



TIMBALI
TECHNOLOGY INCUBATOR

ANNUAL REPORT

2015-2016



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.

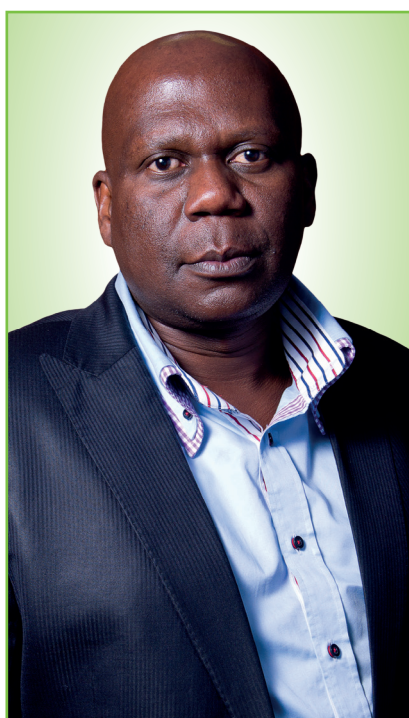
Contents

Chairman's Report	2
CEO's report	4
An analysis of the Key Performance Indicators	8
Sustainability the Timbali way	9
Delivering on our partner contracts	10
Partners and sponsors	11
Mitigating risks by implementing the Timbali System	12
The Timbali Model	14
About Timbali	15
The Timbali Board	16
The Timbali Team	17
Success stories	
Opportunities for the young	18
Josephine's story	19
Rhulani's story	
Tshidi's story	
Annual Financial Statements	
Independent Auditor's Report	22
Directors' responsibilities and approval	23
Directors' Report	24
Statement of Financial Position	26
Statement of Comprehensive Income	27
Statement of Changes in Funds	28
Statement of Cash Flows	29
Accounting Policies	30
Notes to the Annual Financial Statements	32
Reporting of Key Performance Indicators	39



Chairman's Report

Enterprise Development as focus for agri-incubation



“With the Timbali model about to be replicated on agri-parks across the country, results-driven agri-incubation is set to become a feature of the South African rural economy.”

The incubation space in South Africa is large and varied. The just more than 30 incubators currently functioning in the country cover industries as diverse as furniture manufacturing and information technology. In this hive of activity, I remain proud to be associated with Timbali Technology Incubator that continues to make a difference that extends far beyond the impressive numbers appearing on the pages of this annual report.

When I recently reviewed the national incubator report released by SEDA Technology Programme in one of their CEO and Chairman Consultation session, I was struck by the unique approach Timbali takes to measuring success. For us it is not good enough to record that a new SMME is created; we are interested in the longevity and sustainability of that fledgling business. This approach informs the way Timbali operates. Farmers are taught to play the long game, to aim for the future rather than short-term profits. We also design our processes so that farmers continue to grow in competence and confidence the longer they stay in the system and the more they are exposed to market forces. At Timbali farmers never have to reach a development plateau.

One of our key measures, therefore, is the success rate of farmers in their first and second years in business. We also measure the social impact our farmers are making

in their homes and their communities. The results make for proud and humbling reading. Women with no formal education to speak of, supply top quality produce to the most discerning of markets. They earn incomes healthy enough that they can build homes for their families, send their children to school, put nutritious and plentiful food on the table and, particularly noteworthy in the context of our national economy, create jobs for members of their communities. They spend their money where they live. In so doing, they help to solve the problem of rural economic growth that has stumped economists for years.

Do not forget, furthermore, that the quality and quantity of food produced by the Timbali farmers contribute to food security in our country. Many of our farmers choose to supply their local community markets, and do so profitably because they have an in-depth understanding of their own business financials and of the market forces.

In the months ahead, Timbali is set to grow exponentially. Already, in the 2015 financial year, the incubator received an enormous injection in the form of R29,5M in Jobs Fund funding. We proved ourselves equal to the task of spending that money effectively and for the purposes it was intended. The contract for the next contract of Jobs Fund funding

has just been signed, and we feel the pressure of doing justice to the faith that National Treasury has in us.

Timbali has responded to this growth challenge by strengthening both its operational and governance capacity.

Operationally, the financial management team has grown with the appointment of Mr Vusi Mathe and Mr Pietro Bernardino and Me Valencia Blake. The skills and experience they bring to the administration department provides confidence that the day-to-day finances are in good hands. Other administrative, production and marketing support structures have also been improved, and I extend the board's appreciation to the CEO and staff for outstanding efforts in this regard.

From a governance point of view, the board's finance committee was transformed into a fully-fledged audit committee. This meant a shift away from only looking at the management and financial accounts, to also implementing the appropriate King recommendations and holding Timbali's management to closer account. To boost the committee's capacity, we are in a process of finalising the recruitment of relevant board members based on the board's assessment of the relevant skills and expertise needed.

The board's learning curve continues to be steep and it remains focused on continuous improvement and upholding the letter and spirit of the King recommendations applicable to our environment. I am satisfied that Timbali's governance structure are stronger than ever, and that the board committees function effectively.

Timbali has a massive task to fulfill and it is our responsibility to serve the operational team and, by extension, every Timbali farmer. The board members appreciate the gravity of their task, and I thank and commend them for their dedication and contribution.

With the Timbali model about to be replicated on agri-parks across the country, results-driven agri-incubation is set to become a feature of the South African rural economy. As a board we are proud to be part of these exciting times and to play the governance role necessary to ensure Timbali's sustainability, the achievement of the country's job creation goals, and our farmers' success.



Bheki Mamphaga
 Chairman

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CEO's report

Implementation is about elbow grease, making stuff happen and bringing ideas to reality.



“Total assets implemented amounted to R40 million within 4% variance from the budget.”

“Creativity thinks up new things. Innovation does new things” in the words of Prof Theodore Levitt, Harvard University. This was a year of doing new things, about elbow grease and bringing ideas on paper to reality where the boot hits the soil. The milestones achieved during the past year are both small and large. We acquired 435ha prime agri-property for two new Model A Agri-Parks. The two farms are now looking and functioning less like conventional farms and more like the 21st Century amaVeg Agri Parks. Total assets implemented amounted to R40 million within 4% variance from the budget. This expansion in production area resulted in a 600% growth in amaVeg sales. A healthy 8% annual increase in amaBlom sales from the same size production areas, reflect the growth in both the old and the new.

Timbali's enterprise development key performance indicators of 72% women owned enterprises with a turn-over of R 15 174 355 Million Rand, 100% survival rate during first and second year, 100% youths in amaVeg Agri-Parks reflect our tendency to advance equal opportunity and economic empowerment in today's South Africa. The number of agri-business clients supported grew from 85 in 2012 to 252 in 2016. Coordination of market supply is proven by amaVeg's ability to secure 243 tons of growing programs from diverse niche markets, receiving orders from these markets for only 123 tons and actually selling 315 tons of which 35% was exported. The Coordinated vegetable production by small holder farmers grew from R 5.6m (2012) to over R15M (2016) in turn-over. A study of Timbali's youths-only amaVeg cluster's financial statements showed that 10% did not make a profit before taking home

monthly drawings, 51% did make profits, but could not always cover their monthly drawings consistently and 39% excelled to make a profit over and above their monthly drawings.

Who is Timbali and how are we different in today's South Africa? We have developed a unique culture within Team Timbali that consists of 49 staff members of whom 43% are female, 80% black and 51% youths. We have a favourite quotation that staff often quote on our Timbali-Joined-to-the-Hip-Whats-Up-Group: “The basic difference between an ordinary man and a warrior is that a warrior takes everything as a challenge while an ordinary man takes everything either as a blessing or a curse”, Don Juan's “Tales of Power”. This year when it mattered, we have ascended to the warrior state when God saw fit to provide us with power. We have discovered why everything depends upon our positive attitude and focused determination to live authentically and to pursue our vision unceasingly. To position our incubator so that knowledge, technology and innovation is at the heart of our intervention in developing farmers. From Agri-Park-Concept-Master-Plan level through the Cluster level and then to every individual farmer production unit level.

As a team we experienced extreme drought conditions, battled with abnormal heat, experienced hail storms, developed and implemented best-practice-employment-procedures, measured and managed productivity, quality, people, production, processes, water levels. We initiated a market intelligence scoreboard, implemented innovative cost-effective instant wind

breaks, refined communication about our traditional Timbali Incremental Incubation System, transformed on-paper-concept-master-plan targets into on-farm-grass-roots-actual-production to satisfy niche markets.

In his book *Good to Great*, author Jim Collins explains a number of key principles that defines greatness. One of these is the Hedgehog Concept that is about aligning three intersecting circles that represent three pivotal questions: At Timbali we implemented our Hedgehog Concept.

- We are the best in the world at placing mainly rural woman into sustainable small scale businesses and connecting them to sophisticated niche markets;
- We are deeply passionate about inclusivity of the bottom 40% of the population into the mainstream economy; and
- Our economic engine is driven by our value chain services that our clients are willing to pay for. This also assist funders to achieve their enterprise development goals. Inspired and guided by our Hedgehog, we have worked tirelessly and consistently to improve the Timbali model.

We consistently ticked every box, every day, without exception. Slowly but surely we built the momentum that catapulted us into the big leagues. An overnight success? Definitely not. We simply built our flywheel.

For us the Jobs Fund grant funding we received from 2015 allows us to deliver outputs and results at a far greater and more impactful level than before. And because our systems and processes have been honed over the years, we can now

scale our model with effort, but not with too many complications. The Annual Financial Statements showed 78% Job Fund funding as the key component of the financials. In future we will be revisiting traditional income activities to ensure future sustainability and growth.

A key public private partnership was taken to a new level of doing new things in 2015. LDARD invited Timbali to become the lead applicant in the Job Fund 5 Agricultural Round whereby the matched funding would be supplied by LDARD and DAFF CASP funding. Out of over 330 applicants, Timbali and LDARD progressed to the contracting stage of less than 20. We would like to thank our funders Seda, DAFF, SSACI, JF3 and Syngenta with newly acquired EU for their most valued support.

In the past year Team Timbali have again inspired me when ascending to the warrior state. I thank them for believing in our vision, embracing our systems, and overcoming the fear and complexities of steep growth over geographical distances through the sheer force of their attitude. Without its core team, Timbali would not be the shining light it is. It remains my pleasure and passion to lead this team as we scale ever greater heights. I would also like to thank our Board of Directors for their valuable governance. I would like to especially thank our Chairman, Mr Bheki Mamphaga from Mpumalanga Economic Growth Agency for his continued trust and support.



Louise de Klerk
 CEO

“The number of agri-business clients supported grew from 85 in 2012 to 252 in 2016. Coordination of market supply is proven by amaVeg’s ability to secure 243 tons of growing programs from diverse niche markets, receiving orders from these markets for only 123 tons and actually selling 315 tons of which 35% was exported.”

An analysis of the Key Performance Indicators

Timbali's 2015/2016 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 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 252 clients with different service delivery contracts from STP, DAFF, Job Fund 3, European Union and Syngenta. The SMMEs achieved a turn-over of R15 174 355. We celebrate this considering that they sell products for rands and cents (i.e. R2.80 per stem, or R6- R8 per punnet of 8 or 12). A total of 1 331 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 to link clustered 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 72% women owned enterprises had a 100% survival rate during first and second year, 100% youths in amaVeg Agri-Parks reflect our tendency to advance equal opportunity and economic empowerment in today's South Africa.

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Seda Technology Program

Quantitative measures	Target	Actual	Explanations
New SMMEs established	20	18	Timbali missed two SMME's due to a Means of Verification communication challenge.
Clients supported	200	252	
SMMEs supported	161	143	The target of 161 was out of character taking Timbali's historical 120 SMME's and 20 graduates into account.
% Graduations	80%	100%	Timbali graduated most of the clients that are in our model C to focus on the model A and B Agri-Parks.
% black-owned clients in portfolio	80%	100%	It is important for Timbali to work with emerging black farmers that require access to the market, and we focus on this audience with 100% of our clients in this demographic.
% woman-owned clients in portfolio	35%	72%	Timbali overachieve in this KPI due to the fact that our model lends it towards empowering woman.
% Youth clients in portfolio	40%	40%	Timbali overachieve in this KPI and grew its youths from 30% to 40% in one year because our model lends towards empowering youths.
Direct jobs created	75	85	Despite severe heat and abnormal drought conditions the job creation target was exceeded by 10.
Growth in SMME turn over	40%	7%	The turn-over target was not in line with prevailing economic growth trends in the agriculture industry.

Department of Agriculture Forestry and Fisheries (DAFF) supported by Seda and Limpopo Department of Agriculture and Rural Development (LDARD)

Quantitative measures	Target	Actual	Explanations
Agri-Enterprises supported	50	50	Contractually Timbali is in the process of completing its contractual obligations toward the DAFF Seda LDARD pilot model in Nwanedi.
Black Owned SMME's	50	50	
% Black-owned SMME's supported	100%	100%	
Women owned SMME's supported	23	48	The selection was facilitated by LDARD whom referred women to Timbali. They seem to find an affinity with the model. The targets were originally set in normal demographic conditions.
% Women owned SMME's supported	45%	96%	The selection was facilitated by LDARD whom referred women to Timbali. They seem to find an affinity with the model. The targets were originally set in normal demographic conditions.
Jobs created	25	23	The severe drought and abnormal heat conditions leads to seasonal job creation rather than permanent job creation.
Clustering activities	3	15	The original target was exceeded due to conservative projections, but the use of motorcycles have proven to benefit the frequency of interactions with the farmers.
Success Stories	4	12	Timbali system generates one story per month as oppose to a quarterly success story
Interaction with DAFF LDA Seda	3	20	The Timbali system of regular meetings continued in this year.
Knowledge Management System	3	8	The Timbali system of regular meetings continued in this year.
Interactions with similar organisations	3	39	The Timbali system of regular meetings continued in this year.
Management interactions with staff	12	31	The Timbali system of regular meetings continued in this year.



Farmer at AgriPark H (Helena),
Ms Maria Mlambo.



Timbali Job Fund JF3/3011-2

Quantitative measures	Target	Actual	Explanations
Approved Concept Master Plan	1	1	The Master Concept Plan provides the targets per Agri-Park to achieve the niche market supply targets while creating the jobs required by the Job Fund Agreement.
Ha Land Procured	120	435	The suitable farms with adequate water supply and arable land located in the appropriate climatic area resulted in more land being procured to enable crop rotation to be practiced on a total of 150 ha arable land with adequate water.
Infrastructure Procured	Yes/No	yes	A total deviation of 4% against the infrastructure budget was achieved.
Installation of infrastructure	Yes/No	Yes	A total deviation of 4% against the infrastructure budget was achieved.
Number of farmers trained	110	209	Timbali's Incremental Incubation program allows the strong farmers to progress and the others to exit, resulting in a higher than projected number of farmers attending the training sessions.
Quarterly Reports submitted	6	6	Grant Management System reports are website based and easy to use for reporting purposes.
External AFS	1	1	Board and AGM approved.
Permanent jobs created	73	75	Timbali exceeded its job creation target by 2 % interim to date.
Casual jobs created	150	437	Timbali's Incremental Incubation program allows the strong farmers to progress and the others to exit, resulting in a higher than projected number of casual jobs being created.

All of our Agri-Park farmers generate income through sales, and all Model A pay rent and levies towards the services they receive from the incubator. The funding is used to develop the SMMEs and support the incremental incubation process.



Farmer at AgriPark H (Helena),
Ms Ellen Maweela.

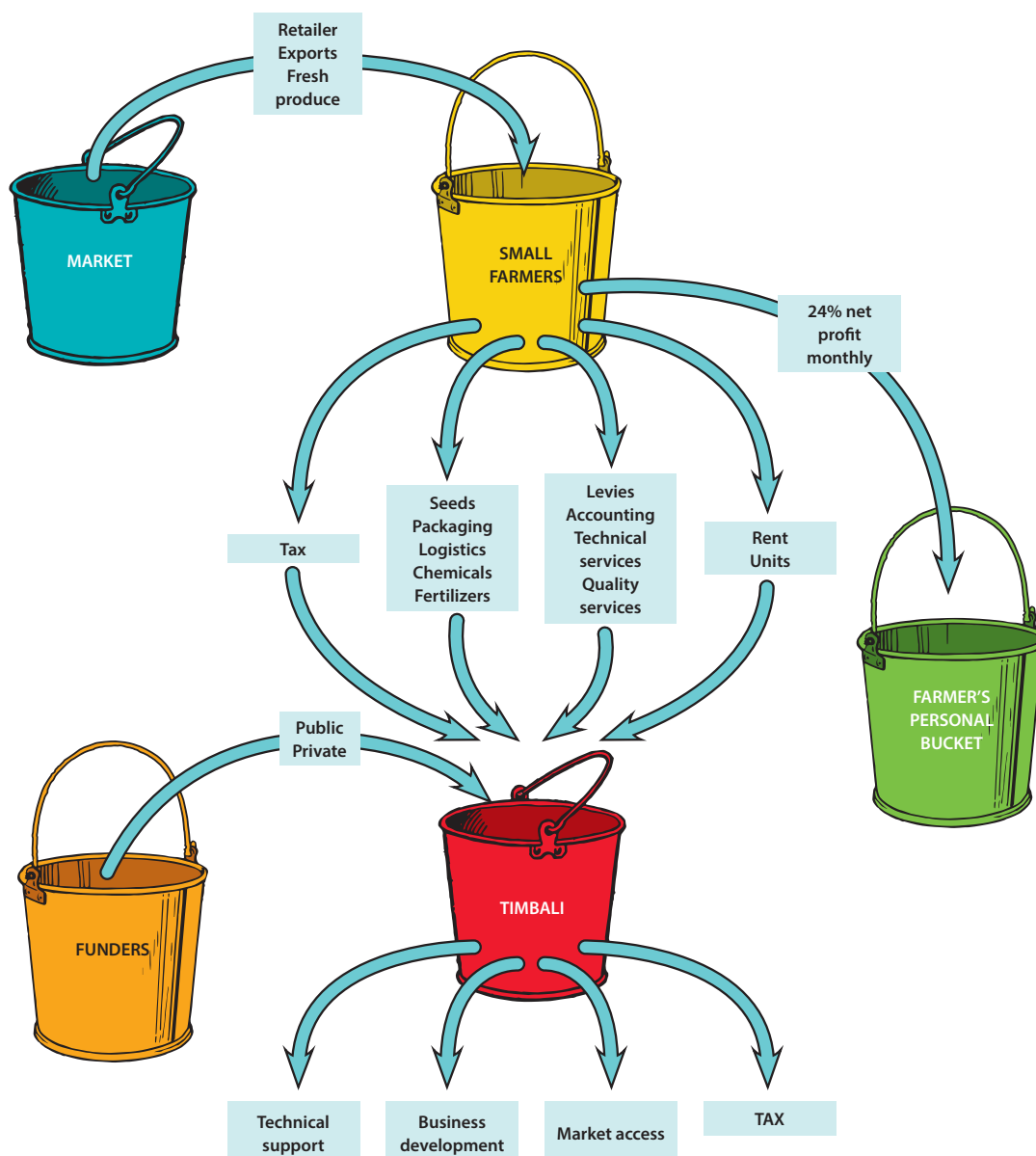
Sustainability the Timbali way

Timbali derives its sustainability as an organisation from two sources: donor funding to fulfill its skills development and incubation mandate, and revenue earned from the market access and supply chain services. The latter takes the form of rent and levy payments from the farmers.

The farmers build sustainable micro and small businesses on the income they generate from selling their produce and the support they receive from Timbali. The farmers pay for this support, which includes coordinated production, market access and technical advice, admin and accounting services, and infrastructure

development and maintenance, through levies.

The skills development and training services offered to the farmers are made possible by the donor funding Timbali receives from the government and from private organisations.



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 training of 209 and creating 75 permanent jobs and 437 short term jobs. Completion of two Global Gap Pack Houses, developing the growing programme for the mainly youth focused agri-businesses achieving 35 % sales generated by export, 36% sales generated by retail and 29% sales generated by Wholesale.



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 extreme heat and drought conditions were experienced in Nwanedi, Limpopo. Timbali introduced the habit of quantification by measuring the water levels in the dams of the area that assisted the farmers in making informed decisions to enhance planning, management and control.

Through this partnership between public and private entities is beneficial to the farmers. LDARD invited Timbali to partner with the province in applying for funding round five: The Jobs Fund's AGRICULTURE Funding Round.

The Jobs Fund is seeking innovative approaches to supporting smallholder farmers by providing/ enhancing access to existing markets and integration into agricultural value chains, facilitating training, as well as securing the viability and sustainability of the primary production activities. This contract went through to the business case round out of more than 300 applicants.



SEDA Technology Programme (Seda Technology Program)

As founding funder, SEDA is one of Timbali's key partners in keeping the focus on enterprise development. Timbali was invited to present its Agri-park model at the South African Business Incubation Conference (SABIC) in March 2016.

72% of Timbali's clients are women and 100% of them are black – we exceeded STP's expectations in this regard. We reached to target of 40% youths.

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



European Union delegation to the Republic of South Africa, Finance and Contracts section

EU awarded Timbali with a funding contract for Skills development and job creation by providing Business Support services to SME's. The objectives of the action is to create a new business unit at a new location identified with partners.

Agri-Park Rietfontein in Lydenburg district was identified in May 2015. The new business unit was occupied in September 2015. Timbali acquired 344 hectares of which 120 hectares will be utilised for

crops, in the Badfontein area, near Lydenburg. A Concept Master Plan was completed based on market demands and growing programs for the area.

The selection and recruitment of new staff and beneficiaries were completed. 10 unemployed Youths were registered in pre-incubation of which 9 are Women. 5 Direct jobs and 9 Seasonal jobs were created during this reporting period.

Partners and sponsors

Timbali sponsors



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 the Timbali System

We believe that Innovation simplifies your organisation to its critical essentials and make things easier and simpler for you and your people otherwise its not Innovation but complication. 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 systems implemented in this financial year. The learnings have all been implemented to mitigate risks.

System1: The incremental incubation system

Timbali implements a model of incremental incubation (see diagram below), starting at pre-incubation. The

SSACI youths' skills development contract specifically pointed out the value of this approach and allowed us to refine our model. 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 sound financial returns. Timbali's Incremental Incubatees (TII) System.

Incremental Incubation Dashboard (sample) Helena Week 21

Introduction (3 months)	Induction (3 months)	Pre-incubation Phase 1 (Project)	Pre-incubation Phase 2	SMME Incubation
1 Paulinah Malwane: 100% 2 Ncobile Khoza: 75% 3 Nonhlanhla Singwane: 92% 4 Noxolo Masilela: 75% 5 Thokozile Nkalanga: 83% 6 Bonakele Madosela: 100% 7 Dudu Saliya: 100% 8 Velaphi Malwane: 75% 9 Hlobisile Makamo: 75% 10 Odetta Ngonyama: 92% 11 Siphile Masilela: 92% 12 Happy Magagula: 83% 13 Ntombifuthi Nyathi: 42% 14 Sonto Tibane: 17% 15 Busisiwe Sibiya: 67%	1 Cynthia Mabunda: 75% 2 Busi Khoza: 83% 3 Thulani Lubisi: 100% 4 Musa Maswanganhe: 83% 5 Andile Nyambi: 83% 6 Precious Madonsela: 100% 7 Lindiwe Machava: 85% 8 Busisiwe Mashabane: 83% 9 Maponga Mnisi: 58% 10 Confidence Hlatshwayo: 67% 11 Cecilia langa: 67%	1 Tamary Maluane: 94% 2 Perturnia Sondlana: 75% 3 Delisile Nhleko: 100% 4 Busie Masinga: 75% 5 Hellen Chigulo: 75% 6 Cynthia Mawelela: 75% 7 Cynthia Msimango: 95% 8 Sophy Mathonsi: 75% 9 Goodness Mabunda: 92% 10 Sarah Silawule: 95% 11 Maria Mahlalela: 100% 12 Khabo Lukele: 94% 13 Lungile Sambo: 86% 14 Busi Masinga: 75% 15 Conetia Nsimbini: 83% 16 Ntombikayise Sambo 83% 17 Linah Mkhathwa: 67% 18 Bheki Mhlongo: 58%	1 Annah Zwane: 90% 2 Victoria Mashele: 81% 3 Sonto Vuma: 88% 4 Phindile sitoe: 83% 5 Promise Ndlovu: 85% 6 Ncobile Khoza: 75% 7 Lungile Sambo: 86% 8 Sonto Nhlebeya: 98% 9 Thembisile Zwane: 94%	1 Nonhlanhla Mashaba: 85% 2 Nelisiwe Mashabane: 89% 3 Florance Mabuza: 86% 4 Khanyisile Mondlane: 89% 5 Goodman Makwakwa: 89% 6 Ellen Mawelela: 89% 7 Sonia Zitha: 89% 8 Charmaine Khoza: 98% 9 Rebecca Moraila: 89% 10 Nontokoza Ndhlovu: 91% 11 Thomas Maminza: 81% 12 Betty Mona: 89% 13 Anita Ntuli: 86% 14 Samkelisiwe Ntshangula: 80 % 15 Linah Mathabela: 85% 16 Phumzile Ngomane: 83% 17 Nonhlanhla Mathabela: 48% 18 Florance Dladla: 90%

Total 81

Average 73%

Timbali's Incremental Incubation Dashboard (TIID) provides a reliable measurement tool for the A.) Production and Productivity KPI's per farmer based on their practical performance in the field. B.) Entrepreneurial, Life skill and Technical Theoretical test results per week and their financial performance. C.) The above 3 measurements provide the score per farmer per Agri Park, which enables us to give feedback to the farmers on their progress. The purpose is to address the risk of signing up the wrong farmers by a clear, fair, accountable and transparent system that is reported in the Timbali Incremental Incubation Dashboard below.

The Timbali system becomes the solution to problems that have beset organisations since time immemorial. The system integrates all elements required to make it work and is tested and controlled in the Prototype to a degree never before possible (e.g. Franchise Prototype, McDonalds – it becomes a mind-set of Discipline, Standardisation and Order.) Rigorous training of the Staff Team is being done for the entire Timbali Team to understand the system which becomes the brand and the ability to keep our promise to our customers and to their markets.

System 2: Drought conditions calls for extreme measures

All water levels are monitored weekly and then submitted and displayed on the Water Dashboard so farmers are constantly informed of the availability of water at each Agri-Park. This is a crucial tool especially with the severe drought we are currently experiencing. This also influences our decision-making on quantity of hectares to be planted, crops to be planted etc. The most important lesson learnt is that upon completion of infrastructure

and equipment procurement, strong, transparent management systems need to be instituted to be able to control and optimally use all infrastructure, equipment and plants. We have learnt that "Whatever gets Measured will get Managed". To be able to manage this risk situation, several data-collecting and monitoring and evaluation tools were developed. The purpose of these tools are to empower the Timbali Team and amaVeg trainee farmers to be able to mitigate risks. (See graphs alongside)

System 3: The Agri-Park Sales System grew significantly

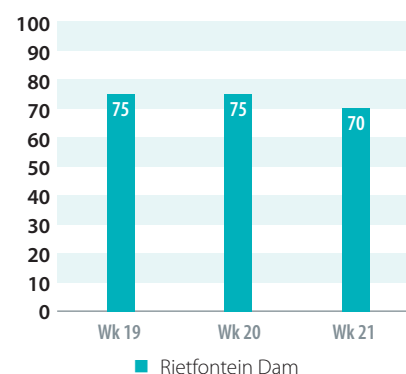
We have produced 315 tons of baby-veg generating over R6m in sales over the past 2015/16 year in the newly established model A Agri-Parks. A great achievement while we still have some way to go to enable the young baby vegetable farmers to establish viable and sustainable SMME's, it's been a great start.

Apart from the progress made in transfer of skills to farmers, markets have been established, and buyers of baby veg are taking Timbali farmers seriously. A major challenge was to grow the more lucrative export and retail markets, and to match production output with demand from these two premium markets.

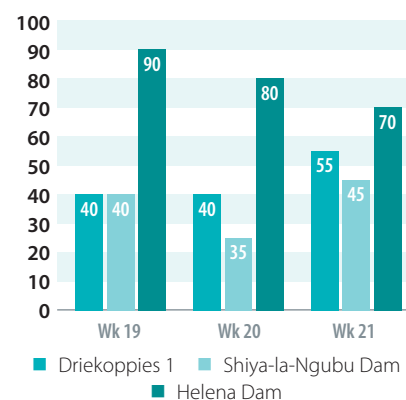
'Dumping' prices for products have been determined and will be kept up to date. Unless contributions to overheads can be achieved, excessive product is left on the land or disposed of in a manner which does not reduce average prices. This management process is rigorously and expertly applied in order to generate a profitable livelihood for our amaVeg farmers. Timbali's Agri-Park Sales system allowed the expanding our product range to 22 different crops to provide a significant basket to the niche markets.

Water levels for dams supplying Timbali farms

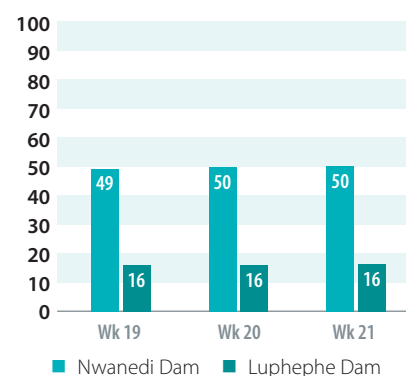
Rietfontein



Helena



Nwanedi



Our model

The key elements of the Timbali model are:

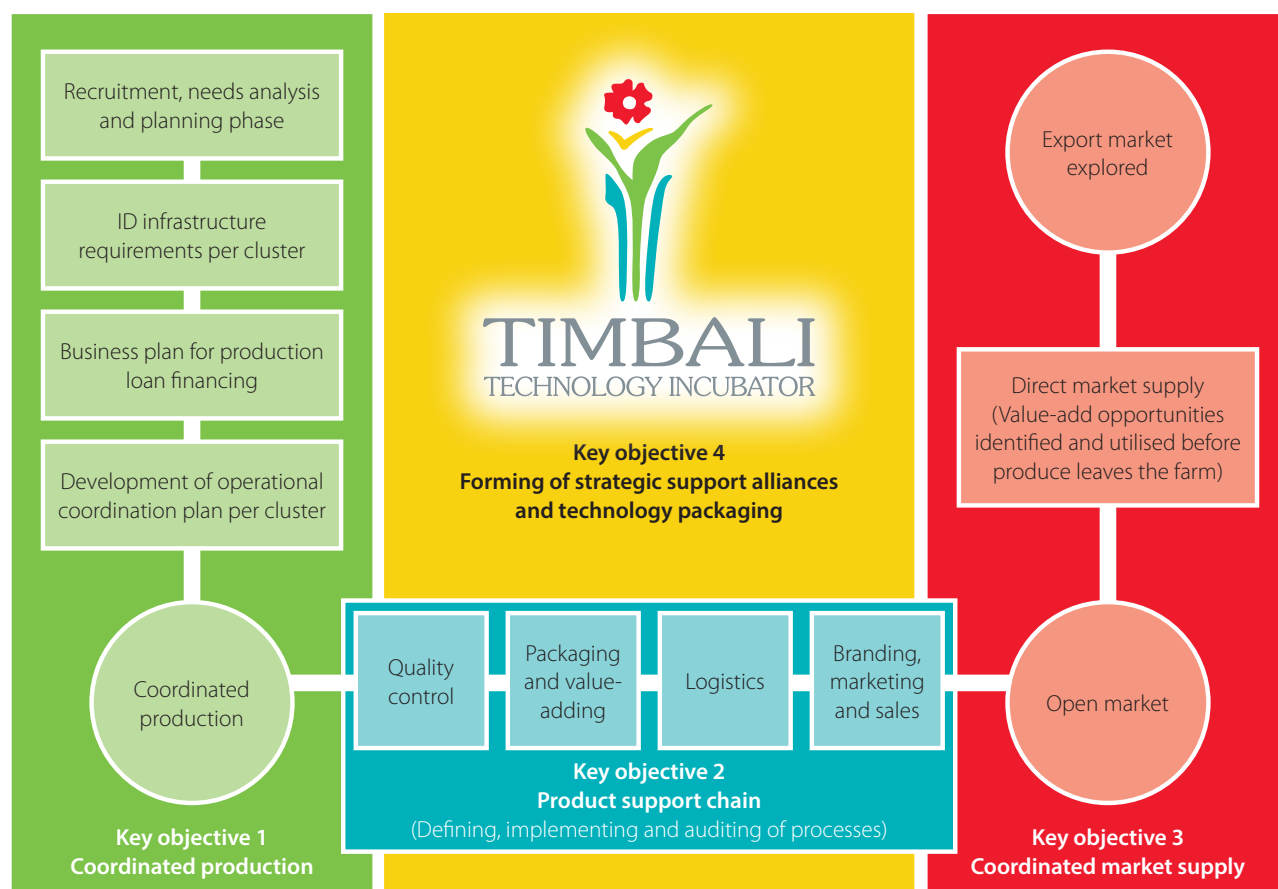
1. **Coordination of Production** Objective is aimed at recruiting, planning, establishing infrastructure, product development and acquiring production loan financing whereby production is coordinated within the cluster to satisfy market demand.
2. **Extension of the product support chain** Objective 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 small-scale 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 small-scale farmers to markets in order to increase sustainability.



About Timbali

Timbali Technology Incubator (Timbali) set up small-scale 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.

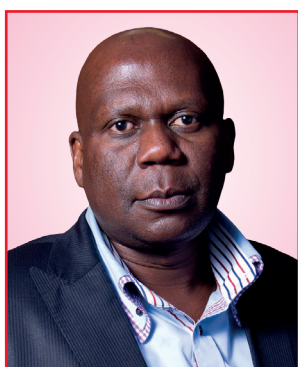
- Contact Timbali to provide you with enterprise development services. Becoming a funding partner of Timbali grows our footprint and capacity, and provides you with solid return on investment, B-BBEE scorecard points, and a tax-deduction.
- Share with us how we can work with you, or you can work with us.

The Timbali Tactics Table

Tactics Defined	Agri Park Model A	Satellite Agri Park Model B	Effective Skills Development Model C
1. Timbali's role and relationship with farmers	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
2. Characteristics of the model	<ul style="list-style-type: none"> • High infrastructure cost & capital investment • High return • Low risk • Medium to high job creation potential • Highest SMME sustainability • Highest Incubation sustainability though rent & levies 	<ul style="list-style-type: none"> • Medium infrastructure cost • High return • High risk • High job creation potential • Medium SMME sustainability • Medium incubation sustainability through levies 	<ul style="list-style-type: none"> • Low infrastructure cost • Medium return • High risk • Medium to low job creation potential • Medium to low farmer sustainability • Low incubation sustainability
3. Benefits	<ul style="list-style-type: none"> • Full Global Gap certification • Guaranteed market off-take • Full supply-chain support • Mitigate the external weather risks through covering • Monitoring scientific farming practices • Quality Management • Business management and admin services 	<ul style="list-style-type: none"> • Co-ordinated production leads to large impact on bottom-line for farmers • Economy of scale • Access to scientific farming practices • Improved quality awareness • Awareness of business management & Admin • Weekly interaction with the farmers • Less spatial growth limitations 	<ul style="list-style-type: none"> • Access to scientific farming practices • Improved quality awareness • Awareness of business management & Admin • Awareness of potential through clustering and co-ordinated production • Less spatial growth limitations

Learn more about Timbali by visiting www.timbali.co.za, or call us on 013 752 4247.

The Timbali Board



Mr Bheki Mamphaga
(Chair) (Mpumalanga Economic
Growth Agency – MEGA)



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



Ms Ntokozo Majola
(Seda)



Mr Peter Hughes
(Industry Specialist)



Dr Madime Mokoena
(DAFF)



Ms Karin Hannweg
(Secretary) (ARC-ITSC)



Mr Kenneth Duncan
(SSACI)



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

The Timbali Team

The Timbali Team

With the expansion of our incubation capacity, we require staff who understands the business of Timbali (incubation) and the business of our clients (agriculture). We welcome the new team members to the Timbali team and thank the existing staff for their hard work and dedication through this enormous stage of growth.

Pictured here are (from top left):

Louise De Klerk, CEO

Mylene Torres, BDM: Marketing

Jason van Huyssteen, BDM: Production

Sydney Chauke, BUM: Agri Park N (Nwanedi)

Leonard Kamhuka, BUM: Agri Park R (Rietfontein)

John Mangani, BUM: Agri Park H (Helena)

Renette Rootman, Accountant

Bright Matimbe, Cluster Coordinator

Busisiwe Mkhize, Business Development Officer

Susann van Heerden, Sales & Admin Manager

Jooma Chitenje, Packhouse Supervisor

Eleck Nkuna, Cluster Coordinator

Renee Swarts, Budget controller

Cassandra Bessenger, HR & KPI Developer

Brian Hlatshwayo, PSF Officer

Joseph Khoza, PSF Assistant

Patience Letswele, Receptionist

Thembinkosi Mahlangu, PSF Officer

Howard Malope, PSF Officer

Tshoshane Mampa, Creditor's Clerk

Salom Maphanga, Accounts & Sales Assistant

Elizabeth Mashele, PSF Officer

Rhulisani Mkhonto, Accounting Clerk & HR assistant

Surprise Mnisi, PSF Officer

Ernest Musandiwa, PSF Officer

Khuliso Musweswe, PSF Officer

Ashly Netshivhera, PSF Officer

Rofhiwa Nevhulaulauzi, PSF

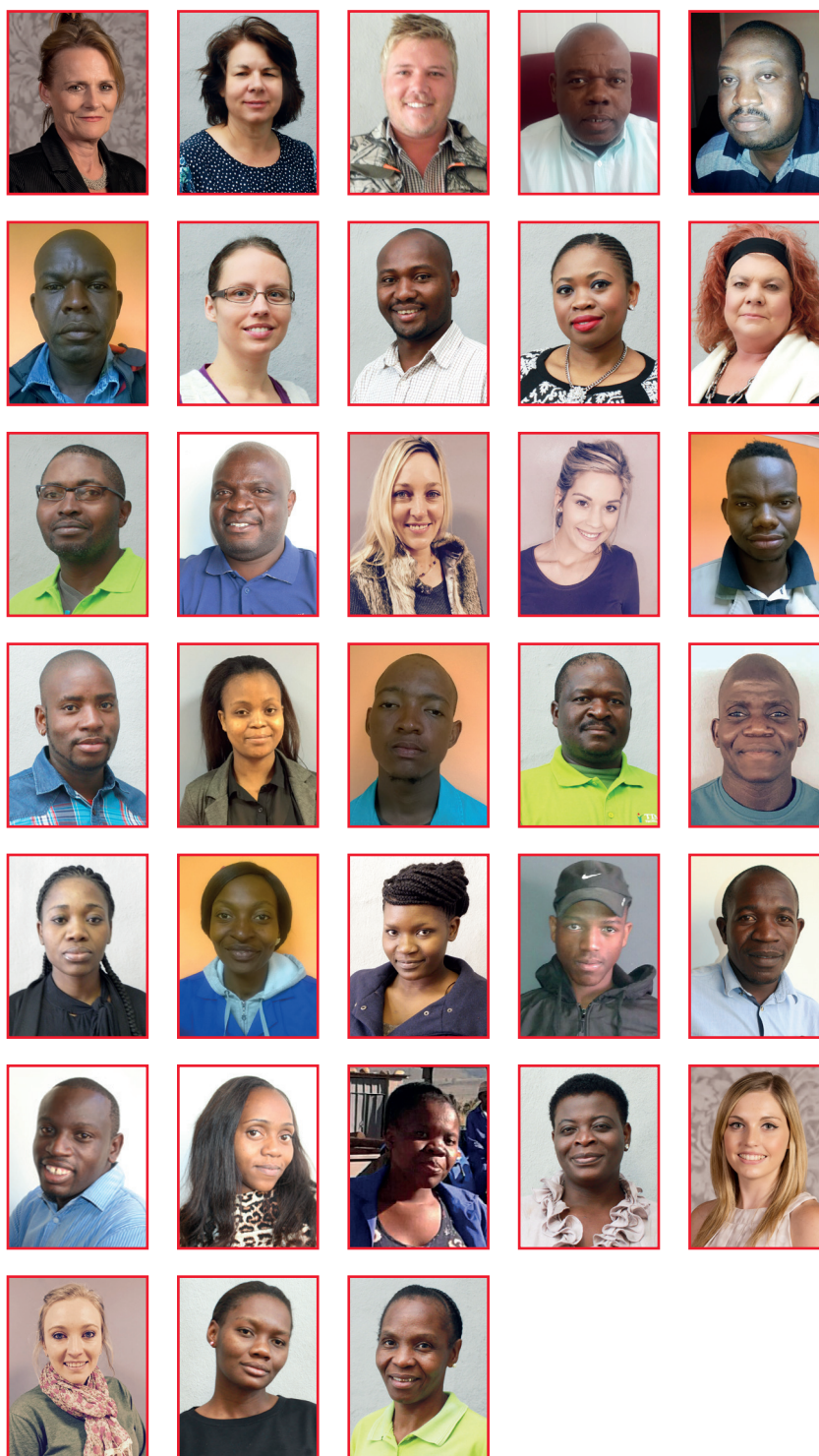
Nonhlanhla Ngomane, Packhouse Supervisor

Nadine Pretorius, Executive Assistant

Santie Salim, HR & KPI Coordinator

Bridget Sedibe, Marketing Assistant

Martha Silinda, General Assistant



Success stories

Opportunities for the young

Youth unemployment is one of the most pressing challenges South Africa faces, along with many other developing countries. The Timbali model is proving to be a viable solution.

Twenty-four-year-old Nelisiwe Mashabane is one of the most successful farmers at Agri-Park H in Komatipoort. Not only was she the star of the month in December last year – harvesting an average of 30 crates (approximately 330kg) of baby corn per day – but she also received the 2015 award for “success story of the year”.

Nelisiwe joined Timbali a year ago (March 2015) as an unemployed young woman with two children, her mother and two younger sisters to support. With little skills to offer the job market, her prospects were not good. At Timbali, however, she was given the opportunity to take control of her life – and the structured environment in which to do so successfully and sustainably.

“I find it interesting to be here at Timbali,” she says, “because I have gained knowledge, skills and education about farming. I have also learned to take responsibility for myself.”

Nelisiwe was previously named farmer of the week for her green beans and baby marrows, and in FEBRUARY 2016 repeated this achievement thanks to an average of 14 crates (approximately 154kg) of marrows per day and 4,6 tonnes per month. In addition, she harvested, on average, eight crates of brinjals and peppers per day, adding up to 240kg per week.

Nelisiwe's story is not the exception. Social impact research conducted towards the end of 2015 showed that the majority of new entrants was young and that many of them move through Timbali's incremental incubation model to become successful, self-sustaining farmers who ended up employing others.

Although it is true that vast numbers of young people migrate to the cities for opportunity and excitement, those who do remain at home find themselves in the dual trap of being young and largely unskilled, and living in rural areas where there are limited economic activity.

Timbali addresses both issues. The incubation model provides



farmers with a recipe for farming along with the necessary support services, while also equipping them with life and business skills. The social impact research found that the successful farmers chose to stay in the rural areas and invested money into improving their living standards. The ultimate outcome is economic stimulation in the areas of our country where it is most needed, resulting in more opportunities for young people such as Nelisiwe – a passionate young business woman with big farming ambitions.



Josephine's story

I am Josephine Skhosana. I live at Coromandel Farm and have three children. Before I came to Timbali last year, I was unemployed and struggling a lot. It was so bad that I could not pay school fees for my children. Now, however, I can afford a lot of things! At Timbali I own a block of baby marrows and I have learned about different types of irrigation, how to operate a tractor, and how to apply fertiliser. My challenges are bees, weeds and worms. I want to start a business when I'm done at Timbali because I have learned a lot.



Rhulani's story

My name is Rhulani Ndubane and I am 22 years old. I started working at Timbali as a trainee farmer in December 2013. At first I worked with baby marrows and baby butternut; today I grow baby cabbages, savoy cabbages, and red and green cabbages. I sell 30% of my produce to local markets and 70% is exported to overseas markets. Because worms and aphids attack my crops, it is very important for me to do scouting daily. Timbali has taught me to plant, apply fertiliser, and how to irrigate, weed and harvest. In five years I see myself owning a farm and creating more than 10 permanent job opportunities in South Africa.



Tshidi's story

I am Tshidi Mashego (23 years old) and I inherited my love for farming from my mother who works in a project called Vuka ubuye le emasimini. A friend told me that Timbali trained small-scale farmers. It was the opportunity I was wishing for and I started here in December 2014, farming mainly with carrots. Carrots are often targeted by nematodes, and at first we struggled to sell our produce as they did not look good from the nematode scars. Our mentors helped us to introduce Nematicide to the carrot cluster. We apply the product before

sowing. Our carrots are now free from nematodes, our customers are very happy and we are getting orders every week. We now harvest 500kg of carrots a week. I want to thank Timbali with the opportunity it has given to me. Now I know that farming is a business that can help me to raise my family and create job opportunities for others. In five years' time I want to be selling most of my produce to overseas markets.

Tsidi is one of our best performers with 100% attendance for October, and an average of 93% for October's tests and KPI performance.



Timbali Technology Incubator sets up small-scale farmers in sustainable businesses since 2003. As a non-profit organisation we provide business development services including but not limited to business management, accounting and sales. The technical skills, technology and clustering (grouping farmers together to share services and create bulk buying power) create the ability for a small-scale farmer to compete with commercial farmers.

As indicated in the bottom end Timbali's map, clustering is one of Timbali's key success factors. Without a quality product, no business will be sustainable. Timbali provides farmers with access to quality management systems and ensure that proper risk management is in place. In addition to this, we assist with their route-to-market, ensuring they sell products and get a good rate paid into their accounts, linking closely with careful financial planning and other business skills.

The number of unsuccessful small-scale farmers is proof that it is not easy to start a farm as a business. For this reason, Timbali has a holistic model which provides more than training – Timbali's model mitigates all risks that the small-scale farmer will be exposed to.

Apart from creating an enabling environment, Timbali also provides a route to the market and negotiates prices with large buyers, to whom a collective product from the cluster is sent. In essence, it is important to note that the sum of all these elements presented in our map have been developed to ensure that small-scale farmers can be successful. 100% of Timbali's farmers make it through the first year of business, and the results of our farmer's success speak for itself.

Annual Financial Statements

for the year ended 31 March 2016



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:

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

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 26 to 38 which comprise the statement of financial position at 31 March 2016, 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 2016, 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 2016, 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 and Jobs Fund, we report the following:

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

In accordance with the funding requirement of the SEDA Technology Programme, DAFF and Jobs Fund 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 page 39:

Predetermined objectives

No material findings to report



A2A Kopano Incorporated

Proforum Building
5 van Rensburg Street
Nelspruit
1200

Per: FRL Eksteen

Registered Auditor
Director
27 June 2016

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 22.

The annual financial statements as set out on pages 26 to 38 were approved by the board on 27 June 2016 and were signed on their behalf by:



BG Mamphaga
Chairperson of the board



JP Hughes
Audit Committee Chair



L de Klerk
Chief Executive Officer

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

Directors' Report

The directors present their report for the year ended 31 March 2016.

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. Current projects include the establishment of agri business parks in Helena and Rietfontein, these farms were acquired at the end of the previous financial year. Production on these farms started in this financial year.

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.

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.

2. 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.

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the company.

3. Financial Performance

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

	31 March 2016	31 March 2015
Solvency	R19 965 195	R9 383 996
Assets, fairly valued, exceed liabilities	R40 172 790	R19 965 195
Solvency ratio	83%	56%
Liquidity	R374 070	R503 633
Liquidity ratio	2.51 : 1	1.11 : 1
Funds used as bridging finance until grant funding is received and for monthly cash expenses	R486 728	R374 070
Months operating expenditure covered by free cash flows	0.22	0.30

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.

4. 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.

5. 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.

6. Dividends

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

7. 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

8. Secretary

The company's designated board secretary is K Hannweg.

9. Auditors

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

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

Statement of Financial Position

Figures in R	Note(s)	2016	2015
Assets			
Non-Current Assets			
Property, plant and equipment	3	27 403 455	18 257 773
Intangible assets	4	17 497	21 299
Biological assets	5	319 191	74 853
		27 740 143	18 353 925
Current Assets			
Inventories	6	2 746 932	443 579
Trade and other receivables	7	3 697 511	1 788 549
Cash and cash equivalents	8	14 269 381	15 101 817
		20 713 824	17 333 945
Total Assets		48 453 967	35 687 870
Funds and Liabilities			
Funds			
Accumulated funds		40 172 790	19 965 195
Non-Current Liabilities			
Borrowings	9	14 210	63 549
Current Liabilities			
Trade and other payables	11	2 333 177	1 219 349
Current portion of long term liabilities	9	58 966	85 590
Deferred revenue	12	5 874 824	14 354 187
		8 266 967	15 659 126
Total Equity and Liabilities		48 453 967	35 687 870

Statement of Comprehensive Income

Figures in R	Note(s)	2016	2015
Revenue	13	8 350 554	4 128 866
Cost of sales		(9 447 934)	(3 718 087)
Gross (deficit)/ surplus		(1 097 380)	410 779
Other income	14	37 761 624	20 837 196
Operating costs	21	(17 109 727)	(11 462 322)
Operating surplus		19 554 517	9 785 653
Finance income	15	668 651	827 260
Finance costs	16	(15 573)	(31 714)
Surplus for the year		20 207 595	10 581 199

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

Statement of Changes in Funds

Figures in R	Accumulated Funds	Total
Balance at 1 April 2014	9 383 996	9 383 996
Total surplus for the year	10 581 199	10 581 199
Balance at 1 April 2015	19 965 195	19 965 195
Balance at 1 April 2015	19 965 195	19 965 195
Total surplus for the year	20 207 595	20 207 595
Balance at 31 March 2016	40 172 790	40 172 790

Statement of Cash Flows

Figures in R	Note(s)	2016	2015
Cash flows from operating activities			
Surplus for the year		20 207 595	10 581 199
<i>Adjustments for:</i>			
Finance costs		15 573	31 714
Depreciation of property, plant and equipment and biological assets		2 339 321	1 224 438
Amortisation of intangibles		3 803	3 803
Investment income		(668 651)	(827 260)
Loss/(Profit) on disposal of property, plant and equipment		215 153	(8 772)
Fair value adjustment on grant related to assets		-	17 050 084
Operating cash flow before working capital changes			
<i>Working capital changes</i>			
(Increase)/decrease in inventories		(2 303 353)	28 407
Increase in trade and other receivables		(1 908 962)	(1 136 057)
(Decrease)/Increase in trade and other payables		(7 365 535)	11 640 540
Cash generated by operating activities		10 534 944	38 588 096
Interest received		668 651	827 260
Finance costs		(15 573)	(31 714)
Net cash from operating activities		11 188 022	39 383 642
Cash flows from investing activities			
Property, plant and equipment acquired		(11 662 571)	(29 087 258)
Biological assets acquired		(283 702)	-
Proceeds on disposals of property, plant and equipment		2	8 772
Proceeds on disposals of biological assets		1 777	-
Net cash utilised in investing activities		(11 944 495)	(29 078 486)
Cash flows from financing activities			
Loans repaid		(75 963)	(328 433)
Net cash utilised in financing activities		(75 963)	(328 433)
(Decrease)/Increase in cash and cash equivalents		(832 436)	9 976 723
Cash and cash equivalents at beginning of the year		15 101 817	5 125 094
Cash and cash equivalents at end of the year	8	14 269 381	15 101 817

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

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.

These financial statements have been prepared under the historical cost convention and are presented in South African Rands.

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 other income 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 and Equipment	16,67%
Motor vehicles	10% to 20%
IT Equipment	33,33%
Office Equipment	20,00%
Furniture and Fittings	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%
----------------	--------

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 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.

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

Notes to the Annual Financial Statements

Figures in R

Investment property

3. Property, plant and equipment

	Cost	Accumulated depreciation	2016 Carrying value	Cost	Accumulated depreciation	2015 Carrying value
<i>Owned assets</i>						
Land and buildings	16 005 700	2 124 774	13 880 926	10 972 850	1 931 414	9 041 436
Plant and equipment	8 561 769	1 701 613	6 860 156	5 200 856	873 831	4 327 025
Motor vehicles	3 862 034	1 748 186	2 113 848	3 962 330	1 161 592	2 800 738
Furniture and fittings	445 222	29 492	415 730	-	-	-
Clusters/Tunnels	9 396 781	5 524 120	3 872 661	7 184 760	5 281 366	1 903 394
Office equipment	487 796	442 191	45 605	450 647	434 589	16 058
IT equipment	505 390	290 861	214 529	387 009	217 887	169 122
	39 264 692	11 861 237	27 403 455	28 158 452	9 900 679	18 257 773

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

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2016 Carrying value at end of year
<i>Owned assets</i>					
Land and buildings	9 041 436	5 032 850	-	(193 360)	13 880 926
Plant and equipment	4 327 025	3 757 525	(173 699)	(1 050 695)	6 860 156
Motor vehicles	2 800 738	-	(12 896)	(673 994)	2 113 848
Furniture and fittings	-	445 222	-	(29 492)	415 730
Clusters/Tunnels	1 903 394	2 212 021	-	(242 754)	3 872 661
Office equipment	16 058	38 849	(1)	(9 301)	45 605
IT equipment	169 122	176 104	(28 559)	(102 138)	214 529
	18 257 773	11 662 571	(215 155)	(2 301 734)	27 403 455
Carrying value at beginning of year	Additions	Disposals	Depreciation	2015 Carrying value at end of year	2014 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
	7 876 562	521 278	(5 496)	(982 395)	7 409 949

Motor vehicles with a carrying value of R116 775 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
- Portion of Portion 72, Friedenheim Farm 282J, Nelspruit	5 212 350	5 212 350
Farm Helena		
Portion 2 of Farm Helena 400JU		
-Acquired on 09 March 2015 for	13 991 674	13 991 674
-Costs of additions or improvements	3 751 305	75 000
-Grant applied	(12 148 174)	(12 148 174)
	5 594 805	1 918 500
Farm Rietfontein		
Portion 3 and Portion 15 of the Farm Rietfontein 109		
-Acquired on 20 March 2015 for	8 743 910	8 743 910
-Costs of additions or improvements	1 356 545	-
-Grant applied	(4 901 910)	(4 901 910)
	5 198 545	3 842 000

Figures in R

4. Intangible assets

	Cost	Accumulated amortisation / impairment	2016 Carrying value	Cost	Accumulated amortisation / impairment	2015 Carrying value
Trademarks	38 025	(20 528)	17 497	38 025	(16 726)	21 299

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	2016 Carrying value at end of year
Trademarks	21 299	-	(3 803)	-	17 497
	Carrying value at beginning of year	Fair value gains / Additions	Amortisation / Impairments	Reclassified held for sale / Disposals	2015 Carrying value at end of the year
Trademarks	25 102	-	(3 803)	-	21 299

5. Biological assets

	Cost	Accumulated amortisation / impairment	2016 Carrying value	Cost	Accumulated amortisation / impairment	2015 Carrying value
Biological assets	637 423	(318 232)	319 191	453 885	(379 032)	74 853

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

	Carrying value at beginning of year	Amortisation / Additions	Impairments	Reclassified held for sale / Disposals	2016 Carrying value at end of the year
Biological assets	74 853	283 702	(37 587)	(1 777)	319 191
	Carrying value at beginning of year	Amortisation / Additions	Impairments	Reclassified held for sale / Disposals	2015 Carrying value at end of the year
Biological assets	109 941	-	(35 088)	-	74 853

Figures in R

	2015	2014
Gerbera Plants	319 191	74 853

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

Notes to the Annual Financial Statements (continued)

Figures in R	2015	2014
6. Inventories		
Inventories comprise:		
Consumable stores	963 275	29 496
Finished goods	238 770	86 751
Standing crops	1 544 887	327 332
	2 746 932	443 579
7. Trade and other receivables		
Trade receivables	1 589 928	876 169
Prepaid expenses	-	3 135
Deposits	243 544	-
Value Added Tax	1 864 039	909 245
	3 697 511	1 788 549
8. Cash and cash equivalents		
Favourable cash balances		
Cash on hand	3 195	3 704
Bank balances	14 266 186	15 098 113
	14 269 381	15 101 817
Cash flow commitments		
Deferred income commitments	(5 874 824)	(14 354 187)
Capital commitments (refer note 20.)	(180 000)	(180 000)
Audit fees for Annual Financial Statements	(79 500)	(59 500)
Audit fees for performance audit	(21 000)	(19 500)
Income committed to specific projects	(553 460)	(534 621)
Borrowings	(73 176)	(149 139)
Crop rotational fund loan – amaVeg	(8 365 027)	-
Trade receivables	3 697 511	1 788 549
Trade payables	(2 333 177)	(1 219 349)
Funds used as bridging finance until grant funding is received and for monthly cash expenses	486 728	374 070
Opening cash surplus	374 070	503 633
Surplus/ (loss) from incubation services	(1 097 380)	410 779
Less amounts re-invested into training	1 210 038	(540 342)
	486 728	374 070
9. Borrowings		
Instalment sale agreements. These loans are secured by motor vehicle Nissan Qashqai, bears interest at 9.25% – 10.25% (2015: 9% – 9.5%) with monthly repayments of R4 914. Refer to Note 3. The other 4 instalment sales on vehicles were settled.	73 176	149 139
	73 176	149 139
Repayable within one year, transferred to current liabilities	(58 966)	(85 590)
	14 210	63 549

Notes to the Annual Financial Statements (continued)

Figures in R

	2015	2014
10. Commitments under operating leases		
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	201 667	183 333
At year-end, the company has outstanding commitments under non-cancellable operating leases that fall due as follows:		
Within one year	221 833	159 211
Later than one year but within five years	774 856	704 414
Later than five years	244 444	466 666
	1 241 134	1 330 291

11. Trade and other payables

Accrued liabilities	467 114	221 694
Sundry payables	60 532	37 758
Trade payables	1 805 531	959 897
	2 333 177	1 219 349

Figures in R

12. Deferred revenue

	Opening balance	Funding received	Utilised during the year	Closing balance
Reconciliation of deferred income – 2016				
Anglo American Chairman's Fund (AACF)(Tshikululu) Funding	125 054	-	-	125 054
Department of Agriculture, Forestry and Fisheries (DAFF) Funding	967 752	1 825 000	(1 575 941)	1 216 811
Swiss-South African Cooperation Initiative (SSACI)	155 487	500 000	(504 602)	150 885
Syngenta	-	409 000	(409 000)	-
Seda Technology Programme (STP) operating expenses	-	2 500 000	(2 500 000)	-
Seda Technology Programme (STP) additional funding	5 432	-	-	5 432
Department of Trade and Industry (DTI) – Crop rotational fund	350 000	-	-	350 000
Industrial Development Corporation (IDC)	73 414	-	(4 370)	69 044
Nedbank Funding	116 810	-	(56 600)	60 210
European Union Funding (EU)	-	2 917 394	(1 684 966)	1 232 428
Jobsfund Funding	12 560 238	19 681 807	(29 577 085)	2 664 960
	14 354 187	27 833 201	(36 312 564)	5 874 824
Reconciliation of deferred income – 2015				
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
Eskom	-	-	-	-
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
	2 919 344	48 108 526	(36 673 683)	14 354 187

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

Notes to the Annual Financial Statements (continued)

Figures in R	2015	2014
13. Revenue		
An analysis of revenue is as follows:		
Sales	8 350 554	4 128 866
14. Other Income		
Anglo American Chairman's Fund (AACF) (Tshikululu) Funding used	-	198 680
Consulting fees received	-	325 541
Department of Agriculture, Forestry and Fisheries (DAFF) Funding used	1 575 941	1 817 873
Donations received – in kind services	39 544	-
Employment Tax Incentive Received	387 388	602 569
European Union Funding used	1 684 966	14 938
Industrial Development Corporation (IDC) funding used	4 370	174 017
Insurance claims	49 751	13 050
Jobsfund funding used	29 577 085	12 325 318
Levies received	257 409	269 867
Nedbank funding used	56 600	287 890
Profit on foreign exchange	-	284
Profit on sale of fixed assets	-	8 772
Rental income	255 259	231 066
Seda Technology Programme (STP) additional funding used	-	221 084
Seda Technology Programme (STP) operating expense funding used	2 500 000	2 500 000
Swiss-South African Cooperation Initiative (SSACI) Funding used	504 602	1 705 551
Syngenta funding used	409 000	393 186
Transport income	459 709	365 017
	37 761 624	20 837 196
15. Finance income		
Interest income		
Interest received	668 651	827 260
16. Finance costs		
Long-term loans	9 247	28 901
Bank overdrafts and acceptances	6 326	2 813
	15 573	31 714
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

18. Directors' emoluments

	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
2016							
JP Hughes	11 900	-	-	-	1 057	-	-
2015							
JP Hughes	12 600	-	-	-	1 134	-	-

19. Related party transactions

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

Name	Relationship	Transactions		Amounts owed (to) / by the related party at year-end	
		2016	2015	2016	2015
SEDA Technology Program	Funding received	(2 500 000)	(2 500 000)	-	-
Swiss-South African Cooperation Initiative	Funding received	(500 000)	(800 000)	-	-

20. Capital commitments

Authorised expenditure contracted for but not yet delivered

Asset replacement and repairs	180 000	180 000
	180 000	180 000

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

Notes to the Annual Financial Statements (continued)

Figures in R	2015	2014
21. Operating expenses		
Detail of other operating expenses is as follows:		
Advertising, Marketing and Communication	493 857	524 020
Amortisation – Biological assets	37 587	35 088
Amortisation – Intangible assets	3 803	3 803
Auditors Remuneration – Fees	100 600	73 500
Bank charges	35 308	23 423
Biological assets scrapped	1 776	-
Business development	-	8 980
Cleaning	42 327	20 850
Computer expenses	145 224	46 586
Consulting and professional fees	1 049 027	633 552
Depreciation	2 301 734	1 189 350
Electricity and water	84 470	66 000
Entertainment and refreshments	32 020	25 690
Equipment hire	280 736	82 000
General expenses	-	-
Goods, services and trials for markets	948 802	606 423
Insurance	220 601	138 090
Loose equipment	92 286	64 713
Loss on sale of Fixed Assets	215 153	-
Motor vehicle expense	566 615	213 140
Nwanedi Farmer losses	45 871	-
Packhouse expenses	-	71 125
Penalties and fines	5 875	-
Postage and courier	6 267	6 737
Printing and stationery	255 288	93 259
Profit/loss on Foreign Exchange	218	-
Project expenses for amaVeg	-	574 061
Rent paid property and equipment	222 665	159 828
Repairs and maintenance	842 745	404 630
Salaries	7 664 216	4 793 441
Security	149 817	148 240
Staff uniform	11 212	-
Subscriptions and conference fees	32 902	11 389
Telephone, internet and fax	227 899	145 150
Training and staff development	143 244	22 087
Transport	556 702	743 454
Travel and accommodation	292 880	533 713
	17 109 727	11 462 322

Reporting of Key Performance Indicators

Key performance indicators

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

4. The statement furnished to the SEDA Technology Programme, DAFF and Jobs Fund in terms of section 38(1)(j) of the Public Finance Management Act is fair in all material respects
5. 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
6. All transactions which came to our attention in the course of

our examination were in our opinion in accordance with the mandatory functions of the company determined by law or otherwise

In accordance with the funding requirement of the SEDA Technology Programme, DAFF and Jobs Fund 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

SEDA Technology Programme Key Performance Indicators

Quantitative measures

	Target	Actual
New SMMEs established	20	18
Clients supported	200	252
SMMEs supported	161	143
% of Graduations	80%	100%
% black-owned clients in portfolio	80%	100%
% woman-owned clients in portfolio	35%	72%
% Youth Clients in portfolio	40%	40%
Direct jobs created	75	85
% growth in SMME income	40%	7%

Department of Agriculture, Forestry and Fisheries Key Performance Indicators

Quantitative measures

	Target	Actual
Agri Enterprises Supported in Incubation phase	50	50
Black owned Agri-enterprises Supported	50	50
% of Black owned Agri-enterprises Supported	100%	100%
Woman owned Agri-enterprises Supported	23	48
% of Woman owned Agri-enterprises Supported	45%	96%
Jobs created	25	23
Clustering Activities	3	15
Success Stories	4	12
Interactions with DAFF, LDA (training, workshops, conferences etc.)	3	20
Knowledge / management system	3	8
Interactions with similar organisations eg. conferences, workshops, meetings, etc.	3	39
Management interactions with staff	12	31

Jobs Fund Key Performance Indicators

Quantitative measures

	Target	Actual
Approved Concept Master Plan	1	1
Hectares of Land Procured	120	435
Infrastructure Procured	yes/no	yes
Installation of Infrastructure	yes/no	yes
Number of farmers trained	110	209
Quarterly reports submitted	6	6
External Audited Annual Financial Statements as approved by Annual General Meeting	1	1
Permanent jobs created	73	75
Casual jobs created	150	437



Farmer at Agri Park H (Helena), Ms Sonto Vuma.





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