



NCERA FARMS

2016/2017 ANNUAL REPORT

The cover features a light green background with a pattern of overlapping hexagons in various shades of green. In the center is a white hexagon with a thick green border. Inside this hexagon, the text "NCERA FARMS" is written in a bold, dark green, sans-serif font. Below it, "2016/2017" is written in a bold, dark green font, with the "2017" part being a slightly lighter shade of green. To the right of "2016/2017", the words "ANNUAL REPORT" are written in a smaller, dark green, sans-serif font, stacked vertically.

NCERA FARMS
2016/2017 ANNUAL
REPORT

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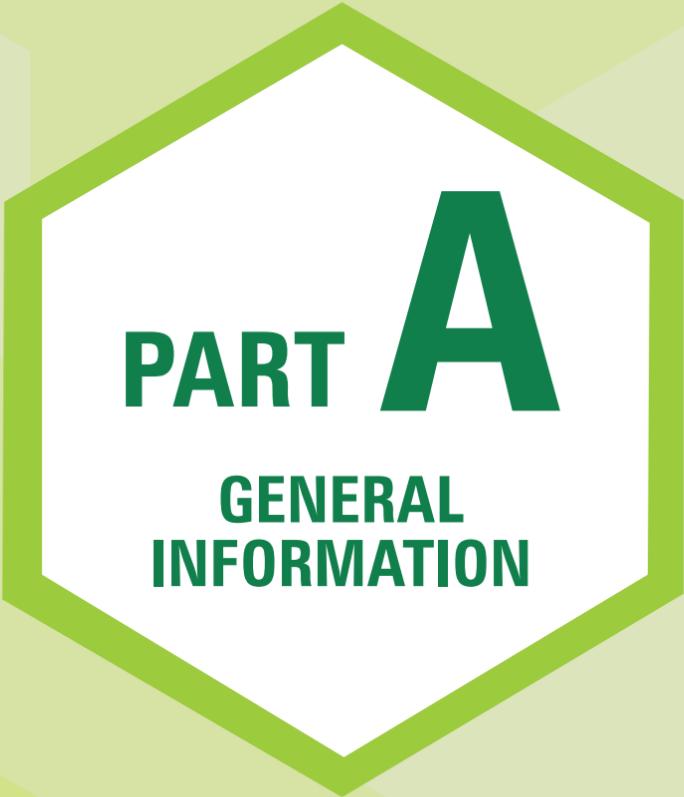
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PART A

**GENERAL
INFORMATION**

PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME: NCERA FARMS SOC LIMITED

REGISTRATION NUMBER: 1965/004352/32

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

CARETAKER REPORT

Ncera Farms is a State Owned Enterprise, a public company listed under the schedule 3B of the PFMA with Department of Agriculture Forestry and Fisheries as a sole shareholder. Ncera Farms is subdivided into two sections, the Ncera Centre, which is registered as Ncera Farms SOC Limited, to manage state owned land in the Kidds Beach area. The second area is the 10 portions of farms around the Centre.

The Entity has focussed on the breeding livestock to supply breeding material for smallholder farmers. Livestock is the main enterprise specialising on Nguni cattle and goats, Mechanization however concentrates in assisting small holder farmers in cultivating their lands, and contributing towards food security. The entity activities are limited by the shift from a state owned company to a government farm under the Agricultural council.

There has been a slow progress with the transfer of the entity to ARC as this matter was reported in the previous financial year. The delay has been caused by processes which among others, include stakeholders engagement, the Ncera Farms personnel, legal processes and land administration particularly the title holding. It is expected that the transfer will be completed during the course of the next financial year 2017/18.

In relation to the entity, on the period under review the entity has improve in a number of issues including reporting, reporting formats and content thanks to the Board, monitoring and evaluation division of DAFF for proper guidance.

As a Caretaker of the Board I would like to take this opportunity to thank all those that have been involved in ensuring the smooth running of the organization, including non-executive board members who have always given their time to monitor and evaluate and give proper guidance to the entity.



Mr M. Mannya
Caretaker of the Board

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Ncera Farms is a state owned entity, situated in Kidds Beach Area 40km from East London on the R72 road to Port Alfred. Its location is strategic as an agricultural enterprise meant to produce crops, vegetables and breed cattle for meat.

East London is an economic hub of this part of the Eastern Cape, with the harbour, and airport and major factories like Mercedes Benz South Africa and Nestle. There is a great potential for growth especially to the farmers, because of high population in Mdantsane and surrounding suburbs.

Ncera is rich in its traditional leadership between Chief Phato and Chief Jongilanga with their people seeing Ncera as a beacon of hope. The unemployment rate of this area is estimated up to 80%, and agriculture is the major employer.

The Entity has over the past year 2016/17 survived from a very serious drought that has destroyed many crops and livestock. As much as mortalities have not been reported resulting from drought, there has been a delay in the conception on the livestock. The entity hopes that the rainfall in the next two months will resuscitate the condition of the veld.

The disadvantage of the drought relates to a number of diseases caused by internal parasites especially on small stock, because of their high susceptibility. This has resulted in the entity paying special attention to internal parasites treatment. Tomatoes and green peppers have done well, due to proper management and working extra hours during December holidays.

The Entity remains patient in awaiting the fast track of DAFF transferring the Entity to ARC. While the staff and workers are looking forward to the ARC, the pace at which this process is taking seems like an impossible dream.

The Entity boasts in assisting small holder farmers with mechanization like ploughing, disking, grass cutting in schools and clinics. The smallholder farmers appreciate the contribution by the entity because the entity is the only hope to catalyse these farmers into their agricultural activities. Mechanization contributes immensely in poverty reduction and food security.

- **General financial review of the public entity**

Ncera Farms SOC received an allocation of R5, 9m from DAFF of which 91% was used for compensation of employees and the remainder for maintenance and other overheads. However an additional amount of R773 001 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 5%.

- **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.

- **Events after the reporting date**

There were no events after the reporting date

- **Audit reports**

The entity has maintained the status of an unmodified audit report


M.M Titimani
Chief Executive Officer
Ncera Farms SOC Limited
Date: 31 May 2017

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

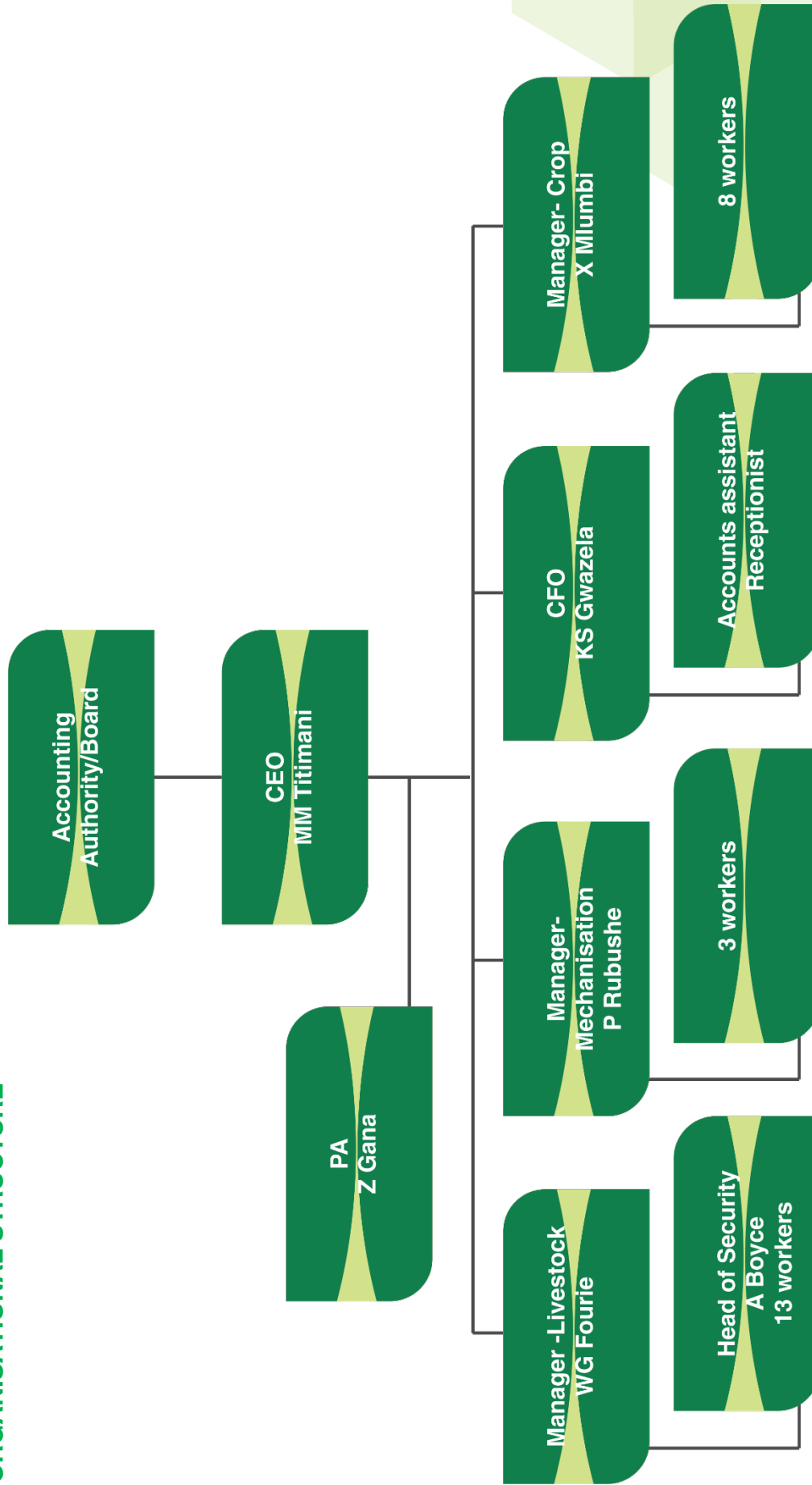
Financial Procedure Manual & Policy

Strategic Risk Management Policy

Fraud Prevention Plan & Policy

Companies Act

ORGANISATIONAL STRUCTURE





PART B
**PERFORMANCE
INFORMATION**

PART B: PERFORMANCE INFORMATION

8. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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 on the report to management, with material findings being reported under the Predetermined Objectives heading the Report on other legal and regulatory requirements 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

Ncera Farms is in a process of being transferred to the ARC.

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
Unit**

Programme 1: Finance & Administration unit

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 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17	Comments on deviations
Reporting	Quarterly reports produced Annual performance and annual financial statements produced	Produce 4 quarterly expenditure, performance reports, and Annual Performance Report Produce annual performance and Annual Financial Statements and submit to the Auditors and the Caretaker of the Board	Produced 4 quarterly expenditure, performance reports, and Annual Performance Report Produced annual performance and Annual Financial Statements and submitted to the Auditors and the Caretaker of the Board	None None	

Performance Indicator	Annual Achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17	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 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17	Comments on deviations
Compliance with corporate governance	-	4 Board meetings held	4 Board meetings were held	None	None

Performance Indicator	Annual Achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17	Comments on deviations
Audit report	Maintained unqualified audit report	Maintain unqualified audit report	Maintained unqualified audit report	None	None

Performance Indicator	Annual Achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17	Comments on deviations
Risk Management system	One risk reviews 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

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. Out of 68 cows, 80% will calve
- 1.1.2. 20 young bulls disbursed
- 1.1.3. 5% of cattle culled
- 1.1.4. Out 103 female goats, 80% will kid
- 1.1.5. Cull and sell 50% of the kids

Performance Indicator	Annual Achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17	Comments on deviations
Number of calves born	-	80% Calves produced(33 calves)	50% Calves produced(21 calves)	30% Calves(12 calves)	Ncera Farms has been in a severe drought spell
Number of young bulls disbursed	-	20 young bulls disbursed	20 young bulls were disbursed	None	None

Performance Indicator	Annual Achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17	Comments on deviations
% of cattle culled	-	5% of cattle culled(8 cattle)	5% of cattle were culled(8 cattle)	None	None
Number of kids born	-	80% of kids born(59 kids)	128,8% kids born(76 kids)	48,8%(17 kids)	Good animal management and high fertility of Boer Goats.

Performance Indicator	Annual Achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17	Comments on deviations
% of kids culled& sold	-	50% of kids culled and sold(30 kids)	87% of kids culled and sold(66 kids)	37%(36 kids)	More kids were born than planned which resulted to an increase in culling and selling percentage

*Conception and birth rate are uncontrollable in livestock



Programme 3
Mechanisation
Section

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, truck and bakkie
 - 1.2. Nine villages are assisted with mechanisation services

Performance Indicator	Annual Achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17	Comments on deviations
Number of motor vehicles, tractors, trucks and equipment maintained and repaired	Maintained and repaired 8 motor vehicles , 6 tractors and equipment	Maintain and repair 7 motor vehicles, 4 tractors, 2 trucks and equipment	Repaired and maintained 8 motor vehicle, 4 tractors and equipment	2 trucks not repaired and maintained(it was not necessary) 1 motor vehicle had a breakdown	Repairs and maintenance are performed only when necessary
Number of villages assisted with mechanisation services	9 villages assisted with mechanisation services	9 villages assisted with mechanisation services	9 villages were assisted with mechanisation services	None	None



Programme 4
**Crop Section
Management**

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 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17	Comments on deviations
Number of tomatoes boxes	The entity sold average of 700 bags(5kg) of tomatoes	750 boxes of good quality tomatoes	857 boxes of good quality tomatoes produced	107 boxes	Good management resulted in high yield
Number of green peppers boxes	The entity sold average of 101 bags(5kg) green peppers	150 boxes of good quality green peppers	237 boxes of good quality green peppers	87 boxes	Good management resulted in high yield



**Annexure
A**

ANNEXURE A

ADDITIONAL SUMMARY

CROP MANAGEMENT SECTION

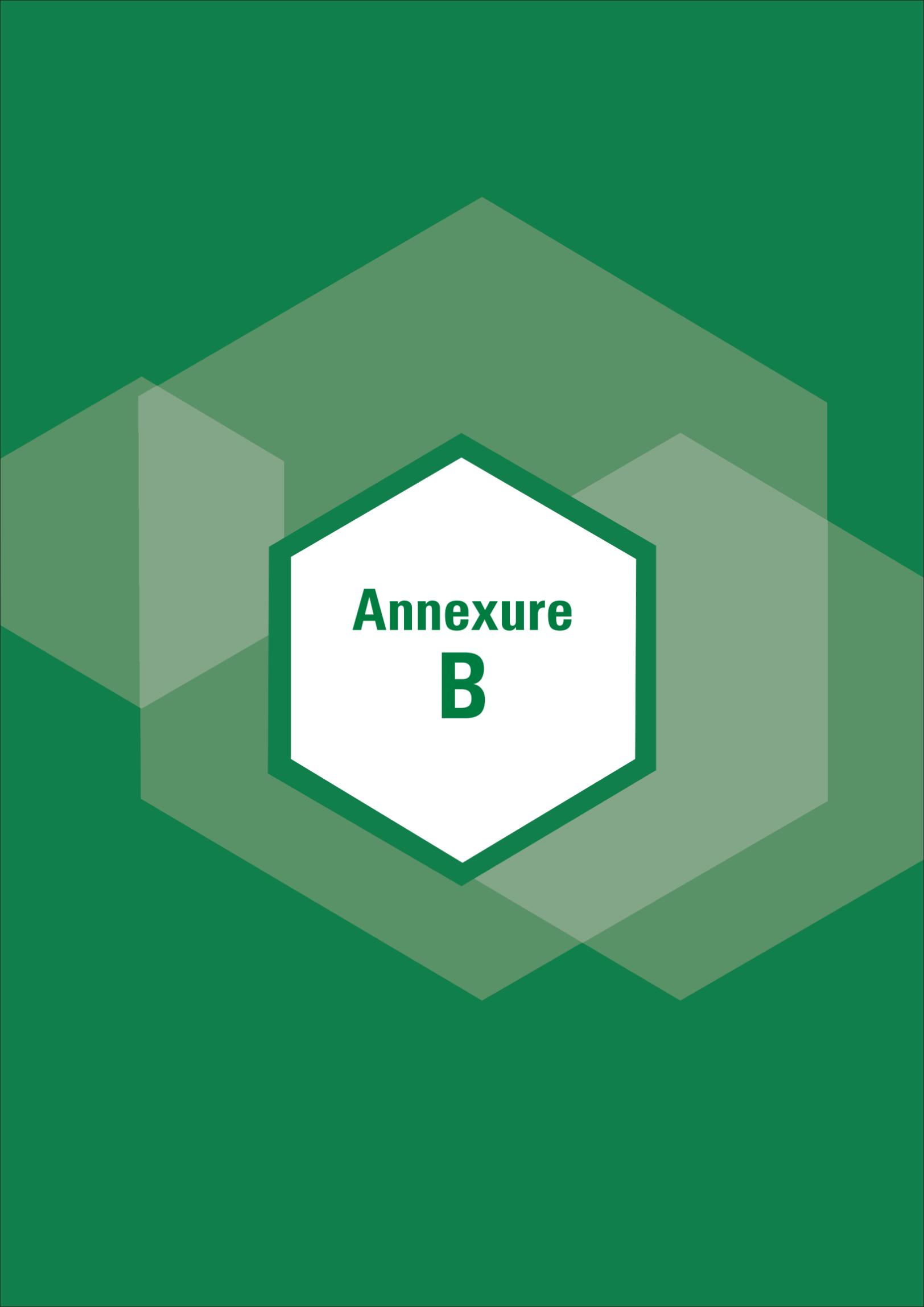
Performance Indicator	Annual Achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Additional notes
Number of tomato boxes	The entity sold average of 700 bags(5kg) of tomatoes	750 boxes of good quality tomatoes	857 boxes of good quality tomatoes produced	The entity sold average of 857boxes of tomatoes. One box (5kg) of tomatoes is equivalent to 1 bag(5kg) of tomatoes
Number of green pepper boxes	The entity sold average of 101 bags(5kg) green peppers	150 boxes of good quality green peppers	237 boxes of good quality green peppers	The entity sold average of 237 boxes of green peppers. One box (5kg) of green pepper is equivalent to 1 bag(5kg) of green pepper

LIVESTOCK

Performance Indicator	Annual Achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Additional notes
Number of calves born	-	80% Calves produced	50% Calves produced	For the last 3 years Ncera has experienced severe drought and this has resulted into cows not conceiving because of their condition.

MECHANISATION

Performance Indicator	Annual Achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Additional notes
Number villages assisted with mechanisation services	9 villages assisted with mechanisation services	9 villages assisted with mechanisation services	9 villages assisted with mechanisation services	In the 9 villages 65.7 ha of land was prepared. This constituted 245 smallholder farmers being assisted on mechanisation services.



**Annexure
B**

ANNEXURE B 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	<p>Poor communication of changes to policies</p> <p>Unplanned demands and scope creep</p> <p>Changing regulatory environment</p>	<p>Possible fruitless and wasteful, irregular and unauthorised expenditure</p> <p>Harm to reputation</p> <p>Decrease in funding</p>	<p>1. Assurance reviews (external audit)</p> <p>2. Policies (HR, SCM) and systems in place</p> <p>3. Dedicated support resource from Provincial Treasury and DAFF</p> <p>4. Annual performance assessment of the oversight committee</p> <p>5. Approved financial reports</p>	<p>1. Identify the regulatory environment</p> <p>2. Ensure correct SCM processes followed</p>	<p>1. Ncera farms employees are updated with the changes in regulations, National Treasury circulars etc.</p> <p>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</p>

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
1,2,3,4	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	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

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
							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	Vets were consulted for livestock disease problems

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



PART C
GOVERNANCE

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, Lunika Inc. carried out the internal audit activities for the entity.

6. COMPLIANCE WITH LAWS AND REGULATIONS

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

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 fraud cases during the financial 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, it is necessary to integrate the interests of Ncera Farms with those of its employees. Ncera Farms ensures compliance with applicable human rights legislation and does not permit 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**

PART D: HUMAN RESOURCE MANAGEMENT

1. HUMAN RESOURCE OVERSIGHT STATISTICS

Due to budget constraints the entity did not appoint interns during 2016/17 financial year. There were no resignations and no new appointments.



PART E

**FINANCIAL
INFORMATION**

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, 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 director has reviewed the company's cash flow forecast for the year to 31 March 2017 and, in light of this review and the current financial position, she is satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 42 to 46.

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 annual financial statements set out on pages 48 to 62 which have been prepared on the going concern basis, were approved on behalf of the board on 12 July 2017 and were signed by the director, Nokuvela Ngubelanga.



2. Director's Report

The director submits her report for the year ended 31 March 2017.

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 boasts with breeding good quality Nguni Cattle as the primary enterprise, followed by Boer goats and vegetables like green peppers and tomatoes.

Net loss of the company was R215 399 (2016: net loss of R667 297). No tax was raised during the prior and current year as the entity is in an assessed loss position.

3. Going concern

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

4. Director

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

5. Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90 of the Companies Act 71 of 2008.

3. REPORT OF THE EXTERNAL AUDITOR

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



INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT AND THE ACCOUNTING AUTHORITY OF NCERA FARMS SOC LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ncera Farms SOC Limited ("the Company") set out on pages 48 to 63, which comprise the statement of financial position as at 31 March 2017, and 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2008 and the Public Finance Management Act of South Africa No. 1 of 1999.

Basis for opinion

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 our report.

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to our audit in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa No. 1 of 1999 (PFMA) and the Companies Act of South Africa No. 71 of 2008, 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.

In preparing the financial statements, the board is responsible for assessing the Company'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 board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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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 2 Eglon Road, Sunninghill where a list of directors' names is available for inspection.

Reg. no. 1998/012055/21, VAT reg.no. 4950174682



Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is included in Annexure A to the auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

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 objectives presented in the annual report. We performed procedures to identify findings but not to gather evidence to express assurance.

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 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.

We evaluated the reliability of the reported performance information for the following selected objectives presented in the annual report of the company for the year ended 31 March 2017:

Programme	Pages in the annual report
Programme 1: Finance and Administration	13-18

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

We did not identify any material findings on the reliability of the reported performance information for the following objectives:

- Programme 1: Finance and Administration

Achievement of planned targets

Refer to the annual report on pages 12 to 33 for information on the achievement of the planned targets for the year.



REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

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.

Our findings on material non-compliance with specific key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Governance

The entity did not appoint an audit committee in the current year in accordance with section 51(1)(a)(ii) and section 77(c) of the PFMA and section 94 of the Companies Act of South Africa, 2008.

The Company's Board of Directors comprises one director which does not satisfy the Company's Memorandum of Incorporation and the Companies Act of South Africa, 2008. Article 4 of the Company's Memorandum of Incorporation, states that the Board of Directors shall comprise a minimum of three directors. Section 66(2) of the Companies Act of South Africa, 2008 states that a public company shall have a minimum of three directors and Section 9(1) of the Act states that the provisions of the Act applying to a public company apply also to a state-owned company, except to the extent that the Minister has granted exemption.

OTHER INFORMATION

The board is responsible for the other information. The other information in the annual report comprises:

Part A: General Information
1. Public Entity's General Information
2. List of Abbreviations/Acronyms
3. Foreword by the Chairperson
4. Chief Executive Officer's Overview
5. Strategic Overview
6. Legislative and Other Mandates
7. Organisational Structure
Part B: Performance Information
1. Auditor's Report: Predetermined Objectives
2. Situational Analysis
Part C: Governance
1. Introduction
2. Executive Authority
3. The Accounting Authority/Board
4. Risk Management
5. Internal Audit
6. Compliance with Laws and Regulations
7. Fraud and Corruption
8. Minimising Conflict of Interest
9. Code of Conduct



10. Audit Committee Report
Part D: Human Resource Management
1. Human Resource Oversight Statistics
Part E:
1. Director's Responsibilities and Approval
2. Director's Report

The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual report that have been specifically reported on in the auditor's report.

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.

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 objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

INTERNAL CONTROL DEFICIENCIES

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 thereon. We did not identify any significant deficiencies in internal control.

- Internal controls were not present to ensure that all laws and regulations were adhered to during the year.

PricewaterhouseCoopers Inc.
Director: J M Mauer
Registered Auditor
East London
12 July 2017



Annexure A

Auditor's responsibility for the audit

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 objectives and on the company's compliance with respect to the selected subject matters.

Financial statements

In addition to our responsibility for the audit of the financial statements as described in the 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 accounting authority.
- conclude on the appropriateness of 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 the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements 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 the auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance


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.

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. ANNUAL FINANCIAL STATEMENTS 2016/17

Preparer: Khayakazi Gwazela (Chief Financial Officer)

Sign:

A handwritten signature in black ink, appearing to be 'K. Gwazela', written over a light blue grid background.

NCERA FARMS SOC LTD
Statement of Financial Position
For the year ended 31 March 2017

	Notes	2017 R	2016 R
Assets			
Non-Current Assets			
Property, plant and equipment	2	2 698 925	2 688 057
Intangible Assets	3	1 752 874	1 790 606
Biological Assets	7	1	1
		946 050	897 450
Current Assets			
Inventory	6	985 931	1 227 309
VAT receivables		6 323	5 314
Cash and cash equivalents	8	15 180	17 147
		964 428	1 204 848
Total assets		3 684 856	3 915 366
Equity and liabilities			
Capital and reserves		3 060 127	3 275 526
Share Capital	9	1 000	1 000
Non-distributable		66 650 847	60 715 847
Accumulated loss		(63 591 720)	(57 441 321)
Current Liabilities			
Accruals	10.1	624 730	639 839
Provision	10.2	277 606	264 994
Trade and other payables from exchange transactions	10.3	323 436	353 495
		23 687	21 350
Total equity and liabilities		3 684 856	3 915 365

NCERA FARMS SOC LTD
Statement of Financial Performance
For the year ended 31 March 2017

	Notes	2017 R	2016 R
Gross revenue from exchange transactions		191 589	231 339
Cost of sales		(193 374)	(17 529)
Gross (loss) / profit		(1 785)	213 810
Gross revenue from non-exchange transactions	12	5 935 000	5 622 000
Other revenue		284 640	30 150
Other revenue from exchange transactions		28 800	-
Fair value adjustments on biological assets		255 840	30 150
Total expenses		(6 475 751)	(6 558 286)
Employee benefits	18	(5 436 825)	(5 317 456)
Depreciation & amortisation	13	(47 852)	(89 650)
Loss on sale of livestock	13	(45 560)	-
Other operating expenses		(945 514)	(1 151 180)
Operation loss		(257 896)	(692 326)
Finance income		42 496	25 029
Loss before tax		(215 399)	(667 297)
Taxation	14	-	-
Loss for year		(215 399)	(667 297)
Other comprehensive income		-	-
Total comprehensive loss		(215 399)	(667 297)

NCERA FARMS SOC LTD
Statement of Changes in equity
For the year ended 31 March 2017

	Share Capital	Non-Distributable Reserves	Accumulated Loss	Total
	R	R	R	R
Balance at 31 March 2015	1 000	55 093 847	(51 152 024)	3 942 823
Total comprehensive profit for the year	-	-	(667 297)	(667 297)
Transfers to non-distributable reserve	-	5 622 000	(5 622 000)	-
Balance at 31 March 2016	1 000	60 715 847	(57 441 321)	3 275 526
Total comprehensive loss for the year	-	-	(215 399)	(215 399)
Transfers to non-distributable reserve	-	5 935 000	(5 935 000)	-
Balance at 31 March 2017	1 000	66 650 847	(63 591 720)	3 060 127

NCERA FARMS SOC LTD
Statement of Cash Flows
For the year ended 31 March 2017

		2017	2016
	<i>Notes</i>		
Cash flows from operating activities			
Cash utilised in operating activities	15	(6 236 594)	(6 107 223)
Net cash utilised in operations		<u>(6 236 594)</u>	<u>(6 107 223)</u>
Cash flows from investing activities			
Additions to property, plant and equipment		(10 122)	(526)
Additions to biological assets		-	-
Proceeds on sale of assets		28 800	-
Interest received		42 496	25 029
Net cash utilised in investing activities		<u>61 175</u>	<u>24 503</u>
Cash flows from financing activities			
Funds provided by Department of Agriculture, Forestry and Fisheries		5 935 000	5 622 000
Net cash generated from financing activities		<u>5 935 000</u>	<u>5 622 000</u>
Net increase/(decrease) in cash and cash equivalents		(240 419)	(460 720)
Cash and cash equivalents at the beginning of the year		1 204 848	1 665 568
Cash and cash equivalents at the end of the year	8	<u>964 428</u>	<u>1 204 848</u>

1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IFRS') and the Companies Act, 2008 in South Africa.

The policies set out below have been consistently applied to all the years presented. The financial statements of the Company until 31 March 2015 had been prepared in accordance with Generally Accepted Accounting Principles in South Africa ('SA GAAP'). When preparing the financial statements, management have not amended any of the accounting or valuation methods applied in the SA GAAP financial statements as they did not differ from IFRS.

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 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 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, which is as follows:

Item	Average useful life
Tunnels	15%
Plant and machinery	10 – 20%
Office furniture and equipment	10%-15%
Intangible assets	50 %

NCERA FARMS SOC LTD
Notes to the Annual Financial Statements
For the year ended 31 March 2017

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.

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	6 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 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 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.

NCERA FARMS SOC LTD
Notes to the Annual Financial Statements
For the year ended 31 March 2017

2. Property, plant and equipment

2017

	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	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)	(967 673)	(451 667)	(1 876 690)
Additions		1 999		8 123	10 122
Depreciation	-	(15 779)	(4 521)	(27 553)	(57 852)
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 gross carrying amount of R1 180 491,95 were still in use

2016

	Land and Buildings	Plant and machinery	Motor vehicles and tractors	Office furniture and equipment	Total
	R	R	R	R	R
Carrying Amount – beginning	1 511 807	113 120	70 678	184 123	1 879 729
Cost	1 673 417	378 738	1 007 147	607 467	3 666 769
Accumulated depreciation	(161 610)	(265 618)	(936 469)	(423 343)	(1 787 040)
Additions				525	525
Depreciation written back	-	-	-	-	-
Depreciation	(4 230)	(16 892)	(40 204)	(28 324)	(89 650)
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)	(967 673)	(451 667)	(1 876 690)

As at 31 March 2016, fully depreciated assets with a gross carrying amount of R1 180 491,95 were still in use

3. Intangible Assets

Intangible assets comprise of the Pastel accounting software.

2017	Intangible asset	R	1
	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)	

Intangible assets comprise of the Pastel accounting software.

2016	Intangible asset	R	1
	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)	

Intangible assets comprise of the Pastel accounting software.

NCERA FARMS SOC LTD
Notes to the Annual Financial Statements
For the year ended 31 March 2017

4. Financial Liabilities by category

2017

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

2016

	Financial liabilities at amortised cost	Total
Trade and other payables from exchange transactions	21 350	21 350
Accruals & provisions	618 489	618 489
Total	639 839	639 839

5. Financial Assets by category

2017

	Loans and Receivables	Total
Trade and other receivables	-	-
Cash and cash equivalents	964 428	964 428
Total	964 428	964 428

2016

	Loans and Receivables	Total
Trade and other receivables	-	-
Cash and cash equivalents	1 204 848	1 204 848
Total	1 204 848	1 204 848

6. Inventories

	2017 R	2016 R
Consumables	6 323	5 314
Total	6 323	5 314

The company is not exposed to interest risk rate.

NCERA FARMS SOC LTD
Notes to the Annual Financial Statements
For the year ended 31 March 2017

7. Biological Assets

Cattle

Opening Balance
Additions
Disposal
Fair value adjustments
Closing balance

2017 R	2016 R
822 700	792 550
8 550	850
-163 800	-
231 950	29 300
899 400	822 700

Cattle

Opening Balance
Additions
Disposal
Fair value adjustments
Inventory written down
Closing balance

74 750	104 850
13 680	-
-43 440	(900)
1 660	-
-	(29 200)
46 650	74 750

Total biological assets

946 050	897 450
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Livestock

Livestock was fairly valued by Elliot Brothers Auctioneers. There was R231 950 fair value adjustment for cattle (2016: R29 300). There was R1 660 fair value for goats (2016: 0)

8. Cash and Cash equivalents

2017 R	2016 R
963 877	1 204 319
551	529
964 428	1 204 848

9. Share Capital

Authorised

1 000 ordinary shares of R1 each

1 000	1 000
-------	-------

Issued

1 000 ordinary shares of R1 each

1 000	1 000
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10. Trade and other payables from exchange transactions

	2017 R	2016 R
10.1 Accruals		
Leave pay accruals	238 952	199 456
Accrual for 13 th cheque	38 654	65 538
	277 606	264 994
10.2 Provisions		
Performance Bonus	323 436	353 495
	323 436	353 495
10.3 Other trade and other payables		
Other trade and other payables from exchange transactions	23 687	21 350
	23 687	21 350

The entity's exposure to liquidity risk related to trade and other payables is disclosed in note 16.

	2017 R	2016 R
11 Deferred Income Tax		
Deferred Tax		
Accelerated capital allowances	65 036	66 599
Accruals	(174 924)	(179 232)
Biological assets	265 174	251 364
Unrecognised deferred tax assets	(155 286)	(138 731)
	-	-

12 Gross

Government Grant	5 935 000	5 622 000
	5 935 000	5 622 000

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.

NCERA FARMS SOC LTD
Notes to the Annual Financial Statements
For the year ended 31 March 2017

13. Operating Profit

Operating profit for is stated after accounting for the following:

	2017 R	2016 R
Audit Fees	(97 565)	(95 193)
Director's remuneration	(1 433 257)	(1 392 105)
Depreciation	(47 852)	(89 650)
Employee costs	(4 003 568)	(3 925 351)
Fair value adjustments on inventory	255 840	30 150
Loss sale of livestock	(45 560)	-
Biological assets written down	-	(30 100)

14. Taxation

Current

SA Normal tax	-	-
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Deferred

Originating and reversing temporary difference	-	-
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Reconciliation of the income tax expense

Reconciliation between accounting profit and income tax expense

Accounting loss	(215 399)	(667 297)
Tax at the applicable tax rate of 28% (2016:28%)	(60 312)	(186 843)

Tax effect of adjustments on taxable income		
Non taxable income	(1 661 800)	(1 573 600)
Increase in unrecognised deferred tax assets	(1 722 112)	1 760 443
	-	-

15. Net Cash outflows from operating activities

Cash flows generated from operations

Net surplus / (deficit) before tax	(215 399)	(667 297)
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Adjustment for:

Depreciation	47 852	89 650
Government Grant	(5 935 000)	(5 622 000)
Interest received	(42 496)	(25 029)
Profit on sale of assets	(28 800)	-
Fair value adjustment	(255 840)	(30 150)
Other non cash item	161 661	
Write down on biological assets	-	30 100
Loss on livestock	45 560	
Movement in accruals	12 612	105 171
Movement in provisions	(30 058)	49 618

Working capital changes

Decrease in trade and other receivables	-	-
Increase in VAT receivables	1 967	(782)
(Decrease)/Increase in inventory	(989)	539
(Decrease)/Increase in trade payables	2 337	(37 043)

Cash utilised in operation activities	(6 236 594)	(6 107 233)
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16. Financial Instruction

16.1 Credit risk

Financial assets which potentially subject the company to concentrations of credit risk consist.

16.2 Market Risk

16.2.1 Interest Rate Risk

The company is not exposed to interest rate risk.

16.2.2 Commodity Risk

As at 31 March 2017, 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.

16.3 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 of liquidity.

17. 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.

Grant income	5 935 000	5 622 000
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Key Management

Remuneration to key management personnel is fully disclosed in note 18.

NCERA FARMS SOC LTD
Notes to the Annual Financial Statements
For the year ended 31 March 2017

18. Salaries included the following

18.1 Chief Executive Officer Employed on permanent basis

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

18.2 Chief Executive Officer Employed on permanent basis

Directors Year 2016	Position	Basic Salary	Subsistence & Travelling	Allowances	Bonuses	Total
Chief Executive Officer						
M.M. Titimani	Director	1 292 921	5 028	24 000	70 157	1 392 105
Caretaker of the Board						
Mr M. Mannya	Caretaker of the Board	-	-	-	-	-
Other Employees						
Employees		3 644 647	-	46 070	234 634	3 925 351
Total		4 937 568	5 028	70 070	304 790	5 317 456

NCERA FARMS SOC LTD
Detailed Statement of Financial Performance
For the year ended 31 March 2017

	2017 R	2016 R
Revenue		
Sales	191 589	231 339
Less: Cost of Sales	(193 374)	(17 529)
Gross Profit	-1 785	213 810
Government Grants	5 935 000	5 622 000
Other Revenue:		
Interest received	42 496	25 029
Other Income	28 800	-
Fair value adjustment	255 840	30 150
Gross Revenue	6 260 351	5 890 989
Expenses	(6 475 751)	(6 558 286)
Accounting Fee	(1 750)	(1 750)
Advertising	(6 854)	(112)
Audit Fees	(97 565)	(95 193)
Bank Charges	(35 202)	(35 637)
Meeting Cost	(2 478)	(5 976)
Cleaning and Teas	(23 396)	(13 459)
Computer Services	(2 435)	(14 294)
Depreciation	(47 852)	(89 650)
Electricity and Water	(149 704)	(161 217)
General Office Costs	(54 500)	(60 947)
Insurance	(27 262)	(59 349)
Feeds and Medicines	(53 081)	(49 390)
Loss on Livestock	(45 560)	-
Postage and Courier	(4 800)	(2 819)
Printing and Stationery	(51 329)	(56 313)
Communications	(15 676)	(16 577)
Inventory written down	-	(30 100)
Repairs and Maintenance	(65 656)	(93 765)
Salaries and Wages	(5 436 825)	(5 317 456)
Security Services	(5 370)	(6 575)
Rent Paid	(26 316)	(15 351)
Fuel	(218 618)	(225 720)
Telephone and Fax	(16 930)	(21 575)
Training	-	(20 145)
Travel and accommodation	(86 590)	(164 915)
Total Deficit	(215 399)	(667 297)



NCERA FARMS
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REPORT

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