

**THE SORGHUM TRUST**  
(Registration number IT9221/97)  
Annual financial statements  
for the year ended 28 February 2018



THE  
**ASHTON**  
CA (SA) GROUP INC.

# The Sorghum Trust

(Registration number: IT9221/97)

Annual Financial Statements for the year ended 28 February 2018

## General Information

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|--|--|
| <b>Country of incorporation and domicile</b> | South Africa   |
| <b>Trustees</b>                              | Mr. A.A.A. Nebe (Chairperson)<br>Mr. J.D. Boshoff<br>Mr. W.J. Groothof<br>Mr. H.T. Mohane<br>Mr. K.P. Manenzhe (Outgoing<br>Trustee)<br>Mr. R.E. Pholo (Replacement Trustee) |
| <b>Registered office</b>                     | Grain Building<br>477 Witherite Road<br>The Willows<br>Pretoria<br>0040  |
| <b>Postal address</b>                        | PO Box 74626<br>Lynnwood Ridge<br>0040   |
| <b>Auditors</b>                              | The Ashton CA (SA) Group<br>Chartered Accountants (SA)<br>Registered Auditors  |
| <b>Trust registration number</b>             | IT9221/97  |

# **The Sorghum Trust**

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## The Sorghum Trust

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Annual Financial Statements for the year ended 28 February 2018

### Trustees' Responsibilities and Approval

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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 IFRS for Small and Medium Sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with IFRS for Small and Medium Sized Entities 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 2019 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.

The external auditors are responsible for independently auditing 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 5.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the board on 1 JUNE 2018 and were signed on its behalf by:

  
Trustee

  
Trustee

# **The Sorghum Trust**

(Registration number: IT9221/97)

Annual Financial Statements for the year ended 28 February 2018

## **Trustees' Report**

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The trustees have pleasure in submitting their report on the annual financial statements of The Sorghum Trust and its associates for the year ended 28 February 2018.

### **1. Trustees**

#### **Trustees**

Mr. A.A.A. Nebe (Chairperson)

Mr. J.D. Boshoff

Mr. W.J. Groothof

Mr. H.T. Mohane

Mr. K.P. Manenzhe (Outgoing  
Trustee)

Mr. R.E. Pholo (Replacement Trustee)

### **2. Events after the reporting period**

The trustees acknowledge the fact that the Statutory Levy on sorghum was terminated on 28 February 2018, in accordance with the decision of the sorghum industry. It is accepted that all future funding in the industry will be made from the investments of the Sorghum Trust.

### **3. Going concern**

The trustees have reviewed the budgets and cash flow forecasts for the next 12 months, as well as the current liquidity and solvency position of the trust and do not believe that the trust has adequate financial resources to continue in operation for the foreseeable future. The annual financial statements have accordingly not been prepared on the going concern basis.

### **4. Auditors**

The Ashton CA (SA) Group continued in office as auditors for the trust for 2018.

### **5. Sorghum Levy**

The trustees acknowledge the responsibility of the Trust towards any possible shortages incurred by the Sorghum Levy Administration. The trustees also wish to point out the fact that the previous levies expired end of February 2014. The Minister of Agriculture, Forestry and Fisheries approved a new levy which will expire end of February 2018.



THE  
**ASHTON**  
CA (SA) GROUP INC.

REGISTERED ACCOUNTANTS  
AND AUDITORS

## Independent Auditor's Report

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### To the trustees of The Sorghum Trust

#### Opinion

We have audited the annual financial statements of The Sorghum Trust set out on pages 7 to 12, which comprise the statement of financial position as at 28 February 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of The Sorghum Trust as at 28 February 2018, and its financial performance and cash flows for the year then ended in accordance with IFRS for Small and Medium Sized Entities.

#### Responsibilities of the trustees for the Annual Financial Statements

The trustees are responsible for the preparation and fair presentation of the annual financial statements in accordance with IFRS for Small and Medium Sized Entities and for such internal control as the trustees determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 International Standards on Auditing 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 annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual 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 trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the trust'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 annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the trust to cease to continue as a going concern.

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Tel: +27 (012) 460 3050  
Fax: +27 (012) 460 1263  
E-mail: karin@ashtongroup.co.za

#### Directors

A. Robberts B.Compt (Hons) CA (SA) RA  
H.J. Windell B.Compt (Hons) CA (SA) RA  
W. Delpont B.Compt (Hons) CA (SA) RA

#### Professional Assistants

C.E. Miller B.Com (PGD&A) CA (SA)  
A. Deyzel Professional Accountant (SA) B.Com CIMA  
T.C. Moyo Professional Accountant (SA) B.Com Acc Sci

## **Independent Auditor's Report**

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- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the trustees 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.

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**The Ashton CA (SA) Group**  
**Willie Delpont**  
**Partner**  
**Chartered Accountants (SA)**  
**Registered Auditors**

## The Sorghum Trust

(Registration number: IT9221/97)

Annual Financial Statements for the year ended 28 February 2018

### Statement of Financial Position as at 28 February 2018

| Figures in Rand                     | Note(s) | 2018              | 2017              |
|-------------------------------------|---------|-------------------|-------------------|
| <b>Assets</b>                       |         |                   |                   |
| <b>Non-Current Assets</b>           |         |                   |                   |
| Investments                         | 2       | 28,145,277        | 27,183,551        |
| <b>Current Assets</b>               |         |                   |                   |
| Trade and other receivables         |         | 146,806           | 139,379           |
| <b>Total Assets</b>                 |         | <b>28,292,083</b> | <b>27,322,930</b> |
| <b>Equity and Liabilities</b>       |         |                   |                   |
| <b>Equity</b>                       |         |                   |                   |
| Accumulated surplus                 |         | 28,292,083        | 27,322,740        |
| <b>Liabilities</b>                  |         |                   |                   |
| <b>Current Liabilities</b>          |         |                   |                   |
| Trade and other payables            |         |                   | 190               |
| <b>Total Equity and Liabilities</b> |         | <b>28,292,083</b> | <b>27,322,930</b> |

## The Sorghum Trust

(Registration number: IT9221/97)

Annual Financial Statements for the year ended 28 February 2018

### Statement of Comprehensive Income

| Figures in Rand  | Note(s) | 2018             | 2017             |
|--|---------|------------------|------------------|
| Gains/(losses) on disposal of assets   |         | 148,052          | 166,454          |
| Operating expenses   |         | (698,813)        | (620,114)        |
| <b>Operating deficit before fair value adjustments, interest and dividends</b> |         | <b>(550,761)</b> | <b>(453,660)</b> |
| Interest and dividend revenue  |         | 1,610,995        | 1,441,751        |
| Fair value adjustments   |         | (90,891)         | 616,080          |
| <b>Surplus for the year</b>  |         | <b>969,343</b>   | <b>1,604,171</b> |
| Other comprehensive income   |         | -                | -                |
| <b>Total comprehensive income for the year</b>                                 |         | <b>969,343</b>   | <b>1,604,171</b> |

## The Sorghum Trust

(Registration number: IT9221/97)

Annual Financial Statements for the year ended 28 February 2018

### Statement of Changes in Equity

| Figures in Rand                                | Accumulated surplus | Total equity      |
|--|---------------------|-------------------|
| <b>Balance at 01 March 2016</b>                | <b>25,718,569</b>   | <b>25,718,569</b> |
| Surplus for the year                           | 1,604,171           | 1,604,171         |
| Other comprehensive income                     | -                   | -                 |
| <b>Total comprehensive income for the year</b> | <b>1,604,171</b>    | <b>1,604,171</b>  |
| <b>Balance at 01 March 2017</b>                | <b>27,322,740</b>   | <b>27,322,740</b> |
| Surplus for the year                           | 969,343             | 969,343           |
| Other comprehensive income                     | -                   | -                 |
| <b>Total comprehensive income for the year</b> | <b>969,343</b>      | <b>969,343</b>    |
| <b>Balance at 28 February 2018</b>             | <b>28,292,083</b>   | <b>28,292,083</b> |

Note(s)

## The Sorghum Trust

(Registration number: IT9221/97)

Annual Financial Statements for the year ended 28 February 2018

### Statement of Cash Flows

| Figures in Rand                             | Note(s) | 2018             | 2017               |
|---|---------|------------------|--------------------|
| <b>Cash flows from operating activities</b> |         |                  |                    |
| Cash used in operations                     | 5       | (649,269)        | (371,089)          |
| Interest income                             |         | 924,303          | 967,789            |
| Dividends received                          |         | 686,692          | 473,962            |
| <b>Net cash from operating activities</b>   |         | <b>961,726</b>   | <b>1,070,662</b>   |
| <b>Cash flows from investing activities</b> |         |                  |                    |
| Financial assets movements                  |         | (961,726)        | (1,070,661)        |
| <b>Net cash from investing activities</b>   |         | <b>(961,726)</b> | <b>(1,070,661)</b> |
| <b>Total cash movement for the year</b>     |         | <b>-</b>         | <b>1</b>           |
| <b>Total cash at end of the year</b>        |         | <b>-</b>         | <b>1</b>           |

# The Sorghum Trust

(Registration number: IT9221/97)

Annual Financial Statements for the year ended 28 February 2018

## Accounting Policies

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### 1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with IFRS for Small and Medium Sized Entities. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

#### 1.1 Financial instruments

##### 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 surplus or deficit.

##### Financial instruments at cost

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort are measured at cost less impairment.

##### Financial instruments at fair value

All other financial instruments, including equity instruments that are publicly traded or whose fair value can otherwise be measured reliably, without undue cost or effort, are measured at fair value through surplus and deficit.

#### 1.2 Revenue

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

## The Sorghum Trust

(Registration number: IT9221/97)

Annual Financial Statements for the year ended 28 February 2018

### Notes to the Annual Financial Statements

Figures in Rand 2018                      2017

#### 2. Investments

##### Investments managed by Nedbank Private Wealth

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| Listed Securities   | 19,446,276        | 16,188,553        |
| Fixed Capital Funds | 8,699,001         | 10,994,998        |
|                     | <u>28,145,277</u> | <u>27,183,551</u> |

Book value of listed securities on 28 February 2018 - R 14,382,742. (2017 - R 9,986,020)

##### Non-current assets

|               |                   |                   |
|---------------|-------------------|-------------------|
| At fair value | <u>28,145,277</u> | <u>27,183,551</u> |
|---------------|-------------------|-------------------|

#### 3. Taxation

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

#### 4. Auditor's remuneration

|              |               |               |
|--------------|---------------|---------------|
| Current fees | <u>25,000</u> | <u>22,000</u> |
|--------------|---------------|---------------|

#### 5. Cash used in operations

|                             |                  |                  |
|-----------------------------|------------------|------------------|
| Surplus before taxation     | 969,343          | 1,604,171        |
| Adjustments for:            |                  |                  |
| Dividends received          | (686,692)        | (473,962)        |
| Interest received           | (924,303)        | (967,789)        |
| Changes in working capital: |                  |                  |
| Trade and other receivables | (7,427)          | (139,378)        |
| Trade and other payables    | (190)            | (394,131)        |
|                             | <u>(649,269)</u> | <u>(371,089)</u> |

#### 6. Contingencies

The trustees acknowledge the responsibility of the Trust towards the Sorghum Levy Administration for the current accumulated deficit as at 28 February 2018, amounting to R1 128 510.

## The Sorghum Trust

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Annual Financial Statements for the year ended 28 February 2018

### Detailed Income Statement

| Figures in Rand  | Note(s) | 2018             | 2017             |
|--|---------|------------------|------------------|
| <b>Investment income</b>                               |         |                  |                  |
| Gains/(losses) on disposal of assets                   |         | 148,052          | 166,454          |
| Dividends received                                     |         | 686,692          | 473,962          |
| Interest received                                      |         | 924,303          | 967,789          |
|  |         | <u>1,759,047</u> | <u>1,608,205</u> |
| <b>Operating expenses</b>                              |         |                  |                  |
| Administration fees - Trust                            |         | (108,184)        | (101,106)        |
| Asset Management Fees                                  |         | (186,247)        | (188,961)        |
| Auditors remuneration                                  | 4       | (25,000)         | (22,000)         |
| Conference costs                                       |         | (90,289)         | (8,995)          |
| Professional fees                                      |         | (27,663)         | (41,788)         |
| Sorghum Forum costs                                    |         | (117,185)        | (109,519)        |
| Trustees remuneration                                  |         | (122,758)        | (129,372)        |
| Website & Marketing                                    |         | (21,487)         | (18,373)         |
|  |         | <u>(698,813)</u> | <u>(620,114)</u> |
| <b>Operating surplus before fair value adjustments</b> |         | <b>1,060,234</b> | <b>988,091</b>   |
| Fair value adjustment of investments                   |         | (90,891)         | 616,080          |
| <b>Surplus for the year</b>                            |         | <b>969,343</b>   | <b>1,604,171</b> |