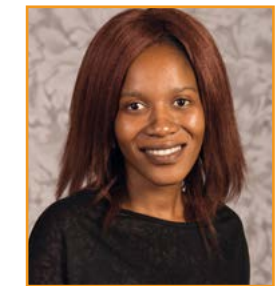
**Joseph Khoza**



**Oupa Kuzwayo**



**Howard Malope**



**Rachel Maphanga**



**Salom Maphanga**



**Bright Matimbe**



**Lungisa Matshimane**



**Busisiwe Mkhize**



**Rhulisani Mkhonto**



**Sandie Mugerie Mahandana**



**Ernest Musandiwa**



**Prudence Nenweli**



**Nonhlanhla Ngomane**



**Eleck Nkuna**



**Nadine Pretorius**



**Nicolien Prinsloo**



**Renette Rootman**



**Bridget Sedibe**



**Martha Silinda**



**Mylene Torres**



**Jason van Huyssteen**



**Susann van Heerden**



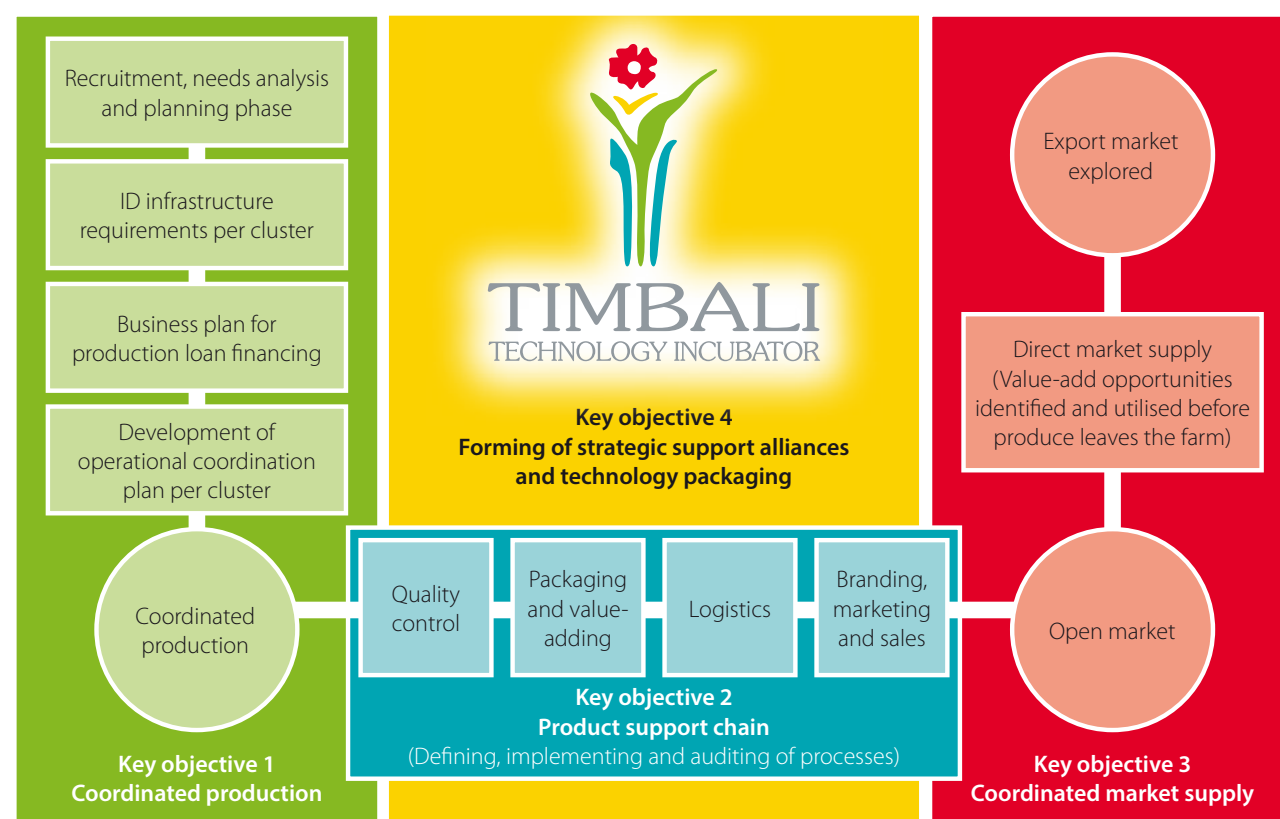
# The Timbali Model

The key elements of the Timbali model are:

- 1. Coordination of Production** Objective is aimed at recruiting, planning, establishing infrastructure, product development and acquiring production loan financing whereby production is coordinated within the cluster to satisfy market demand.
- 2. Extension of the product support chain** Objective is aimed at consistently delivering a quality product to the market through quality control, logistics, marketing and sales.

- 3. Regulation and Coordination of market supply** Objective is aimed at consistently meeting market demand with predictable high quality products.
  - 4. Forming of strategic support alliances and technology packaging** Objective is aimed to develop well informed, globally-competitive smallholder farmers through continuous skills development, training, communication, technology packaging and accessibility to information.
- The green column represents coordinated production of specific market-driven

crops that are supplied to both the open- and direct markets. Coordinated market supply is a critical success factor that Timbali provides to the farmers to be able to access loan financing. The next critical success factor that Timbali provides is the product support chain depicted by the blue blocks that critically links the farmers to the markets. Timbali's holistic support services that create an enabling environment through market linkages are depicted in Figure 1.



**Figure 1. Schematic representation of Timbali's enabling environment to successfully link smallholder farmers to markets in order to increase sustainability.**

# About Timbali

Timbali Technology Incubator (Timbali) set up smallholder farmers in sustainable businesses since 2002. 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 application 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 enforces 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>

Learn more about Timbali by visiting [www.timbali.co.za](http://www.timbali.co.za), or call us on 013 752 4247.



## Success stories

### Experiential Learning and Exposure leads to an understanding of the Timbali model

The Nwanedi farmers have access to the following business development guidelines:

- Produce to sell NOT produce and sell
- Any space can make a profit through planning
- Clusters reduce production costs
- KPI's drive data driven decisions
- The importance of keeping records for Global GAP purposes
- Maintain high quality standards
- The specifications of products are based on the market needs

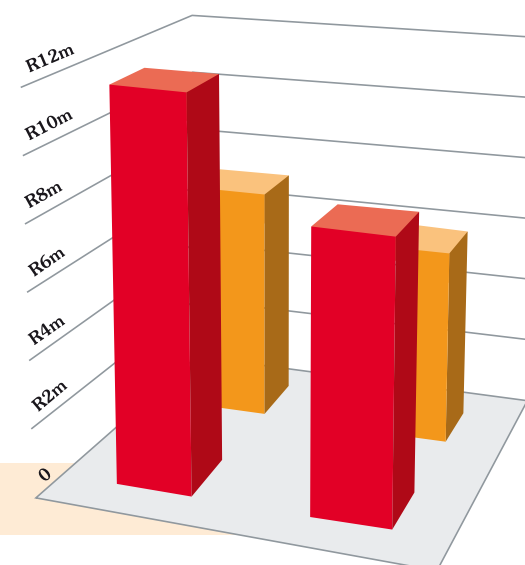


### Nwanedi entrepreneurs increase profit through higher income and lower expenses

- 38.58% Increase in income
- Growth is a KPI measurement of improved productivity and competitiveness
- KPI's leads to maximised agri-businesses
- Improve chances of success
- Long term sustainability
- Competitiveness

Comparison income & expenses

■ Jan 2014 – Nov 2014 ■ Jan 2013 – Nov 2013



### Nwanedi sugar bean farmers benefit from business development services

Knowledge empower farmers' decision-making that positively influence agri-business

- Farmers implemented scientific farming methods
- Knowledge gained on soil analysis assisted to determine their soil PH level
- Recognized fertilizer recommendation from NTK Landbou (Pty) Ltd as insufficient
- Identified correct fertilizer for soil type
- Positively influenced long term sustainability of agri-business



### New spraying technique ensures efficiency

Applied knowledge contributed to Joyce being named the top farmer in her cluster

- Joyce Vhengani discovered her spraying technique was inefficient
- Through mentorship she started using new spraying techniques
- This method ensured better coverage in a shorter time
- Improved pest and disease control
- Implementing best practice concepts lead to less infestation of diseases and pests
- Less spraying = cost saving
- Less pest damage = higher profitability





## Success stories

### Benefits of connecting farmers with local RSA Mooketsi market

Market accessibility is a key success factor to agri-business

- Reduced transport cost for farmers
- Increased income due to lowered cost
- Planting purposefully to supply market
- Regional demand determines planting programme
- Ensure traceability through DAFF assistance
- Planned crops ensures maximum harvest from small farming land



### Precious Kwinda supply informal Musina market

- Planting programme yield harvests twice a week
- Crop planning ensures maximum harvest from small farming land
- Maintaining high standards produces excellent quality – 365 days of the year
- Market demand defines produce supply

## Annual Financial Statements

for the year ended 31 March 2015



### 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 set out on pages 34 to 46 which comprise the statement of financial position at 31 March 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### 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, for determining that the basis of preparation is acceptable in the circumstances 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.

### Auditor's 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' judgement, 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 management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the annual financial statements fairly present, in all material respects, the financial position of the company as at 31 March 2015, 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.

### Other reports required by the Companies Act

As part of our audit of the annual financial statements for the year ended 31 March 2015, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. The Directors' Report is the responsibility of the directors. Based on reading the Directors' Report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited the Directors' Report and accordingly do not express an opinion thereon.

### Report on Other Legal and Regulatory Requirements

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

1. The statement furnished to the SEDA Technology Programme, DAFF, SSACI and Jobsfund 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, SSACI and Jobsfund 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 47 to 48:

### Predetermined objectives

No material findings to report



### A2A Kopano Incorporated

Proforum Building  
5 van Rensburg Street  
Nelspruit  
1200

### Per: FRL Eksteen

Registered Auditor  
Director  
19 June 2015

## Directors' responsibilities and approval

The directors are required by the South African Companies Act 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 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 members, 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 30.

The annual financial statements as set out on pages 34 to 46 were approved by the board on 19 June 2015 and were signed on their 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 2015	31 March 2014
<b>Solvency</b>		
Assets, fairly valued, exceed liabilities	<b>R19 965 195</b>	R9 383 996
Solvency ratio	<b>56%</b>	68%
<b>Liquidity</b>		
Liquidity ratio	<b>1.11:1</b>	1.47:1
Funds used as bridging finance until grant funding is received and for monthly cash expenses	<b>R374 070</b>	R503 633
Months operating expenditure covered by free cash flows	<b>0.30</b>	0.50

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.



# ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2015



ANNUAL REPORT  
2014-2015

## Statement of Financial Position

Figures in R	Note(s)	2015	2014
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	18 257 773	7 409 949
Intangible assets	4	21 299	25 102
Biological assets	5	74 853	109 941
		18 353 925	7 544 992
<b>Current Assets</b>			
Inventories	6	443 579	471 986
Trade and other receivables	7	1 788 549	652 492
Cash and cash equivalents	8	15 101 817	5 125 094
		17 333 945	6 249 572
<b>Total Assets</b>		35 687 870	13 794 564
<b>Funds and Liabilities</b>			
<b>Funds</b>			
Accumulated funds		19 965 195	9 383 996
<b>Non-Current Liabilities</b>			
Borrowings	9	63 549	149 044
<b>Current Liabilities</b>			
Trade and other payables	11	1 219 349	1 013 652
Current portion of long term liabilities	9	85 590	328 528
Deferred revenue	12	14 354 187	2 919 344
		15 659 126	4 261 524
<b>Total Equity and Liabilities</b>		35 687 870	13 794 564

## Statement of Comprehensive Income

Figures in R	Note(s)	2015	2014
<b>Revenue</b>	13	4 128 866	3 883 389
Cost of sales		(3 718 087)	(3 183 180)
Gross surplus		410 779	700 209
Other income	14	20 837 196	8 201 172
Operating costs	21	(11 462 322)	(8 808 808)
<b>Operating surplus</b>		9 785 653	92 573
Finance income	15	827 260	167 448
Finance costs	16	(31 714)	(57 271)
<b>Surplus for the year</b>		10 581 199	202 750



## Statement of Changes in Equity

Figures in R	Accumulated Funds	Total
<b>Balance at 1 April 2013</b>	<b>9 181 246</b>	9 181 246
Total surplus for the year	<b>202 750</b>	202 750
<b>Balance at 31 March 2014</b>	<b>9 383 996</b>	9 383 996
<b>Balance at 1 April 2014</b>	<b>9 383 996</b>	9 383 996
Total surplus for the year	<b>10 581 199</b>	10 581 199
<b>Balance at 31 March 2015</b>	<b>19 965 195</b>	19 965 195

## Statement of Cash Flows

Figures in R	Note(s)	2015	2014
<b>Cash flows from operating activities</b>			
Surplus for the year		<b>10,581,199</b>	202,750
<i>Adjustments for:</i>			
Finance costs		<b>31,714</b>	57,271
Depreciation of property, plant and equipment and biological assets		<b>1,224,438</b>	1,053,404
Amortisation of intangibles		<b>3,803</b>	3,474
Investment income		<b>(827,260)</b>	(167,448)
(Profit)/Loss on disposal of property, plant and equipment		<b>(8,772)</b>	35,998
Fair value adjustment on grant related to assets		<b>17,050,084</b>	–
<b>Operating cash flow before working capital changes</b>			
<i>Working capital changes</i>			
Decrease/(increase) in inventories		<b>28,407</b>	(451,265)
Increase in trade and other receivables		<b>(1,136,057)</b>	(224,407)
Increase in trade and other payables		<b>11,640,540</b>	1,047,182
<b>Cash generated by operating activities</b>		<b>38,588,096</b>	1,556,959
Interest received		<b>827,260</b>	167,448
Finance costs		<b>(31,714)</b>	(57,271)
<b>Net cash from operating activities</b>		<b>39,383,642</b>	1,667,136
<b>Cash flows from investing activities</b>			
Property, plant and equipment acquired		<b>(29,087,258)</b>	(521,278)
Intangible assets acquired		–	(6,579)
Biological assets acquired		–	30,801
Proceeds on disposals of property, plant and equipment		<b>8,772</b>	(30,502)
<b>Net cash utilised in investing activities</b>		<b>(29,078,486)</b>	(527,558)
<b>Cash flows from financing activities</b>			
Loans repaid		<b>(328,433)</b>	(198,367)
<b>Net cash utilised in financing activities</b>		<b>(328,433)</b>	(198,367)
Increase in cash and cash equivalents		<b>9,976,723</b>	941,211
Cash and cash equivalents at beginning of the year		<b>5,125,094</b>	4,183,883
<b>Cash and cash equivalents at end of the year</b>	8	<b>15,101,817</b>	5,125,094



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. Government grants related to

assets are recognized in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

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:

Land and buildings	3.33% to 16.67% (Land 0%)
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%
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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%
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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

Wages and salaries for current employees are recognised in the income statement as the employees' services are rendered.

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

### Figures in R

#### 3. Property, plant and equipment

	Cost	Accumulated depreciation	2015 Carrying value	Cost	Accumulated depreciation	2014 Carrying value
<i>Owned assets</i>						
Land and buildings	10 972 850	1 931 414	9 041 436	5 192 261	1 737 449	3 454 812
Plant and equipment	5 200 856	873 831	4 327 025	1 319 292	605 358	713 934
Motor vehicles	3 962 330	1 161 592	2 800 738	1 953 387	736 174	1 217 213
Clusters/Tunnels	7 184 760	5 281 366	1 903 394	6 945 676	5 068 747	1 876 929
Office equipment	450 647	434 589	16 058	445 262	396 511	48 751
IT equipment	387 009	217 887	169 122	265 399	167 089	98 310
	28 158 452	9 900 679	18 257 773	16 121 277	8 711 328	7 409 949

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

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2015 Carrying value at end of year
<i>Owned assets</i>					
Land and buildings	3 454 812	5 780 589	–	(193 965)	9 041 436
Plant and equipment	713 934	3 881 563	–	(268 472)	4 327 025
Motor vehicles	1 217 213	2 008 943	–	(425 418)	2 800 738
Clusters/Tunnels	1 876 929	239 084	–	(212 619)	1 903 394
Office equipment	48 751	5 385	–	(38 078)	16 058
IT equipment	98 310	121 610	–	(50 798)	169 122
	7 409 949	12 037 174	–	(1 189 350)	18 257 773
	Carrying value at beginning of year	Additions	Disposals	Depreciation	2014 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

Motor vehicles with a carrying value of R537 311 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

## Notes to the Annual Financial Statements (continued)

### Figures in R

#### 3. Property, plant and equipment (continued)

	2015	2014
Farm Helena		
Portion 2 of Farm Helena 400JU		
- Acquired on 09 March 2015 for	13 991 674	–
- Costs of additions or improvements	75 000	–
- Grant applied	(12 148 174)	–
	1 918 500	–
Farm Rietfontein		
Portion 3 and Portion 15 of the Farm Rietfontein 109		
- Acquired on 20 March 2015 for	8 743 910	–
- Grant applied	(4 901 910)	–
	3 842 000	–

### Figures in R

#### 4. Intangible assets

	Accumulated amortisation / impairment	2015 Carrying value	Accumulated amortisation / impairment	2014 Carrying value	2014 Carrying value
Trademarks	38 025	(16 726)	21 299	38 025	(12 923)
					25 102

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	2015 Carrying value at end of year
Trademarks	25 102	–	(3 803)	–	21 299
	Carrying value at beginning of year	Fair value gains / Additions	Amortisation / Impairments	Reclassified held for sale / Disposals	2014 Carrying value at end of the year
Trademarks	21 997	6 579	(3 474)	–	25 102

#### 5. Biological assets

	Accumulated amortisation / impairment	2015 Carrying value	Cost	Accumulated amortisation / impairment	2014 Carrying value	2014 Carrying value
Cost						
Biological assets	453 885	(379 032)	74 853	453 885	(343 944)	109 941

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	2015 Carrying value at end of the year
Biological assets	109 941	–	(35 088)	–	74 853
	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



## Notes to the Annual Financial Statements (continued)

Figures in R	2015	2014
<b>6. Inventories</b>		
Inventories comprise:		
Consumable stores	29 496	31 182
Finished goods	86 751	78 919
Standing crops	327 332	361 885
	<b>443 579</b>	<b>471 986</b>
<b>7. Trade and other receivables</b>		
Trade receivables	876,169	581,926
Prepaid expenses	3,135	6,740
Value Added Tax	909,245	63,826
	<b>1,788,549</b>	<b>652,492</b>
<b>8. Cash and cash equivalents</b>		
<b>Favourable cash balances</b>		
Cash on hand	3 704	1 440
Bank balances	15 098 113	5 123 654
	<b>15 101 817</b>	<b>5 125 094</b>
<b>Cash flow commitments</b>		
Deferred income commitments	(14 354 187)	(2 919 344)
Capital commitments (refer note 20.)	(180 000)	(320 000)
Audit fees for Annual Financial Statements	(59 500)	(46 500)
Audit fees for performance audit	(19 500)	(15 000)
Income committed to specific projects	(534 621)	(481 885)
Borrowings	(149 139)	(477 572)
Trade receivables	1 788 549	652 492
Trade payables	(1 219 349)	(1 013 652)
<b>Funds used as bridging finance until grant funding is received and for monthly cash expenses</b>	<b>374 070</b>	<b>503 633</b>
Opening cash surplus	503 633	(74 821)
Add surplus from incubation services	410 779	700 209
Less amounts re-invested into training	(540 342)	(121 755)
	<b>374 070</b>	<b>503 633</b>
<b>9. Borrowings</b>		
Instalment sale agreements. These loans are secured by motor vehicles (refer note 3), bear interest at 9%–9.5% (2014: 9%–9.5%) with monthly repayments of R26 679.	149 139	477 572
	<b>149 139</b>	<b>477 572</b>
Repayable within one year, transferred to current liabilities	(85 590)	(328 528)
	<b>63 549</b>	<b>149 044</b>

## Notes to the Annual Financial Statements (continued)

Figures in R	2015	2014
<b>10. Commitments under operating leases</b>		
The entity rents land under operating leases. The leases are for a period of 9 years and 2 years, with fixed rentals over the same period.		
Minimum lease payments under operating leases recognised as an expense during the year	183 333	114 035
At year-end, the company has outstanding commitments under non-cancellable operating leases that fall due as follows:		
Within one year	159 211	183 333
Later than one year but within five years	704 414	661 605
Later than five years	466 666	668 687
	<b>1 330 291</b>	<b>1 513 625</b>
<b>11. Trade and other payables</b>		
Accrued liabilities	221 694	234 738
Sundry payables	37 758	31 140
Trade payables	959 897	747 774
	<b>1 219 349</b>	<b>1 013 652</b>

### Figures in R

#### 12. Deferred revenue

	Opening balance	Funding received	Utilised during the year	Closing balance
<b>Reconciliation of deferred income – 2015</b>				
Anglo American Chairman's Fund (AACF)(Tshikululu) Funding	73 734	250 000	(198 680)	125 054
Department of Agriculture, Forestry and Fisheries (DAFF) Funding	960 625	1 825 000	(1 817 873)	967 752
Swiss-South African Cooperation Initiative (SSACI)	1 061 038	800 000	(1 705 551)	155 487
Syngenta	–	393 186	(393 186)	–
Seda Technology Programme (STP) operating expenses	–	2 500 000	(2 500 000)	–
Seda Technology Programme (STP) additional funding	226 516	–	(221 084)	5 432
Department of Trade and Industry (DTI) - Crop rotational fund	350 000	–	–	350 000
Industrial Development Corporation (IDC)	247 431	–	(174 017)	73 414
Nedbank Funding	–	404 700	(287 890)	116 810
Jobsfund Funding	–	41 935 640	(29 375 402)	12 560 238
	<b>2 919 344</b>	<b>48 108 526</b>	<b>(36 673 683)</b>	<b>14 354 187</b>
<b>Reconciliation of deferred income – 2014</b>				
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) - 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>

#### 13. Revenue

An analysis of revenue is as follows:

Sales	4 128 866	3 883 389
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## Notes to the Annual Financial Statements (continued)

Figures in R	2015	2014
<b>14. Other Income</b>		
Anglo American Chairman's Fund (AACF) (Tshikululu) Funding used	198 680	26 704
Consulting fees received	325 541 –	99 562
Department of Agriculture, Forestry and Fisheries (DAFF) Funding used	1 817 873	1 888 269
Eskom funding used	–	94 416
Industrial Development Corporation (IDC) funding used	174 017	602 569
Insurance claims	13 050	14 938
Jobsfund funding used	12 325 318	
Levies received	269 867	277 218
Nedbank funding used	287 890	248 131
Profit on foreign exchange	284	–
Profit on sale of fixed assets	8 772	–
Rental income	231 066	208 884
Seda Technology Programme (STP) additional funding used	221 084	173 484
Seda Technology Programme (STP) operating expense funding used	2 500 000	2 400 000
Swiss-South African Cooperation Initiative (SSACI) Funding used	1 705 551	1 809 209
Syngenta funding used	393 186	373 063
Transport income	365 017	332 418
	<b>20 837 196</b>	<b>8 201 172</b>
<b>15. Finance income</b>		
<b>Interest income</b>		
Interest received	827 260	167 448
<b>16. Finance costs</b>		
Long-term loans	28 901	54 671
Bank overdrafts and acceptances	2 813	2 600
	<b>31 714</b>	<b>57 271</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.

## Notes to the Annual Financial Statements (continued)

Figures in R							
<b>18. Directors' emoluments</b>							
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	Pensions
JP Hughes	12 600	–	–	–	1 134	–	–
<b>19. Related party transactions</b>							
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							
Name	Relationship	Transactions		Amounts owed (to)/by the related party at year-end			
		2015	2014	2015	2014		
SEDA Technology Program	Funding received	(2 500 000)	(2 400 000)	–	–		
Swiss-South African Cooperation Initiative	Funding received	(800 000)	(2 000 000)	–	–		
<b>20. Capital commitments</b>							
<b>Authorised expenditure contracted for but not yet delivered</b>							
Purchase of new plants				–	5 000		
Asset replacement and repairs				180 000	315 000		
				<b>180 000</b>	<b>320 000</b>		



## Notes to the Annual Financial Statements (continued)

Figures in R	2015	2014
<b>21. Operating expenses</b>		
<b>Detail of other operating expenses is as follows:</b>		
Advertising, Marketing and Communication	524 020	363 197
Amortisation - Intangible assets	3 803	3 474
Auditors Remun. - Fees	73 500	45 650
Bank charges	23 423	24 145
Business development	8 980	20 961
Cleaning	20 850	17 132
Computer expenses	46 586	41 112
Consulting and professional fees	633 552	346 006
Depreciation	1 224 438	1 053 404
Electricity and water	66 000	57 959
Entertainment and refreshments	25 690	26 925
Equipment hire	82 000	–
Goods, services and trials for markets	606 423	–
Insurance	138 090	125 654
Loose equipment	64 713	34 323
Loss on sale of Fixed Assets	–	35 998
Motor vehicle expense	213 140	261 703
National Value Chain Development	–	16 000
Packhouse expenses	71 125	43 976
Postage and courier	6 737	7 365
Printing and stationery	93 259	92 897
Project expenses for amaVeg	574 061	360 807
Project management and reporting	–	8 750
Rent paid property and equipment	159 828	205 310
Repairs and maintenance	404 630	369 420
Research and development costs	–	107
Salaries	4 793 441	4 039 229
Security	148 240	133 745
Seeds	–	432
Staff development	20 587	16 779
Staff uniform	–	1 897
STP special funding - crop expenses	–	173 484
Subscriptions and conference fees	11 389	5 395
Telephone, internet and fax	145 150	140 941
Training	1 500	–
Transport	743 454	568 960
Travel and accommodation	533 713	129 671
Weekly QMM Training	–	36 000
	<b>11 462 322</b>	<b>8 808 808</b>

## Reporting of Key Performance Indicators

### Key performance indicators

In accordance with the funding requirement of the SEDA Technology Programme, DAFF, SSACI and JF, the auditors reported the following as per the independent auditor's report on page 30:

1. The statement furnished to the SEDA Technology Programme, DAFF, SSACI and JF in terms of section38(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, SSACI and JF 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

### STP Key Performance Indicators

Quantitative measures	Target	Actual
New SMMEs established	20	23
New projects initiated	20	40
Clients supported	180	183
SMMEs supported	120	135
SMMEs that survived the first year	80%	100%
SMMEs that survived the second year	80%	100%
No of Graduates	10	19
% black-owned SMMEs established	100%	100%
% black-owned projects initiated	100%	100%
% black-owned projects/SMMEs in portfolio	100%	100%
% woman-owned SMMEs established	60%	84%
% woman-owned projects initiated	60%	64%
% woman-owned projects/SMMEs in portfolio	60%	74%
Direct jobs created	75	83
Indirect jobs created	179	277
Casual/seasonal jobs created	30	147
New prospects entering pipeline	5	144
Total SMME turnover	R7 000 000	R15 083 723
% growth in SMME income	25%	–8%
Forex earned by SMME	R400 000	R203 456
New/upgraded technology transfer interactions completed	10	11
Clustering activities /Technology focused consortia	10	12



## Reporting of Key Performance Indicators (continued)

### DAFF (Limpopo) Key Performance Indicators

Quantitative measures	Target	Actual
Agri Enterprises Supported in Incubation phase	50	50
New initiated in Pre-Incubation Phase	65	88
Clients Supported	115	88
Black owned Agri-enterprises Supported	50	50
% of Black owned Agri-enterprises Supported	100 %	100%
Woman owned Agri-enterprises Supported	23	47
% of Woman owned Agri-enterprises Supported	45 %	94 %
Jobs (Direct) created	125	559
Casual / Seasonal jobs created	155	1021
New Prospects entering pipeline	75	78
Clustering Activities	3	54
Success Stories	12	19
Interactions with DAFF, LDA (training, workshops, conferences etc.)	12	69
Knowledge / management system	3	14
Interactions with similar organisations eg. conferences, workshops, meetings, etc.	9	44
MOU/MOAs concluded with key development stakeholders	6	5
Management interactions with staff	36	65
Published articles and/ or media reports	12	9

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

Quantitative measures	Target	Actual
Agri Enterprises Supported in Incubation phase	40	44
Clients Supported	40	44
% of Black owned Agri-enterprises Supported	100 %	100%
% of Woman owned Agri-enterprises Supported	50 %	80 %
% Youths (under 35 years)	100%	100%
Jobs (Direct) created	150	95
Jobs (Indirect) created	450	364
Casual / Seasonal jobs created	300	201
Total SMME turnover	0 R	2 252 234

### Jobs Fund Key Performance Indicators

Quantitative measures	Target	Actual
Approved Concept Master Plan	1	1
Ha of Land Procured	120	434.67
Infrastructure Procured	yes/no	yes
Installation of Infrastructure	yes/no	yes
Number of new permanent staff	12	12
Number of farmers trained	0	110
Quarterly reports submitted	2	2
External Audited AFS as approved by AGM	1	0
Permanent jobs created	0	12
Casual jobs created	0	134





**TIMBALI**  
TECHNOLOGY INCUBATOR

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