

THE SORGHUM TRUST
(Registration number IT9221/97)
Annual financial statements
for the year ended 29 February 2020

The Sorghum Trust

(Registration number: IT9221/97)

Annual Financial Statements for the year ended 29 February 2020

General Information

Country of incorporation and domicile	South Africa
Trustees	Mr D Beets Mr D Boshoff Mr W Groothof Mr H Mohane Mr AAA Nebe Mr R Pholo
Registered office	Grain Building 477 Witherite Road The Willows Pretoria 0040
Auditors	The Ashton CA (SA) Group Chartered Accountants (SA) Registered Auditors
Trust registration number	IT9221/97

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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 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 2021 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 12 August 2020 and were signed on its behalf by:

Anton Nebe

Trustee


Trustee

The Sorghum Trust

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Trustees' Report

The trustees have pleasure in submitting their report on the annual financial statements of The Sorghum Trust and its associates for the year ended 29 February 2020.

1. Trustees

Trustees

Mr D Beets
Mr D Boshoff
Mr W Groothof
Mr H Mohane
Mr AAA Nebe
Mr R Pholo

2. Events after the reporting period

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

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 believe that the trust has adequate financial resources to continue in operation for the foreseeable future. The annual financial statements have accordingly been prepared on the going concern basis.

4. Auditors

The Ashton CA (SA) Group continued in office as auditors for the trust for 2020.

Independent Auditor's Report

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 13, which comprise the statement of financial position as at 29 February 2020, 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 29 February 2020, 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.

Independent Auditor's Report

- 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.

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

The Sorghum Trust

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Annual Financial Statements for the year ended 29 February 2020

Statement of Financial Position as at 29 February 2020

Figures in Rand	Note(s)	2020	2019
Assets			
Non-Current Assets			
Investments	2	23 896 147	26 208 750
Current Assets			
Trade and other receivables		-	22 456
Cash and cash equivalents	3	1 007 826	1 294 149
		1 007 826	1 316 605
Total Assets		24 903 973	27 525 355
Equity and Liabilities			
Equity			
Accumulated surplus		22 807 337	25 881 183
Liabilities			
Current Liabilities			
Trade and other payables		1 726	2 065
Provisions	6	2 094 910	1 642 107
		2 096 636	1 644 172
Total Equity and Liabilities		24 903 973	27 525 355

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Statement of Comprehensive Income

Figures in Rand	Note(s)	2020	2019
Gains/(losses) on disposal of assets		(61 385)	(332 868)
Operating expenses		(773 497)	(851 649)
Operating deficit before fair value adjustments, interest, dividends and allocations to beneficiaries		(834 882)	(1 184 517)
Interest and dividend revenue		1 613 900	1 716 249
Fair value adjustments		(1 662 806)	(482 096)
Allocations to beneficiaries (As per note 5)		(2 190 058)	(839 815)
Deficit for the year		(3 073 846)	(790 179)
Other comprehensive income		-	-
Total comprehensive deficit for the year		(3 073 846)	(790 179)

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Statement of Changes in Equity

Figures in Rand	Accumulated surplus	Total equity
Balance at 01 March 2018	28 292 083	28 292 083
Deficit for the year	(790 179)	(790 179)
Other comprehensive income	-	-
Total comprehensive deficit for the year	(790 179)	(790 179)
Sorghum Levies Funding Deficit Contribution	(1 620 721)	(1 620 721)
Total changes	(1 620 721)	(1 620 721)
Balance at 01 March 2019	25 881 183	25 881 183
Deficit for the year	(3 073 846)	(3 073 846)
Other comprehensive income	-	-
Total comprehensive deficit for the year	(3 073 846)	(3 073 846)
Balance at 29 February 2020	22 807 337	22 807 337

Note(s)

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Annual Financial Statements for the year ended 29 February 2020

Accounting Policies

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 Provisions and contingencies

Provisions are recognised when the trust has an obligation at the reporting date as a result of a past event; it is probable that the trust will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are not recognised for future operating losses.

1.3 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.

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Annual Financial Statements for the year ended 29 February 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
2. Investments		
Investments managed by Nedbank Private Wealth		
Listed Securities	23 381 547	25 567 233
Fixed Capital Funds	514 600	641 517
	23 896 147	26 208 750
Book value of listed securities on 29 February 2020 - R 21 757 326. (2019 - R 21 660 678)		
Non-current assets		
At fair value	23 896 147	26 208 750
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	1 007 826	1 294 149
4. Taxation		
No provision has been made for taxation as the Trust is exempt from income tax.		
5. Allocations approved during the year		
Agricultural Research Council	124 110	-
Bursaries	7 245	188 400
Grain Farmer Development Association	334 756	436 009
Grain SA	140 685	(67 172)
- Approved	223 489	98 323
- Recalculation of allocations	(82 804)	(165 495)
SA Grain Laboratory	554 595	(419 597)
- Approved	554 595	-
- Recalculation of allocations	-	(419 597)
SAGIS	839 300	619 146
- Approved	839 300	657 710
- Recalculation of allocations	-	(38 564)
University of Free State	189 368	83 029
- Approved	189 368	164 669
- Recalculation of allocations	-	(81 640)
	2 190 058	839 815

The payment of the allocations as approved by the Board of Trustees during the period are subject to certain terms and conditions as set out in the Trust Deed and the Norms and Procedures Document of the Trust.

Reconciliation of approved payments and amounts outstanding is as follows:

Nett allocations approved during the period (as above)	2 190 058	839 815
Add: Unpaid allocations carried over from previous period	1 642 107	2 281 303
Less: Allocations paid during the year (as per note 7)	(1 737 255)	(1 479 011)
	2 094 910	1 642 107

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Notes to the Annual Financial Statements

Figures in Rand

2020

2019

6. Provisions

The following allocations were approved by the trustees but have not been paid at the end of the period and is made up as follows:

Agricultural Research Council	266 520	142 410
Bursaries	30 000	90 000
Grain Farmer Development Association	638 445	436 001
Grain SA	171 738	110 259
NAMC	18 218	18 218
SA Grain Laboratory	184 426	187 267
SAGIS	596 194	493 283
University of Free State	189 369	164 669
	2 094 910	1 642 107

7. Actual payments to beneficiaries

Bursaries	67 245	98 400
Grain Farmer Development Association	132 312	218 868
Grain SA	79 206	103 734
NAMC	-	20 240
SA Grain Laboratory	557 436	416 958
SAGIS	736 388	620 811
University of Free State	164 668	-
	1 737 255	1 479 011

8. Auditor's remuneration

Current fees	36 800	29 000
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9. Cash (used in) generated from operations

Deficit for the period	(3 073 846)	(790 179)
Adjustments for:		
Allocations to beneficiaries	2 190 058	839 815
Dividends received	(843 970)	(585 550)
Interest received	(769 930)	(1 130 699)
Fair value adjustments	1 662 806	482 096
Loss on disposal of assets	61 385	332 868
Asset management fees & bank charges	202 312	181 976
Changes in working capital:		
Trade and other receivables	22 456	124 349
Sorghum Levy contributions	-	2 016 419
Trade and other payables	(339)	2 065
	(549 068)	1 473 160

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Detailed Income Statement

Figures in Rand	Note(s)	2020	2019
Investment income			
Gains/(losses) on disposal of assets		(61 385)	(332 868)
Dividends received		843 970	585 550
Interest received		769 930	1 130 699
		<u>1 552 515</u>	<u>1 383 381</u>
Operating expenses			
Administration fees - Trust		(203 884)	(158 031)
Administration fees - Levy		-	(15 027)
Asset Management Fees		(202 933)	(181 976)
Auditors remuneration	8	(36 800)	(29 000)
Bank charges		(4 292)	(2 942)
Conference costs		(26 954)	(165 205)
Professional fees		(26 818)	(32 221)
Sorghum Forum costs		(21 845)	(34 531)
Trustees remuneration		(243 071)	(226 716)
Website & Marketing		(6 900)	(6 000)
		<u>(773 497)</u>	<u>(851 649)</u>
Operating surplus before fair value adjustments and allocations to beneficiaries		779 018	531 732
Fair value adjustment of investments		(1 662 806)	(482 096)
Allocations to beneficiaries (As per note 5)		(2 190 058)	(839 815)
		<u>(3 852 864)</u>	<u>(1 321 911)</u>
Deficit for the year		<u>(3 073 846)</u>	<u>(790 179)</u>