

THE SORGHUM TRUST
(Registration number IT9221/97)
Annual financial statements
for the year ended 28 February 2010

The Sorghum Trust

(Registration number IT9221/97)

Annual Financial Statements for the year ended 28 February 2010

General Information

Country of incorporation and domicile	South Africa
Trustees	JH Gordon (Chairperson) LH Claassen MG Morule Z Duze JJ van der Westhuizen
Registered office	Grain Building 477 Witherite Road The Willows Pretoria 0040
Postal address	PO Box 12203 Queenswood 0121
Auditors	The Ashton CA (SA) Group Chartered Accountants (S.A.) Registered Auditors
Trust registration number	IT9221/97

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The reports and statements set out below comprise the annual financial statements presented to the trustees:

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Report of the Independent Auditors

To the trustees of The Sorghum Trust

We have audited the accompanying annual financial statements of The Sorghum Trust, which comprise the trustees' report, the balance sheet as at 28 February 2010, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 11.

Trustees' Responsibility for the Financial Statements

The trust's trustees are responsible for the preparation and fair presentation of these annual financial statements in accordance with South African Statements of Generally Accepted Accounting Practice. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the trust as of 28 February 2010, and of its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice.

Supplementary Information

We draw your attention to the fact that the supplementary information set out on page 12 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

**The Ashton CA (SA) Group
Registered Auditors**

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Trustees' Responsibilities and Approval

The trustees are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the trust 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 South African Statements of Generally Accepted Accounting Practice.. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice. and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The trustees acknowledge that they are ultimately responsible for the system of internal financial control established by the trust and place considerable importance on maintaining a strong control environment. To enable the trustees to meet these responsibilities, the board 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 trust and all employees are required to maintain the highest ethical standards in ensuring the trust's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the trust is on identifying, assessing, managing and monitoring all known forms of risk across the trust. While operating risk cannot be fully eliminated, the trust endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The trustees 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The trustees have reviewed the trust's cash flow forecast for the year to 28 February 2011 and, in the light of this review and the current financial position, they are satisfied that the trust has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the board are primarily responsible for the financial affairs of the trust, they are supported by the trust's external auditors.

The external auditors are responsible for independently reviewing and reporting on the trust's annual financial statements. The annual financial statements have been examined by the trust's external auditors and their report is presented on page 3.

The annual financial statements set out on pages 5 to 12, which have been prepared on the going concern basis, were approved by the board on 19 August 2010 and were signed on its behalf by:

Trustee

Trustee

Pretoria

19 August 2010

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Trustees' Report

The trustees submit their report for the year ended 28 February 2010.

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

2. Post balance sheet events

The trustees are not aware of any matter or circumstance arising since the end of the financial year.

3. Trustees

The trustees of the trust during the year and to the date of this report are as follows:

Name

JH Gordon (Chairperson)

LH Claassen

MG Morule

Z Duze

JJ van der Westhuizen

4. Auditors

The Ashton CA (SA) Group will continue in office for the next financial period.

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Balance Sheet

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Investments	2	14,499,187	12,859,221
Loans receivable	3	516,160	108,770
		15,015,349	12,967,992
Total Assets		15,015,349	12,967,992
Equity and Liabilities			
Equity			
Excess for the year		15,015,349	12,967,806
Liabilities			
Current Liabilities			
Bank overdraft		-	186
Total Equity and Liabilities		15,015,349	12,967,992

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Income Statement

Figures in Rand	Note(s)	2010	2009
Other income		2,194,823	859,879
Operating expenses		(378,751)	(311,690)
Operating surplus		1,816,072	548,189
Investment revenue		938,115	1,179,375
(Loss) gain on disposal of assets		(706,644)	994,975
Surplus for the year		2,047,543	2,722,539

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Statement of Changes in Equity

Figures in Rand	Trust capital	Excess for the year	Total equity
Balance at 01 March 2008	-	9,364,285	9,364,285
Changes in equity			
Fundamental errors and adjustments	-	880,982	880,982
Net income (expenses) recognised directly in equity	-	880,982	880,982
Surplus for the year	-	2,722,539	2,722,539
Total recognised income and expenses for the year	-	3,603,521	3,603,521
Total changes	-	3,603,521	3,603,521
Balance at 01 March 2009	-	12,967,806	12,967,806
Changes in equity			
Surplus for the year	-	2,047,543	2,047,543
Total changes	-	2,047,543	2,047,543
Balance at 28 February 2010	-	15,015,349	15,015,349

Note(s)

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Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Cash generated from operations	4	1,816,072	407,816
Interest income		813,590	1,031,097
Dividends received		124,525	148,278
Net cash from operating activities		2,754,187	1,587,191
Cash flows from investing activities			
Financial assets movements		(1,639,966)	(3,580,658)
Gain (loss) on sale of assets		(706,644)	994,975
Decrease in loans receivable		-	205
Other financial instrument movements		(407,390)	(35,236)
Non-cash prior period adjustments		-	880,982
Net cash from investing activities		(2,754,000)	(1,739,732)
Total cash movement for the year		186	(152,541)
Cash at the beginning of the year		(186)	152,355
Total cash at end of the year		-	(186)

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy

1.1 Investments

Initial recognition

The trust classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the trust's balance sheet when the trust becomes party to the contractual provisions of the instrument.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the trust establishes fair value by using valuation techniques.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.2 Revenue

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

Dividends are recognised, in profit or loss, when the trust's right to receive payment has been established.

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Notes to the Annual Financial Statements

Figures in Rand	2010	2009
2. Investments		
Investments managed by BOE		
Fixed Capital Funds	8,815,766	9,302,934
Listed securities	5,683,421	3,556,287
	14,499,187	12,859,221

These securities are administrated by BOE Private Clients, a division of BOE (Pty) Ltd.

Book value of listed securities on 29 February 2010 - R 3,488,599.

Current assets		
Held to maturity	14,499,187	12,859,221

3. Loans receivable

The amount represent a loan to the Sorghum Levy fund, as a result of a shortage of levy funds.

4. Cash generated from operations

Surplus before taxation	2,047,543	2,722,539
Adjustments for:		
Deficit (surplus) on sale of assets	706,644	(994,975)
Dividends received	(124,525)	(148,278)
Interest received	(813,590)	(1,031,097)
Other non-cash items	-	2
Changes in working capital:		
Trade and other receivables	-	169,422
Trade and other payables	-	(309,797)
	1,816,072	407,816

5. Contingencies

A contingency for the statutory audit fees payable to the Auditor General exists at year end. Indications are that these fees will be charged at R 20 000 per annum, given rise to a total liability of R 120 000.

6. Taxation

No provision has been made for taxation as the Trust is exempt from income tax.

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Detailed Income statement

Figures in Rand	Note(s)	2010	2009
Income			
Fair value adjustment of investments		2,194,823	859,879
Dividend revenue		124,525	148,278
Interest received		813,590	1,031,097
Gains on disposal of assets		-	994,975
		3,132,938	3,034,229
Operating expenses			
Accounting & audit fees		(10,845)	(10,720)
Conference costs		(13,622)	(5,218)
SAGAS		-	(1,000)
Asset Management Fees		(116,818)	(115,633)
Levy inspectors		(1,834)	-
Legal expenses		(12,800)	(9,400)
Administration fees - Trust & Forum		(137,541)	(111,919)
Website & marketing		(443)	-
Trustees remuneration		(84,848)	(57,800)
		(378,751)	(311,690)
Operating surplus			
		2,754,187	2,722,539
Loss on disposal of assets		(706,644)	-
Surplus for the year			
		2,047,543	2,722,539