

THE MAIZE TRUST
(Registration number IT8214/98)
Annual financial statements
for the year ended 30 June 2011

The Maize Trust

(Registration number IT8214/98)

Annual Financial Statements for the year ended 30 June 2011

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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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 the 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 the 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 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.

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 4.

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

Trustee

Pretoria

Independent Auditors' Report

To the trustees of The Maize Trust

We have audited the annual financial statements of The Maize Trust, which comprise the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the trustees' report, as set out on pages 5 to 15.

Trustees' Responsibility for the Annual Financial Statements

The trust's trustees are responsible for the preparation and fair presentation of these annual financial statements in accordance with the 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 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 management, 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 Maize Trust as at 30 June 2011, and its financial performance and its cash flows for the year then ended in accordance with the South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa, 1973.

Other matter

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on page 16 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

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Trustees' Report

The trustees submit their report for the year ended 30 June 2011.

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. Events after the reporting period

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

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.

As at the date of this report, nominations for the trustee to represent 'Processors of Maize' was still being awaited.

4. Auditors

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

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Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Non-Current Assets			
Investments	2	824 378 892	789 892 784
Current Assets			
Cash and cash equivalents		7 470 556	8 755 371
Total Assets		831 849 448	798 648 155
Equity and Liabilities			
Equity			
Donations	4	319 234 732	319 234 732
Accumulated surplus		478 374 401	459 039 768
		797 609 133	778 274 500
Liabilities			
Current Liabilities			
Trade and other payables		24 448	19 637
Provisions	7	34 215 867	20 354 018
		34 240 315	20 373 655
Total Equity and Liabilities		831 849 448	798 648 155

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Statement of Comprehensive Income

Figures in Rand	Note(s)	2011	2010
Income		31 221 771	47 118 246
Operating expenses		(2 169 080)	(2 122 003)
		29 052 691	44 996 243
Investment revenue		21 935 553	24 979 777
Fair value adjustments		35 416 113	34 844 527
Allocations to beneficiaries (As per note 6)		(62 805 905)	(22 035 231)
Asset management fees (As per note 2)		(4 263 819)	(3 666 579)
Surplus/(Deficit) for the period		19 334 633	79 118 737
Other comprehensive income		-	-
Total comprehensive income for the year		19 334 633	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	379 921 031	669 049 803
Changes in equity			
Total comprehensive income for the year	-	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	459 039 768	778 274 500
Changes in equity			
Total comprehensive income for the year	-	19 334 633	19 334 633
Total changes	-	19 334 633	19 334 633
Balance at 30 June 2011	319 234 732	478 374 401	797 609 133

Note(s)

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Statement of Cash Flows

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Cash generated from operations	9	78 335 463	60 904 030
Interest income		10 500 881	16 417 431
Dividends received		11 434 672	8 562 346
Asset management fees paid		(4 263 818)	(3 666 579)
Net cash from operating activities		96 007 198	82 217 228
Cash flows from investing activities			
Movement in investments		(34 486 108)	(99 363 901)
Allocations to beneficiaries		(62 805 905)	(22 035 231)
Net cash from investing activities		(97 292 013)	(121 399 132)
Cash flows from financing activities			
Donations received		-	30 105 960
Total cash movement for the period		(1 284 815)	(9 075 944)
Cash at the beginning of the period		8 755 371	17 831 315
Total cash at end of the period		7 470 556	8 755 371

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the 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. 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

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables, loans and trade and other payables. At the end of each reporting period date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

Financial instruments at cost

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably are measured at cost less impairment. This includes equity instruments held in unlisted investments.

Financial instruments at fair value

All other financial instruments are measured at fair value through profit and loss.

1.2 Provisions and contingencies

Provisions are recognised when:

- the trust has an obligation at the reporting period 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.

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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Notes to the Annual Financial Statements

Figures in Rand	2011	2010
2. Investments		
At cost		
Unlisted shares at cost - Grain Building (Pty) Ltd	106 741 361	106 741 361
Unlisted shares at cost - SAGIS	1	1
	106 741 362	106 741 362
At fair value		
Allan Gray Ltd	353 009 516	341 912 194
Book value - R 298 857 470.		
Prescient Management Company	127 480 594	124 795 494
Book value - R 120 105 234.		
Foord Asset Management	237 147 420	216 443 734
Book value - R 156 871 768.		
	717 637 530	683 151 422
Total other financial assets	824 378 892	789 892 784
Non-current assets		
At cost	106 741 362	106 741 362
At fair value through profit or loss	717 637 530	683 151 422
	824 378 892	789 892 784
Asset management fees paid		
Allan Gray Ltd	2 247 034	2 648 975
Foord Asset Management (Pty) Ltd	1 119 723	979 807
Prescient Management Company	897 062	37 796
	4 263 819	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	40 000	50 000
Limpast	383 234	15 356
	444 268	74 596

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Notes to the Annual Financial Statements

Figures in Rand	2011	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

Heading	2011	2010
SAGIS	6 760 236	6 316 630
Grain SA	18 976 661	15 628 822
Agricultural Research Council	14 077 078	11 444 544
SA Grain Laboratory	3 338 377	647 941
GFADA	243 606	-
CSIR	-	51 775
University of Cape Town	384 108	334 138
University of Free State	-	10 157
Mycotoxin Coordination	168 288	130 205
Buhle Farmers Academy	385 084	650 889
Generic Marketing Campaign	-	564 148
Dr WJ van der Walt	21 773	37 330
Bursary Scheme	525 100	623 915
No-Till Club	293 030	586 060
University of Stellenbosch	698 407	392 907
Sandy Soils Development Committee	366 900	-
BFAP	70 000	-
SIQ (Pty) Ltd	226 748	874 278
WTO Dispute Project	-	35 326
Emerging Farmers Assistance	1 983 661	2 658 294
TUT	90 000	-
North West University	135 500	-
Medical Research Council	199 500	-
	48 944 057	40 987 359

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Notes to the Annual Financial Statements

Figures in Rand	2011	2010
6. Allocations approved during the year by the trustees		
Agricultural Research Council	12 985 931	11 979 426
- Approved	14 122 428	12 953 777
- Recalculation of allocations	(1 136 497)	(974 351)
Grain South Africa	32 376 851	5 956 246
- Approved	32 736 778	6 599 094
- Recalculation of allocations	(359 927)	(642 848)
SAGIS	8 057 747	329 254
- Approved	8 063 161	329 254
- Recalculation of allocations	(5 415)	-
SA Grain Laboratory	4 146 995	1 713 810
- Approved	4 214 210	1 713 810
- Recalculation of allocations	(67 215)	-
CSIR	-	51 775
Bursary Scheme	473 422	38 627
Buhle Farmers Academy	352 210	(330 530)
- Approved	352 210	-
- 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	690 496	500 000
- Approved	712 500	500 000
- Recalculation of allocations	(22 004)	-
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	593 606	-
TUT	150 000	-
Mycotoxin Coordination	161 654	115 228
North West University	284 501	-
Emerging Farmers Assistance	1 833 661	2 808 293
University of Free State	-	10 157
	62 805 905	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:

Heading

Approved during the year (as above)	62 805 905	22 035 231
Unpaid allocations at end of previous year (as per note 7)	20 354 018	39 306 146
	83 159 923	61 341 377
Allocations paid during the year (as per note 5)	(48 944 057)	(40 987 359)
	34 215 867	20 354 018

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Notes to the Annual Financial Statements

Figures in Rand 2011 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	2 491 695	1 683 098
Emerging Farmers Assistance	-	150 000
University of Cape Town	57 630	441 738
Agricultural Research Council	5 113 220	6 204 367
Grain SA	20 617 583	7 217 393
Sandy Soils Development Committee	244 600	279 000
North West University	149 001	-
Bursary Scheme	316 501	368 179
SAGIS	4 324 845	3 027 334
Buhle Farmers Academy	67 349	100 222
Medical Research Council	133 000	-
Dr WJ van der Walt	5 443	-
GFADA	350 000	-
No-Till Club	-	293 030
University of Stellenbosch	285 000	292 911
TUT	60 000	-
BFAP	-	70 000
SIQ (Pty) Ltd	-	226 746
	34 215 867	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	19 334 633	79 118 737
Adjustments for:		
Allocations to beneficiaries	62 805 905	22 035 231
Asset management fees	4 263 819	3 666 579
Dividends received	(11 434 672)	(8 562 346)
Interest received	(10 500 881)	(16 417 431)
Movements in provisions	13 861 849	(18 952 128)
Changes in working capital:		
Trade and other payables	4 810	15 388
	78 335 463	60 904 030

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Figures in Rand

2011

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)	2011	2010
Other income			
Profit on sale of investments		30 777 503	47 043 650
Funding recovered from beneficiaries (as per note 3)		444 268	74 596
Dividend revenue		11 434 672	8 562 346
Interest received		10 500 881	16 417 431
		53 157 324	72 098 023
Operating expenses			
Accounting fees		(53 964)	(50 011)
Advertising		(5 130)	(5 130)
Audit fees		(101 232)	(94 620)
Bank charges		(127 820)	(44 805)
Computer expenses		(5 684)	-
Professional fees		-	(29 166)
Opening Function: Grain Building		(45 123)	-
Administrators fees		(1 131 495)	(965 868)
Remuneration - Investment advisor		(247 950)	(183 768)
Trustees emoluments		(316 941)	(338 600)
Conference costs		(38 799)	(79 238)
Maize Forum costs		-	(147 076)
Maize Board costs		(20 518)	(82 408)
Insurance		(68 366)	(68 927)
Legal expenses		-	(6 668)
Travel - local		(6 058)	(25 718)
		(2 169 080)	(2 122 003)
Operating surplus before fees, fair value adjustments and allocations to beneficiaries		50 988 244	69 976 020
Fair value adjustments		35 416 113	34 844 527
Allocations to beneficiaries (as per note 6)		(62 805 905)	(22 035 231)
Asset Management fees (as per note 2)		(4 263 819)	(3 666 579)
		(31 653 611)	9 142 717
Net surplus after fees, fair value adjustments and allocations to beneficiaries		19 334 633	79 118 737