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# PART A:

## GENERAL INFORMATION



# PART A: GENERAL INFORMATION

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## 1. PUBLIC ENTITY'S GENERAL INFORMATION

<b>REGISTERED NAME:</b>	NCERA FARMS SOC LTD
<b>REGISTRATION NUMBER (if applicable):</b>	1965/004352/07
<b>PHYSICAL ADDRESS:</b>	WELCOME HOME FARM KIDDS BEACH 5264
<b>POSTAL ADDRESS:</b>	P.O BOX 5 KIDDS BEACH 5264
<b>TELEPHONE NUMBER/S:</b>	043 7811 694
<b>FAX NUMBER:</b>	043 7811 640
<b>EMAIL ADDRESS:</b>	<a href="mailto:mzi@ncerafarms.co.za">mzi@ncerafarms.co.za</a>
<b>WEBSITE ADDRESS:</b>	
<b>EXTERNAL AUDITORS:</b>	AGSA
<b>BANKERS:</b>	ABSA
<b>COMPANY/ BOARD SECRETARY</b>	NCERA FARMS SOC LTD – Z. Gana

## 2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor General of South Africa
MEC	Member of Executive Council
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
PFMA	Public Finance Management Act No. 1 of 1999
TR	Treasury Regulations
MTEF	Medium Term Expenditure Framework
SMME	Small Medium and Micro Enterprises
SCM	Supply Chain Management
SA GAAP	South African Generally Accepted Accounting Practice

### 3. FOREWORD BY THE CHAIRPERSON



**Mr. M.J Kgobokoe**

Title: Caretaker of the Board

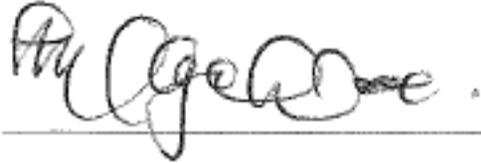
It gives me great pleasure to present the Ncera annual report for the period 2013/14. The report is presented in four phases that are sequentially illustrating the current activities in the form of strategic goals, achievements, plans and financial statements for Ncera Farms (Pty) Ltd. Even though some of the focus during the 2013/14 financial year was on the reconfiguration of the Ncera Farms (Pty) Ltd as an entity of the Department of Agriculture, Forestry and Fisheries (DAFF), this report is purposefully excluding details on these latter activities as these can be obtained through a different route. It makes sense to provide a brief background on the Ncera Farms (Pty) Ltd as a basis for the full document that follows herein.

Ncera Farms (Pty) Ltd is a public company listed in schedule 3B of the Public Finance Management Act, 1999 (Act 1 of 1999) with DAFF as a sole shareholder. Ncera farms is made up of two areas, the Ncera Centre which has been registered as Ncera Farms (Pty) Ltd, to manage some of the state owned land in the Kidds Beach, Eastern Cape, and the farming portions around the centre. The centre is situated in the Welcome Home farm in the Amathole District of the Eastern Cape.

As captured in this report the Ncera Farms (PTY) Ltd centre strategic goals include the development and implementation of effective and efficient Ncera management and governance systems and procedures; Mechanisation that ensures that the workshop runs effectively and efficiently to provide services to surrounding rural communities at a cost to the communities; crop production wherein vegetables are produced and sold to local markets and lastly livestock for breeding. The Eastern Cape is a “livestock” province of the country and is home to 21% of South Africa’s cattle, 28% of its sheep and 46% of its goats. The activities undertaken at the Ncera Farms are further guided by DAFF’s focus of improved service delivery and are line with the niche enterprises for the Eastern Cape Province.

In the battle to eradicate poverty, unemployment and inequality the Ncera Farms (PTY) Ltd continues to support rural communities that are projected at ±18 000 under Chief Jongilanga. The Centre is surrounded by nine rural villages with an unemployment rate which is estimated at 80%. Continued efforts are made to ensure continuity of the Ncera Farms (PTY) Ltd towards increased food security and improved livelihoods in the Eastern Cape and the country at large.

I would like to thank the CEO for Ncera Farms (PTY) Ltd, his team and our partners for the excellent service provided through this Centre.

A handwritten signature in black ink, appearing to read 'M.J. Kgobokoe', is written over a horizontal line.

**Mr. M.J. Kgobokoe**

**Caretaker for Ncera**

## 4. CHIEF EXECUTIVE OFFICER'S OVERVIEW



**Mr M. Titimani**

Title: Chief Executive Officer

Ncera farms Pty LTD as an entity of the Department of Agriculture Forestry and Fisheries is situated in the Eastern Cape Province about 40km from East London. The most important fact is that the entity receives more than 700mm of rain per annum and approximately 100% grass coverage. The year under review has been a good one in regards to Livestock and Goat enterprises in terms of productivity. In many areas of the country, drought has caused production cost to increase per animal unit, but this however has not been the case with the entity.

It is of most importance to note that the entity has not received any funding for new projects, so as to develop further in it's envisaged mandate than the existing one. As a result of that objectives have been stream lined to suit the available small budget.

The entity has been surrounded by changes proposed by the portfolio committee to rather close it or transfer to the province, Fort Cox, Dohne research Council. Many stakeholders have been involved which includes, the traditional leadership, Rural Development, Local political Leaders, DAFF, Public Works, to mention but a few. DAFF has confirmed to transfer the entity to the Agricultural Research Council. The entity is looking forward to the new environment directed by the DAFF hoping that the capabilities of this entity will be fully exploited, and that ARC will find it conducive to pursue more research projects whether on livestock or otherwise, also to enhance what already exists within enterprises

The entity also continues to support the communities in terms of cultural practices of mechanization. This support is of vital importance to those households who still want to grow maize during summer season. Ncera is the only hope to these communities for them to do cropping, without this support many families may suffer hunger, and poverty. The entity contributes positively in the fight against hunger and poverty, and promoting people to grow their own food.

In spite of that the entity aims to produce high quality livestock, contributing to the livestock program of the DAFF, and be the hub of good quality heifers and bulls that will assist especially livestock projects countrywide. The focus this year was to ensure that the entity maintains all the livestock in good health status, and maintain good governance. Good calving and high kidding percentage are the major indicators that prove exactly what this entity ultimate goals.

- General financial review of the public entity

76 80% for compensation of employees and very little for maintenance and other overheads.

- Spending trends of the public entity

Spending patterns did not vary much as the only increase received by the entity was the inflation related increase of 5 %. Furthermore there allocation for 2013/14 decreased by R330 000 which resulted to a decrease in expenditure for the current year.

- Capacity constraints and challenges facing the public entity

Management developed the turnaround strategy with fully costed projects in June 2011. The strategy was presented in Parliament and was never approved. The past years had been difficult for the entity to operate without any budget for programmes. The Portfolio Committee made a recommendation for the entity to be closed down. This was also confirmed by a letter received in February 2014, from the Minister of Agriculture Forestry and Fisheries that the entity will be transferred to the Agricultural Research Council.

Though management is still waiting for the proper decision from the principals, the entity managed to produce good quality livestock (cattle and goats). Mortality rate for both cattle and goats were below 5 %.

- Supply chain management

The entity has a Chief Financial Officer who is making sure that the entity complies with any Regulations including those that relates to SCM. The finance section also prevents the occurrence of irregular, unauthorised and fruitless and wasteful expenditure by making sure that they are fully updated with the changes in PPPFA and other treasury prescripts

- Audit report matters in the previous year and how would be addressed

The entity had only findings relating to Governance. The issue of the audit committee and internal audit not in place was raised.

Management made the recommendation to the Caretaker of the Board to appoint Audit Committee so as to appoint Internal Auditors

- Events after the reporting date

There were no events after the reporting date

- Audit reports

The entity has maintained the status of unqualified audit report

A handwritten signature in black ink, appearing to read 'M. Titimani', is written over a horizontal line.

**Mr M. Titimani**

**Chief Executive Officer**

**Name of public entity**

**Date: 31/05/14**

## 5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor General.
- The annual report is complete, accurate and is free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the SA GAAP standards applicable to the public entity.
- The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The accounting authority is responsible for establishing, and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2014.

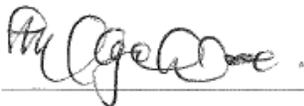
Yours faithfully



Chief Executive Officer

M. Titimani

Date



Chairperson of the Board

M.J. Kgobokoe

Date: 31/05/14

## **6. STRATEGIC OVERVIEW**

### **6.1. Vision**

To contribute towards an industry focused farm management training, farmer support services and the design of franchise type agricultural business models for farmers in general and beneficiaries of land and agrarian reform, in particular within the immediate catchment area of the centre.

### **6.2. Value**

Drive – Driven to deliver excellent services

Attitude – Being an ambitious, passionate, reliable and dedicated workforce

Fairness – Acting with objectivity, empathy, integrity and transparency

Focus – Focus on people, economic and rural development

## **7. LEGISLATIVE AND OTHER MANDATES**

Ncera Farms (SOC) Ltd is a schedule 3 B entity as per the PFMA.

The entity is guided by the following laws & regulations and policies:

Public Finance Management Act

Treasury Regulation

Preferential Procurement Policy Framework Act

Human Resource Management Policy

Supply Chain Management Policy

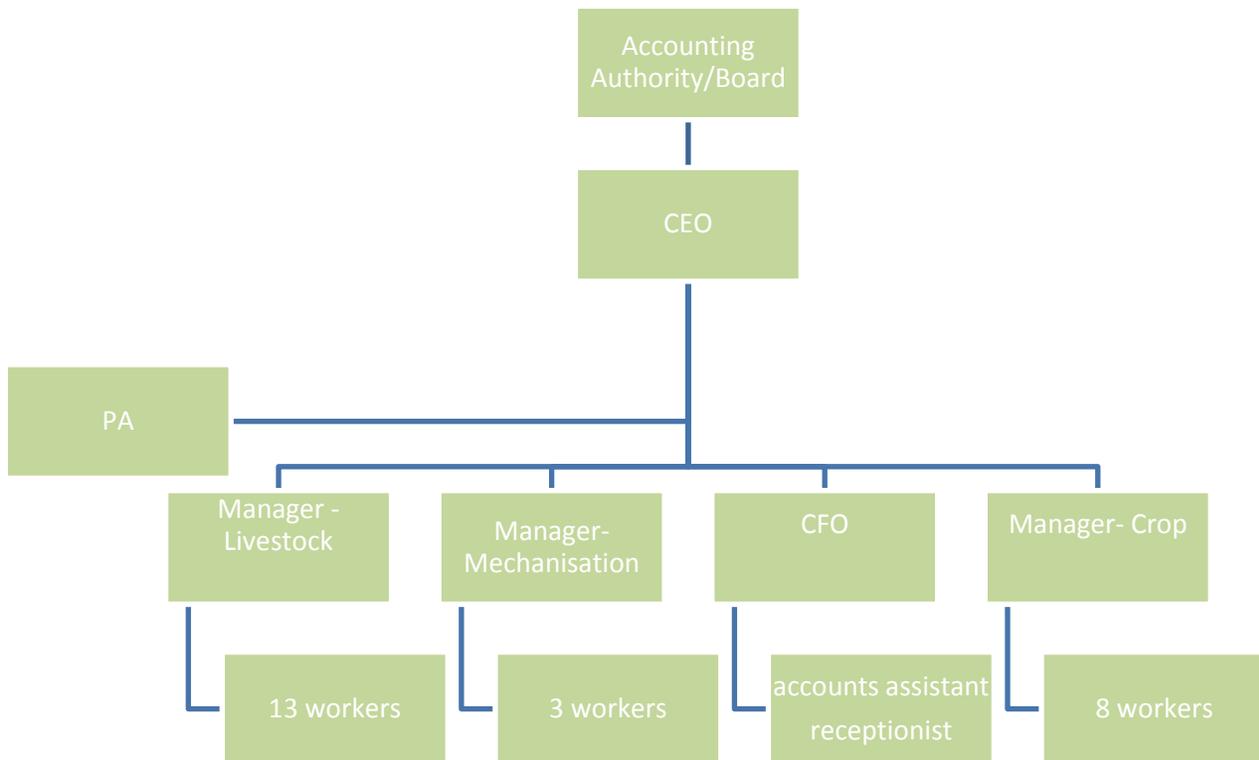
Performance Management Policy

Financial Procedure Manual & Policy

Strategic Risk Management Policy

Fraud Prevention Plan & Policy

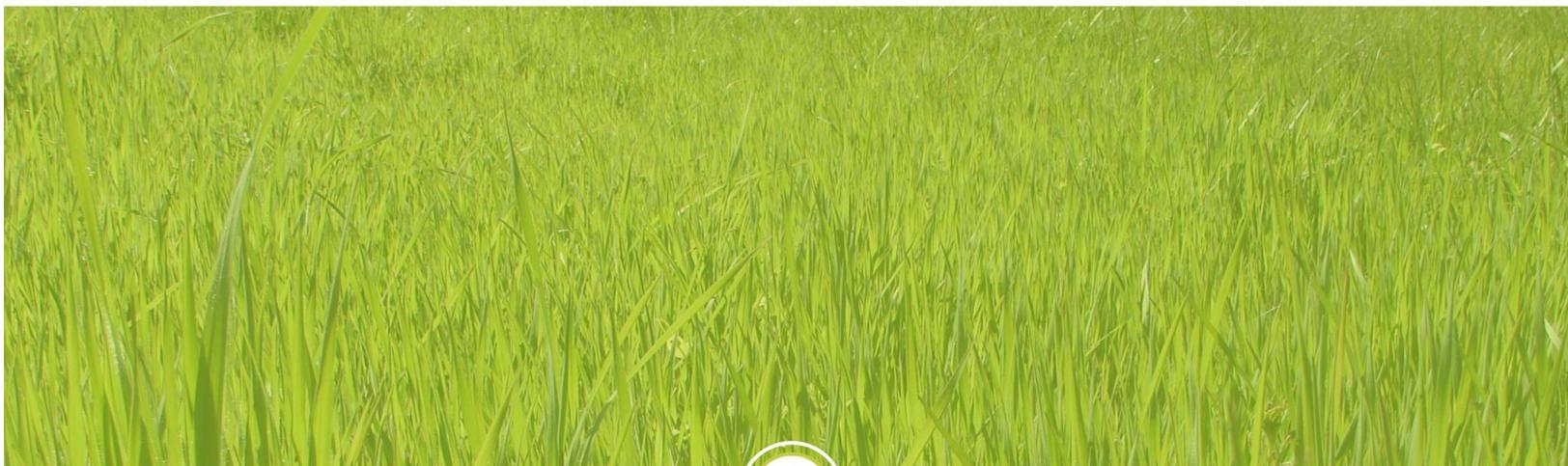
## 8. ORGANISATIONAL STRUCTURE





# PART B:

## PERFORMANCE INFORMATION



# PART B: PERFORMANCE INFORMATION

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## 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA/auditor currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the *Predetermined Objectives* heading in the *Report on other legal and regulatory requirements* section of the auditor's report.

## 2. SITUATIONAL ANALYSIS

### 2.1. Service Delivery Environment

The objective of this chapter is to locate the Ncera Farms (Pty) Limited area in terms of its geographical location within South Africa. Physical factors such as climate, soils, water resources and vegetation are explored to explain the agricultural potential of the area.

The Ncera Farms area includes the Service Centre which is situated at Welcome Home Farm, Rocklands Cash Store and the following farms at Silverdale, Yellowwoods, Hilltop, Rocklands, Springvale, Flintham, Ferndale and Lillyvale farm. This is under the Amathole District Municipality (ADM) region in the central Eastern Cape of the former Ciskei. These farms are situated near East London in the vicinity of Buffalo City Metropole.

### 2.2. Key policy developments and legislative changes

There were no major changes in the entity's policies

### 2.3. Strategic Outcome Oriented Goals

**Strategic Goal 1: Development and implementation of effective and efficient Ncera management and governance systems and procedures**

**Strategic Goal 2: Mechanisation – To ensure that the workshop runs effectively and efficiently and provide support to the surrounding villages**

**Strategic Goal 3: Crop production – To produce and sell vegetables to the market and locally**

**Strategic Goal 4: Livestock – To produce good quality livestock for breeding purposes**

### 3. PERFORMANCE INFORMATION BY PROGRAMME/ACTIVITY/OBJECTIVE

#### 3.1. Programme 1: Finance & Administration

Strategic Goal 1: Development and Implementation of Effective and Efficient Governance Systems and Procedures for the entity						
Strategic Objective 1: Good Governance practices and effective, efficient support systems						
Measurable Objective	Performance Measure Indicator	2013/14 Target (Non financial, Key activities)	Annual Plan	Annual Report	Monitoring Mechanism	Variance
To provide efficient support to the entire entity	Annual performance and expenditure report  Unqualified audit reports	Efficient support	Support the entire entity so as to execute its measurable objectives  Ensure that all supporting documentation are available for audit purposes and submitted timeously	Supported programmes and were able to execute the funded objectives  All supporting documentation were available for audit purposes and submitted timeously	Expenditure and performance report  Audit report	None
Remuneration of employees	Salaries paid timeously	Payment of salaries	Payment of salaries on a monthly basis	Salaries were paid on a monthly basis	Payroll reports  Proof of payment	

### 3.2. Programme 2: Mechanisation

**Strategic Goal 2: To ensure that the workshop runs effectively and efficiently and provide support to the surrounding villages**

**Strategic Objective 1: Ensure mechanisation program is enhanced**

1. Measurable Objective:

1.1. Repairs, maintenance and provide service for tractors and bakkie

<b>Strategic Goal2:</b> To ensure that the workshop runs effectively and efficiently and provide support to the surrounding villages						
<b>Strategic Objective 1 :</b> Ensure mechanisation program is enhanced						
Measurable Objective	Performance Measure Indicator	2013/14 Target (Non financial, Key activities)	Annual Plan	Annual Report	Monitoring Mechanism	Variance
Repairs, maintenance and provide service for tractors and bakkies	Motor vehicles, tractors and equipment are functioning	Maintenance and repairing of motor vehicles, tractors, truck and equipment	<p>Estimated minimum of 8 Tractors serviced/repaired/maintained (when necessary)</p> <p>Estimated minimum of 7 bakkie serviced/repaired/maintained(when necessary)</p> <p>Ploughing equipment to be repaired</p> <p>1 Truck to be repaired</p>	<p>6 tractors were serviced/repaired/maintained</p> <p>5 bakkies were serviced/repaired/maintained</p> <p>4 Ploughs and disc harrow were repaired</p> <p>1 Truck was repaired</p>	Job card for all tractors bakkies serviced/repaired	Repairs are done when needed

**3.3. Programme 3: Crop Production**

**Strategic Goal 3: To produce and sell vegetables to the market and locally**

**Strategic Objective 1: Good quality crops produced**

1. Measurable Objective:

1.1 Purchasing of packing materials(tomatoes and green peppers) and selling of vegetables to the market and local

**Strategic Objective 2: Mechanisation services accessible to the villagers**

2. Measurable Objective:

2.1. Assist 5 villages with mechanisation services

<b>Strategic Goal 3: To produce and sell vegetables to the market and locally</b>						
<b>Strategic Objective 1: Good quality crops produced</b>						
<b>Measurable Objective</b>	<b>Performance Measure Indicator</b>	<b>2013/2014 Target (Non financial, Key activities)</b>	<b>Annual Plan</b>	<b>Annual Report</b>	<b>Monitoring Mechanism</b>	<b>Variance</b>
Purchasing of packing materials(tomatoes and green peppers) and selling of vegetables to the market and local	Boxes purchased  Vegetables sold	Purchasing of packing materials(tomatoes and green peppers), fertilizer and selling of vegetables to the market	Purchasing of packing materials (tomatoes and green peppers), fertilizer and selling of vegetables to the market	Purchased packing material and fertilizer  Sold tomatoes and green peppers to the market and local	Boxes  Receipts	None

<b>Strategic Objective 2: Mechanisation services accessible to the villagers</b>						
<b>Measurable Objective</b>	<b>Performance Measure Indicator</b>	<b>2013/2014 Target (Non financial, Key activities)</b>	<b>Annual Plan</b>	<b>Annual Report</b>	<b>Monitoring Mechanism</b>	<b>Variance</b>
Five villages are assisted with mechanisation services	Plots for villagers are ploughed	Five villages assisted with mechanisation services	Assist five villages with mechanisation services	5 villages assisted with mechanisation services	Invoices and receipt book	None

**3.4. Programme 4: Livestock**

**Strategic Goal 4: To produce good quality livestock for breeding purposes**

**Strategic Objective 1: Promotion of good quality livestock towards a livestock improvement program**

1. Measurable Objective

:

1.1. Livestock is healthy

<b>Strategic Objective 4 : To produce good quality livestock for breeding and income generation purposes</b>						
<b>Measurable Objective</b>	<b>Performance Measure Indicator</b>	<b>2013/2014 Target (Non financial, Key activities)</b>	<b>Annual Plan</b>	<b>Annual Report</b>	<b>Monitoring Mechanism</b>	<b>Variance</b>
Livestock is healthy	Healthy livestock is produced	Produce healthy animals	<p>Purchasing of medicines, doses and feeds for the livestock</p> <p>Developed and implemented the Dipping &amp; dosing programme for the year</p>	<p>Medicines, dips and feeds purchased</p> <p>Developed and implemented the Dipping &amp; dosing programme during the year</p>	<p>Invoices received for the purchase</p> <p>Dipping &amp; dosing programme</p> <p>Healthy livestock</p>	None

PART C:  
GOVERNANCE



# PART C: GOVERNANCE

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## 1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

## 2. EXECUTIVE AUTHORITY

The entity's Strategic Plan Annual Performance Plan and Annual Reports are submitted to the Executive Authority for approval. The Executive Authority recommended that the institution must be funded for salaries and wages, maintenance of the assets and other overheads.

## 3. THE ACCOUNTING AUTHORITY / BOARD

The entity does not have Board of Directors. A Caretaker of the Board serves as the Board.

## 4. RISK MANAGEMENT

Ncera Farms has a Risk Management Policy in place.

Ncera Farms conducts regular risk assessments in order to determine the effectiveness of its risk management strategy and identifying new and emerging risks. This assessment is conducted twice a year.

**5. INTERNAL AUDIT AND AUDIT COMMITTEES**

Management made a request to the Caretaker of the Board for the appointment of internal and audit committee following the audit finding from the 2012/2013 year.

The entity does not have an audit committee and no internal audit activities carried out in the entity.

**6. COMPLIANCE WITH LAWS AND REGULATIONS**

The entity operates under the PFMA and other Treasury Regulations and PPPFA. It has a fully functioning finance unit that ensures compliance with all the said regulations as well as any amendments in the Supply Chain Management Policy.

**7. FRAUD AND CORRUPTION**

The public entity has a fraud prevention plan & policy in place. All fraud and corruption related matters are reported using Department of Agriculture Forestry and Fisheries's hotline.

No instances of actual or perceived fraud/corruption were noted during the financial year.

**8. MINIMISING CONFLICT OF INTEREST**

The entity reserves the right to exclude anyone where it deems any such relationship to be in conflict with the best interests of Ncera Farms SOC Ltd.

**9. CODE OF CONDUCT**

In order to ensure that employees understand, respect and uphold Ncera Farms values, it is necessary to integrate the interests of Ncera Farms with those of its employees. Ncera Farms will ensure compliance with all applicable human rights legislation and will not permit conduct that creates an intimidatory or offensive work environment.

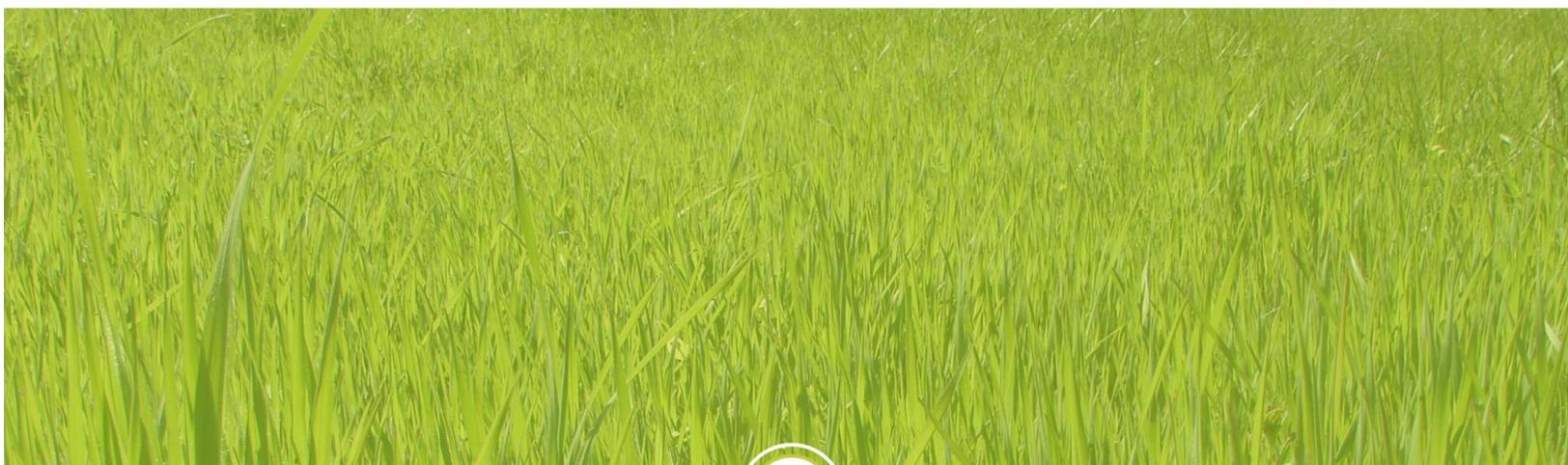
**10. AUDIT COMMITTEE REPORT**

No audit committee report since there is no audit committee in the entity



# PART D:

## HUMAN RESOURCE MANAGEMENT



# PART D: HUMAN RESOURCE MANAGEMENT

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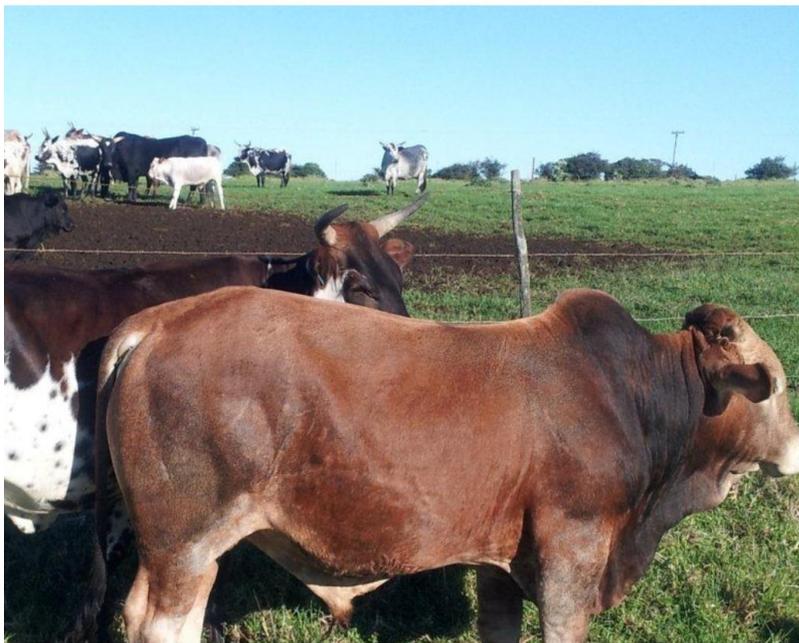
## 1. HUMAN RESOURCE OVERSIGHT STATISTICS

During the financial year there were three terminations of employees' services. Two of these employees retired and one absconded.

There were no new appointments in the 2013/14 financial year. 76% of the R5 020 000 budget allocation was utilised towards salaries and wages.

# PART E:

## FINANCIAL INFORMATION



# PART E: FINANCIAL INFORMATION

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## 1. REPORT OF THE EXTERNAL AUDITOR



### INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON THE NCERA FARMS SOC LTD REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. We have audited the financial statements of the Ncera Farms SOC Ltd set out on pages 30 to 48, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Director's responsibility for the financial statements

2. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and the requirements of the Public Finance Management Act of South Africa No. 1 of 1999 (PFMA) and the Companies Act of South Africa, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

6. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ncera Farms SOC Ltd as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with SA GAAP and the requirements of the PFMA and the Companies Act of South Africa.

**Additional matter**

7. We draw attention to the matter below. Our opinion is not modified in respect of this matter.

**Other reports required by the Companies Act**

8. As part of our audit of the financial statements for the year ended 31 March 2014, we have read the Foreword by the Chairperson and the Chief Executive Officer's Overview for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between the reports and the audited financial statements. We have not audited the reports and accordingly do not express an opinion on them.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

9. In accordance with the PAA and the general notice issued in terms thereof, we report the following findings on the reported performance information against predetermined objectives for the selected objectives presented in the annual report, non-compliance with legislation as well as internal control. We performed tests to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

**Predetermined objectives**

10. We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2014:

- Programme 1: Finance & Administration on page 18

11. We evaluated the reported performance information against the overall criteria of usefulness and reliability.

12. We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPPI).

13. We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

**Usefulness and reliability of reported performance information**

14. We did not raise any material findings on the usefulness and reliability of the finance and administration programme.

**Additional matter**

15. Although we raised no material findings on the usefulness and reliability of the reported performance information for the selected programme, we draw attention to the following matter:

**Achievement of planned targets**

16. Refer to the annual performance report on pages 15 to 22 for information on the achievement of the planned targets for the year.

**Unaudited supplementary information**

17. The supplementary information set out on pages 1 to 14 and pages 23 to 29 does not form part of the annual performance report and is presented as additional information. We have not audited these reports and, accordingly, we do not report thereon.

**Compliance with legislation**

18. We performed procedures to obtain evidence that the entity had complied with legislation regarding financial matters, financial management and other related matters. Our findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

**Internal audit function**

19. No internal audit activities at the entity that related to the year ended 31 March 2014 were identified. The existence and fulfilment of the internal audit unit's responsibilities in terms of TR 27.2 could not be confirmed.

**Audit committee**

20. It could not be confirmed that the entity's audit committee met at least twice a year as prescribed by section 77(b) of the PFMA. The audit committee's fulfilment of its responsibilities in terms of TR 27.1 could furthermore not be confirmed.

**Internal control**

21. We considered internal control relevant to our audit of the financial statements, performance information and compliance with legislation. Except for the matters noted under compliance with legislation, we did not identify any other deficiencies in internal control which we considered sufficiently for inclusion in this report.

*PricewaterhouseCoopers Inc.*

PricewaterhouseCoopers Inc.

Director: JFD Labuschagne

Registered Auditor

East London

31 July 2014

## 2. ANNUAL FINANCIAL STATEMENTS

### NCERA FARMS SOC

#### Statement of Financial Position

for the year ended 31 March 2014

	Notes	2014 R	2013 R
<b>Assets</b>			
<b>Non-current assets</b>			
		<b>2 087 686</b>	2 262 303
Property, plant and equipment	12	<b>2 086 057</b>	2 255 788
Intangible Assets	12	<b>1 629</b>	6 515
<b>Current assets</b>			
		<b>2 006 225</b>	1 504 560
Inventory	2	<b>704 402</b>	535 664
Trade and other receivables from exchange transactions	3	-	9 078
VAT receivables		<b>36 967</b>	-
Cash and cash equivalents	9	<b>1 264 856</b>	959 818
<b>Total assets</b>		<b>4 093 911</b>	3 766 863
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
		<b>3 761 958</b>	3 612 892
General reserve		<b>3 761 958</b>	3 612 892
<b>Current liabilities</b>			
		<b>331 953</b>	153 971
Accruals	4.2	<b>155 026</b>	134 318
Provision	4.3	<b>169 694</b>	-
Trade and other payables from exchange transactions	4.1	<b>7 233</b>	19 653
<b>Total equity and liabilities</b>		<b>4 093 911</b>	3 766 863

**NCERA FARMS SOC****Statement of Financial Performance***for the year ended 31 March 2014*

	Notes	2014 R	2013 R
Gross revenue from exchange transactions		97 209	129 192
Cost of sales		(12 648)	(32 459)
<b>Gross profit</b>		<b>84 561</b>	<b>96 733</b>
<b>Gross revenue from non-exchange transactions</b>	5	<b>5 020 000</b>	<b>4 989 000</b>
<b>Other revenue</b>		<b>112 344</b>	<b>45 835</b>
Interest received		11 203	34 376
Other revenue from exchange transactions		641	11 459
Fair value adjustments on inventory		100 500	-
<b>Total expenses</b>		<b>(5 067 839)</b>	<b>(5 320 977)</b>
Employee benefits	13	(3 838 973)	(3 184 050)
Depreciation	7	(204 167)	(214 926)
Other expense		(1 024 698)	(1 922 001)
<b>Deficit from operations</b>		<b>149 065</b>	<b>(189 409)</b>
<b>Deficit for the period</b>		<b>149 065</b>	<b>(189 409)</b>

**NCERA FARMS SOC****Statement of Changes in equity***for the year ended 31 March 2014*

	Share Capital - R	Non-Distributable Reserves - R	Accumulated Loss - R	Total - R
Balance at 31 March 2012	1 000	39 664 847	-35 863 566	3 802 281
Total comprehensive profit for the year	-	-	-189 390	-189 390
Transfers to non-distributable reserve	-	4 989 000	-4 989 000	-
<b>Balance at 31 March 2013</b>	<b>1 000</b>	<b>44 653 847</b>	<b>-41 041 956</b>	<b>3 612 891</b>
<b>Net deficit for the year</b>	<b>-</b>	<b>-</b>	<b>149 067</b>	<b>149 067</b>
<b>Transfers to non-distributable reserve</b>	<b>-</b>	<b>5 020 000</b>	<b>(5 020 000)</b>	<b>-</b>
<b>Balance at 31 March 2014</b>	<b>1 000</b>	<b>49 673 847</b>	<b>(45 912 889)</b>	<b>3 761 958</b>

**NCERA FARMS SOC****Statement of Cash Flows***for the year ended 31 March 2014*

	2014	2013
<i>Notes</i>	R	R
<b>Cash flows from operating activities</b>		
Cash utilised in operating activities	8 (4 683 133)	(5 508 513)
Interest Received	(11 203)	(34 376)
<b>Cash (utilised)/generated from operations</b>	<b>(4 694 336)</b>	<b>(5 542 889)</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(31 829)	(201 201)
Additions to intangible Assets	-	(9 772)
Interest received	11 203	34 376
<b>Net Cash utilised in investing</b>	<b>(20 626)</b>	<b>(176 597)</b>
<b>Cash flows from financing activities</b>		
Funds provided by national Department of Agriculture	5 020 000	4 989 000
<b>Net cash generated from financing activities</b>	<b>5 020 000</b>	<b>4 989 000</b>
<b>Net decrease in cash and cash equivalents</b>	<b>305 038</b>	<b>(730 486)</b>
Cash and cash equivalents at the beginning of the year	959 818	1 690 305
<b>Cash and cash equivalents at the end of the year</b>	<b>9 1 264 856</b>	<b>959 818</b>

## **NCERA FARMS SOC**

### **Notes to the Annual Financial Statements**

*for the year ended 31 March 2014*

#### **1. Basis of preparation**

The financial statements have been prepared in accordance with the Statements of Generally Accepted Accounting Practice (SAGAAP), and the Companies Act of South Africa. The 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 Property, plant and equipment**

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

Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Motor vehicles and tractors are depreciated on a usage basis of kilometres driven and hours used respectively with maximum units imposed based on expected useful lives.

Depreciation on assets other than motor vehicles and tractors 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, which is as follows:

<b>Item</b>	<b>Average useful life</b>
Tunnels	15%
Plant and machinery	10 – 20%
Office furniture and equipment	10%
Intangible assets	50 %

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and have significantly different patterns of consumption of economical benefits is depreciated separately over its useful life.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

## **1.2 Financial instruments**

### **Financial instruments at amortised cost**

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables, loans and trade and other payables. At the end of each reporting period date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised in profit and loss.

### **Financial instruments at fair value**

All other financial instruments are measured at fair value through profit and loss.

### **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 company will not be able to collect all amounts due according to the original terms of the receivables.

### **Cash and cash equivalents**

Cash and cash equivalents include 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.

### **Trade and other payables**

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

### **1.3 Inventory**

Inventories are valued as follows:

- a) Livestock is valued at fair value with unrealised profits charged to the Statement of Financial Performance
- b) Consumable stores are valued at lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

### **1.4 Revenue recognition**

Sales are recorded in the financial statements at the date goods are delivered to customers or services provided.

Revenue is shown net of value-added tax, estimated returns, rebates and discounts.

### **1.5 Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Statement of Financial Performance over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

### **1.6 Non – Distributable Reserves**

Non Distributable Reserves represent the cumulative historical government support received by the entity. An amount equal to grant funding received is transferred on an annual basis from the accumulated surplus/loss to the Non distributable Reserve.

## NCERA FARMS SOC

### Notes to the Annual Financial Statements

for the year ended 31 March 2014

	R 2014	R 2013
<b>2 Inventories</b>		
Livestock	695 800	513 100
Consumables	8 602	22 564
	<hr/> 704 402	<hr/> 535 664

The company is not exposed to interest rate risk

#### Livestock

Livestock was fairly valued by Elliot Brothers Auctioneers. There was a reversal of R84 400 and a R100 500 fair value adjustment for cattle. The inventory for goats was written down by R2 200.

### 3 Trade and other receivables from exchange transactions

Trade and other receivables from exchange transactions	-	9 078
	<hr/> -	<hr/> 9 078

#### **Bad debt written off**

The Caretaker of the Board agreed to write off a debt of R9 078 which was irrecoverable.

The entity's exposure to credit risks and impairment losses related to trade and other receivables is disclosed in note 10.

### 4 Trade and other payables from exchange transactions

4.1 Trade and other payables from exchange transactions	7 233	19 653
	<hr/> 7 233	<hr/> 19 653
4.2 <i>Accruals</i>		
Leave pay accrual	129 743	108 832
Accrual for 13th cheque	25 283	25 487
	<hr/> 155 026	<hr/> 134 318
4.3 <i>Provisions</i>		
Performance bonus	169 694	-
	<hr/> 169 694	<hr/> -

The entity's exposure to liquidity risk related to trade and other payables is disclosed in note 10.

## 5 Gross Revenue

*Not included in "other income":*

Government Grant	5 020 000	4 989 000
	<u>5 020 000</u>	<u>4 989 000</u>

## 6 Taxation

No provision for taxation has been made as the company has an estimated assessed loss of R28 530 030  
(2013: R23 823 165)

## 7 Total Comprehensive Income for the year

Profit/Loss for the year has been calculated after taking the following into account

Audit fees	<b>56 200</b>	92 528
Directors' remuneration	<b>819 914</b>	764 369
- for executive services rendered	<b>819 914</b>	764 369
Depreciation & amortisation	<b>(204 167)</b>	(218 183)
Employee cost	<b>(2 974 059)</b>	(2 339 074)
Fair value adjustment on inventory	<b>100 500</b>	-
Inventory written down	<b>2 200</b>	(383 000)
Reversal of inventory write down	<b>84 400</b>	-

## 8 Net Cash outflows from operating activities

### Cash flows generated from operations

Net surplus/(deficit) before tax

#### Adjustment for:

Depreciation

Loss and impairment of assets

Movement in provisions

Government Grant

	(4 494 790)	(4 886 070)
	149 068	(189 390)
	204 167	218 183
	2 281	74 137
	169 694	-
	(5 020 000)	(4 989 000)

Operating deficit before working capital changes

(4 494 790) (4 886 070)

### Working capital changes

Decrease/(increase) in trade and other receivables

Decrease/(increase) in vat receivable

Decrease/(increase) in inventory

Increase/(decrease) in trade payables

	(188 343)	(622 444)
	9 078	11 201
	(36 967)	-
	(168 738)	(456 202)
	8 284	(177 443)

### Cash (utilised)/generated from operations

(4 683 133) (5 508 514)

## 9 Cash and cash equivalents

Cash and balances with banks

Petty cash

	1 262 175	957 645
	2 681	2 173
	1 264 856	959 818

## 10 Financial instruments

### 10.1 Credit risk

Financial assets which potentially subject the company to concentrations of credit risk consist principally of cash, short term deposits and trade receivables. The company's cash equivalents and short term deposits are placed with high credit quality financial institutions. Credit risk relating to trade receivables is minimal due to repayment by debtors within normal credit terms.

### 10.2 Market Risk

#### 10.2.1 Interest rate risk

The company is not exposed to interest rate risk.

#### 10.2.2 Commodity Risk

At 31 March 2014, the carrying amounts of cash and short term deposits, accounts receivables and accounts payables approximated their fair values due to the short term maturities of these asset and liabilities.

### 10.3 Liquidity Risk

Cash flow forecasting is performed to ensure that the entity has sufficient cash to meet operational needs. The timing of the receipt of grants has the most significant impact on liquidity.

## 11 Related party transactions

### Controlling entity

The immediate holding entity is the National Department of Agriculture, Forestry and Forestries, a department incorporated in the Republic of South Africa.

	<b>2014</b>	2013
Grant received from Department of Agriculture, Forestry and Forestries	<b>5 020 000</b>	4 989 000

### Key Management

Remuneration to key management personnel is fully disclosed in note 13.

**NCERA FARMS SOC**

**Notes to the Annual Financial Statements (continued)**

*for the year ended 31 March 2014*

**12 Property, plant and equipment**

**2014**

	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Motor Vehicles and tractors</b>	<b>Office furniture and equipment</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Carrying Amount - at the beginning of year	1 561 560	147 584	309 516	237 128	2 255 788
Cost	1 673 417	384 992	997 959	618 387	3 674 755
Accumulated depreciation	(111 857)	(237 408)	(688 443)	(381 259)	(1 418 967)
Additions	-	6 134.00	9 188.00	16 509	31 831
Lost asset	-	-	-	(3 110)	(3 110)
Depreciation written back	-	-	-	829	829
Depreciation	(24 876)	(21 021)	(124 570)	(28 814)	(199 281)
<b>Carrying Amount - end of year</b>	<b>1 536 683</b>	<b>132 697</b>	<b>194 133</b>	<b>222 543</b>	<b>2 086 057</b>
<b>Cost</b>	<b>1 673 417</b>	<b>391 126</b>	<b>1 007 147</b>	<b>631 787</b>	<b>3 703 477</b>
<b>Accumulated depreciation</b>	<b>(136 734)</b>	<b>(258 429)</b>	<b>(813 014)</b>	<b>(409 243)</b>	<b>(1 617 420)</b>

2013

	Buildings	Plant and machinery	Motor Vehicles and tractors	Office furniture and equipment	Total
	R	R	R	R	R
Carrying Amount - at the beginning of year	1 586 436	64 536	510 567	182 110	2 343 649
Cost	1 673 417	619 683	1 338 474	678 140	4 309 714
Accumulated depreciation	(86 981)	(555 147)	(827 907)	(496 030)	(1 966 065)
Additions	-	112 504	10 800	77 897	201 201
Loss	-	(14 326)	(59 639)	(172)	(74 137)
Depreciation written back	-	347 196	351 315	137 650	836 161
Scrapped assets	-	(347 195)	(351 315)	(137 650)	(836 160)
Depreciation	(24 876)	(15 131)	(152 212)	(22 707)	(214 926)
<b>Carrying Amount - end of year</b>	<b>1 561 560</b>	<b>147 584</b>	<b>309 516</b>	<b>237 128</b>	<b>2 255 788</b>
<b>Cost</b>	<b>1 673 417</b>	<b>384 992</b>	<b>997 959</b>	<b>618 387</b>	<b>3 674 755</b>
<b>Accumulated depreciation</b>	<b>(111 857)</b>	<b>(237 408)</b>	<b>(688 443)</b>	<b>(381 259)</b>	<b>(1 418 968)</b>

There is no property, plant and equipment pledged as security.

**2014**

	R	R
<b>Intangible Asset</b>		
Carrying amount - beginning of the year	6 515	6 515
Cost	9 772	9 772
Amortisation	(3 257)	(3 257)
Amortisation	(4 886)	(4 886)
<b>Carrying amount- end of the year</b>	<b>1 629</b>	<b>1 629</b>
<b>Cost</b>	<b>9 772</b>	<b>9 772</b>
<b>Accumulated depreciation</b>	<b>(8 143)</b>	<b>(8 143)</b>

**2013**

	R	R
<b>Intangible Asset</b>		
Carrying amount - beginning of the year		
Cost	-	-
Amortisation	-	-
Additions	9 772	9 772
Amortisation	(3 257)	(3 257)
<b>Carrying amount- end of the year</b>	<b>6 515</b>	<b>6 515</b>
<b>Cost</b>	<b>9 772</b>	<b>9 772</b>
<b>Accumulated depreciation</b>	<b>(3 257)</b>	<b>(3 257)</b>

**13 Salaries include the following**

**13.1 Chief Executive Officer Employed on permanent basis**

**Directors'**

<b>Year 2014</b>	<b>Position</b>	<b>Basic Salary</b>	<b>Allowances</b>	<b>Bonuses</b>	<b>Total</b>
<b>Chief Executive Officer</b> M. M. Titimani	Director	<u>795 914</u>	<u>24 000</u>	-	<u>819 914</u>
<b>Caretaker of the Board</b> Mr K. Kgobokoe	Caretaker of the Board	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other employees</b> Employees		<u>2 905 059</u>	<u>45 000</u>	-	<u>2 950 059</u>
<b>Total</b>		<u>2 905 059</u>	<u>69 000</u>		<u>3 769 973</u>

Year ended 31 March 2013

	Position	Basic Salary	Allowances	Bonuses	Total
<b>Chief Executive Officer</b>					
M. M. Titimani	Director	743 369	21 000		764 369
<b>Caretaker of the Board</b>					
Dr S. Mkhize	Caretaker of the Board	-	-	-	
<b>Other employees</b>					
Employees		2 400 430	19 250	-	2 419 680
<b>Total</b>		<b>3 143 799</b>	<b>40 250</b>	<b>-</b>	<b>3 184 049</b>

#### 14 Financial liabilities by category

##### *Year ended 31 March 2014*

The accounting policies for financial instruments have been applied to the line items below:

	<b>Financial liabilities at amortised cost</b>	<b>Fair value through profit or loss - held for trading</b>	<b>Fair value through profit or loss - designated</b>	<b>Total</b>
Trade and other payables from exchange transactions	7 233	-	-	7 233
Accruals & provisions	324 719	-	-	324 719
Total	<u>331 952</u>	-	-	<u>331 952</u>

##### *Year ended 31 March 2013*

	<b>Financial liabilities at amortised cost</b>	<b>Fair value through profit or loss - held for trading</b>	<b>Fair value through profit or loss - designated</b>	<b>Total</b>
Trade and other payables from exchange transactions	19 652	-	-	19 652
Accruals	134 318	-	-	134 318
Total	<u>153 970</u>	-	-	<u>153 970</u>

**15 Financial assets by category**

The accounting policies for financial instruments have been applied to the line items below:

***Year ended 31 March 2014***

	Loans and receivables	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Held to maturity	Available for sale	Total
Trade and other receivables from exchange transactions	-	-	-	-	-	-
Cash and cash equivalents	1 264 856	-	-	-	-	1 264 856
<b>Total</b>	<b>1 264 856</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 264 856</b>

***Year ended 31 March 2013***

	Loans and receivables	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Held to maturity	Available for sale	Total
Trade and other receivables from exchange transactions	9 078	-	-	-	-	9 078
Cash and cash equivalents	959 818	-	-	-	-	959 818
<b>Total</b>	<b>968 896</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>968 896</b>





