



TIMBALI
TECHNOLOGY INCUBATOR

ANNUAL REPORT

2017 - 2018



Why Timbali?

VISION

To be the best scalable model in S.A. to provide market access to emerging small scale farmers.

MISSION

To identify market opportunities for small-scale farming enterprises and to develop 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 dependents 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

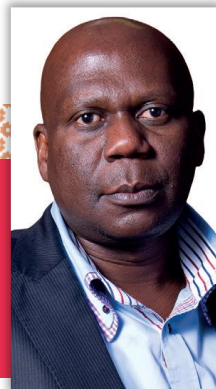
Content

Chairman's Report
CEO's report
Future outlook
Environmental influences
About Timbali
Our model
Risks addressed under CEO Report
Roadshow success
2017/2018 Incubation Performance
The Timbali Board
The Timbali Team

Annual Financial Statements

Directors' Responsibilities and Approval
Independent Auditor's Report
Directors' Report
Statement of Financial Position
Statement of Income and Retained Funds
Statement of Cash Flows
Accounting Policies
Notes to the Annual Financial Statements
Reporting of Key Performance Indicators
Supplementary information





Chairman's Report

Report from Chair – Mr. Bheki Mamphaga

Introduction

It gives me great pleasure to report on the activities of Timbali Technology for the past financial year.

It will be a year remembered as one in which our farmers became significant baby-veg exporters. Having based and perfected our training and development model on the production of flowers, where the amaBlom brand is now well established, we are now working towards achieving the same status with the amaVeg brand. We have high hopes of the local and export market for these products providing Timbali's farmers with a growing and sustainable livelihood as we grow the export market.

Having for some years provided support to the small scale farmers in Nwanedi funded by the Department of Agriculture, Forestry and Fisheries (DAFF), the region has emerged as our fourth Agri-Estate, driven by the Public-Private-Partnership (PPP) between the Limpopo Department of Agriculture (LDARD), the Jobs Fund (JF) and Timbali. Supplementing the intensive training and development of the relevant business skills, the farmers have now been provided with irrigation and storage infrastructure, and the long awaited cooperative packhouse is up and running.

It's been a challenging time for Timbali, with its operations have expanded significantly with the JF3 and JF5 contracts. Both of these have enabled us to progress with our vision of linking rural farmers to selected niche markets through our three Mpumalanga based Agri-Parks and Global G.A.P packhouses, and we now plan to build on this base with the Nwanedi project coming of age.

Governance

Timbali's governance structure and procedures are solid. The Board and Board Committees meet quarterly and function effectively. The Board reviewed skills development, management and financial accounts and ensured implementation of the appropriate King IV recommendations, holding Timbali's management to account.

The Audit, Procurement and Technical committees met quarterly. The Audit Committee's role and responsibilities as well as the requirements for its composition and meeting procedures are set out in its Terms of Reference.

The Audit, Technical and Procurement Committee comprises three members elected by the Board, all suitably skilled and experienced independent non-executive directors of the Board. The Committee is chaired Mr. T.P. Maepa. The technical committee reviewed production and market performance that included water availability and quality and on-farm operational performance audits. This committee also assessed all financial aspects of Timbali, the incubatees and the funders using marketing reports, enterprise profitability reports, funder narrative reports, a King IV calendar checklist, detailed financial reports, risk register and a well-structured internal audit report. Reports from both the external and internal auditors were reviewed, both of whom had unrestricted access to the Chairman of the Audit Committee.

The Board and its committees attended to the risk profile of Timbali and ensured that the company complies with statutory, regulatory and funder requirements. The HR committee reported to the Board on farmer and staff skills development, and provided guidance and support to the CEO in matters pertaining to staff matters. Remuneration levels were routinely reviewed, as were the performance of the CEO against agreed targets.

The Fund Raising committee assisted the CEO in identifying potential funders and raising the funds for Timbali's planned development activities, and additionally dealt with strategic and stakeholder issues.

Both Board and Audit Committee carry out self-assessment exercises annually, identifying shortcomings and taking corrective action. As Chair, I am satisfied with Timbali's governance structure, and that the Board and its Committees are functioning effectively.

Strategy

A strategic session with board members, management and staff participation, was held during the year, at which Timbali's high-level strategy was reviewed. This plan, themed 'The Road to Sustainability' provided a path for the future of all three of the Timbali incubation models:

Model A, the traditional intensive franchise style Agri-Park model, with Timbali as 'franchisor' and landlord.

Model B, where farmers operate on their own land, but are subject to the intensive franchise-style discipline imposed by the export markets. The intention being to develop a functioning Co-operative which in time will be handed over to the group concerned.

Chairman's Report

And Model C, where farmers on their own land are supported with skills development and inclusion in existing supply chains as out-growers

Our partners

While Timbali's objective is to contribute meaningfully towards the transformation of agriculture in SA by developing sustainable small holder farming enterprises, without the support of our funding partners, not only with finance but with their expertise, we would not be able to grow and extend our activities. We deeply appreciate their support, and value our relationships with them.

During the past year, Timbali has continued to build an array of partners to support our training and development model including retailers, exporters, donors, provincial and national government and state agencies. In particular we would single out SEDA which has been beside us since inception in 2006 and continue to provide such valuable support. Over the past three years Timbali's grant-funding-received grew from R 27M in 2016 to R 51M in 2017 and R 63M in 2018 compared to the grant funding applied that was R 36M in 2016, R 47M in 2017 and R 41M in 2018. Operating expenses were contained to R 17M in 2016, R19M in 2017 and R18M in 2018. Reserves over assets changed from 83% in 2016 to 72% in 2017 and 51 % in 2018.

Nwanedi

Timbali's partnership with the LDARD and the Jobs Fund has led to the opening of another state-of-the-art, GlobalGAP accredited pack house in Nwanedi, Limpopo Province. It opened its doors at the end of March 2018, giving over 150 small holder farmers access to export, local and retail markets. 115 permanent jobs, 900 short term and 400 seasonal permanent jobs will be created. 50 farmers have already received the training and support to operate and maintain the sophisticated irrigation systems which are in the process of being installed on their farms. The total investment amount to some R132 m.

Timbali is responsible for the implementation and management of the Agri-Park, which will be handed over to a local Nwanedi NPC in 2020. We have already reached the halfway mark of the contract period, with planned capital expenditure on track to meet budget.

Appreciation

Timbali is deeply committed to transformation in agriculture, and we extend a word of grateful appreciation to our funders, the Small Enterprises Development Agency (SEDA), the European Union (EU), the Jobs Fund (JF), the Limpopo Department of Agriculture and Rural Development (LDARD) and Syngenta. I would like to take this opportunity to thank my fellow directors, Mr. Peter Hughes, Dr. Madime Mokoena, Mr. TP Maepa and Mr. Mashiba Kgole for their contribution and support over the past year. To our CEO Mrs. Louise De Klerk, management and staff of Timbali, thanks is also due for their dedication and support, always acting in the best interests of the company. We commend management for leading by example in a year of great growth and a most difficult year for agriculture.



Bheki Mamphaga
Chairman



CEO's Report

Report from CEO – Mrs. Louise de Klerk

Introduction

While our amaBlom flower producers continued to maintain standards and production levels that earn for them a living, our primary focus for the year has been on developing the amaVeg operation to a point where it too provides a living for our graduate farmers. Michael Gerber coined the phrase, 'Innovation that does not make things easier is complication, not innovation', and taking this to heart, we made it our goal to simplify the complex tasks of producing the extensive basket of baby veg products to match market demand. As always, our aim is to find ways for small-scale farmers to combine successful business with high social impact.

We count amongst our main achievements for the past year, the following 'milestones':

- Growth in producing area: 2015 - 17ha; 2016 - 85ha; 2017 - 160ha; 2018 - 220ha;
- Erection of the fourth GlobalG.A.P packhouse in Nwanedi
- Baby veg deliveries exceeding market orders by 17%
- Growing programmes for 2018 increased by 139%
- Delivering a wide range of consistently high-quality products to meet market demand
- Producing a basket comprising 27 different products.
- Producing most of these lines for 12 months of the year.
- While achieving the above, successfully meeting the requirements of all funders.

Further details of these are outlined below.

Jobs Fund 3 contract - a classic Timbali Model A initiative

In his report the Chairman refers to Timbali's Model A, the training and development model perfected with our amaBlom farmers, where land and fixtures are rented from Timbali and farmers operate in terms of a franchise-like agreement, imposing strict individual discipline and requiring them to market collectively. Jobs Fund 3 financed the fast growing amaVeg branch of Timbali, which while demanding more complex management, operates precisely in accordance with this model.

Our objective was to create sustainable links between rural youths producing high quality agricultural products and the market. The achievement of this goal required selection of a product range for which there is

(a) a strong demand and able to achieve a competitive advantage. This was what JF 3 required of us with baby-veg.

Done and dusted

We celebrate the successful completion of the Job Fund 3 contract, which showcased the reward of hard work of the dedicated Timbali Team and the amazing young, mostly female, farmers. The contract was completed within time, within budget and reached its job creation goals.

817 jobs were created of which 37% will be year-round permanent, and 62% seasonal -permanent. In addition, 1 817 once-off short term jobs were provided. In total 869 people were exposed to training in the baby vegetable business at our Friedenheim (Nelspruit) Helena (Komatipoort) and Rietfontein (Lydenburg) Agri-Parks.

The sustainability of the baby-veg business depended on maximising high return exports, and accordingly, in addition to seeking low cost production, our focus has been on satisfying the high quality demands of the export markets. Quality and consistency of supply were the two key elements required by exporters. If these were not achieved, the market would be lost. While at the start of the contract very little product of export quality was produced, by the fourth quarter of the past year exports were generating 80% of total revenue earned, and in overall terms for the year, 64% of the products were exported.



CEO's Report

Average prices were accordingly lifted significantly to an average of around R 30 000 per ton. We now count, as our customers, the big four SA based retailers and a number of leading international retail chains with our products – both baby veg and flowers - on their shelves. This all achieved by providing an enabling environment for our farmers, 100% black, 99% youths and 77% women, who are able to meet the high standards required from these buyers.

The focus in 2018/19 will be on further growth into the export sector, with cost reductions leading in order to deliver improved profitability to the farmers.

The keys to success - market access and recurrent data

All farmers, including our graduates and trainees, tend to be production driven, and matters such as land preparation, varieties, irrigation, fertilizer and pest control dominate their thinking. At Timbali however, we never let our farmers forget that the key to their success is about selling, so the words market, sell, sales, and trade formed a crucial and visible part of the Timbali training package over the past year.

The second key element in our training tool-box is the development of a mind-set that demands relevant data for decision-making. While difficult for our young inexperienced trainee farmers to grasp at first, we are entrenching a culture of data-driven decision making. Data was captured at all levels for all tasks on the farms and in the supply chain, and this provided input to drive decisions regarding seed purchasing, land preparation, planting, harvesting and supplying orders.

Making Model A work for us

Based on market demand and land availability, a production plan was developed for each Agri-Park and each individual farmer. This took account of the need to ensure consistent market supply and also to enable crop rotation practices. The complexity of the management task involved will be clear when account is taken of the fact that at the start of JF3, a basket of 27 different products was identified that matched the climate/soil/water environments of each Agri-Park.

It then became a task for management of matching each Agri-Park's production with the anticipated market demand, and enabling each farmer to specialise in a product making up the overall basket of products on offer.

As will be appreciated, in the early development phase of a project like JF3 most of the expense is incurred in the training and development activity of each aspirant farmer, a cost never faced by a normal commercial farmer. It's this cost which is covered by grant funding. From the point when this funding is terminated, costs of management involved in planning and coordinating production and managing the supply chain, is recovered from levies, rentals and mechanisation costs paid by the farmers themselves. As production and revenues increase profitability, staff earn their own job security by ensuring the success of their farmers.

How did we do with JF 3



Following a study by the Jobs Fund in February 2018, we were proud to receive a report including the following:

"Timbali provides holistic end-to-end incubation services to mostly young female farmers. These services include infrastructure, access to natural resources, loan financing, shared logistics and services, transfer of technical knowledge, technology and life skills, and most importantly, a route to market that is backed by commercial buying power. What Timbali provides, no single farmer (and especially not a grassroots small-scale farmer with no track record) could provide or access themselves."

It goes on to say:

"Demonstrating the unique value add of an industry-specific approach to incubation, Timbali support and management uniquely provides market intelligence, R&D, product specific quality control, peer learning, a route to the local, national and international markets. Timbali's system of support also includes crop financing. This makes them much more successful at developing small competitive agri-businesses."

CEO's Report

Job Fund 5 – a classic Timbali Model B initiative

Funded by the Department of Agriculture, Forestry and Fisheries, Timbali have been involved in the Nwanedi area of Limpopo for some years, supporting established small farmers in a Timbali Model C project, where farmers are already farming on their own land, and we simply support them with skills development.

Motivated by Timbali's success with JF3 and progress made by farmers in Nwanedi during the DAFF sponsored Model C project, the Limpopo Department of Agriculture and Rural Development decided to partner with Timbali, and we applied jointly for a further Jobs Fund contract to move Nwanedi from Model C to the more intensive Model B. The application for funding was successful, and after two years of blood, sweat and toil, we are seeing our vision in Nwanedi reach fulfilment.

Nwanedi

2.3.1.1 Production planning

Based on knowledge of the area and its farmers, gained over the years of involvement in the area, Timbali develops a short and long term growing program for export and local markets, setting out detailed weekly quantities and quality specifications for each product required by the markets. These plans are communicated to individual farmers, who then decide which crops they would prefer to produce and for which markets. Timbali on-site management work with them to finalise these plans, coordinate production with market demand. Each farmer then is able to plan their own season for their chosen crops and decide what to plant, when to plant it, how much, for which markets.

2.3.1.2 The pack house:

With the objective of establishing a vegetable supply chain, to link the small holder farmers to high value niche markets, it was a necessity that the project did not end at the 'farm gate'. However, without a well-managed cooperative Packhouse, sorting and packing the product, together with a cooperative marketing effort enabling the farmers to collectively achieve some measure of scale

, the vision of achieving sustainable livelihoods for the farmers and their families remain a pipe dream. An integral part of this project is thus these services, and what we now see at Nwanedi is a GlobalG.A.P Packhouse, which is incidentally the fourth designed and constructed under the supervision of Timbali in recent years. While still some way to go in meeting all its objectives, the Nwanedi Agri- Park project is off to a running start, with the first sales having been made in recent weeks. These sales consisted of 35% exports, 30% retail and 35% wholesale that shows a running start.



2.3.1.3 How do we do it?

We are often asked how we have been able to set up new farmers in a new location, supplying a highly competitive market and the answer is always the same. We set and agree clear achievable targets, measure performance against these targets, and provide quick feedback often to the farmers and all staff involved. But, of course, it's not so simple. A case in point. The harvest of Yellow Patty Pans, Baby Marrows, Green Patty Pans and Fine Beans started in April in Nwanedi. Farmers had been familiarised with the specification demanded by the different markets, but initially were not meeting these requirements. As a result, output was limited and market order were not always met. Once again product specs were revisited and a transparent packhouse dashboard was developed to demonstrate clearly, on a regular basis, which farmers were meeting production and quality targets and which not. The result is always a great improvement in performance by most farmers. Those that are unable to meet their requirements, despite repeated efforts to get their performance levels up, are finally dropped from the cluster of farmers concerned.



CEO's Report

Seda Incubation Partnership

To SEDA

Grateful thanks is due to our founding partner SEDA and its management, which has continued to support us over the years. Not only for the funding, but for the vision for incubation and the contribution made to effective incubation services in SA

This year, Timbali was able to support 203 clients in terms of service delivery contracts from SEDA. Timbali's track record for measured delivery through our cluster-farming methodology is recognised by SEDA as a locally grown best practice, and during the past year Timbali was in the top three most economically efficient incubators in SEDA's portfolio. We have a record of accomplishment in diligently meeting our annual SEDA KPIs.

Most importantly Timbali's portfolio benefit mainly youths and women (58% and 71% respectively), and every sale achieved is a victory for the collective efforts of small holder farmers, facilitated by one of Timbali's development models. The Timbali management team sometimes have more faith in people than they do in themselves, and despite early setback which may take place, we often hold opportunities open long enough for individual's competence to re-emerge. Al in all, the successes of the past year was a hard-earned effort by each person who played a critical part in extension to each farmer, and who played a role in quality control, global gap certification, packaging, branding, logistics and sale.

Timbali welcomes the decision taken by Seda's Investment Committee (SIC) to use Timbali's model when Seda expand into new provinces in the agricultural sector. The reason for this decision was that Timbali's track record of implementation, experience and reliable model does not need hand holding and has the economic impact expected. Timbali look forward to continue to collaborate with Seda to expand the incubation initiative into new provinces.

Appreciation

My thanks go to our funders, my chairman, his co-directors, my fellow managers and staff. Last but not least, I wish to express my appreciation to and admiration of our many farmers – incubatees and graduates - whose successes make all our hard work worthwhile.



Louise de Klerk
CEO



Environmental Influences

The Importance of the macro-environment

The small, medium, and micro-enterprises represent an important vehicle to address the challenges of job creation, economic growth, and equality in South Africa. SME's is a solution to poverty alleviation, given that small businesses help to drive economic growth, and are sources of innovation and new ideas. Timbali is a successful vehicle to assist with this solution, in line with the National Agenda. A number factors influences their macro-environment.

Wage increases

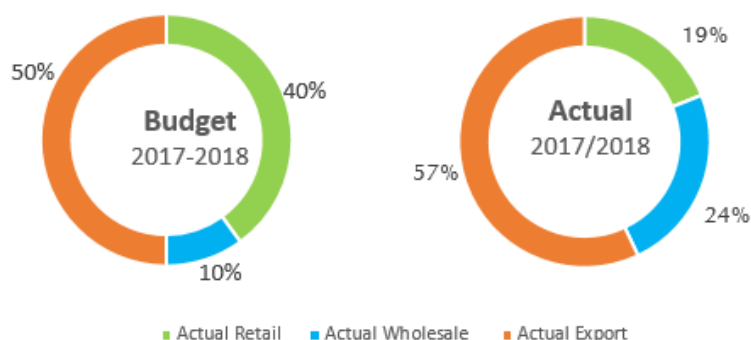
During the Jobs Fund 3 2013/2014 negotiations and plans, the minimum wage in the budget for agriculture was R1 500 per person per month. Due to legislation, the minimum wage increased to R3 200 in 2017. Timbali was able to reach their initial job targets, but with half the budget to work with. This implies that the Timbali sales achieved was significantly more to be able to reach the targets.

Access to capital

Small medium entities (SMEs) are the building blocks of an economy. Access to capital for small businesses remains a major stumbling block for SMME's and Timbali is looking into partnered with organisations like MEGA and NYDA to access funding for the SME's. By being part of an environment where services are delivered such as financial book keeping and management, the farmers are enabled to apply for funding from these organisations because they have the credibility and records to access external capital.

Produce

Timbali's fresh produce includes yellow patty pans, baby marrows, green patty pans, green beans, baby corn, chillies (5 types), baby Brinjals, baby gem, mangetout, cauliflowers, romanesco, leek, savoy cabbage, beetroots, fennel, red cabbage and green cabbage



Retail client through agents

Checkers

Pick n Pay



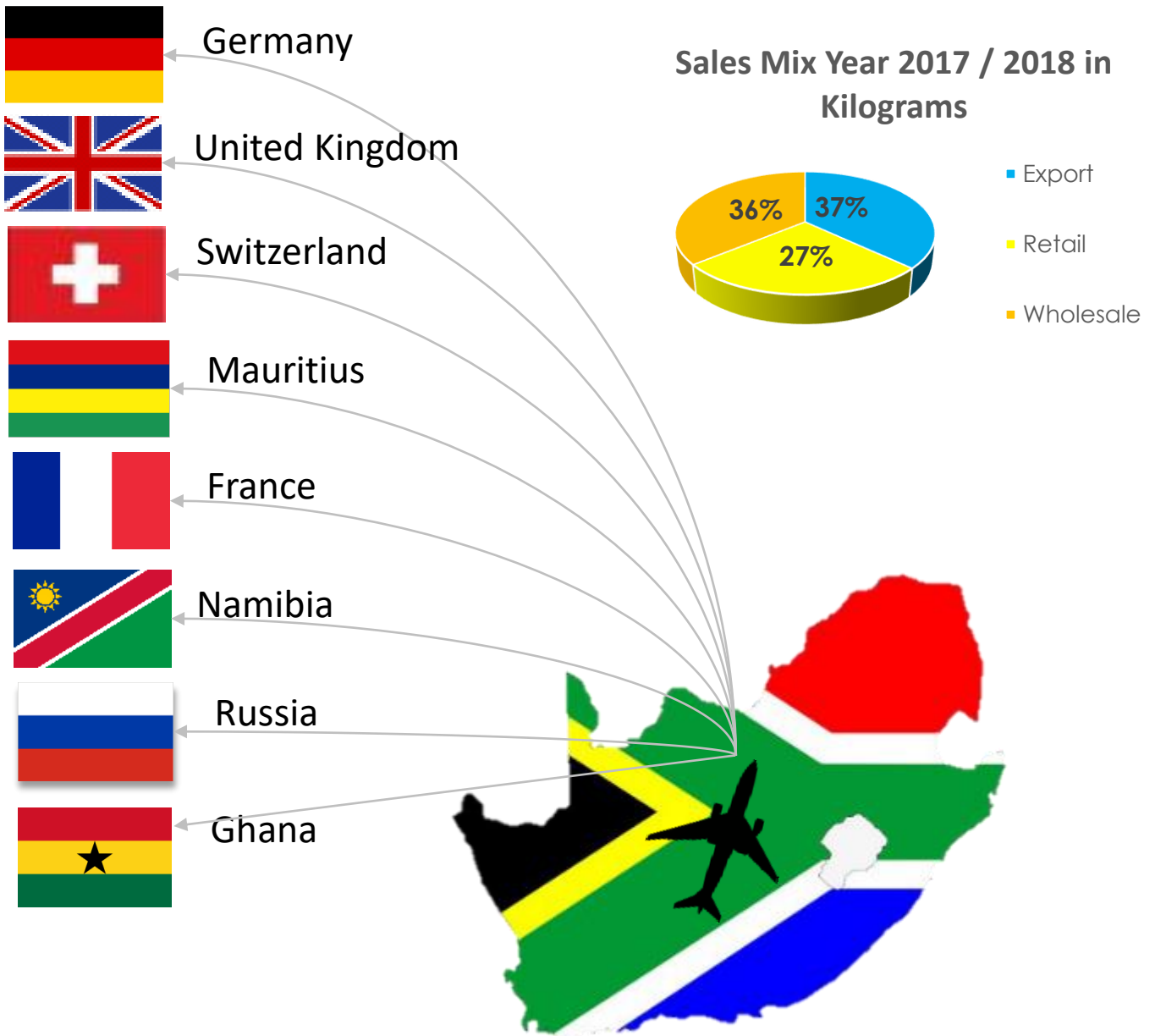
SPAR



nature's finest
FRESH TO GO



Countries exported too



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 applications of the model. Why are we sharing all this with you? We would like you to:

- Tell people about Timbali. The more awareness we create about the work we do and the services we offer, the better. Also don't hesitate to ask us critical questions about our model – we are happy to share and grow.

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

Tactics Defined	Agri-Park Model A	Satellite Agri-Park Model B	Effective Skills Development Model C
Timbali's role and relationship with farmers	Timbali prescribes quality supply chain procedures and enforce peer reviewed adherence Timbali is the farmers 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 full time consultation role. The farmers access the land and heavily influence the progress with skills development
Characteristics of the model	*High infrastructure cost & capital investment *Low risk *Medium to high job creating potential *High SMME sustainability *Highest incubation sustainability through rent & levies	*Medium infrastructure cost *High return *High risk *High job creation potential *Medium SMME sustainability *Medium incubation sustainability through levies	*Low infrastructure cost *Medium return *High risk *Medium to low job creation potential *Medium to low farm sustainability *Low incubation sustainability
Benefits	*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	*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	*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 limitation

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

Our Model

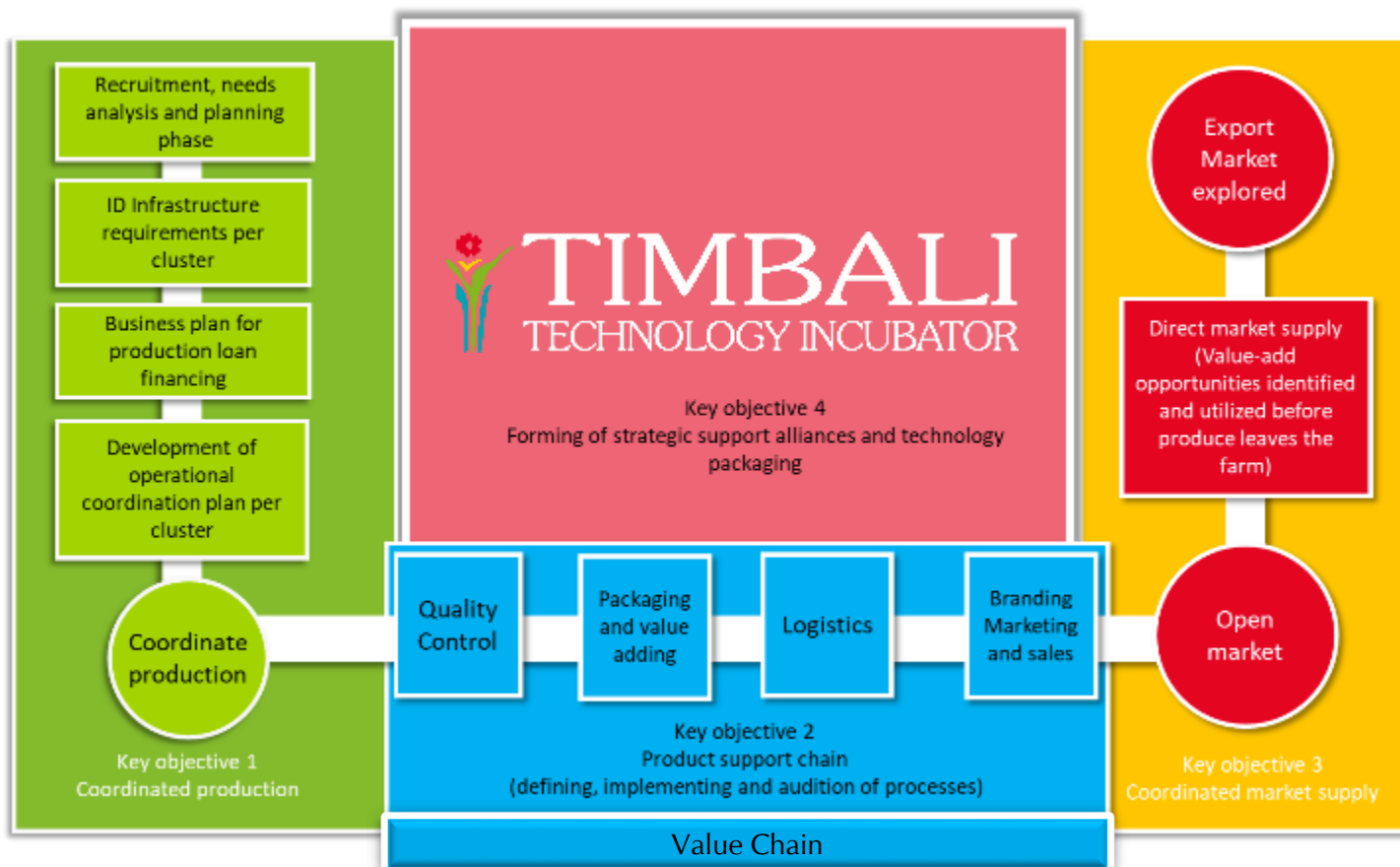
The Key elements of the Timbali Model are:

- 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/ production, 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 factors 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 holistic support services that create an enabling environment through market linkages are depicted in Figure 1.

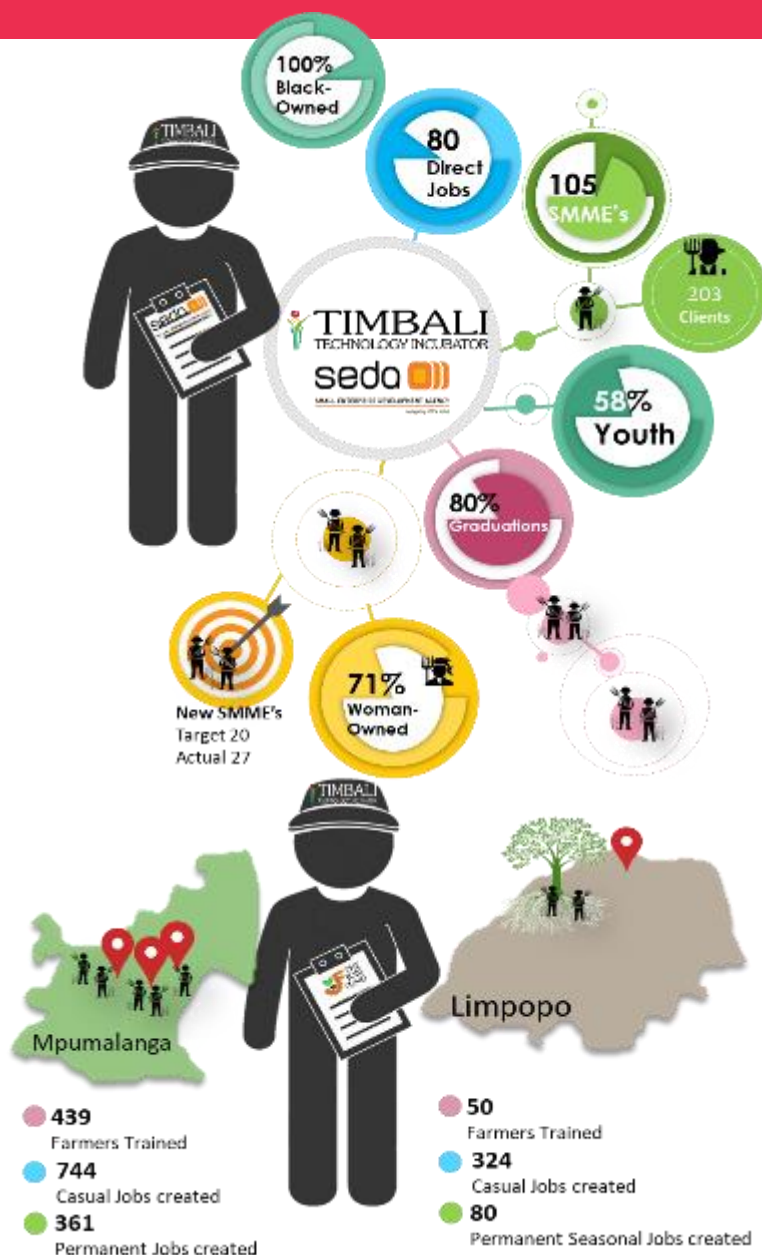


2017/2018 Incubation Performance

Timbali continues to deliver on targets. Its often said that more than half of new businesses fail during the first year. According to the Small business Association (SBA), this is not necessarily true. The SBA states that only 30% of new businesses fail during the first two years of being open, 50% during the first five years and 66% during the first 10. Businesses are more likely to fail during their growth phases, than in start-up phase.

Timbali was very aware of this risk whilst scaling and duplicating the model during 2017/2018. Timbali's staff and goals increase multi-fold. Our delivery, however was at the same gold standard as always. When we meet our funders goals, we also meet our clients (farmers) goals, and vice versa. Only when all of these goals are met, can we claim success for a period in time.

We implemented four new contracts during 2017/2018 and continued to deliver for our founding partners SEDA, exceeding our targets for the year by 135%. We scaled up to deliver on the Jobs Fund 3 contract in Mpumalanga and continued by deliver on our contract with EU. In addition to this, we contracted for a new period in Limpopo with Jobs Fund 5

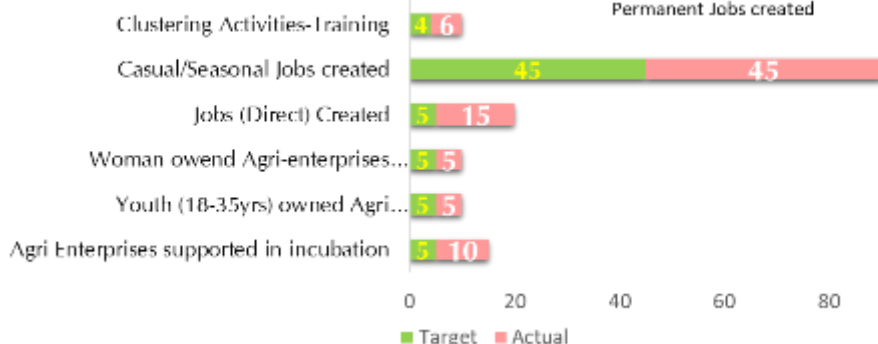


Small Enterprise Development Agency

The Jobs Fund

European Union

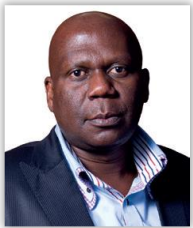
European Union



Jobs created

Target: 5
Actual: 15

The Timbali Board



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



Ms. Louise de Klerk
(CEO Timbali) ex Officio



Mr. Peter Hughes
(Industry Specialist)



Dr. Madime Mokoena
(DAFF)



Ms. Karin Hannweg
Company Secretary
(ARC-ITSC)



Mr. Mashiba Kgole
SEDA Representative



Mr. TP Maepa
Moepathutsi Consulting

The Timbali Team

Alinda Compion , Marketing Officer
Aluwani Nengovhela , PSF Officer
Annie Ngomane , PackHouse Supervisor
Bethwell Bheki Ntimande , Junior Accountant clerk
Brian Hlatshwayo , PSF Officer
Bridget Sedibe , Marketing officer
Bright Matimbe , BUM: Friedenheim
Busisiwe Mkhize , BDO
Cassandra Bessenger , Human Resouce and KPI Coordinator
David Magagula , PSF Officer
Debbie Van Hoffen , Business Intelligence Coordinator
Hendrick Nkosi , Tractor Driver
Howard Malope , Cluster Coordinator
Jason Van Huyssteen , BDM: Technical
John Mangani , BUM: HELENA
John Milanzi , Tractor Driver
Jonathan Ryno De Bruin , BUM: Rietfontein
Jooma Chitenje , Cluster Coordinator
Joseph Khoza , Monitoring Costing & Coordinator Officer
Kate Shekwa , PackHouse Supervisor
Kgotlelelo Iris Malele , Credit Clerk
Khuliso Musweswe , PSF Officer
Kurhula Betty Nalovu , Packhouse Supervisor
Louise De Klerk , CEO
Lourenso Chirugo , Maintanace Assistant
Lydia Malapane , General Office Cleaner & Receptionist Assistant
Mxolisi Mashaba , Driver
Mylene Torres , BDM: Marketing

Patience Letswele , Human Resouce and KPI Coordinator 2
Renee Swarts , Budget Controller
Rhulisanzi Mkhonto , Junior Accounting clerk
Rofhiwa Nevhulaulauzi , PSF Officer
Salom Maphanga , Accounting clerk
Samson Mlimi , Driver
Samuel Nkosi , Tractor Driver
Simon Nkosi , PSF Officer
Sinenhlanhla Memory Makanya , PSF Officer
Susann Van Heerden , Sales, Admin, HR Manager
Tinyiko Debra Mathebula , Receptionist
Tshepo Clifford Mashego , Driver
Xolile Khumalo , BDM Finances
Zweli Ngomane , Filing Clerk & Assistant to BDM
Santie Salim , HR & KPI Developer
Sifiso Thabethe , PSF
Vusi Mathe , BDM-Finance
Margret Sambo , PSF
Siyabonga Makhubu , Senoir Accountant
Belinda Coetzer , Executiv e PA
Themba Mashiloane , General driver
Tsakane Mdlou u , Assistant driver
Innocent Nyoni , PSF

Nwanedi
Bhekithemba Mathenjwa , PSF Officer
Davhula Phethani Emmanuel , PSF Officer
Donald Phethedi , Tractor Driver
Ephraim Matodzi , Tractor Driver
Maria Sylvia Mokgalabone , PSF Officer
Masungi Eleck Nkuna , Cluster Coordinator
Pfunzo Ashley Netshivhera , PSF Officer
Pietro Di Bernardino , Systems Developer
Rendani Ramagwa , PSF Officer
Sydney Chauke , BUM: Nwanedi
Tshifhiwa Benny Mphidi , Secondary Co-Op Administrator
Tshifhiwa Ernest Musandiwa , Senior PSF

Annual Financial Statements

For the year ended 31 March 2018

Content

Directors' Responsibilities and Approval
Independent Auditor's Report
Directors' Report
Statement of Financial Position
Statement of Income and Retained Funds
Statement of Cash Flows
Accounting Policies
Notes to the Annual Financial Statements
Reporting of Key Performance Indicators
Detailed Income Statement



Timbali Flower Growers NPC
(Registration number 2002/006905/08)

These annual financial statements were prepared by:
Xolile Khumalo, Business development manager: Finance
27 June 2018

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

Annual Financial Statement

For the year ended 31 March 2018

Directors' Responsibilities and Approval

The directors are required by the Companies Act 71 of 2008, 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 fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows

for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditor's is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied 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 audit committee reviewed the annual financial statements and going concern assumptions. The committee concluded that the disclosures were appropriate. The committee further concluded that the company's cash flow forecast for the year to 31 March 2019 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements.

The annual financial statements have been examined by the company's external auditors and their report is presented on page 16-17.

The annual financial statements set out on pages 23 to 34, which have been prepared on the going concern basis, were approved by the board on 29 June 2018 and were signed on its behalf by:

Approval of financial statements



BG Mamphaga

Chairperson of the board



JP Hughes

Audit Committee Chair



L de Klerk

Chief Executive Officer

Independent Auditor's Report

To the Directors' of Timbali Flower Growers NPC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Timbali Flower Growers NPC, which comprise the statement of financial position as at 31 March 2018, and the statement of income and retained fund and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the Annual Financial Statements present fairly, in all material respects, the financial position of the company as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of South Africa 2008.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and

in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa, and the supplementary information set out on pages 18. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with

the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Annual Financial Statement

For the year ended 31 March 2018

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists,

- we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



A2A Kopano Incorporated

Proforum Building

5 van Rensburg Street Nelspruit

1200

Per: FRL Eksteen

Registered Auditor

Director

29 June 2018

Annual Report 2017-2018

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Timbali Flower Growers NPC for the year ended 31 March 2017.

1. Nature of business

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 agribusiness parks at Nwanedi in Limpopo.

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.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

The company recorded a surplus for the year ended 31 March 2018 of (R4,534,544). This represented an increase of 408% from the surplus of the prior year of R1,472,245.

The company recorded a gross deficit of R5,401,926 (2017: R6,515,586), this gross deficit is mainly caused by the training costs associated with the incubation farming system. Included in the costs of sales is a significant amount of salaries and wages paid to incubatees in the various incubation stages, this is a significant cost in relation to the total cost of sales.

Company revenue increased by 19% from R9,871,916 in the prior year to R11,797,028 for the year ended 31 March 2018.

The prior year figures have been restated in order to ensure that the treatment of the Nwanedi Agri-Park development (of Jobs Fund5) assets is in accordance with our accounting policy and that there is consistency in the application of our grant income accounting policy. This had led to changes in the prior figures as disclosed in note 24 "Prior period error".

Company cash flows from operating activities increased by 22% from R13,218,767 in the prior year to R16,103,218 for the year ended 31 March 2018

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

Solvency

Assets, fairly valued, exceed liabilities by R37,110,498 (2017 restated: R41,645,042).

The equity to asset ratio is 51% (2017 restated: 72%)

Liquidity

The current ratio is 1.38:1 (2017: 1.93:1).

Funds used as bridging finance until grant funding is received and for monthly cash expenses totals R9,027,340 (2017: R4,644,241).

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.

3. Share capital

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

4. Dividends

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

5. Directors

The directors in office at the date of this report are as follows:

B.G. Mamphaga	Chairperson of the board
	Non-executive Independent
J.P. Hughes	Non-executive Independent
M.R. Mokoena	Non-executive Independent
T.P. Maepa	Non-executive Independent
M.G. Kgole	Non-executive Independent

Included in the board are two additional ex-officio attendees:

L. de Klerk	Chief Executive Officer
Hannweg	Board secretary

Annual Financial Statement

For the year ended 31 March 2018

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

B.G Mamphaga Chairperson of the board

M.R. Mokoena

L. de Klerk

Combined Technical and Finance (Audit) Committee

T.P. Maepa Audit committee Chairperson

J.P Hughes

L. de Klerk Chief Executive Officer

B.G. Mamphaga Chairperson of the board of directors

Fundraising Committee

M.R. Mokoena

M. Kgole

L. de Klerk

6. Directors' interests in contacts

During the financial year, no contracts were entered into which directors or officers of the company had an interest and which significantly affected the business of the company

7. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

8. Growing concern

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

9. Auditors

A2A Kopano Incorporated continued in office as auditors for the company for 2017.

At the AGM, the board of directors will be requested to reappoint A2A Kopano Incorporated as the independent external auditors of the company and to confirm FRL Eksteen as the designated audit partner for the 2018 financial year.

10. Secretary

The company secretary is K Hannweg.

11. Date of authorization for issue of financial statements

The annual financial statements have been authorized for issue by the directors on 27 June 2018. No authority was given to anyone to amend the financial statements after the date of issue.

12. 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 authorized to issue donation receipts in terms of section 18A of the applicable act as from 7 November 2011

Annual Report

2017-2018

Statement of Financial Position

	Note(s)	2018 R	2017 Restated * R
Assets			
Non-Current Assets			
Property, plant and equipment	2	23,475,902	26,345,154
Biological assets	3	161,985	233,103
Intangible assets	4	9,892	13,694
		23,647,779	26,591,951
Current Assets			
Inventories	6	2,672,946	2,067,421
Trade and other receivables	5	4,972,124	3,714,164
Cash and cash equivalents	7	41,602,320	25,427,725
		49,247,390	31,209,310
Total Assets		72,895,169	57,801,261
Equity and Liabilities			
Equity			
Accumulated surplus		37,110,498	41,645,042
Liabilities			
Current Liabilities			
Trade and other payables	9	2,930,430	5,512,784
Other financial liabilities	10	26,000	-
Current portion of long term liabilities	11	-	19,687
Deferred revenue	12	32,828,241	10,623,748
		35,784,671	16,156,219
Total Equity and Liabilities		72,895,169	57,801,261

Annual Financial Statement

For the year ended 31 March 2018

Statement of Income of Retained Funds

	Note(s)	2018 R	2017 Restated * R
Revenue	13	11,797,028	9,871,916
Cost of sales	14	(17,198,954)	(16,387,502)
Gross loss		(5,401,926)	(6,515,586)
Other income	15	17,925,661	26,918,622
Operating expenses		(18,549,958)	(19,751,636)
Operating (loss) profit	16	(6,026,223)	651,400
Investment revenue	17	1,504,585	838,656
Finance costs	18	(12,906)	(17,811)
(Loss) profit for the year		(4,534,544)	1,472,245
Opening balance		41,845,042	40,172,797
Accumulated surplus at the end of the year		37,110,498	41,645,042

Annual Report 2017-2018

Statement of Cash Flows

	Note(s)	2018 R	2017 Restated * R
Cash flows from operating activities			
Cash receipts from customers		11,797,028	9,871,916
Cash receipts from funders		63,299,093	51,786,484
Cash paid to suppliers and employees		(60,484,585)	(49,260,478)
Cash generated from operations	21	14,611,539	12,397,922
Interest income		1,504,585	838,656
Finance costs		(12,906)	(17,811)
Net cash from operating activities		16,103,218	13,218,767
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(155,769)	(2,006,931)
Sale of property, plant and equipment	2	220,834	-
Net cash from investing activities		65,065	(2,006,931)
Cash flows from financing activities			
Proceeds from other financial liabilities		26,000	-
Instalment Sale Agreement repaid		(19,688)	(53,492)
Net cash from financing activities		6,312	(53,492)
Total cash movement for the year		16,174,595	11,158,344
Cash at the beginning of the year		25,427,725	14,269,381
Total cash at end of the year	7	41,602,320	25,427,725

Annual Financial Statement

For the year ended 31 March 2018

Accounting Policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 71 of 2008. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Biological assets and agricultural produce

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 installments over their useful lives as follows:

Item	Useful life
Crops in the field	5-10 years
Gerbera plants	5 years

1.2 Property, plant and equipment

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

Cost 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 provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment as follows:

Item	Dep. Method	Dep. %
Land and Buildings	Straight line	3.33%- 16.67% (Land 0%)
Plant and equipment	Straight line	16.67%
Furniture and fixtures	Straight line	20%
Motor vehicles	Straight line	10%-20%
Office equipment	Straight line	20%
IT equipment	Straight line	33.33%
Clusters/ Tunnels	Straight line	5%

If the major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, the cost of the asset is allocated to its major components and each such component is depreciated separately over its useful life.

Land and capital work in progress are not depreciated. The residual value, depreciation method and useful life of each asset are reviewed only where there is an indication that there has been a significant change from the previous estimate.

1.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

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.

Research and development costs are recognised as an expense in the period incurred.

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

Item	Useful life
Patents, trademarks and other rights	10 years

The residual value, amortisation period and amortisation method for intangible assets are reassessed when there is an indication that there is a change from the previous estimate.

1.4 Tax

Income Taxation

The company, which is a non-profit company, is exempt from income tax purposes as they meet the requirements of a Public Benefit Organisation set out in section 30(3) of the Income Tax Act No 58 of 1962. Exemption has been approved in terms of section 10(1)(cN).

The following exemptions apply and are limited to:

- The public benefit organisation has been approved for purposes of section 18A of the Act and donations to the organisation will be tax deductible in the hands of the donors in terms of and subject to the limitations prescribed in section 18A of the Act;
- Donations made to or by the public benefit organisation are exempt from Donations Tax in terms of section 56(1) (h) of the Income Tax Act;
- Exemption from the payment of Estate Duty in terms of section 4(h) of the Estate Duty Act No.45 of 1955

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the payments are not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

1.6 Inventories

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the first-in, first-out (FIFO) basis.

Standing crops, comprising plant material, are valued at the lower of cost and net realizable value

1.7 Impairment of assets

The company assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets or goodwill may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in surplus or deficit.

1.8 Share capital and equity

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

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave and bonuses), are recognised in the period in which the service is rendered and are not discounted

1.10 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.

1.11 Revenue

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.

Annual Financial Statement

For the year ended 31 March 2018

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.

1.12 Borrowing costs

Borrowing costs are recognised on the basis of the effective interest method and is included in finance costs.

1.13 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.

1.14 Trade payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

1.15 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.

1.16 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.

1.17 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.

Notes to the Annual Financial Statement

	2018 R	2017 R
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2. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings	16,811,918	(2,826,762)	13,985,156	16,811,918	(2,475,171)	14,336,747
Plant and machinery	8,609,564	(4,142,212)	4,467,352	9,039,034	(3,159,980)	5,879,054
Furniture and fixtures	452,672	(209,511)	243,161	452,672	(118,976)	333,696
Motor vehicles	4,093,679	(3,007,791)	1,085,888	4,262,449	(2,496,648)	1,765,801
Office equipment	487,797	(464,468)	23,329	487,797	(453,330)	34,467
IT equipment	597,658	(499,307)	98,351	536,761	(409,288)	127,473
Clusters/ Tunnels	9,670,690	(6,098,025)	3,572,665	9,680,996	(5,813,080)	3,867,916
Total	40,723,978	(17,248,076)	23,475,902	41,271,627	(14,926,473)	26,345,154

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Land and Buildings	14,336,747	-	-	(351,591)	13,985,156
Plant and machinery	5,879,054	66,295	(68,273)	(1,409,724)	4,467,352
Furniture and fixtures	333,696	-	-	(90,535)	243,161
Motor vehicles	1,765,801	-	-	(679,913)	1,085,888
Office equipment	34,467	-	-	(11,138)	23,329
IT equipment	127,473	89,474	(4,021)	(114,575)	98,351
Clusters/ Tunnels	3,867,916	-	(10,306)	(284,945)	3,572,665
	26,345,154	155,769	(82,600)	(2,942,421)	23,475,902

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Total
Land and Buildings	13,880,926	806,219	(350,398)	14,336,747
Plant and equipment	6,860,159	477,262	(1,458,367)	5,879,054
Furniture and fixtures	415,730	7,450	(89,484)	333,696
Motor vehicles	2,113,849	400,414	(748,462)	1,765,801
Office equipment	45,606	-	(11,139)	34,467
IT equipment	214,530	31,370	(118,427)	127,473
Clusters/ Tunnels	3,872,660	284,216	(288,960)	3,867,916
	27,403,460	2,006,931	(3,065,237)	26,345,154

Annual Financial Statement

For the year ended 31 March 2018

Notes to the Annual Financial Statement (Continued)

	2018 R	2017 R
2. Property, plant and equipment (continued)		
Items of property, plant and equipment that will be transferred in the future		
Assets purchased under the Jobs Fund contract (JF5) for the development of an agri-business park at Nwanedi, in Limpopo will be transferred to a new entity to be formed, these assets will be transferred as a going concern.		
The book values of the categories of the assets to be transferred are disclosed below:		
Costs of and additions to IT equipment	305,332	224,027
Costs of and additions to plant and equipment	28,102,609	13,654,817
Costs of and additions to motor vehicles	4,241,578	4,021,938
Costs of and additions to buildings	14,632,725	4,522,243
Grant applied	(47,282,244)	(22,423,025)
	-	-
Capital work in progress consists of costs incurred as at 31 March 2018 for the development of the Nwanedi agri-business park that is still under construction. These costs mainly relate to the construction of a packhouse R14,632,725 (2017: R4,522,243) and an irrigation system R12,546,790 (R12,164,543). The construction of the packhouse is expected to be completed by the second quarter of the 2018/19 financial year, phase A of the irrigation system was completed in January 2018 and this irrigation is available for use and depreciated as required by IFRS for SME, phase B is expected to be completed in the first quarter of the 2018/19 financial period, and phase C (the last phase) will commence later in the 2018/19 financial year.		
Details of properties		
Portion 74 Friedenheim Farm 282JT, Nelspruit, 1200		
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		
- Value	5,212,350	5,212,350
Farm Helena		
Portion 2 of Farm Helena 400JU		
Terms and conditions		
- Purchase price: 09 March 2015	13,991,674	13,991,674
- Additions/ improvements since purchase	4,186,107	4,186,107
- Grant applied	(12,148,174)	(12,148,174)
	6,029,607	6,029,607
Farm Rietfontein		
Portion 3 and Portion 15 of the Farm Rietfontein 109		
Terms and conditions		
- Purchase price: 20 March 2015	8,743,910	8,743,910
- Additions/ improvements since purchase	1,727,962	1,727,962
- Grant applied	(4,901,910)	(4,901,910)
	5,569,962	5,569,962

Notes to the Annual Financial Statement (Continued)

	2018 R	2017 R
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3. Biological assets

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Biological assets	637,423	(475,438)	161,985	637,423	(404,320)	233,103

Reconciliation of biological assets - 2018

	Opening balance	Depreciation	Total
Biological assets-Gerbera plants	233,103	(71,118)	161,985

Reconciliation of biological assets - 2017

	Opening balance	Depreciation	Total
Biological assets- Gerbera plants	319,191	(86,088)	233,103

4. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Trademarks	38,025	(28,133)	9,892	38,025	(24,331)	13,694

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Trademarks	13,694	(3,802)	9,892

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Patents, trademarks and other rights	17,497	(3,803)	13,694

5. Trade and other receivables

Trade receivables	1,942,758	855,303
Deposits	580,658	243,544
VAT	2,448,708	2,615,317
	4,972,124	3,714,164

Annual Financial Statement

For the year ended 31 March 2018

Notes to the Annual Financial Statement (Continued)

	2018 R	2017 R
6. Inventories		
Finished goods	231,393	643,529
Consumable stores	327,123	843,271
Crops in the field (Vegetable)	2,114,430	580,621
	2,672,946	2,067,421
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	6,116	4,212
Bank balances	41,596,204	25,423,513
	41,602,320	25,427,725
The cash and cash equivalents held by the entity are committed as follows:		
Commitment		
Deferred income commitments	(32,828,241)	(10,623,748)
Capital commitments	-	(2,630,887)
Audit fees for annual financial statements	(88,800)	(81,844)
Audit fees for performance audit	(22,200)	(21,756)
Income committed to specific projects	-	(1,291,000)
Borrowings	(26,000)	(19,687)
Crop rotational fund loan - amaVeg	-	(797,022)
Trade receivables	4,972,124	3,714,164
Trade payables	(2,930,427)	(5,512,784)
Value added tax Payable to the Jobs Fund (Jobs Fund 3)	-	(270,112)
Value added tax Payable to the Jobs Fund (Jobs Fund 5)	(1,651,436)	(3,248,808)
	-	-
Total commitments	(32,574,980)	(20,783,484)
Funds used as bridging finance until next grant disbursement	9,027,340	4,644,241
8. Capital commitments		
Authorised expenditure contracted for but not yet delivered		
Asset replacement and repairs	-	180,000
New asset acquisitions	28,084,009	2,630,887
	28,084,009	2,810,887
9. Trade and other payables		
Trade payables	2,523,309	4,939,035
Accrued liabilities	346,044	501,067
Sundry payables	61,077	72,682
	2,930,430	5,512,784

Notes to the Annual Financial Statement (Continued)

	2018 R	2017 R
10. Other financial liabilities		
At amortised cost		
Subtropico Loan	26,000	-
This is a supplier development loan from Subtropico Johannesburg (Pty) Ltd to Timbali for enterprise development. The loan is interest free; that is, it bears interest at 0%. The loan will be reviewed between Subtropico and Timbali on 21 December 2018 and may be repaid as per agreement between the two parties, unless it is in the interest of both parties to continue with the loan for a further period to be agreed.		
Current liabilities		
At amortised cost	26,000	-
11. Current portion of long term liabilities		
Current liabilities	-	19,687
	-	19,687

Certain motor vehicles were purchased under installment sale agreement.

The loan was secured by a Nissan Qashqai Motor Vehicle, which bears interest at 10.50% (2017: 10.25% - 10.50%) with monthly repayments of R4,990.16. The instalment sale agreement was settled on 01 July 2017 and ownership has since been legally transferred to Timbali Flower Growers NPC. Refer to Note 2 where the vehicle is included under the "Motor Vehicles".

Annual Financial Statement

For the year ended 31 March 2018

Notes to the Annual Financial Statement (Continued)

	2018 R	2017 R		
12. Deferred revenue				
Reconciliation of deferred income.				
Reconciliation of deferred income: 2018	Opening balance	Funding received	Utilised during the year	Closing balance
Anglo American Chairman's Fund (Tshikululu) Funding	95,554	-	-	95,554
Department of Agriculture, Forestry and Fisheries Funding	584,642	304,167	(886,178)	2,631
Swiss-South African Cooperation Initiative	150,885	-	-	150,885
Seda Technology Programme Operating Expenses	-	2,500,000	(2,500,000)	-
Syngenta	-	127,500	(127,500)	-
Seda Technology Programme Additional Funding	5,432	-	(5,432)	-
Department of Trade and Industry - Crop Rotational Fund	350,000	-	-	350,000
Industrial development Corporation	69,044	-	-	69,044
Nedbank Funding	60,210	-	(40,303)	19,907
European Union Funding	1,320,897	394,905	(1,715,802)	-
Jobsfund Funding (JF3)	1,595,823	4,237,549	(5,794,833)	38,539
Jobsfund Funding (JF5)	2,370,626	15,734,972	(5,165,332)	12,940,266
Limpopo Department of Agriculture and Rural Development (LDARD)	4,020,635	40,000,000	(24,859,219)	19,161,416
Total	10,623,748	63,299,093	(41,094,599)	32,828,242
Reconciliation of deferred income: 2017	Opening balance	Funding received	Utilised during the year	Closing balance
Anglo American Chairman's Fund (Tshikululu) Funding	125,054	-	(29,500)	95,554
Department of Agriculture, Forestry and Fisheries Funding	1,216,811	-	(632,169)	584,642
Swiss-South African Cooperation Initiative	150,885	-	-	150,885
Syngenta	-	425,750	(425,750)	-
Seda Technology Programme Operating Expenses	-	2,500,000	(2,500,000)	-
Seda Technology Programme Additional Funding	5,432	-	-	5,432
Department of Trade and Industry - Crop Rotational Fund	350,000	-	-	350,000
Industrial Development Corporation	69,044	-	-	69,044
Nedbank Funding	60,210	-	-	60,210
European Union Funding	1,232,428	2,832,479	(2,744,010)	1,320,897
Jobs Fund 3 Funding	2,664,960	9,145,004	(10,214,141)	1,595,823
Jobs Fund 5 Funding	-	16,883,251	(14,512,625)	2,370,626
Limpopo Department of Agriculture and Rural Development (LDARD)	-	20,000,000	(15,979,365)	4,020,635
Total	5,874,824	51,786,484	(47,037,560)	10,623,748

Annual Report 2017-2018

Notes to the Annual Financial Statement (Continued)

	2018 R	2017 R
13. Revenue		
Sale of goods	11,797,028	9,871,916
14. Cost of sales		
Sale of goods		
Cost of goods sold	17,198,954	16,387,502
	17,198,954	16,387,502
15. Other income		
Profit and loss on sale of assets	138,234	-
Insurance claims	149,841	52,770
Sundry other income	284,038	237,116
Seda Technology Programme(SEDA)-Operations funding	2,505,432	2,500,000
Rental income	249,293	343,603
Nedbank funding used	40,303	-
Department of Agriculture, Forestry and fisheries (DAFF)	886,178	632,169
European Union Funding used	1,715,802	2,744,010
Other income	-	847,054
Jobsfund (JF3) funding used	5,794,833	10,214,141
Jobsfund (JF5) funding used	5,165,332	8,068,966
Levies received	251,788	222,050
Syngenta funding income	127,500	425,750
Transport Income	617,087	630,993
	17,925,661	26,918,622
16. Operating (loss) profit		
Operating (loss) profit for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts	235,821	218,353
Equipment		
• Contractual amounts	-	68,333
	235,821	286,686
Loss on disposal of property, plant and equipment	138,234	-
Amortisation of intangible assets	3,803	3,803
Depreciation on property, plant and equipment	2,942,421	3,065,235
Employee costs	9,443,050	9,362,272
17. Finance income		
Interest income		
Bank	1,504,585	838,656

Annual Financial Statement

For the year ended 31 March 2018

Notes to the Annual Financial Statement (Continued)

	2018 R	2017 R
18. Finance costs		
Non-current borrowings	-	6,359
Current borrowings	234	701
Other interest paid	12,672	10,751
	12,906	17,811
19. Auditor's remuneration		
Fees	112,216	133,610
20. Operating lease		
The entity rents land under operating leases. The lease is for a period of 9 years, with fixed rentals over the same period. There are 4 remaining years under the current lease (lease period ends on 31 March 2022).		
Operating lease expense		
Minimum lease payments under operating leases recognised as an expense during the year	235,821	221,833
Total	235,821	221,833
At year-end, the company has outstanding commitments under noncancelable operating leases that fall due as follows:		
Within one year	191,013	166,959
Later than one year but within five years	669,712	852,342
Total	860,725	1,019,301
21. Cash generated from operations		
Surplus for the period	(4,534,544)	1,472,245
Adjustments for:		
Depreciation and amortisation	3,017,342	3,155,127
Profit on sale of assets	(138,234)	-
Interest received	(1,504,585)	(838,656)
Finance costs	12,906	17,811
Changes in working capital:		
Inventories	(605,525)	679,512
Trade and other receivables	(1,257,960)	(16,651)
Trade and other payables	(2,582,354)	3,179,610
Deferred revenue	22,204,493	4,748,924
	14,611,539	12,397,922
22. Related parties		
Relationships	Entity:	
The SEDA technology program (SEDA) per agreement has the right to appoint one board member, and therefore it is considered to be a related party.	The SEDA Technology Program (SEDA)	
Related party balances and transactions with other related parties		
Related party transactions		
Funds received during the financial year		
SEDA Technology program	2,500,000	2,500,000

Notes to the Annual Financial Statement (Continued)

	2018 R	2017 R
23. Directors' remuneration		
Non-executive		
2018		
	Committees fees	Total
J.P. Hughes	20,199	20,199
T.P. Maepa	87,367	87,367
	107,566	107,566
2017		
	Committees fees	Total
J.P. Hughes	26,983	26,983

24. Prior period errors

Property, plant and equipment relating to the Nwanedi Agri-Park development were recognised in Timbali Flower Growers' NPC's Statement of Financial Position. In order to be consistent with the accounting policies applied in previous project, the grants received from the LDARD and Jobs Fund 5 have been applied against costs incurred on Nwanedi Agri-Park development assets. This has resulted in the prior year (2017) figures being restated to reflect the application of this accounting policy. This restatement has resulted in a decrease in prior year other income recognised from the funds received from these two funders as these funds have now been applied directly against the costs of assets instead of recognising income and recognising the assets in Timbali Flower Growers NPC's books. This has led to a decrease in the costs and carrying amount of assets and a decrease in the amount of depreciation expense recognised in Timbali Flower Growers NPC's Statement of Income and Retained Funds.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position		
(Decrease) in Property, plant and equipment	-	(21,982,618)
Decrease in Opening retained earnings	-	21,982,618
Profit or Loss		
(Decrease) in Depreciation expense	-	(440,407)
Decrease in Other Income - JF5 and LDARD funding used	-	22,423,025

Annual Financial Statement

For the year ended 31 March 2018

Reporting of Key Performance Indicators

In accordance with the funding requirement of the SEDA Technology Programme, the European union and Jobs Fund, the auditors reported the following as per the independent auditor's report on page 5:

1. The statement furnished to the SEDA Technology Programme 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, the European union and the 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

1. SEDA Technology Programme Key Performance Indicators

Quantitative measures	Target	Actual
New SMMEs established	20	27
Clients supported	200	203
SMMEs supported	105	105
% of Graduations	80%	80%
% black-owned clients in portfolio	80%	100%
% woman-owned clients in portfolio	65%	71%
% Youth Clients in portfolio	40%	58%
Direct jobs created	75	80
Total SMME turnover (in Rands)	15,000,000	14,617,572
% growth in SMME income	15%	6%

2. Jobs Fund 3 Key Performance Indicators

Heading	Target	Actual
Number of farmers trained	104	439
Quarterly reports submitted	4	4
External audited AFS approved by AGM	1	1
Permanent jobs created	357	361
Casual jobs created	713	744
	1,179	1,549

3. The Jobs Fund (JF5) Performance Indicators

Quantitative measures	Target	Actual
Casual jobs created	325	324
Trained Beneficiaries	50	50
Permanent seasonal Jobs created	80	80
	455	454

Reporting of Key Performance Indicators (Continue)

4. The European Union

Quantitative measures

	Target	Actual
Agri Enterprises supported in incubation	5	10
Youth owned Agri Enterprises supported	5	5
Woman owned Agri-enterprises Supported	5	5
Jobs (Direct) Created	5	15
Casual/ Seasonal Jobs created	45	45
Clustering Activities - Training	4	6
Success Stories	1	2
Interactions with Farmers (training, workshops, meetings etc.)	4	6
Knowledge / management system (OPS manuals)	1	1
Interactions with similar organisations e.g. conferences, workshops, meetings, etc.	1	3

Annual Financial Statement

For the year ended 31 March 2018

Detailed Income Statement

	Note(s)	2018 R	2017 Restated * R
Revenue			
Sale of goods		11,797,028	9,871,916
Cost of sales			
Opening stock		(1,486,800)	(1,202,045)
Purchases		(16,270,670)	(10,206,400)
Closing stock		558,516	1,486,800
	14	(17,198,954)	(9,447,934)
Gross deficit		(5,401,926)	423,982
Other income			
Insurance claims		149,841	52,770
Sundry other income		284,038	237,116
Seda Technology Programme(SEDA)-Operations funding		2,505,432	2,500,000
Rental income		249,293	343,603
Nedbank funding used		40,303	-
Department of Agriculture, Forestry and Fisheries (DAFF) Funding used		886,178	632,169
European Union Funding used		1,715,802	2,744,010
Donations received - in kind services		-	847,054
Jobsfund (JF3) funding used		5,794,833	10,214,141
Jobsfund (JF5) funding used		5,165,332	8,068,966
Levies received		251,788	222,050
Syngenta funding income		127,500	425,750
Interest received	17	1,504,585	838,656
Gains on disposal of assets		138,234	-
Transport income		617,087	630,993
		19,430,246	27,757,278
Expenses (Refer to page 29)		(18,549,958)	(19,751,636)
Operating surplus	16	(4,521,638)	8,429,624
Finance costs	18	(12,906)	(17,811)
Surplus for the year		(4,534,544)	8,411,813

Annual Report

2017-2018

Detailed Income Statement

	Note(s)	2018 R	2017 Restated * R
Operating expenses			
Advertising, Marketing & communication	19	(291,059)	(572,368)
Auditors remuneration		(112,216)	(133,610)
Bad debts		(52,236)	(24,256)
Bank charges		(41,501)	(29,983)
Cleaning		(35,529)	(24,333)
Computer expenses		(52,717)	(368,114)
Consulting and professional fees		(716,663)	(1,438,297)
Depreciation, amortisation and impairments		(3,017,342)	(3,155,127)
Discount allowed		-	375
Donations		150,500	-
Employee costs		(9,443,050)	(9,362,272)
Entertainment		(8,523)	(37,116)
Loose equipment		(32,098)	(52,579)
Farmer losses		-	(10,294)
Staff uniform		(9,889)	(637)
Goods, Services and trials for markets		(100,683)	-
Equipment hire		-	(24,085)
Insurance		(340,576)	(278,535)
Lease rentals on operating lease		(235,821)	(286,686)
Motor vehicle expenses		(980,357)	(666,911)
Electricity and water		(387,612)	(90,190)
Other expenses		(300,854)	(116,608)
Postage		(5,809)	(3,714)
Printing and stationery		(351,678)	(315,652)
Repairs and maintenance		(614,699)	(970,621)
Security		(178,067)	(152,758)
Telephone and fax		(351,576)	(303,279)
Training		-	(235,949)
Transport and freight		(718,713)	(713,674)
Travel - local		(321,190)	(384,363)
		(18,549,958)	(19,751,636)



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