

WELMAC (PTY) LTD
(Registration Number 2015/258351/07)
Financial Statements
for the year ended 31 December 2019

Welmac (Pty) Ltd
(Registration Number 2015/258351/07)
Financial statements for the year ended 31 December 2019

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Farming
Directors	N.F. Grooss H. Claasens
Registered office	Farm Welgevonden LT36 Louis Trichardt 0920
Business address	Farm Welgevonden LT36 Louis Trichardt 0920
Postal address	PO Box 4458 Polokwane 0699
Bankers	First National Bank
Accounting Officer	ADZAN Accounting Services (Pty) Ltd Professional Accountant (S.A.)
Company Registration Number	2015/258351/07
Tax Reference Number	9012809258
Level of assurance	These financial statements have been independently reviewed in compliance with the applicable requirements of the Companies Act 71 of 2008
Preparer	The financial statements were independently compiled by: ADZAN Accounting Services (Pty) Ltd Professional Accountant (SA)
PI Score	119
Vat reference number	4370272751
PAYE reference number	7640794469

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Financial statements for the year ended 31 December 2019

Directors' Responsibilities and Approval

The directors are required by the Companies Act 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities.

The financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 December 2020 and, in the light of this review and the current financial position, They are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The independent reviewer is responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's independent reviewer and their report is presented on page 5.

The financial statements set out on pages 8 to 23, which have been prepared on the going concern basis, were approved by the directors on _____ and were signed on its behalf by:

Approval of financial statements



H. Claassens



N.F. Grooss

Independent Reviewer's Report

To the shareholder of Welmac (Pty) Ltd

We have reviewed the financial statements of Welmac (Pty) Ltd, set out on pages 8 to 23, which comprise the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Reviewers Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standards on Review Engagements (ISRE) 2400 (Revised), Engagements to Review financial statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The independent reviewer performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Unqualified Conclusion

Without qualifying our opinion, we draw attention to note 19 to the financial statements which indicates that the company incurred a net loss of R 7 836 781 for the year ended 31 December 2019 and, as at that date, the company's total liabilities exceeded its total assets by R 5 526 796

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects the financial position of Welmac (Pty) Ltd as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008.



ADZAN ACCOUNTING (PTY) LTD
Professional Accountants (SA)
Z.H. Du Toit

Welmac (Pty) Ltd
(Registration Number 2015/258351/07)

Financial statements for the year ended 31 December 2019

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Welmac (Pty) Ltd for the year ended 31 December 2019

1. Incorporation

The company was incorporated on 28 July 2015 and obtained its certificate to commence business on the same day.

2. Nature of business

Welmac (Pty) Ltd was incorporated in South Africa with interests in the Agriculture industry. The company operates in South Africa

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

3. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008

Full details of the financial position result of operations and cash flows of the company are set out in these financial statements.

4. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

5. Dividends

No dividends were declared in the current financial year.

6. Directors

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

Name	Nationality
H. Claasens	SA
N.F. Grooss	Dutch

7. Holding Company

The company's holding company is Welgevonden Macadamia BV which holds 100% of the company's equity. Welgevonden Macadamia BV is incorporated in Haarlem, The Netherlands.

8. Events after the reporting period.

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

10. Going concern

We draw attention to the fact that at 31 December 2019, the company had accumulated losses of R 19 741 878 and that the company's total liabilities exceed its assets by R (5 526 796).

The 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, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company and the ongoing financial support of the shareholder, bankers and the creditors of the company.

9. Review

The financial statements are subject to an independent review report and have been reviewed by Adzan Accounting Services (Pty) Ltd

Welmac (Pty) Ltd
(Registration Number 2015/258351/07)
Statement of Financial Position as at 31 December 2019

ASSETS	Note(s)	2019	2018
		R	R
Non-current Assets			
Property, Plant and Equipment	3	71 118 309	64 137 563
Biological Assets	2	23 152 808	2 775 922
Deferred Tax	6	9 908 478	6 607 134
		<u>104 179 594</u>	<u>73 520 619</u>
Current Assets			
Trade and other receivables	7	6 851 499	5 346 678
Other financial assets	5	3 586 758	1 374 717
Cash and cash equivalents	8	274 611	41 123
		<u>10 712 869</u>	<u>6 762 518</u>
Total Assets		<u><u>114 892 463</u></u>	<u><u>80 283 137</u></u>
EQUITY & LIABILITIES			
Capital and reserves			
Share Capital	9	100	100
Retained income		(19 741 878)	(11 905 097)
Revaluation Surplus		14 214 982	0
		<u>(5 526 796)</u>	<u>(11 904 997)</u>
LIABILITIES			
Non-current Liabilities			
Intra-group loan	4	83 962 305	57 724 406
Other financial liabilities	10	22 490 000	25 899 500
Finance lease liabilities	11	567 687	834 726
Deferred tax	6	3 333 708	2 057 978
		<u>110 353 701</u>	<u>86 516 610</u>
Current Liabilities			
Trade and other payables	12	2 423 778	548 382
Finance lease liabilities	11	341 665	264 368
Bank overdraft	8	7 300 117	4 858 774
		<u>10 065 560</u>	<u>5 671 524</u>
Total Liabilities		<u><u>120 419 260</u></u>	<u><u>92 188 134</u></u>
Total Equity and Liabilities		<u><u>114 892 463</u></u>	<u><u>80 283 137</u></u>

Welmac (Pty) Ltd

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Statement of Comprehensive Income for the year ended 31 December 2019

	Note(s)	2019	2018
Revenue		10 920 725	10 443 275
Other Income		2 998 680	4 985 730
Operating expenses		(14 951 421)	(11 017 923)
Operating profit/(loss)		(1 032 015)	4 411 082
Investment revenue	13	9 421	5 621
Finance costs	14	(8 839 800)	(7 911 934)
Loss before taxation		(9 862 395)	(3 495 231)
Taxation	15	2 025 614	937 750
Loss for the year		(7 836 781)	(2 557 481)
Other comprehensive income		14 214 982	
Total comprehensive loss for the year		6 378 201	(2 557 481)

Welmac (Pty) Ltd
 (Registration Number 2015/258351/07)
 Statement of Changes in Equity for the year ended 31 December 2019

Statement of Changes in Equity

Figures in Rand

	Share capital	Retained income	Revaluation Surplus	Total equity
Balance at 01 January 2018	100	(9 347 616)		(9 347 516)
Loss for the year	0	(2 557 481)		(2 557 481)
Other comprehensive income	0	0	0	0
Total Comprehensive loss for the year	100	(11 905 097)	0	(11 904 997)
Balance at 01 January 2019	100	(11 905 097)		(11 904 997)
Loss for the year		(7 836 781)		(7 836 781)
Other comprehensive income			14 214 982	14 214 982
Total Comprehensive loss for the year	0	(7 836 781)	14 214 982	6 378 201
Balance at 31 December 2019	100	(19 741 878)	14 214 982	(5 526 796)

Note(s)

Welmac (Pty) Ltd
(Registration Number 2015/258351/07)
Statement of Cash Flows for the year ended 31 December 2019

Statement of Cash Flows

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities	16		
Cash generated from (used in) operations		718 759	1 038 257
Interest income		9 421	5 621
Finance costs		(8 839 800)	(7 859 446)
Net cash from operating activities		(8 111 621)	(6 815 568)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(8 360 945)	(7 870 419)
Sale of property, plant and equipment	3	-	69 565
Net movement in financial assets		(2 212 041)	(1 284 040)
Purchase of biological assets	2	(6 161 904)	(2 612 246)
Net cash from investing activities		(16 734 891)	(11 697 140)
Cash flows from financing activities			
Net movement on other financial liabilities		(3 409 500)	5 459 500
Net movement in shareholders loan		26 237 899	18 399 319
Finance lease payments		(189 741)	766 553
Net cash from financing activities		22 638 658	24 625 372
Net cash flow the year		(2 207 854)	6 112 664
Cash and cash equivalents at the beginning of the year		(4 817 651)	(10 930 316)
Cash and cash equivalents at the end of the year	8	(7 025 506)	(4 817 652)

Welmac (Pty) Ltd

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Notes to the financial statements for the year ended 31 December 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities, and the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis, except for biological assets which has been recorded at fair value less point of sale costs, and incorporate the principal accounting policies set out below. They are presented in South African Rands. These accounting policies are consistent with the previous period.

1.1 Biological assets and agricultural produce

Biological assets for which fair value is determinable without undue cost or effort are measured at fair value less costs to sell, with changes in fair value recognised in profit or loss. All other biological assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Agricultural produce is measured at fair value less costs to sell at the point of harvest. Such measurement is regarded as the cost on the date of applying section 13 Inventories. Gains or losses on initial measurement are recognised in profit or loss in the period in which they occur.

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one period.

Property, plant and equipment is initially measured at cost

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the period in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land and Buildings	Straight line	Indefinite
Plant and machinery	Straight line	5 - 15 years
Furniture and fixtures	Straight line	5 - 10 years
Motor vehicles	Straight line	10 years
Office equipment	Straight line	5 years
Trucks and Tractors	Straight line	10 years
Small Tools	Straight line	1 - 5 years

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

Welmac (Pty) Ltd**(Registration Number 2015/258351/07)****Notes to the financial statements for the year ended 31 December 2019****1.2 Property, plant and equipment (continued)**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.3 Financial instruments**Initial measurement**

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

1.4 Tax**Current tax assets and liabilities**

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.

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences

A deferred tax asset is recognised for all deductible temporary differences and for the carry forward of unused tax losses and unused tax credits.

Deferred tax assets and liabilities are measured at an amount that includes the effect of the possible outcomes of a review by the tax authorities using tax rates that, on the basis of enacted or substantively enacted tax law at the end of the reporting period, are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax asset balances are reviewed at every reporting date. When necessary, a valuation allowance is recognised against the deferred tax assets so that the net amount equals the highest amount that is more likely than not to be realised on the basis of current or future taxable profit

Tax expenses

Tax expense is recognised in the same component of total comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Welmac (Pty) Ltd
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Notes to the financial statements for the year ended 31 December 2019

1.5 Leases

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

Finance leases – lessee

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest method.

1.6 Inventories

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

1.7 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the year in which they are declared.

1.8 Employee benefits

Short-term employee benefits

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

1.9 Revenue

Revenue is recognised to the extent that the company has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.10 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Welmac (Pty) Ltd

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Notes to the financial statements for the year ended 31 December 2019

2 Biological assets

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Trees	23 152 808		23 152 808	2 775 922	0	2 775 922

Reconciliation of biological assets - 2019

	Opening balance	Additions	Revaluation	Total
Trees	2 775 922	6 161 904	14 214 982	23 152 808

Reconciliation of biological assets - 2018

	Opening balance	Additions	Revaluation	Total
Trees	163 676	2 612 246	-	2 775 922

3. Property, plant and equipment

	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and Buildings	56 524 086	-	56 524 086	53 629 763	-	53 629 763
Plant and machinery	2 964 051	(892 171)	2 071 880	2 553 116	(602 502)	1 950 614
Furniture and fixtures	146 650	(48 895)	97 755	135 346	(19 565)	115 781
Farm vehicles	1 378 306	(214 456)	1 163 850	1 266 742	(77 555)	1 189 187
Office equipment	157 290	(63 631)	93 658	107 244	(38 846)	68 398
IT equipment	58 020	(11 604)	46 416	56 370	-	56 370
Trucks and tractors	2 797 000	(970 291)	1 826 709	2 797 000	(690 591)	2 106 409
Small tools	167 955	(87 765)	80 189	72 381	(60 504)	11 877
Solar System	2 570 039	-	2 570 039	-	-	-
Irrigation equipment	7 471 120	(827 395)	6 643 725	5 255 610	(246 446)	5 009 164
	74 234 517	(3 116 209)	71 118 309	65 873 572	(1 736 009)	64 137 563

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Land and Buildings	53 629 763	2 894 323	-	-	56 524 086
Plant and machinery	1 950 614	410 935	-	(289 669)	2 071 880
Furniture and fixtures	115 781	11 304	-	(29 330)	97 755
Farm vehicles	1 189 187	111 564	-	(136 901)	1 163 850
Office equipment	68 398	50 046	-	(24 785)	93 658
IT equipment	56 370	1 650	-	(11 604)	46 416
Trucks and tractors	2 106 409	-	-	(279 700)	1 826 709
Small tools	11 877	95 574	-	(27 261)	80 189
Solar system	-	2 570 039	-	-	2 570 039
Irrigation equipment	5 009 164	2 215 510	-	(580 949)	6 643 725
	64 137 563	8 360 945	-	(1 380 200)	71 118 309

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Notes to the financial statements for the year ended 31 December 2019

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Land and Buildings	50 891 682	2 738 081	-		53 629 763
Plant and machinery	1 979 399	212 380	-	(241 165)	1 950 614
Furniture and fixtures	114 135	10 858	-	(9 212)	115 781
Farm vehicles	472 946	780 000	-	(63 759)	1 189 187
Office equipment	82 477	6 390	-	(20 469)	68 398
IT equipment	-	56 370	-	-	56 370
Trucks and tractors	2 144 526	223 000	-	(261 117)	2 106 409
Small tools	99 819	10 686	(69 565)	(29 063)	11 877
Irrigation equipment	1 318 806	3 832 654	-	(142 296)	5 009 164
	57 103 790	7 870 419	(69 565)	(767 081)	64 137 563
				2019	2018

Property, plant and equipment encumbered as security

The following assets have been encumbered as security for the secured long-term borrowings 10 & 11:

Land and buildings	56 524 086	53 629 763
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Details of properties

Farm Welgevonden 36 LT

Held under Title Deed T67985/2016

- Purchase price: 29 August 2016	46 743 061	46 743 061
- Additions since Purchase or valuation	1 034 811	1 034 811
- Improvements 2017	3 113 810	3 113 810
- Improvements 2018	2 738 081	2 738 081
- Improvements 2019	2 894 323	-
	56 524 086	53 629 763

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the company.

4. Loans to (from) shareholder

Welgevonden Macadamia B.V.	(50 030 500)	(57 724 406)
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Unsecured intra-group loan that bears interest at 8.25% per annum and repayment and obligations is subjected to the subordination agreement. The loan has been subordinated in favour of FirstRand Bank Limited until such time that the bank cancel subordination agreement after repayment of the bank loan and any interest in that respect.

DGGF Loan	(33 931 805)	-
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Unsecured loan that bears interest at 6% per annum and repayment and obligations is subjected to the subordination agreement. The loan has been subordinated in favour of FirstRand Bank Limited until such time that the bank cancel subordination agreement after repayment of the bank loan and any interest in that respect.

(83 962 305)	(57 724 406)
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Notes to the financial statements for the year ended 31 December 2019

	2019	2018
5. Other financial assets		
At amortised cost		
Macadamia Farm Management (Pty) Ltd	7 111	7 111
Unsecured, current account loan that bears no interest and is repayable on demand.		
Albasini Nursery SA (Pty) Ltd	3 578 647	1 366 606
Unsecured, current account loan that bears no interest and is repayable on demand.		
Fidatu (Pty) Ltd	1 000	1 000
Unsecured, current account loan that bears no interest and is repayable on demand.		
	<u>3 586 758</u>	<u>1 374 717</u>
Current assets		
At amortised cost	<u>3 586 758</u>	<u>1 374 717</u>
6. Deferred tax		
Deferred tax liability	(3 333 708)	(2 057 978)
Deferred tax asset	9 908 478	6 607 134
Total net deferred tax asset	<u>6 574 770</u>	<u>4 549 156</u>
Reconciliation of deferred tax asset/(liability)		
At the beginning of year	4 549 156	3 611 406
Recognised in profit or loss:		
Benefit of previously unrecognised tax loss	3 301 344	1 842 365
Movement in temporary differences on property, plant and equipment	(1 275 730)	(904 615)
	<u>2 025 614</u>	<u>937 750</u>
At end of year	<u>6 574 770</u>	<u>4 549 156</u>
7. Trade and other receivables		
Trade receivables	6 316 119	5 111 374
Deposits	535 380	235 304
	<u>6 851 499</u>	<u>5 346 678</u>
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	274 611	41 123
Bank overdraft	(7 300 117)	(4 858 774)
	<u>(7 025 506)</u>	<u>(4 817 651)</u>
Current assets	274 611	41 123
Current liabilities	<u>(7 300 117)</u>	<u>(4 858 774)</u>
	<u>(7 025 506)</u>	<u>(4 817 651)</u>

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Notes to the financial statements for the year ended 31 December 2019

	2019	2018
9. Share capital		
Authorised		
1,000 Ordinary shares of R1 each	<u>1 000</u>	<u>1 000</u>
Issued		
Ordinary	<u>100</u>	<u>100</u>
10. Other financial liabilities		
At amortised cost		
First National Bank Limited 4-000-062-532-106	17 520 000	18 899 500
Secured long term direct term loan, that bears monthly interest at prime -0.50% per annum and capital is repayable in yearly instalments over 15 years. Interest paid monthly. First mortgage bond to the value of R27,000,000 secured over the Remaining extent of the Farm Welgevonden 36.		
First National Bank Limited 4-000-081-614-236	4 970 000	7 000 000
Secured long term direct term loan, that bears interest at prime plus 1% per annum and capital is repayable in 84 months. Second mortgage bond of R 7 000 000 secured over the Remaining extent of the Farm Welgevonden 36, Limpopo.		
	<u>22 490 000</u>	<u>25 899 500</u>
Non-current liabilities		
At amortised cost	<u>22 490 000</u>	<u>25 899 500</u>
11. Finance lease liabilities		
Minimum lease payments which fall due		
- within one year	496 065	355 260
- in second to fifth year inclusive	<u>911 480</u>	<u>968 460</u>
	1 407 546	1 323 720
Less: future finance charges	<u>(498 193)</u>	<u>(224 626)</u>
Present value of minimum lease payments	<u>909 352</u>	<u>1 099 094</u>
Non-current liabilities	567 687	834 726
Current liabilities	<u>341 665</u>	<u>264 368</u>
	<u>909 353</u>	<u>1 099 094</u>
It is company policy to lease certain motor vehicles and equipment under finance leases.		
The company's obligations under finance leases are secured by the leased assets.		
12. Trade and other payables		
Trade payables	1 784 293	294 476
Revenue received in advance	-	145 649
VAT	571 778	108 257
PAYE, UIF and SDL	<u>67 706</u>	<u>-</u>
	<u>2 423 778</u>	<u>548 382</u>

Welmac (Pty) Ltd
(Registration Number 2015/258351/07)
Notes to the financial statements for the year ended 31 December 2019

	2019	2018
13. Investment revenue		
Interest revenue		
Bank	<u>9 421</u>	<u>5 621</u>
14. Finance costs		
Group companies	5 438 324	4 399 320
Non-current borrowings	2 535 448	2 257 578
Trade and other payables	2 901	2 186
Finance leases	123 603	52 488
Bank	739 524	1 200 362
Late payment of tax		-
	<u>8 839 800</u>	<u>7 911 934</u>
15. Taxation		
Major components of the tax income		
Deferred taxation		
South African deferred tax - current year	<u>(2 025 614)</u>	<u>(937 750)</u>
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense		
Accounting loss	(9 862 395)	(3 495 231)
Tax at the applicable tax rate of 28% (2018: 28%)	(2 761 471)	(978 665)
16. Cash generated from (used in) operations		
Loss before taxation	(9 862 395)	(3 495 231)
Adjustment for:		
Depreciation	1 380 200	767 081
Loss on sale of assets		-
Interest received	(9 421)	(5 621)
Finance costs	8 839 800	7 911 934
Changes in working capital:		
Inventories		0
Trade and other receivables	(1 504 821)	(4 399 994)
Trade and other payables	<u>1 875 396</u>	<u>260 088</u>
	<u>718 759</u>	<u>1 038 257</u>

Welmac (Pty) Ltd
(Registration Number 2015/258351/07)
Notes to the financial statements for the year ended 31 December 2019

17. Related parties

Relationships	
Holding company	Welgevonden Macadamia B.V.
Directors	H. Claassens N.F. Grooss

18. Directors' remuneration

	Salary package	Total
Executive		
2019		
H. Claassens	<u>1 165 629</u>	<u>1 165 629</u>
2018		
H. Claassens	<u>1 091 611</u>	<u>1 091 611</u>

19. Going concern

We draw attention to the fact that at 31 December 2019, the company had accumulated losses of R 19 741 878 and that the company's total liabilities exceed its assets by R (5 526 796).

The 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, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company and the ongoing financial support of the shareholder, bankers and the creditors of the company.

Welmac (Pty) Ltd
(Registration Number 2015/258351/07)
Detailed Income Statement for the year ended 31 December 2019

	Note(s)	2019	2018
Revenue		10 920 725	10 443 275
Sales of agriculture produce		13 555 675	10 443 275
Processing and export costs		(2 634 950)	-
Other income			
Administration and management fees received		2 983 562	4 950 000
Insurance claim received		15 118	35 730
Interest received	13	9 421	5 621
		3 008 101	4 991 351
Expenses (Refer to page 21)		(14 951 421)	(11 017 923)
Operating profit (loss)		(1 022 595)	4 416 703
Finance costs	14	(8 839 800)	(7 911 934)
Loss before taxation		(9 862 395)	(3 495 231)
Taxation	15	2 025 614	937 750
Loss for the year		(7 836 781)	(2 557 481)

Welmac (Pty) Ltd
(Registration Number 2015/258351/07)
Detailed Income Statement for the year ended 31 December 2019

	Note(s)	2019	2018
Operating expenses			
Accounting fees		(208 512)	(141 078)
Advertising		-	(1 420)
Bank charges		(214 831)	(200 415)
Cleaning		(3 258)	(34 514)
Computer expenses		(39 332)	(12 384)
Consulting and professional fees		(49 978)	(100 454)
Depreciation, amortisation and impairments		(1 380 200)	(767 081)
Donations		-	(1 500)
Employee costs		(5 559 776)	(5 649 081)
Entertainment		(46 801)	(37 098)
Fertilizers		(1 259 950)	(1 220 997)
Fuel and oil		(901 263)	(291 481)
Insecticides and chemicals		(1 348 157)	(415 939)
Insurance		(219 555)	(113 248)
Lease rentals on operating lease		-	(51 478)
Legal expenses		(10 408)	-
Levies		(380)	-
Licence		(74 929)	-
Management Fees		(1 118 285)	-
Marketings expenses		-	(13 843)
Membership fees		(600)	(300)
Office Rental		(37 533)	-
Packaging		-	(53 543)
Postage		(8 825)	(3 630)
Printing and stationery		(21 057)	(22 496)
Protective clothing		(5 501)	(30 067)
Pruning costs		(15 960)	(2 795)
Repairs and maintenance		(1 689 582)	(1 023 387)
Royalties and license fees		-	(22 064)
Security		(49 859)	(34 255)
Seeds and seedlings		-	(209 370)
Small tools		(192 590)	(77 315)
Staff welfare		(2 028)	(144 949)
Subscriptions		(7 615)	(3 234)
Telephone and fax		(24 297)	(34 098)
Training		(30 030)	(12 800)
Transport and freight		(20 850)	(6 544)
Travel - local		(221 762)	(170 719)
Water and electricity		(187 716)	(114 346)
		(14 951 421)	(11 017 923)

Welmac (Pty) Ltd
 (Registration Number 2015/258351/07)
 Tax ref nr: 9012809258
Tax computation for the year ended

	2019	2018
Net loss per income statement	(9 862 395)	(3 495 231)
Permanent difference (Non-deductible/Non taxable items)		
Donations (s18A)	-	1 500
	<u>-</u>	<u>1 500</u>
Temporary difference		
Depreciation according to financial statements	1 380 200	767 080
Machinery, plant, implements, utensils and articles deduction (s12B) - excluding solar energy	(3 153 604)	(3 763 586)
Wear and tear allowance (s11(e))	(154 715)	(89 637)
	<u>(1 928 119)</u>	<u>(3 086 143)</u>
Calculated tax loss for the year	<u>(11 790 514)</u>	<u>(6 579 874)</u>
Assessed loss brought forward	<u>(23 596 908)</u>	<u>(17 017 034)</u>
Assessed loss for 2019 - carried forward	<u>(35 387 422)</u>	<u>(23 596 908)</u>
Tax thereon @ 28% in the Rand		