



NCERA
FARMS
2017/18
ANNUAL REPORT

The cover features a central white hexagon with a thick green border. This hexagon is surrounded by several overlapping, semi-transparent green hexagons of varying shades, creating a layered, geometric effect. The text is centered within the white hexagon.

**NCERA
FARMS**
2017/18
ANNUAL REPORT

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PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	NCERA FARMS SOC LIMITED
REGISTRATION NUMBER:	1965/004352/30
PHYSICAL ADDRESS:	WELCOME HOME FARM KIDDS BEACH 5264
POSTAL ADDRESS:	P.O BOX 5 KIDDS BEACH 5264
TELEPHONE NUMBER:	043 492 0033
EMAIL ADDRESS:	mzi@ncerafarms.co.za
EXTERNAL AUDITORS:	PricewaterhouseCoopers Inc. Acacia House, Palm Square Bonza Bay Road Beacon Bay 5241
BANKERS:	ABSA Bank Limited
COMPANY SECRETARY	Gerrit van den Heever

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor General of South Africa
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
MEC	Member of Executive Council
MTEF	Medium Term Expenditure Framework
PFMA	Public Finance Management Act (as amended)
PPPFA	Preferential Procurement Policy Framework Act
TR	Treasury Regulations
SMME	Small Medium and Micro Enterprises
SCM	Supply Chain Management
IFRS	International Financial Reporting Standards
SA GAAP	South African Generally Accepted Accounting Practice
ARC	Agricultural Research Council
DAFF	Department of Agriculture Forestry & Fisheries

3. FOREWORD BY THE CHAIRPERSON

Ncera Farms is a State Owned Entity; a public company listed under the schedule 3 B of the PFMA with the Department of Agriculture Forestry and Fisheries (DAFF) as a sole shareholder. Ncera Farms is situated in the Kidds Beach; about 40 km from East London area, on R72 road. It has a Centre which represents the Head Offices of Ncera Farms.

In and around Ncera Farms there are a number of villages with a population of about 18 000 people. These communities perceive the Entity as a beacon of hope for their development in many aspects of life in general, but agricultural production in particular.

The Entity has performed well as an organization with minimal funding to ensure that all operations happen without any interruption to deliver. DAFF took the decision to transfer the Entity to the Agriculture Research Council and this exercise has evolved over time because a lot of ground work had to be dealt with to minimise any negative impact to the workers and livestock.

Serious engagements were made by both principals of the Agriculture Research Council, the Chief Executive Officer and Acting Director General of DAFF involving all that were supposed to play part, to ensure a smooth running of the transfer during the transitional period.

The transfer included the Land, buildings, movable and immovable assets, workers and staff members. The Memorandum of Agreement was also developed to stipulate all matters agreed by the two parties Agriculture Research Council.

As this is the final year of the existence of this Entity, and on behalf of the DAFF, I would like pass my words of gratitude to the management of Ncera Farms for having achieved unqualified audit reports for the past five years, the DAFF staff members who have a support base of the Entity, the entire Ncera community and their Chiefs, for all the good work and hard work. It has been a journey worth travelling to ensure that we deliver to better our communities.



Dr M Modisane

Caretaker of the Board

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Ncera Farms SOC Limited is an entity funded by the Department of Agriculture, Forestry and Fisheries, under the Food, Security and Agrarian Reform branch of the department. Its mandate is linked to the livestock improvement program of the department to improve the genotype and phenotype of livestock for the communities and livestock projects in the country.

The entity is situated in the Amatole District Municipality, 40 kilometres from Buffalo City (East London). The Buffalo City and its Rural Areas boasts itself with good weather conditions including warm summers and mild winters. This resulted in agricultures thriving very well with most crops, especially those that are frost sensitive.

The strategic focus of the entity has four distinct programs, Finance & Administration, Mechanization, Livestock and Crop production. The Strategic plan focused on good governance, compliance with treasury relations and obtaining unqualified audit reports. The entity is passionate about breeding good quality Nguni cattle and Boer goats.

On the other hand the entity is not only focusing on Boer goat production in order to assist surrounding communities with good genotype of high fertile goats but also emphasises the notion of food security. Food security is the pillar of livelihoods amongst the South African population. Ncera farms play a pivotal role in contributing to this cause through mechanization.

Although Ncera Farms has deep soils, warm temperatures and moderate wind speeds, in the last 2 years it has experienced gale-force winds which have caused damage to the tunnels which hold the tomatoes and green peppers.

The year under review has been one of the busiest years for the entity because of its transfer to the Agricultural Research Council. There have been a lot of consultations involved in this process to ensure that the transition goes smoothly. A lot of anxiety has been experienced by workers and staff members which is normal considering the workers and staff members have worked for the entity for many years.

It is important to note the joint effort between DAFF, ARC and Ncera Farms management who worked hard to make a difficult and involved process as smooth as possible.

In terms of the entities performance, it has done well in many of its planned deliverables. It must be noted that the year under review was also a shift due the change from a very devastating drought to a relatively good rainy year.

As we exit Ncera Farms, we would like to thank everyone who has made it possible for us operate easily and professionally. Last but not least we would like to sincerely thank Chief Phato and Chief Jongilanga and their cabinets who have been with us since the beginning.

- General financial review of the public entity

Ncera Farms SOC received an allocation of R6,246 million from DAFF of which 85% was used for compensation of employees and the remainder for maintenance and other overheads. However an additional amount of R430 280 from reserves was utilised to cover the shortfall.

- Spending trends of the public entity

Spending patterns did not vary much as the only increase received by the entity was an inflation-related increase of 2%.

- Financial constraints and challenges facing the public entity

The entity is still facing challenges of being under funded when it comes to projects; however the Department of Agriculture Forestry and Fisheries is in the process of transferring the entity to Agricultural Research Council.

- Supply chain management

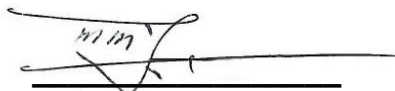
The entity has a Chief Financial Officer who ensures that the entity complies with any regulations, including those that relates to SCM. The finance section also prevents the occurrence of irregular, unauthorised and fruitless and wasteful expenditure by making sure that they are fully updated with the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

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

The entity had two significant findings relating to Governance. The first issue of the audit committee was raised. Management raised the issue with the Caretaker of the Board due to the transfer of the entity the committee could not be formulated. The second issue related to the composition of the board. In terms of the entity's memorandum of incorporation, the entity requires there to be at least three members on the board; while the board currently only consists of one director.

- Audit reports

The entity has maintained the status of an unqualified audit report.



M.M Titimani
Chief Executive Officer
Ncera Farms SOC Limited
Date: 31 May 2018

5. STRATEGIC OVERVIEW

5.1 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 center.

5.2 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

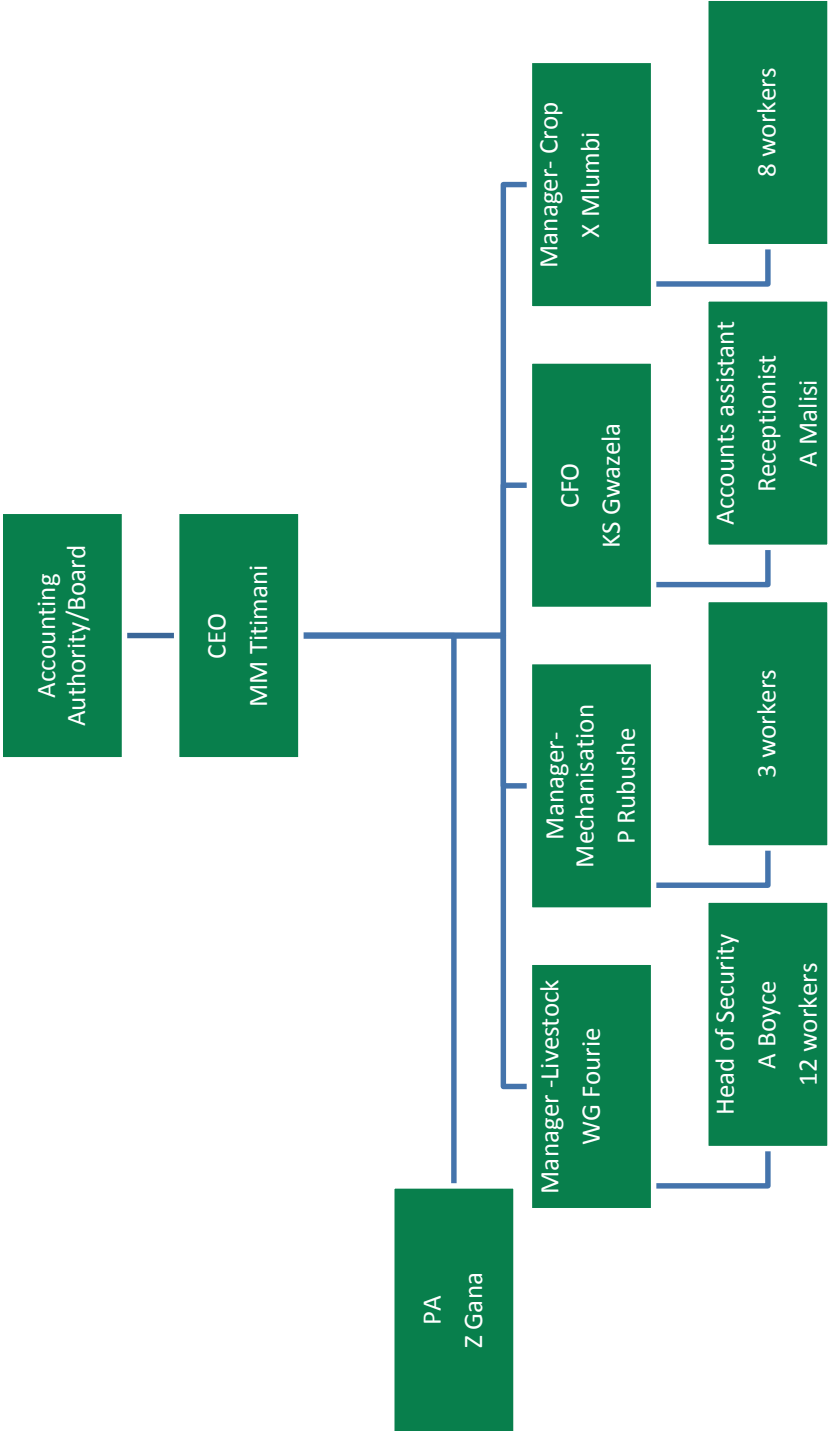
6. LEGISLATIVE AND OTHER MANDATES

Ncera Farms SOC Limited is a schedule 3B entity as per the PFMA.

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

Public Finance Management Act (as amended)
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
Companies Act

7. ORGANISATIONAL STRUCTURE



PART B: PERFORMANCE INFORMATION

8. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF PERFORMANCE INFORMATION

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof the auditors have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual report. They have assessed the reliability of the reported performance information to determine whether it is valid, accurate and complete. They have not evaluated the completeness and appropriateness of the performance indicators.

The audit conclusions on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Report on the audit of the annual performance section of the auditor's report.

9. SITUATIONAL ANALYSIS

9.1 Service Delivery Environment

The objective of this chapter is to locate the Ncera Farms SOC 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 Metropolitan Municipality.

9.2 Key policy developments and legislative changes

There were no major changes in the entity's policies.

9.3 Organisational environment

The decision was taken by Honourable Minister of Agriculture Forestry and Fisheries to transfer Ncera Farms to Agriculture Research Council (ARC). The Memorandum of Agreement was signed by the Chief Executive Officer –ARC and the Honourable Minister of Agriculture for the transfer of the entity to ARC effective from 1 April 2018.

9.4 Strategic Outcome Oriented Goals

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

Strategic Goal 2: Livestock – To produce good quality livestock for livestock improvement

Strategic Goal 3: Mechanisation – To ensure that the workshop operates effectively, efficiently and provides support to the surrounding villages

Strategic Goal 4: Crop production – Enhance food security

Programme 1: Finance & Administration

Strategic Goal

Development and implementation of effective and efficient governance systems and procedures and policies to enable effective service delivery.

The purpose of the programme

The purpose of this programme is to ensure that Ncera SOC Ltd is effectively managed and governed within dictates of legislation and corporate governance that governs public entities. Its aim is also to provide an enabling environment for staff members as they implement Ncera's programmes, through proper systems, policies and procedures.

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

1.1. Promote good governance

PERFORMANCE INFORMATION BY PROGRAMME/ACTIVITY/OBJECTIVE

Programme 1: Finance & Administration

Performance Indicator	Annual Achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target to actual achievement 2017/18	Comments on deviations
Number of Quarterly Expenditure Performance Reports Produced	Quarterly reports produced	Produce 4 quarterly expenditure, performance reports, and Annual Performance Report	Produced 4 quarterly expenditure, performance reports, and Annual Performance Report	None	None
Number of annual financial statements and Performance Reports Produced	Annual performance and annual financial statements produced	Produce annual performance and Annual Financial Statements and submit to the Auditors and the Caretaker of the Board	Produced annual performance and Annual Financial Statements and submitted to the Auditors and the Caretaker of the Board	None	None

Performance Indicator	Annual Achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target to actual achievement 2017/18	Comments on deviations
Implementation of Performance management system	All performance agreements were signed and in place	All signed performance agreements for all employees are in place	All performance agreements were signed and are in place	None	None
	Performance reviews were conducted	Reviews conducted twice a year	Reviews were conducted twice a year	None	None

Performance Indicator	Annual Achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target to actual achievement 2017/18	Comments on deviations
Compliance with corporate governance	-	4 Board meetings were held	4 Board meetings were held	None	None

Performance Indicator	Annual Achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target to actual achievement 2017/18	Comments on deviations
Audit report	Maintained unqualified audit report	Maintained unqualified audit report	Unqualified audit report was maintained	None	None

Performance Indicator	Annual Achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target to actual achievement 2017/18	Comments on deviations
Number of risk reviews performed	One risk review performed and risk register updated	Two risk reviews performed and risk register updated	Two risk reviews were performed and risk register updated	None	None

Programme 2: Livestock

Strategic Goal 2: Livestock – To produce good quality livestock (cattle and goats)

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

1.1 Measurable Objective:

- 1.1.1. 80% Calving rate
- 1.1.2. 5% cattle culled
- 1.1.3. 80% kidding rate
- 1.1.4. Cull & sell 50% of the kids
- 1.1.5. 20 young bulls & 28 mature bulls disbursed

Performance Indicator	Annual Achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target to actual achievement 2017/18	Comments on deviations
Number of calves born	50% Calves produced(21 calves)	80% Calves produced	92% calves produced(39 calves)	12% Calves	Good rain & supplementary feeding Good diseases management
20 young and 28 mature bulls disbursed	20 young bulls were disbursed	20 young and 28 mature bulls disbursed	18 young and 28 mature bulls disbursed	2 young bulls not disbursed	The 2 young bulls qualified as registered bulls

% of cattle culled	5% of cattle were culled(8 cattle)	5% of cattle culled	8% of cattle culled	3%	More cattle needed to be culled to maintain carrying capacity of the farm
Number of kids born	128,8% kids born(76 kids)	80% of kids born	97% of kids born(46 kids born)	17%	High fertility of Boer Goats Good diseases management

% of kids culled& sold	87% of kids culled and sold(66 kids)	80% of kids culled and sold	60% of kids culled and sold(22)	20%	The rest of the kids were too young to be sold
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Programme 3: Mechanisation Section

Strategic Goal 3: To ensure that the workshop operates effectively, efficiently and provides support to the surrounding villages

Strategic Objective 1: Ensure mechanisation program is enhanced

1. Measurable Objective:
 - 1.1. Repairs, maintenance, equipment and provide service for tractors, trucks and bakkies.
 - 1.2. Nine villages are assisted with mechanisation services

Performance Indicator	Annual Achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target to actual achievement 2017/18	Comments on deviations
Number of motor vehicles, tractors, trucks and equipment maintained and repaired	Repaired and maintained 8 motor vehicles, 4 tractors and equipment	Maintenance and repairing of 7 motor vehicles, 4 tractors, 2 trucks and equipment when necessary	Repaired and maintained 9 motor vehicle, 4 tractors	2 motor vehicles 2 trucks not repaired and maintained	Repairs and maintenance are performed only when necessary
Number villages with assisted mechanisation services	9 villages were assisted with mechanisation services	9 villages assisted with mechanisation services	7 villages assisted with mechanisation services	2 villages	This was due to tractor breakdown

Programme 4: Crop Management Section

Strategic Goal 4: Enhance food security

Strategic Objective 1: To produce and sell vegetables to the market and locally

1. Measurable Objective:
 - 1.1 Produce 750 boxes of tomatoes
 - 1.2 Produce 150 boxes of green peppers

Performance Indicator	Annual Achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target to actual achievement 2017/18	Comments on deviations
Number of tomato boxes produced	857 boxes of good quality tomatoes produced	750 boxes of good quality tomatoes	1001 boxes of good quality tomatoes produced	251 boxes	Repaired tunnels Improved management style Good disease management
Number of greenpepper boxes produced	237 boxes of good quality green peppers	150 boxes of good quality greenpeppers	289 boxes of good quality greenpeppers	139 boxes	Repaired tunnels Improve management style

Performance Indicator	Annual Achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target to actual achievement 2017/18	Comments on deviations
					Good diseases management

ANNEXURE A

RISK REGISTER

Link to Strategic Goals	Risk category	Risk Name	Root Causes	Consequence of the Risk	Current Controls	Actions to improve the management of the risk	Actions taken by the entity to mitigate the risks
1	Statutory	Non-compliance to legislation, policies and procedures	Poor communication of changes to policies Unplanned demands and scope creep Changing regulatory environment	Possible fruitless and wasteful, irregular and unauthorised expenditure Harm to reputation Decrease in funding	1. Assurance reviews (external audit) 2. Policies (HR, SCM) and systems in place 3. Dedicated support resource from Provincial Treasury and DAFF 4. Annual performance assessment of the oversight committee 5. Approved financial reports	1. Identify the regulatory environment 2. Ensure correct SCM processes followed	1. Ncera farms employees are updated with the changes in regulations, National Treasury circulars etc. 2. Internal audit was conducted in Supply Chain management and there were no finding noted by the auditors therefore correct SCM processes are followed by the entity

1,2,3,4	Fraud and theft	Fraud and corruption	Poor segregation of duties Inadequate control systems : (i) no wire preventing the community/intruders from stealing livestock (ii) No Surveillance camera at the workshop	Financial loss Harm to reputation Loss of credibility	Annual declaration of interest for staff Segregation of duties within the finance unit. Adherence to the Supply chain Management policy Fraud Prevention Policy and Plan in place Watchman patrols around the farm .Access control to premises	1. Duties segregated 2. Wire and poles were bought for the entity to complete the first phase of putting the wire around the farm 3. Additional watchman appointed to assist in patrolling	1. Performance agreements were signed by all employees which includes specific duties to be performed by each employee 2. The entity bought fencing material to complete the phase of putting wire around the farm 3. Watchman was appointed to tighten the security with the farm
1,2,3,4	Organisational	Business discontinuity	Dependence on key resources. Transfer of the entity to ARC. Uncertainties in terms of employment for Ncera employees could result to litigations	Financial loss due to possible litigation and operational inefficiencies.	Comply with all requirements of DAFF. Constantly updating employees regarding the transfer.	Proper Plan for the transfer developed by the Department with Ncera Management	Plan developed by the department and the entity assist with the information required in the process of the transfer. The Department dealt with Humana Resource and Asset matters i.e. entity's employees consulted and ARC, DAFF

							employees verified assets with the farm
2	Operational	Crop damaged by natural disaster	Climate change	Targeted output not met. Fruitless & wasteful expenditure	Natural disaster uncontrollable. Provide supplementary feeding	Risk is natural, therefore uncontrollable. Create fodder banks	Fodder banks were created
4	Operational	Livestock die from diseases and poor management	Vaccination/medication not given to livestock.	Livestock mortality as result of not vaccinating. Poor livestock management	Programme for vaccination/medication is in place. Dedicated livestock personnel	Making use of Vets for some disease problem in the livestock. Livestock manager report more often to the CEO especially when new livestock arrives at the farms	Vets were consulted for livestock disease problems

1,2,3,4	Operational	Revenue incorrectly accounted and misappropriation of revenue collected	Poor control on revenue management system	Financial loss	Revenue management system in place	For mechanisation services to be rendered, requisition must be approved by the Chief Executive Officer.	All requisitions for mechanisation services were approved by the CEO. Controls were enhanced within the revenue section i.e. recording, banking and reconciliations were performed by different officials (segregation of duties)
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PART C: GOVERNANCE

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 PFMA and run in tandem with the principles contained in the King Report on Corporate Governance.

Parliament as well as 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 Board was not appointed by the Department of Agriculture Forestry and Fisheries (DAFF). DAFF appointed a caretaker of the Board.

4. RISK MANAGEMENT

Ncera Farms has a Risk Management Policy in place. Regular risk assessments are conducted.

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 (refer to annexure B).

5. INTERNAL AUDIT

Internal Auditors, KSV Consulting, carried out an internal audit in Human Resource Management for the entity.

6. COMPLIANCE WITH LAWS AND REGULATIONS

The entity operates under the PFMA, other Treasury Regulations, PPPFA and Labour Relations Act. It has a fully functioning finance unit that ensures compliance with PFMA, Treasury Regulations and PPPFA and Labour Relations Act.

7. FRAUD AND CORRUPTION

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

No instances of fraud have occurred during the year.

8. MINIMISING CONFLICT OF INTEREST

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

9. CODE OF CONDUCT

In order to ensure that employees understand, respect and uphold Ncera Farms' values as it is necessary to integrate the interests of Ncera Farms with those of its employees. Ncera Farms ensures compliance with the Labour Relations Act and does not endorse conduct that creates an intimidating or offensive work environment.

10. AUDIT COMMITTEE REPORT

The entity does not have an audit committee.

PART D: HUMAN RESOURCE MANAGEMENT

1. HUMAN RESOURCE OVERSIGHT STATISTICS

Due to budget constraints the entity did not appoint interns during 2017/18 financial year. There were no resignations and no new permanent appointments. There was only one temporary worker appointed.

PART E: FINANCIAL INFORMATION

1. Director's Responsibilities and Approval

The director is required by the Companies Act 71 of 2008, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is her 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, are in conformity with the International Financial Reporting Standards.

The external auditors are engaged to express an independent opinion on the annual financial statements. The annual financial statements are prepared in accordance with the International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The director acknowledges that she is ultimately responsible for the system of internal financial control established by the company and places considerable importance on maintaining a strong control environment. To enable the director to meet these responsibilities, the board set 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 director is 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 entity will be transferred to Agriculture Research Council effective from 1 April 2018. Department of Agriculture Forestry and Fisheries is in the process of deregistering the entity.

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 pages 39 to 44.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of the board of director. The director believes

that all representations made to the independent auditors during their audit are valid and appropriate.

The financial statements set out on pages 45 to 64 which have been prepared on the liquidation basis, were approved on behalf of the board on 22 August 2018 and was signed by the director, Nokuvela Ngubelanga.

N. L. Ngubelanga

2. Director's Report

The director submits her report for the year ended 31 March 2018.

1. Review of activities

Main business and operations

Ncera Farms is a State Owned Company under the Department of Agriculture, Forestry and Fisheries. It is situated in the Eastern Cape about 40 km from East London, close to Kidd's Beach. The entity prides itself in breeding good quality Nguni Cattle as the primary activity followed by breeding Boer goats and harvesting vegetables such as green peppers and tomatoes.

As from 1 April 2018 the ongoing business will be transferred to the Agriculture Research Council, an entity under Department of Agriculture Forestry and Fisheries, and Ncera Farms will be liquidated.

Net income of the company was R108 738 (2017: net loss of R215 399). No tax was raised during the current and prior year as the entity is in an assessed loss position.

3. Liquidation basis

The annual financial statements have been prepared on the basis of accounting policies applicable to a liquidation basis and not on a going concern basis. The Department of Agriculture, Forestry and Fisheries signed a Memorandum of Agreement which outlined that the Agriculture Research Council will take over the operations of the entity as at 1 April 2018. The budget allocation for Ncera Farms was also transferred to Agriculture Research Council.

4. Director

The director of the company during the year end to the date of this report was as follows:
Nokuvela Lebohang Ngubelanga

5. Auditors

PricewaterhouseCoopers Inc. were independent auditors for the year ended 31 March 2018 in accordance with section 90 of the Companies Act 71 of 2008.

2. REPORT OF THE EXTERNAL AUDITOR

This is the audit report as issued by the external auditor.



Independent auditor's report to Parliament on Ncera Farms SOC Limited

Report on the audit of the financial statements

Opinion

1. We have audited the financial statements of Ncera Farms SOC Limited (the company) set out on pages 45 to 64, which comprise the statement of financial position as at 31 March 2018, 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 to the financial statements, including a summary of significant accounting policies.
2. In our opinion, the financial statements present fairly, in all material respects, the financial position of Ncera Farms SOC Limited as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Basis for opinion

3. We conducted our audit in accordance with the 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 this auditor's report.
4. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of professional conduct of registered auditors* (IRBA code) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IESBA 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).
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

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

Basis of accounting

7. Based on a memorandum of agreement signed by the company's shareholder, the company's assets and liabilities will be transferred to the Agricultural Research Council as of 1 April 2018. In addition, management initiated the process of deregistering the entity as of 31 March 2018. As such, the entity will cease to exist and the entity is no longer a going

PricewaterhouseCoopers Inc., Palm Square Office Park, Acacia House, Bonza Bay Road, Beacon Bay
5241
P O Box 13069, Vincent 5217
T: +27 (43) 707 9600, F: +27 (43) 707 9700, www.pwc.co.za

Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682



concern. The financial statements have therefore been prepared on the liquidation basis as disclosed in note 1 of the financial statements.

Responsibilities of the accounting authority for the financial statements

8. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in note 1 to the financial statements and the requirements of the PFMA and the Companies Act, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the director is responsible for assessing Ncera Farms SOC Limited's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

10. 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 the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.
13. Our procedures address the reported performance information, which must be based on the approved performance planning documents of the company. We have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.



14. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the company for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 1: Finance & Administration	13 – 18
Programme 2: Livestock	19 – 22

15. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. We did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
- Programme 1: Finance & Administration
 - Programme 2: Livestock

Other matter

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

Achievement of planned targets

18. Refer to the annual performance report on pages 13 to 30 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the compliance of the company with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.
20. We did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.



Other information

21. The accounting authority is responsible for the other information. The other information comprises the information included in the Ncera Farms SOC Limited annual report, which includes the Director's Report, as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008). The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
22. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
23. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
24. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

Internal control deficiencies

25. We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. We did not identify any significant deficiencies in internal control

Auditor tenure

26. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Ncera Farms SOC Limited for twelve years.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers Inc.' with a stylized 'P' at the beginning.

PricewaterhouseCoopers Inc.
Director: J M Mauer
Registered Auditor
22 August 2018
East London



Annexure – Auditor’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the company’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to our responsibility for the audit of the financial statements as described in this auditor’s report, 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 board of directors, which constitutes the accounting authority.
 - Conclude on the appropriateness of the board of directors, which constitutes the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Ncera Farms SOC Limited’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 about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to us at the date of this auditor’s report. However, future events or conditions may cause a company to cease continuing 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.

Communication with those charged with governance

3. We communicate with the accounting authority 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.
4. We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other



matters that may reasonably be thought to have a bearing on our independence and, where applicable, related safeguards.

3. FINANCIAL STATEMENTS 2017/18

Preparer: Khayakazi Gwazela (Chief Financial Officer)

Sign:

A handwritten signature in black ink, appearing to read 'Kgazela', with a large circular flourish at the beginning.

NCERA FARMS SOC LTD

Statement of Financial Position

for the year ended 31 March 2018

	Notes	2018 R	2017 R
Assets			
Non-current assets		-	2,698,925
Property, plant and equipment	2	-	1,752,874
Intangible assets	3	-	1
Biological assets	7	-	946,050
Current assets		3,532,824	985,931
Property, plant and equipment	2	1,712,367	-
Intangible assets	3	1	-
Biological assets	7	759,380	-
Inventories	6	4,831	6,323
VAT receivable		13,251	15,180
Trade other receivables from exchange transactions	11	1,054	-
Cash and cash equivalents	8	1,041,940	964,428
Total assets		3,532,824	3,684,856
Equity and liabilities			
Capital and reserves		3,168,865	3,060,127
Share capital	9	1,000	1,000
Non-distributable reserve		72,896,847	66,650,847
Accumulated loss		(69,728,982)	(63,591,720)
Current liabilities		363,959	624,729
Accruals	10.1	230,712	277,606
Provision	10.2	90,469	323,436
Trade and other payables from exchange transactions	10.3	42,778	23,687
Total equity and liabilities		3,532,824	3,684,856

NCERA FARMS SOC LTD

Statement of Financial Performance

for the year ended 31 March 2018

	Note s	2018 R	2017 R
Gross revenue from exchange transactions		337,666	191,589
Cost of sales		(382,473)	(193,374)
Gross profit		(44,807)	(1,785)
Gross revenue from non-exchange transactions	13	6,246,000	5,935,000
Other revenue		230,880	284,640
Other revenue from exchange transactions		-	28,800
Fair value adjustments on biological assets		230,880	255,840
Total expenses		(6,366,923)	(6,475,751)
Employee benefits	20	(5,298,766)	(5,436,825)
Depreciation and amortisation	14	(45,686)	(47,852)
Loss on sale of livestock	14	(62,550)	(45,560)
Other operating expenses		(959,921)	(945,514)
Operating profit/(loss)	14	65,150	(257,896)
Finance income		43,588	42,496
Profit/(loss) before tax		108,738	(215,399)
Taxation	15	-	-
Profit/(loss) for the year		108,738	(215,399)
Other comprehensive income		-	-
Total comprehensive income/(loss)		108,738	(215,399)

NCERA FARMS SOC LTD
Statement of Changes in equity
for the year ended 31 March 2018

Balance at 31 March 2016					
Total comprehensive loss for the year	1,000	60,715,847	(57,441,321)		3,275,526
Transfers to non-distributable reserve	-	-	(215,399)		(215,399)
	-	5,935,000	(5,935,000)		-
Balance at 31 March 2017	1,000	66,650,847	(63,591,720)		3,060,127
Total comprehensive profit for the year	-	-	108,738		108,738
Transfers to non-distributable reserve	-	6,246,000	(6,246,000)		-
Balance at 31 March 2018	1,000	72,896,847	(69,728,982)		3,168,865

NCERA FARMS SOC LTD

Statement of Cash Flows

for the year ended 31 March 2018

	Note	2018	2017
	s		
Cash flows from operating activities			
Cash utilised in operating activities	16	(6,206,897)	(6,236,594)
Funds provided by Department of Agriculture, Forestry and Fisheries		6,246,000	5,935,000
Net cash utilised in operations		39,103	(301,594)
Cash flows from investing activities			
Additions to property, plant and equipment		(5,179)	(10,122)
Proceeds on sale of assets		-	28,800
Interest received		43,588	42,496
Net cash utilised in investing activities		38,409	61,174
Net increase/(decrease) in cash and cash equivalents		77,512	(240,420)
Cash and cash equivalents at the beginning of the year		964,428	1,204,848
Cash and cash equivalents at the end of the year	8	1,041,940	964,428

NCERA FARMS SOC LTD

Notes to the Annual Financial Statements

For the year ended 31 March 2018

1. Basis of preparation

As at 9 March 2018 the director decided to transfer all employees and assets of the entity to the Agricultural Research Council and to cease trading activities of the Company within twelve months from the date of the director's resolution as a result of a Memorandum of Agreement signed by the Department of Agriculture, Forestry and Fisheries, the Agricultural Research Council and the Company to this effect. The effective date of the transfer is 1 April 2018. Consequently the director has determined that the going concern basis of preparation is no longer appropriate.

The financial statements have been prepared on the liquidation basis and assets have, where necessary been written down to the lower of their carrying amounts and their net realisable values. Since the Company's assets will be transferred to the Agricultural Research Council at their carrying values at 31 March 2018, the net realisable value of these assets is the carrying value as calculated in terms of the International Financial Reporting Standards as issued by the International Accounting Standards Board ('IFRS') and the Companies Act, 2008 of South Africa. No additional liabilities have been recognised as result of the decision to transfer the employees and the assets to the Agricultural Research Council and to cease trading activities of the Company. Non-current assets have been reclassified to current as they will be transferred to the Agricultural Research Council within the next twelve months. Liabilities have been presented in order of their priority in liquidation.

1.2 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 the cost of replacing parts to the carrying amount of an item of property, plant and equipment when such an item's cost is incurred if the replacement part is expected to provide incremental future benefits to the group. 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. Depreciation rates are as follows:

Item	Depreciation rates
Tunnels	15%
Plant and machinery	10 – 20%
Office furniture and equipment	10%-15%

Buildings are not depreciated as the residual value is greater than the expected cost.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, where 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 has significantly different patterns of consumption of economic 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.

All assets are assessed for impairment every year.

1.3 Intangible assets

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

Separately acquired licences are shown at historical cost.

Intangible assets are initially recognised at cost and subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date if there are indicators present that there is a change from the previous estimate.

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

Computer software licence	2 years
---------------------------	---------

1.4 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.

1.5 Inventory

Consumable stores are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

1.6 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.

1.7 Government grants

Grants from the government are recognised at their fair value where there is 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 income statement 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.

1.8 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.

1.9 Biological assets

The entity recognises a biological asset when and only when:

- the entity controls the asset as a result of a past event;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell is recognised as income in the period in which it arises.

When market prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined rate is used to determine fair value.

1.10 Tax

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting period date.

The tax liability reflects the effect of the possible outcomes of a review by the tax authorities.

Deferred income tax assets and liabilities

A deferred income tax liability is recognised for all taxable temporary differences.

A deferred income tax asset is recognised for all deductible temporary differences.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting period date.

A tax valuation allowance is recognised against deferred income tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current and future taxable profit.

The deferred income tax balance reflects the effect of the possible outcomes of a review by the tax authorities.

Tax expenses

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.10 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

**2 Property, plant and equipment
2018**

	Land and Buildings	Plant and machinery	Motor vehicles and tractors	Office furniture and equipment	Total
	R	R	R	R	R
Carrying Amount - beginning	1,507,577	82,449	25,953	136,895	1,752,874
Cost	1,673,417	380,737	1,007,147	616,115	3,677,416
Accumulated depreciation	(165,840)	(298,288)	(981,194)	(479,220)	(1,924,542)
Additions	-	-	-	5,179	5,179
Depreciation	-	(15,834)	(3,166)	(26,686)	(45,686)
Carrying Amount - end of year	1,507,577	66,615	22,787	115,388	1,712,367
Cost	1,673,417	380,737	1,007,147	621,294	3,682,595
Accumulated depreciation	(165,840)	(314,122)	(984,360)	(505,906)	(1,970,228)

As at 31 March 2018, fully depreciated assets with a cost of R1,436,816 were still in use. The impact on depreciation and accumulated depreciation is not material to the financial statements.

2017

	Land and Buildings	Plant and machinery	Motor vehicles and tractors	Office furniture and equipment	Total
	R	R	R	R	R
Carrying Amount - end of year	1,507,577	96,229	30,474	156,325	1,790,605
Cost	1,673,417	378,738	1,007,147	607,992	3,667,294
Accumulated depreciation	(165,840)	(282,509)	(976,673)	(451,667)	(1,876,690)
Additions	-	1,999	-	8,123	10,122
Depreciation	-	(15,779)	(4,521)	(27,553)	(47,852)
Carrying Amount - end of year	1,507,577	82,449	25,953	136,895	1,752,874
Cost	1,673,417	380,737	1,007,147	616,115	3,677,416
Accumulated depreciation	(165,840)	(298,288)	(981,194)	(479,220)	(1,924,542)

As at 31 March 2017, fully depreciated assets with a cost of R1,180,491 were still in use. The impact on depreciation and accumulated depreciation is not material.

3 Intangible assets

Intangible assets comprise of the Pastel accounting software.

2018

R

Carrying amount - beginning of the year

1

Cost

9,772

Accumulated amortisation

(9,771)

Amortisation

-

Carrying amount - end of the year

1

Cost

9,772

Accumulated amortisation

(9,771)

2017

R

Carrying amount - beginning of the year

1

Cost

9,772

Accumulated amortisation

(9,771)

Amortisation

-

Carrying amount - end of the year

1

Cost

9,772

Accumulated amortisation

(9,771)

4 Financial liabilities by category

2018	Financial liabilities at amortised cost	Total
Trade and other payables from exchange transactions	42,778	42,778
Accruals and provisions	321,181	321,181
Total	363,959	363,959

2017	Financial liabilities at amortised cost	Total
Trade and other payables from exchange transactions	23,687	23,687
Accruals and provisions	601,042	601,042
Total	624,729	624,729

5 Financial assets by category

2018	Loans and receivables	Total
Trade and other receivables from exchange transactions	1,054	1,054
Cash and cash equivalents	1,041,940	1,041,940
Total	1,042,994	1,042,995

2017	Loans and receivables	Total
Trade and other receivables from exchange transactions	-	-
Cash and cash equivalents	964,428	964,428
Total	964,428	964,428

6 Inventories

Consumables

2018 R	2017 R
4,831	6,323
4,831	6,323

7 Biological Assets

Cattle

	2018 R	2017 R
Opening balance	899,400	822,700
Additions	16,800	8,550
Disposal	(390,700)	(163,800)
Fair value adjustments	183,500	231,950
Closing balance	709,000	899,400

Goats

	2018 R	2017 R
Opening balance	46,650	74,750
Additions	9,200	13,680
Disposal	(26,050)	(43,440)
Fair value adjustments	20,580	1,660
Closing balance	50,380	46,650

Total

2018 R	2017 R
759,380	946,050

Livestock

Livestock was fairly valued by Elliot Brothers Auctioneers. There was R200,300 fair value adjustment for cattle (2017: R240,500). There was a R29,780 fair value adjustment for goats (2017: R15,340). Additions relates to births, therefore it is included as fair value adjustment.

8 Cash and cash equivalents

Cash and balances with banks
Cash on hand

2018 R	2017 R
1,035,926	963,877
6,014	551
1,041,940	964,428

9 Share capital

Authorised

1000 ordinary shares of R1 each	1,000	1,000
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Issued

1000 ordinary shares of R1 each	1,000	1,000
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10 Trade and other payables from exchange transactions

	2018 R	2017 R
10.1 Accruals		
Leave pay accrual	187,210	238,952
Accrual for 13th cheque	43,502	38,654
	230,712	277,606
10.2 Provisions		
Performance bonus	90,469	323,436
	90,469	323,436
10.3 Other trade and other payable		
Other trade and other payables from exchange transactions	42,778	23,687
	42,778	23,687

The entity's exposure to liquidity risk related to trade and other payables is disclosed in note 17.

11 Trade and other receivables from exchange transactions

	2018 R	2017 R
Trade receivable	1,054	-
	1,054	-

Trade and other receivables relates to the sale of vegetables to AA Market. Vegetables were delivered to AA Market in March 2018 but payment was only received in April 2018.

12 Deferred Income Tax

	2018 R	2017 R
Accelerated capital allowances	53,794	65,036
Accruals	(99,566)	(174,924)
Biological assets	212,626	265,174
Unrecognised deferred tax asset	(166,854)	(155,286)
	-	-

13 Gross Revenue

	2018 R	2017 R
Government Grant	6,246,000	5,935,000
	6,246,000	5,935,000

The entity received grant funding income from the Department of Agriculture, Forestry and Fisheries. There are no unfulfilled conditions or other contingencies relating to the government grant.

14 Operating profit/(loss)

	2018	2017
Operating profit/(loss) for the year is stated after accounting for the following:		
	R	R
Audit fees - External	(94,916)	(85,365)
Audit fees - Internal	(12,500)	(12,200)
Key management personnel remuneration	(1,444,671)	(1,433,257)
Depreciation	(45 686)	(47 852)
Employee cost	(3,854,095)	(4,003,568)
Fair value adjustment on inventory	230,880	255,840
Loss sale of livestock	(62,550)	(45,560)

15 Taxation

	2018	2017
Current		
SA Normal tax	-	-
Deferred		
Originating and reversing temporary differences	-	-
Reconciliation of the income tax expense		
Reconciliation between accounting profit/(loss) and income tax expense		
Accounting profit/(loss)	108,738	(215,399)
Tax at the applicable tax rate of 28% (2017: 28%)	30,447	(60,312)
Tax effect of adjustments on taxable income		
Non-taxable income	(1,748,880)	(1,661,800)
Increase in unrecognised deferred tax asset	1,718,433	1,722,112
	-	-

16 Net Cash outflows from operating activities

Cash flows generated from operations

Net profit/(loss) before tax	108,738	(215,399)
Adjustment for:		
Depreciation	45,686	47,852
Government grant	(6,246,000)	(5,935,000)
Interest received	(43,588)	(42,496)
Profit on sale of assets	-	(28,800)
Fair value adjustment	(230,880)	(255,840)
Loss on livestock	62,550	45,560
Movement in accruals	(46,895)	12,612
Movement in provisions	(232,967)	(30,058)
Other non-cash item	355,000	161,660
Working capital changes		
Increase in trade and other receivables	(1,054)	-
Decrease in VAT receivable	1,949	1,967
Increase/(decrease) in inventory	1,474	(989)
Increase in trade payables	19,090	2,337
Cash utilised in operating activities	(6,206,897)	(6,236,594)

17 Financial instruments

17.1 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.

17.2 Market Risk

17.2.1 Interest rate risk

The company is not exposed to interest rate risk.

17.2.2 Commodity Risk

As at 31 March 2018, the carrying amounts of cash and short term deposits and accounts payable approximated their fair values due to the short term maturities of these asset and liabilities.

17.3 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 government grants has the most significant impact on liquidity.

18 Commitments

Operating lease commitments

	2018 R	2017 R
Future minimum lease payments under non-cancellable operating leases:		
- within one year	2,150	-
- in second to fifth year inclusive	-	-
	<u>2,150</u>	<u>-</u>

Operating lease payments represent rentals payable by the company for the land it operates in. No contingent rent is payable.

19 Related party transactions

Controlling entity

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

	2018 R	2017 R
Related party transactions		
Grant income	6,246,000	5,935,000

Key Management

Remuneration to key management personnel is fully disclosed in note 20.

20 Remuneration including key management personnel

2018	Position	Basic Salary	Subsistence and Travelling	Allowances	Bonuses	Total
M. M. Titimani	Chief Executive Officer	1,420,128	543	24,000	-	1,444,671
Mr B. Msomi	Caretaker of the Board	-	-	-	-	-
Other employees		3,743,826	1,234	46,070	62,965	3,854,095
Total		5,163,953	1,777	70,070	62,965	5,298,766

Year 2017	Position	Basic Salary	Subsistence and Travelling	Allowances	Bonuses	Total
M. M. Titimani	Director	1,346,093	310	24,000	62,854	1,433,257
Mr M. Manny	Caretaker of the Board	-	-	-	-	-
Other employees		3,806,641	-	46,070	150,857	4,003,568
Total		5,152,734	310	70,070	213,711	5,436,825

21. Going concern

The annual financial statements have been prepared on the liquidation basis and not on a going concern basis. The Department of Agriculture, Forestry and Fisheries signed a Memorandum of Agreement which outlined that the Agriculture Research Council will take over the operations of the entity as at 1 April 2018. The budget allocation for Ncera Farms was also transferred to Agriculture Research Council.

NCERA FARMS SOC LTD
Detailed Statement of Financial Performance
for the year ended 31 March 2018

	2018 R	2017 R
Sales	337,666	191,589
Cost of Sales	(382,473)	(193,374)
Gross profit	(44,807)	(1,785)
Government grants	6,246,000	5,935,000
Other revenue:		
Interest received	43,588	42,496
Other income	-	28,800
Fair value adjustment	230,880	255,840
	6,475,661	6,260,351
Expenses	(6,366,923)	(6,475,751)
Accounting fee	-	(1,750)
Advertising	-	(6,856)
Audit fees	(107,416)	(97,565)
Bank charges	(37,920)	(35,202)
Meeting cost	(4,773)	(2,478)
Cleaning and teas	(22,130)	(23,396)
Computer services	(9,335)	(2,435)
Depreciation and amortisation	(45,686)	(47,852)
Electricity and water	(153,597)	(149,704)
General office costs	(48,714)	(54,500)
Insurance	(30,437)	(27,262)
Feeds and medicine	(66,375)	(53,081)
Loss on sale of livestock	(62,550)	(45,560)
Postage and courier	(2,183)	(4,800)
Printing and stationery	(42,293)	(51,329)
Communications	(15,852)	(15,676)
Repairs and maintenance	(83,611)	(65,656)
Employee benefits	(5,298,766)	(5,436,825)
Security services	-	(5,370)
Rent paid	(26,316)	(26,316)
Fuel	(215,264)	(218,618)
Telephone and fax	(17,555)	(16,930)
Training	(11,644)	-
Travel and accommodation	(64,506)	(86,590)
Net Profit/(Loss)	108,738	(215,399)

The supplementary information does not form part of the financial statements and is unaudited.

Notes

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NCERA FARMS SOC
Tel: 043 - 492 0033
Fax: 043 - 781 1640