

ANNUAL REPORT

2020 - 2021



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 include agri-businesses into value chains. 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. We serve government through active 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 services

An enabling environment for smallholder farmers

Facilitate access to markets and finance

Provide the technical training and monitoring of quality production into nice markets

Access to four Global GAP accredited certification and facilitating compliance of produce with global standards

Training and capacitating 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

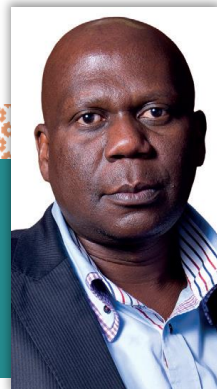
Chairman's Report
CEO's report
About Timbali
Our model
Exit Strategy and Hand-over Model to local NPC
2020/2021 Incubation Performance
The Timbali Board

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



Timbali Flower Growers NPC
(Registration Number 2002/0069058)



Chairman's Report

Report from Chair – Mr. Bheki Mamphaga

"The world is on a bumpy journey to a new destination and the New Normal."

Mohamed El-Erian

The new normal

The year dating from 1 April 2020 to 31 March 2021 was a year which will be remembered as 'the year of the new normal when the Covid-19 pandemic started'. Timbali's Agri-Parks were exporting 60% of their vegetable production in Rand value therefore it would be appropriate to remember it as the year in which all exports stopped abruptly on 26 March 2020. It was also a year when the NYDA funding agreement was signed but could not be realised and implemented. It was a year when Seda provided Timbali with extra funding that served to keep the boat afloat. Timbali's GlobalGAP Pack Houses that served the young Seda farmers serving export markets were severely impacted upon by the Covid-19 pandemic, causing serious challenges. Despite the abnormal conditions, Timbali managed to achieve its Seda year-end targets of establishing 10 new SMMEs against a target of 19, 100% black and 51% women with 22 % youths achieving a sales turn-over of R 8million.

Completing what we started

Timbali Technology Incubator In 2012 the Department of Agriculture Forestry and Fisheries (DAFF, now DALRRD), introduced Timbali to the Limpopo Department of Agriculture and Rural Development (LDARD) and in cooperation with Seda, appointed Timbali as project managers to conduct a pilot project with 50 smallholders in Limpopo. The objective was to move these enterprises onto firm commercial footings, and to facilitate cooperation amongst these farmers in order to extract the economies of scale, which they did not enjoy.

An irrigation package for participating farmers to the value of R 74 million was completed. The Nwanedi project cost per job amounted to R 108 000 and the Jobs Fund and Timbali Grant cost per job to R 36 000.

This compares well with the costs of job creation in the agricultural sector and can be justified when considering that it includes the costs of establishing the infrastructure indicated (R 103 million) which, together with the systems and processes in place, should ensure that existing jobs are maintained and further new jobs are created over the medium to longer term way beyond the duration of the contract. A key measure in efficiency in Nwanedi was the growth in the number of hectares under production. The project commenced with farmers effectively producing on an average of 3 hectares per farmer. At the end of the project, farmers are producing 6 hectares on average per farmer indicating a 100% growth in production area.

Timbali's partnership with the LDARD and the Jobs Fund led to the opening of another state-of-the-art, GlobalGAP compliant pack house in Nwanedi, Limpopo. It opened its doors at the end of March 2018 and on 31 March 2021 when the Jobs Fund contract was completed, the Nwanedi Pack House was fully operational, giving over 150 smallholder farmers access to local and retail markets. 151 Smallholder farmers were serviced and trained, 400 permanent seasonal jobs and 929 short term jobs created. The demographics of these jobs created included 56% women and 57% youths. The Nwanedi Agri-Hub contract totalled R 132 million. Timbali was responsible for the implementation and management of the Nwanedi Agri-Hub. At the completion of the contract, all assets were accounted for in an external audit and handed over to the Nwanedi Agri-Hub NPC in January 2021 valued at R 72 943 427.15 and all monies valued at R 4 284 419.08 were also transferred to the new Nwanedi Agri-Hub NPC. This project was an acid test of Timbali's model B which serves smallholder farmers on their own land.

Supported by



Chairman's Report continued

The Timbali Technology Incubator Team developed and implemented excellent operational and management systems that will make a significant contribution towards the continued operation and management of the project thus enhancing its sustainability.

In this regard the CMP as well as other systems exist to collect, consolidate and report on a wide range of information needed to guide, direct and monitor performance. People who are trained and experienced in the use of these systems have been employed in the new Nwanedi Agri-Hub NPC with two Timbali Directors serving on the Nwanedi Agri-Hub NPC Board, it can be assumed that the benefits accrued from these operational, management and sound governance measures will continue.



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. It comprises two members elected by the Board, all suitably skilled and experienced independent non-executive Directors of the Board and the CEO who is an Executive Director. The Committee is chaired by Mr T.P. Maepa. The Technical committee reviewed production and market performance and assessed all financial aspects of Timbali, the incubatees and the funders. They conscientiously use a King IV calendar checklist, review 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 Farmer Skills Development and HR committee under the chairmanship of Mr Kgole, reported to the Board on farmer skills development and staff matters. Remuneration levels were routinely reviewed and a 20% salary cut at management level was instituted from 1 September 2020 as a cost cutting measure.



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. I want to thank the Board of Directors for their role in strategically guiding Timbali through the Covid-19 destruction when the self-generated income from the Agri-Parks was severely affected. The implementation of Timbali's Strategic Workshop Report of 2020 is monitored closely.



Chairman's Report continued



The incubation contracts of the Jobs Fund 3 (JF3) beneficiaries on the Agri-Parks were either continued with new vegetable suppliers or were terminated and some chose to resign.

The Fund-Raising committee under the chairmanship of Dr Mokoena, continued to identify potential funders and tirelessly continued to recommend Timbali to influential leaders within government, using Nwanedi Agri-Hub as an example of what Timbali's model can achieve when implemented in a public-private partnership.

Strategy

A strategic session with Board members, management and staff participation, was held in August 2020, at which Timbali's high-level strategy was reviewed in the light of the impact of Covid-19. The challenges were ascertained and then effective actions were identified to keep Timbali afloat as well as the things that we should stop doing.

Timbali management was mandated to focus only on Model B, where farmers operate on their own land, but are subject to the intensive franchise-style discipline imposed by the viable markets. Timbali also uses Model C, where farmers on their own land are supported with technical skills development and inclusion in existing supply chains as out-growers.

Seda's Investment Committee (SIC) took a decision to use Timbali when they are expanding to new provinces in their agricultural expansions. The reason for this decision was that based on Timbali's track record and experience, a reliable model that does not need hand holding can be implemented. Timbali welcomes this confidence by Seda in collaborating with us to expand the incubation initiative to new provinces.

I would like to express my thanks to my fellow Board members and the CEO and staff of Timbali for their dedicated service during the past year.



Bheki Mamphaga
Chairman



CEO's Report



Report from CEO – Mrs. Louise de Klerk

“A ship is always safe at shore but that is not what it's built for.”

– Albert Einstein

Making a sustainable difference where it really matters

Timbali completed its Jobs Fund contract on 31 March 2020, but was asked to extend its services for another 12 months due to Covid-19 challenges. The highlights during this period were that Nwanedi Agri-hub Npc Board was legally formed and the Nwanedi Agri-Hub NPC started on a positive note in December 2020 by instituting the Finance, Human Resource and Technical Board committees to report to the Board and make the required recommendations. The entity became operational when the Nwanedi management team was appointed in March 2021. The appointment of experienced staff members such as Mylene Torres, Sydney Chauke and Pietro Di Bernardino is in line with Timbali's original view that a strong succession team should be employed to continue with the Timbali systems to ensure sustainability.

Of the available 214 bona fide farmers in the area, a total of 150 were assisted and developed, which covers 70% of all available farmers in the area. Important areas of impact were identified by the independent evaluator who compiled a comprehensive summative report included an increase in annual farm income:

a) Prior to project implementation, participating farmers earned R 90 549 gross income on average per annum and after implementation of the project an average gross income of R 164 582 per annum was achieved. This reflects an increase of 82% in gross average annual income per farmer.

b) The impact on increased average net annual earnings per farmer is: Prior to the project participating farmers on average earned R 31 889 net income per annum and after implementation of the project an average net earnings of R 57 626 per annum was achieved. This reflects an increase of 77% in net average annual earnings per farmer.

c) The impact of improved access to formal markets: Prior to the implementation of the project, farmers had unstable access to off-takers such as Tiger Brands to whom they supplied processing tomatoes. As can be seen from the above, incomes were substantially lower during that period. Currently, a total of 169 farmers have access to formal off-takers resulting in the almost doubled incomes. It should be noted that in addition to the formal markets, farmers still have access to “bakkie” traders and privateers.

d) Finally, an important impact of the completed Nwanedi contract is that it has not only made farmers aware of good agricultural practices, the safe handling of agro-chemicals, post-harvest practices as well as health and safety requirements, but has moved farmers to adopt and implement such practices. It further achieved a shift in producing vegetables with little regard for the above-mentioned issues, to market readiness and the ability to supply into formal markets that set high standards with regard to aspects such as safe food handling, chemical use, residue management and biological contaminants. This is an ongoing process, but the foundation has been laid and whilst farmers still have a long way to go, they are on the road to meeting SA and Global GAP standards.

The Public-Private-Partnership structure that was established to implement and manage this project has set the basis for sustainability and future continuation. The manner in which the various stakeholders (namely LDARD, Timbali, Seda, Jobs Fund; Secondary Cooperative and Farmers) were integrated, endeavoured to promote inclusivity and joint decision making that yielded benefits during the contact period. From a sustainability perspective it can be reported that the above relationships established, and commitment towards the project, has transcended beyond the formal Jobs Fund contract period and that key stakeholders such as LDARD, Seda, CPA and the former Timbali project staff have re-committed themselves to the project and have taken up key roles and functions in the new Nwanedi Agri-Hub NPC established to continue with the implementation and management of the project. This continued commitment and support and the experience and expertise that the former Timbali staff bring to the new institution hints well for its future.

CEO's Report continued

Braving the onslaught of the pandemic

The Covid-19 lockdown and the new environment that businesses find themselves in, forced Timbali to also adapt and re-evaluate its core business. Through strategic workshops held with Board of Directors, Stakeholders and Management, the path to follow was clearly defined and the action plans were set in motion. The outcome of these efforts has already shown progress in terms of addressing the challenges that Covid-19 restrictions have impacted the way business will be conducted going forward.

The following key factors were introduced into the Timbali model:

- ❑ • The Board mandated management not to recruit new incubatees in the Mpumalanga Agri-Parks due to the export market's abrupt termination, depletion of the Crop Rotational Fund and Timbali's unsuccessful application with Sefa.
- ❑ • Timbali's amaVeg Agri-Parks (JF3) were sustained for the past 7 years. When Covid-19 lockdown started on 26 March 2020, all exports of baby vegetables stopped immediately. Subsequently, all farmer income stopped and losses began to accumulate and Timbali's self-generated income from levies also came to an end. During 2020 we made every effort to scale down expenses by retrenching staff and by instituting salary cuts of 20% as from 1 September 2020.
- ❑ • The Timbali Board changed strategy in August 2020, because of the risk of no income to the incubatees and the escalation of their debt to creditors. When the exports stopped, we started to scale down operations on both Agri-Parks and redirected the markets to Outgrowers. The farmers at Agri-Park Rietfontein were transferred to a large Freshmark supplier, Beer Boers's supply chain into Freshmark. The contracts with the remaining young farmers at Helena were terminated with a reasonable severance agreement so that they would not be left destitute.

- ❑ Expanding the Timbali model incubation services to Smallholder Enterprises as Outgrowers on their own land.
- ❑ Timbali tested our market access incubation programme with Outgrowers in Mpumalanga and a survey was conducted to tailor our services with the needs of these Outgrowers. This was conducted over a four-week period in November 2020 which comprised of the new Outgrowers attending training at Timbali once a week as well as conducting on-farm field trips into areas such as Makoko, Tekwane, Daantjie and Nkomazi. Timbali introduced its key supply chain training areas to the Outgrowers using the Growth Wheel Tool. The needs identified were market access, input capital and practical hands-on incubation services on their farms.



CEO's Report continued

Making Model B work for the small holder farmer

The completion of the Nwanedi contract changed the mindset of participating smallholder farmers from being ad hoc producers of vegetables (in the hope that they would find a market for their produce), to market driven producers who know exactly what their market demands and who produce to set market standards and requirements.

We ended a difficult year on a positive note with Standard Bank S.A. extending R 2m in loan financing to Timbali's smallholder farmers at 0% interest and with no initiation fees. This is the comment of Veronica Repinga from who was one of the first farmers to qualify for loan financing with Standard bank:

"After years of struggling to run my small vegetable farming business, finally the year 2021 became a year of success after I was told that Timbali (supported by Seda) is offering us day-to-day incubation services. The Loan Financing that Timbali brought from Standard Bank is a first for us as the Nkomazi Vegetable small scale farmer. I expect to see myself becoming a commercial farmer in the next three years when I will be able to borrow money from a stronger foundation. We see the support from Team Timbali, especially the Product Services and Facilities Officers (PSF) who give us the right direction on how to do the daily field work with attention to detail. I wish this must not end with us, but I pray that Standard Bank, Seda and Timbali continue to support more local farmers in terms of loan financing, markets and technical support because these are the major things we are lacking. Lastly, Timbali has enlightened us about the Market as the most important thing if you want to grow into more profitable farming. If you produce you must have a reliable place where your products will be sold (Market), and this is what Timbali has brought us at Nkomazi."



Appreciation

Grateful thanks are due to our funding 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 116 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 sustained 61 jobs and created 72 new jobs with a turnover of

R 8,800,065. We have a record of accomplishment in diligently meeting our annual Seda key performance indicators.

All in all, the outputs of the past year were a hard-earned effort by each person who played a critical part in extending market access services to each farmer, and who played a role in quality control and attention to detail.

My thanks go to our Chairman, the Directors and my fellow staff members. Last but not least, I wish to express my appreciation to, and admiration of, the farmers whose successes make all our hard work worthwhile.

Louise de Klerk
CEO

Our Incubation Performance

Seda Key Performance Indicators (KPI)

KPI's	Annual Target	Actual	% Variance	Explanation
New SMME's Established	19	10	53%	Covid-19 stopped all exports causing the target to be missed, but existing SMMEs supported were maintained as reported in the next KPI.
Clients Supported	113	116	103%	Target reached
SMME's Graduated	8	-		Due to the Covid-19 Pandemic the focus was on sustaining all SMME's supported and ensuring their survival during the pandemic rather than graduation.
% Black Owned Clients in Portfolio	80%	100%	125%	Over Performed by 20%
% Women-owned clients in Portfolio	35%	51%	146%	Timbali's model favours rural women and youths that is not the norm.
% Youths in Portfolio	40%	22%	55%	The loss of the export market caused the loss of youths in Timbali's portfolio.
Direct Jobs Created	73	72	99%	The market access systems caused jobs target to be reached.
Total SMME turn-over in Rand	R 5 400 000	R8 800 065	163%	Despite the Covid-19 pandemic causing all exports to stop, Timbali's SMMEs were able to generate income from retail as well as wholesale markets.
% Turnover Growth	15%	9%	162%	ditto



Our Incubation Performance

LDARD Jobs Fund Contract JF5/1251-2 Key Performance Indicators on 31/03/2021

LDARD /JF5 KPI's	Annual Target	Actual	% Variance	Explanantion
Hectares under production	1380	1732	125%	Farmers that did not receive irrigation infrastructure decided to opt into the Pack House growing prgrams
New Short-Term Jobs	900	940	104%	More jobs were created due to the labour intensive nature of vegetables
Trained Beneficiaries	150	151	101%	No significant variance
New Permanent Seasonal Jobs	169	173	0%	No significant variance
Women Beneficiaries	50%	56%	112%	Significant rural focus on women
Youths Beneficiaries	35%	57%	163%	Timbali's model favours youths
Drip Irrigation Infratructure installed on farmer's' land	300	300	0%	No variance



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

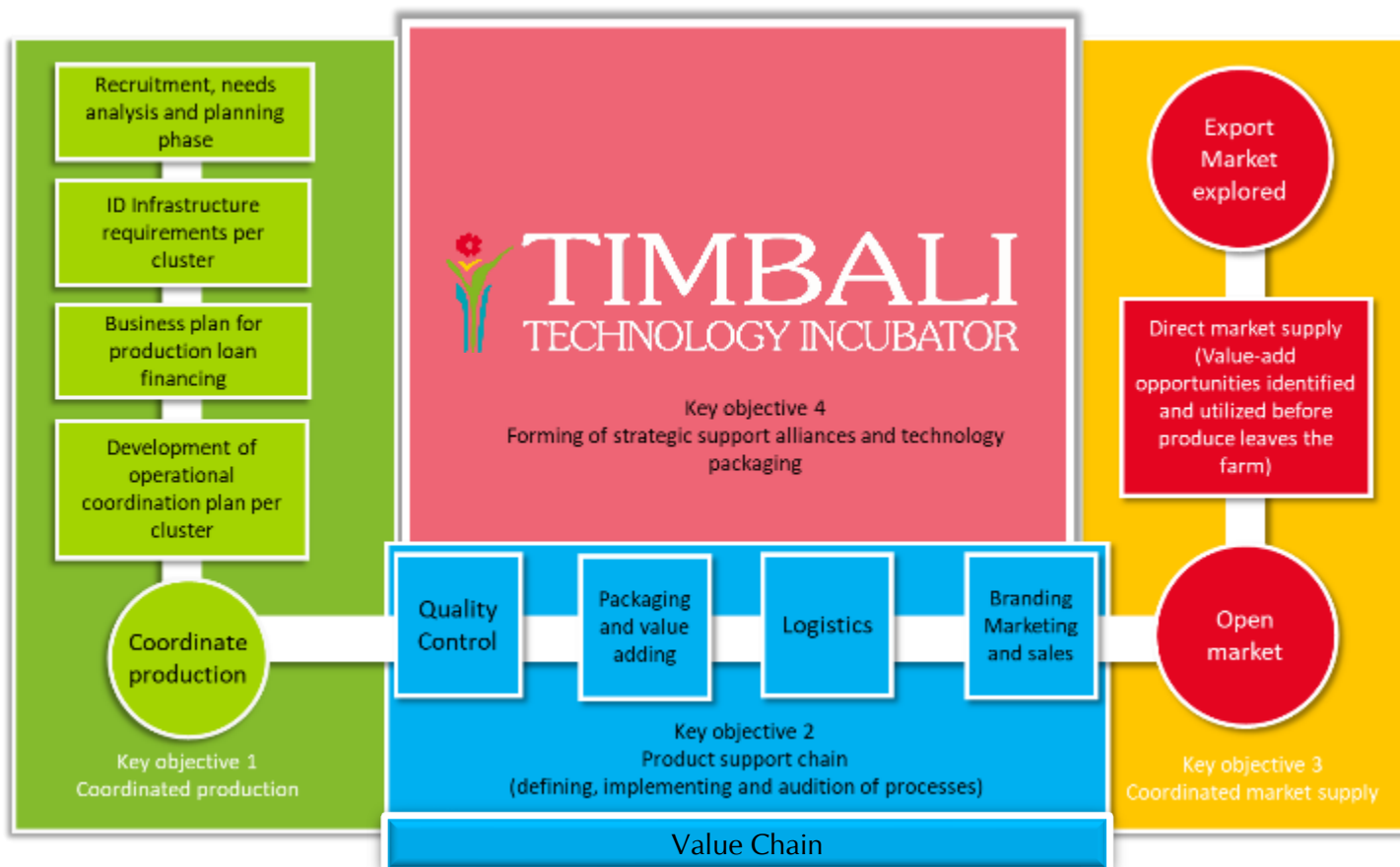
The Key elements of the Timbali Model are:

- 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.

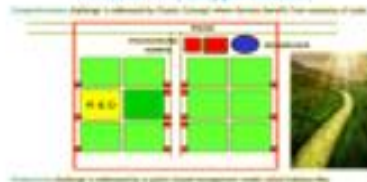


Our Exit Strategy and Hand-Over Model

TIMBALI STRATEGIC MODEL AND HAND OVER PROCESS

INDLELA – TIMBALI'S WAY

1. BARRIERS TO NEW MARKETS: Competitiveness and Productivity Timbali Prototype Model



2. TIMBALI SOLUTION AS THE INDLELA

3. TIMBALI ENABLING ENVIRONMENT & STRATEGIC OBJECTIVES



Sales Mix 24 April 2018 - 19 May



4. NWANEDI AGRI- HUB PLANNED VERSUS ACTUAL WEEKLY TMM REPORTING – GIVEN TO FARMERS BY PSF

NWANEDI PPP REPORTING STRUCTURE



**TRAINING - Secondary Coop & Cluster
Representatives Take over Nwanedi Hub**

Disclosure & Transparency

Risk & Performance Management
Legal & Regulatory

Monitoring & Evaluation

**CORPORATE
GOVERNANCE
Training**



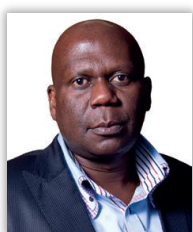
DEPARTMENT OF
AGRICULTURE AND RURAL DEVELOPMENT



TIMBALI
TECHNOLOGY INCUBATOR



The Timbali Board



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



Mr. Mashiba Kgole
SEDA Representative



Dr. Madime Mokoena
(DAFF)



Mr. TP Maepa
Moepathutsi Consulting



Ms. Karin Hannweg
Company Secretary
(ARC-TSC)



Ms. Louise de Klerk
(CEO Timbali)



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