

THE MAIZE TRUST
(Registration number IT8214/98)
Financial statements
for the 6 months ended 31 December 2010

The Maize Trust

(Registration number IT8214/98)

Financial Statements for the 6 months ended 31 December 2010

General Information

Type of trust	Non-trading trust
Trustees	Mr CK Ferreira Mr JDM Minnaar Ms L Thahane Mr WM Ngxekana Mr JK Peele Mr JF de Villiers
Business address	The Grain Building 477 Witherite Road The Willows Pretoria 0040
Bankers	ABSA
Auditors	The Ashton CA (SA) Group Chartered Accountants (S.A.)
Trust registration number	IT8214/98

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

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Report of the Independent Auditors

To the trustees of The Maize Trust

We have audited the accompanying financial statements of The Maize Trust, which comprise the trustees' report, the balance sheet as at 31 December 2010, the income statement, the statement of changes in equity and cash flow statement for the 6 months then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 15.

Trustees' Responsibility for the Financial Statements

The trust's trustees are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa, 1973. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the trust as of 31 December 2010, and of its financial performance and its cash flows for the 6 months then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa, 1973.

Supplementary Information

We draw your attention to the fact that the supplementary information set out on page 16 does not form part of the 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

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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 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 trust as at the end of the financial 6 months 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 financial statements.

The 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. 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 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 6 months to 30 June 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 financial statements. The financial statements have been examined by the trust's external auditors and their report is presented on page 3.

The financial statements set out on pages 5 to 16, which have been prepared on the going concern basis, were approved by the board on 26 January 2011 and were signed on its behalf by:

Trustee

Pretoria

26 January 2011

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Trustees' Report

The trustees submit their report for the 6 months ended 31 December 2010.

1. Going concern

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.

2. Post balance sheet events

The trustees are not aware of any matter or circumstance arising since the end of the financial 6 months.

3. Trustees

The trustees of the trust during the 6 months and to the date of this report are as follows:

Name

Mr CK Ferreira

Mr JDM Minnaar

Ms L Thahane

Mr WM Ngxekana

Mr JK Peele

Mr JF de Villiers

The Minister for Agriculture, Forestry and Fisheries has decided to nominate Dr TJ Hewu and Ms KPN Daly to serve as Trustees in the place of Mr WM Ngxekana and Ms L Thahane, who are currently representing the Minister. The terms of office of Mr WM Ngxekana and Ms L Thahane will expire on the date that Letters of Authority are issued to Dr TJ Hewu and Ms KPN Daly by the Master of the High Court.

4. Auditors

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

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Financial Statements for the 6 months ended 31 December 2010

Balance Sheet

Figures in Rand	Note(s)	31 December 2010	30 June 2010
Assets			
Non-Current Assets			
Investments	2	<u>831,446,985</u>	<u>789,892,784</u>
Current Assets			
Cash and cash equivalents		<u>8,877,783</u>	<u>8,755,371</u>
Total Assets		<u>840,324,768</u>	<u>798,648,155</u>
Equity and Liabilities			
Equity			
Donations	4	319,234,732	319,234,732
Accumulated surplus		<u>487,429,826</u>	<u>459,039,764</u>
		<u>806,664,558</u>	<u>778,274,496</u>
Liabilities			
Current Liabilities			
Trade and other payables		19,771	19,641
Provisions	7	<u>33,640,439</u>	<u>20,354,018</u>
		<u>33,660,210</u>	<u>20,373,659</u>
Total Equity and Liabilities		<u>840,324,768</u>	<u>798,648,155</u>

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Income Statement

Figures in Rand	Note(s)	6 months	12 months
		ended	ended
		31 December	30 June 2010
		2010	
Income		10,622,220	47,118,246
Operating expenses		(1,174,828)	(2,122,003)
		9,447,392	44,996,243
Investment revenue		10,735,190	24,979,777
Fair value adjustments		51,501,004	34,844,527
Allocations to beneficiaries (As per note 6)		(41,195,214)	(22,035,231)
Asset management fees (As per note 2)		(2,098,310)	(3,666,579)
Surplus/(Deficit) for the period		28,390,062	79,118,737

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Statement of Changes in Equity

Figures in Rand	Trust capital	Accumulated surplus	Total equity
Balance at 01 July 2009	289,128,772	379,921,027	669,049,799
Changes in equity			
Surplus for the period	-	79,118,737	79,118,737
Donations received	30,105,960	-	30,105,960
Total changes	30,105,960	79,118,737	109,224,697
Balance at 01 July 2010	319,234,732	459,039,764	778,274,496
Changes in equity			
Surplus for the period	-	28,390,062	28,390,062
Total changes	-	28,390,062	28,390,062
Balance at 31 December 2010	319,234,732	487,429,826	806,664,558
Note(s)			

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Cash Flow Statement

		6 months ended	12 months ended
Figures in Rand	Note(s)	31 December 2010	30 June 2010
Cash flows from operating activities			
Cash generated from operations	9	74,234,947	60,904,030
Interest income		5,207,299	16,417,431
Dividends received		5,527,891	8,562,346
Asset management fees paid		(2,098,310)	(3,666,579)
Net cash from operating activities		82,871,827	82,217,228
Cash flows from investing activities			
Movement in investments		(41,554,201)	(99,363,901)
Allocations to beneficiaries		(41,195,214)	(22,035,231)
Net cash from investing activities		(82,749,415)	(121,399,132)
Cash flows from financing activities			
Donations received		-	30,105,960
Total cash movement for the period		122,412	(9,075,944)
Cash at the beginning of the period		8,755,371	17,831,315
Total cash at end of the period		8,877,783	8,755,371

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Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The 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.

1.1 Financial instruments

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. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Investments are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in profit or loss for the period.

1.2 Provisions and contingencies

Provisions are recognised when:

- the trust has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

1.3 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 Financial Statements

Figures in Rand	31 December 2010	30 June 2010
2. Investments		
At fair value		
Prescient Management Company	131,348,638	124,795,494
Book value - R 123 076 414.		
Allan Gray Ltd	355,389,324	341,912,194
Book value - R 295 349 353.		
Foord Asset Management	237,967,661	216,443,734
Book value - R 148 483 569.		
	724,705,623	683,151,422
At cost		
Unlisted shares at cost - SAGIS	1	1
Unlisted shares at cost - Grain Building (Pty) Ltd	106,741,361	106,741,361
	106,741,362	106,741,362
Total other financial assets	831,446,985	789,892,784
Non-current assets		
At fair value through profit or loss	724,705,623	683,151,422
At cost	106,741,362	106,741,362
	831,446,985	789,892,784
Asset management fees paid		
Allan Gray Ltd	1,140,942	2,648,975
Foord Asset Management (Pty) Ltd	503,933	979,807
Prescient	453,435	37,796
	2,098,310	3,666,579
3. Funding recovered from beneficiaries		
Emerging Farmers Assistance	13,034	-
Generic Marketing Campaign	-	9,240
No-Till Club	8,000	-
Agricultural Research Council	-	50,000
SA Grain Laboratory	-	15,356
	21,034	74,596

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Notes to the Financial Statements

Figures in Rand	31 December 2010	30 June 2010
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4. Donations

Donations consist of advances received from the Maize Board.

The amount below of R 30 105 960, is still subject to approval by the Minister of Agriculture.

- Received 2000	244,128,772	244,128,772
- Received 2000	15,000,000	15,000,000
- Received 2001	5,000,000	5,000,000
- Received 2006	25,000,000	25,000,000
- Received 2010	30,105,960	30,105,960
	319,234,732	319,234,732

5. Actual payments to beneficiaries

SAGIS	3,021,920	6,316,630
Grain SA	14,928,200	15,628,822
Agricultural Research Council	4,327,254	11,444,544
SA Grain Laboratory	1,089,606	647,941
GFADA	100	-
CSIR	-	51,775
University of Cape Town	384,108	334,138
University of Free State	-	10,157
Mycotoxin Workshop	119,080	130,205
Buhle Farmers Academy	302,271	650,889
Generic Marketing Campaign	-	564,148
Dr WJ van der Walt	16,330	37,330
Bursary Scheme	279,859	623,915
No-Till Club	293,030	586,060
University of Stellenbosch	688,100	392,907
Sandy Soils Development Committee	366,900	-
BFAP	70,000	-
SIQ (Pty) Ltd	113,374	874,278
WTO Dispute Project	-	35,326
Emerging Farmers Assistance	1,908,661	2,658,294
	27,908,793	40,987,359

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Figures in Rand	31 December 2010	30 June 2010
6. Allocations approved during the year by the trustees		
Agricultural Research Council	13,863,318	11,979,426
- Approved	13,863,318	12,953,777
- Recalculation of allocations	-	(974,351)
Grain South Africa	15,554,094	5,956,246
- Approved	15,914,021	6,599,094
- Recalculation of allocations	(359,927)	(642,848)
SAGIS	6,911,746	329,254
- Approved	6,917,161	329,254
- Recalculation of allocations	(5,415)	-
SA Grain Laboratory	105,827	1,713,810
- Approved	151,620	1,713,810
- Recalculation of allocations	(45,793)	-
CSIR	-	51,775
Bursary Scheme	473,422	38,627
Buhle Farmers Academy	336,747	(330,530)
- Approved	336,747	-
- Recalculation of allocations	-	(330,530)
Dr WJ van der Walt	27,217	26,950
Generic Marketing Campaign	-	(1,241,596)
- Recalculation of allocations	-	(1,241,596)
University of Cape Town	-	112,400
Limpast	-	(455,854)
- Recalculation of allocations	-	(455,854)
University of Stellenbosch	712,500	500,000
No-Till Club	-	732,575
Sandy Soils Development Committee	332,500	279,000
WTO Dispute Project	-	(660,531)
- Recalculation of allocations	-	(660,531)
BFAP	-	70,000
Medical Research Council	332,500	-
GFADA	350,100	-
TUT	150,000	-
Mycotoxin Workshop	112,446	115,228
North West University	92,501	-
Emerging Farmers Assistance	1,833,661	2,808,293
University of Free State	-	10,157
	41,195,214	22,035,231

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:

Approved during the year (as above)	41,195,214	22,035,231
Unpaid allocations at end of previous year (as per note 7)	20,354,018	39,306,146
	61,549,232	61,341,377
Allocations paid during the year (as per note 5)	(27,908,793)	(40,987,359)
Unpaid allocations at end of year (as per note 7)	33,640,439	20,354,018

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Figures in Rand	31 December 2010	30 June 2010
7. 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:		
SA Grain Laboratory	699,318	1,683,098
Emerging Farmers Assistance	75,000	150,000
University of Cape Town	57,630	441,738
Agricultural Research Council	15,740,431	6,204,367
Grain SA	7,843,287	7,217,393
Sandy Soils Development Committee	244,600	279,000
North West University	92,501	-
Bursary Scheme	561,741	368,179
SAGIS	6,917,161	3,027,334
Buhle Farmers Academy	134,699	100,222
Medical Research Council	332,500	-
Dr WJ van der Walt	10,886	-
GFADA	350,000	-
No-Till Club	-	293,030
University of Stellenbosch	317,311	292,911
TUT	150,000	-
BFAP	-	70,000
SIQ (Pty) Ltd	113,374	226,746
	33,640,439	20,354,018

8. Taxation

No provision for taxation has been made for as the Trust is exempted from income tax in terms of the provisions of section 10 (1)(cA)(i) of the SA Income Tax Act. SARS reviewed this exemption with the introduction of new legislation and the Trust reapplied to qualify for the exemption. The application is currently under consideration.

9. Cash generated from operations

Surplus before taxation	28,390,062	79,118,737
Adjustments for:		
Allocations to beneficiaries	41,195,214	22,035,231
Asset management fees	2,098,310	3,666,579
Dividends received	(5,527,891)	(8,562,346)
Interest received	(5,207,299)	(16,417,431)
Movements in provisions	13,286,421	(18,952,128)
Changes in working capital:		
Trade and other payables	130	15,388
	74,234,947	60,904,030

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2010

30 June 2010

10. Risk management

The trust's investment activities expose it to a variety of financial risks.

Interest rate risk

As the trust has significant interest-bearing assets, the trust's income and operating cash flows are substantially dependent of changes in market interest rates.

Market performance and currency risk

The trust is exposed to equity securities risk, as well as foreign currency risk because of investments held by the trust and classified on the balance sheet as at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the trust diversifies its portfolio into local and foreign currency. Funds available for investment have been distributed between three reputable asset manager companies. The trust also has an investments advisor.

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Detailed Income statement

Figures in Rand	Note(s)	6 months ended 31 December 2010	12 months ended 30 June 2010
Income			
Profit on sale of investments		10,601,186	47,043,650
Funding recovered from beneficiaries (as per note 3)		21,034	74,596
Dividend revenue		5,527,891	8,562,346
Interest received		5,207,299	16,417,431
		21,357,410	72,098,023
Operating expenses			
Accounting fees		(26,071)	(50,011)
Advertising		(2,394)	(5,130)
Audit fees		(48,906)	(94,620)
Bank charges		(70,805)	(44,805)
Computer expenses		(5,684)	-
Professional fees		-	(29,166)
Administrators fees		(589,842)	(965,868)
Remuneration - Investment advisor		(117,990)	(183,768)
Trustees emoluments		(162,660)	(338,600)
Conference costs		(19,640)	(79,238)
Maize Forum costs		-	(147,076)
Maize Board costs		(14,655)	(82,408)
Opening Function: Grain Building		(45,123)	-
Insurance		(65,000)	(68,927)
Legal expenses		-	(6,668)
Travel - local		(6,058)	(25,718)
		(1,174,828)	(2,122,003)
Operating surplus before fees, fair value adjustments and allocations to beneficiaries		20,182,582	69,976,020
Fair value adjustments		51,501,004	34,844,527
Allocations to beneficiaries (as per note 6)		(41,195,214)	(22,035,231)
Asset Management fees (as per note 2)		(2,098,310)	(3,666,579)
		8,207,480	9,142,717
Net surplus after fees, fair value adjustments and allocations to beneficiaries		28,390,062	79,118,737