

THE MAIZE TRUST
(Registration number IT8214/98)
Financial statements
for the 6 months ended 31 December 2008



ASHTON

The Maize Trust

(Registration number IT8214/98)

Financial Statements for the 6 months ended 31 December 2008

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	1187 Cobham Drive Queenswood Pretoria 0186
Bankers	ABSA
Auditors	The Ashton CA (SA) Group Chartered Accountants (S.A.)
Trust registration number	IT8214/98

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Financial Statements for the 6 months ended 31 December 2008

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ASHTON GROUP

REGISTERED ACCOUNTANTS
AND AUDITORS

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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 2008, 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 2008, 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 2009 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 22 January 2009 and were signed on its behalf by:



Trustee



Trustee

Pretoria

22 January 2009

The Maize Trust

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Trustees' Report

The trustees submit their report for the 6 months ended 31 December 2008.

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

4. Auditors

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

The Maize Trust

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Financial Statements for the 6 months ended 31 December 2008

Balance Sheet

Figures in Rand	Note(s)	31 December 2008	30 June 2008
Assets			
Non-Current Assets			
Investments	2	742,301,118	806,519,727
Current Assets			
Cash and cash equivalents		975,686	8,383,280
Total Assets		743,276,804	814,903,007
Equity and Liabilities			
Equity			
Donations	4	289,128,772	289,128,772
Accumulated surplus		424,981,954	478,439,165
		714,110,726	767,567,937
Liabilities			
Current Liabilities			
Trade and other payables		2,810	14,453
Provisions	7	29,163,268	47,320,617
		29,166,078	47,335,070
Total Equity and Liabilities		743,276,804	814,903,007

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Financial Statements for the 6 months ended 31 December 2008

Income Statement

Figures in Rand	Note(s)	6 months ended 31 December 2008	12 months ended 30 June 2008
Income		45,967,517	88,846,655
Operating expenses		(1,125,931)	(1,990,800)
		44,841,586	86,855,855
Investment revenue		22,011,542	29,550,101
Fair value adjustments		(99,077,729)	(116,553,297)
Allocations to beneficiaries		(19,156,480)	(42,255,754)
Asset management fees		(2,076,130)	(4,895,289)
Deficit for the period		(53,457,211)	(47,298,384)

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Statement of Changes in Equity

Figures in Rand	Trust capital	Accumulated surplus	Total equity
Balance at 01 July 2007	289,128,772	525,737,549	814,866,321
Changes in equity			
Deficit for the period	-	(47,298,384)	(47,298,384)
Total changes	-	(47,298,384)	(47,298,384)
Balance at 01 July 2008	289,128,772	478,439,165	767,567,937
Changes in equity			
Deficit for the period	-	(53,457,211)	(53,457,211)
Total changes	-	(53,457,211)	(53,457,211)
Balance at 31 December 2008	289,128,772	424,981,954	714,110,726

Note(s)

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Cash Flow Statement

Figures in Rand	Note(s)	6 months ended 31 December 2008	12 months ended 30 June 2008
Cash flows from operating activities			
Cash generated from operations	9	26,672,594	87,321,330
Interest income		8,187,427	15,075,239
Dividends received		13,824,115	14,474,862
Asset management fees paid		(2,076,130)	(4,895,289)
Net cash from operating activities		46,608,006	111,976,142
Cash flows from investing activities			
Fair value adjustments		-	(116,553,297)
Movement in investments		(34,859,120)	36,399,807
Allocations to beneficiaries		(19,156,480)	(42,255,754)
Net cash from investing activities		(54,015,600)	(122,409,244)
Total cash movement for the period		(7,407,594)	(10,433,102)
Cash at the beginning of the period		8,383,280	18,816,382
Total cash at end of the period		975,686	8,383,280

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Financial Statements for the 6 months ended 31 December 2008

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

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2008

2. Investments

At fair value

Investec Bank Limited	24,711,630	
Funds held in trust account, for future use of purchasing and erection of a building to be used by grain service organisations.		
Oasis Asset Management Ltd	141,270,453	182,878,067
Book value - R 95 447 115. (2008: R 113 506 266.)		
Allan Gray Ltd	395,117,052	413,931,189
Book value - R 346 383 477. (2008: R 331 137 717.)		
Foord Asset Management	181,201,982	209,710,470
Book value - R 137 562 627. (2007: R 124 601 746.)		
	<u>742,301,117</u>	<u>806,519,726</u>

At cost

Unlisted shares at cost - SAGIS	1	1
Total other financial assets	<u>742,301,118</u>	<u>806,519,727</u>

Non-current assets

At fair value through profit or loss	742,301,117	806,519,726
Held to maturity	1	1
	<u>742,301,118</u>	<u>806,519,727</u>

Asset management fees paid

Allan Gray Ltd	1,202,823	2,679,691
Foord Asset Management (Pty) Ltd	422,985	1,097,462
Oasis Asset Management Ltd	450,322	1,118,136
	<u>2,076,130</u>	<u>4,895,289</u>

3. Funding recovered from beneficiaries

No-Till Club		10,917
WTO Dispute Project - Hewlett Foundation	124,146	
Agricultural Research Council	11,935	55,000
Pilot Project		597,006
	<u>136,081</u>	<u>662,923</u>

4. Donations

Donations consist of advances received from the Maize Board.

- 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
	<u>289,128,772</u>	<u>289,128,772</u>

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5. Actual payments to beneficiaries		
✓ SAGAS	6,600	-
✓ SAGIS	2,700,958	5,127,245
✓ Grain SA	10,643,221	11,878,942
✓ Agricultural Research Council	9,751,759	7,149,748
✓ SA Grain Laboratory	392,245	2,164,488
✓ Limpast	659,917	873,200
✓ CSIR	186,200	372,400
✓ University of Pretoria	-	160,000
✓ University of Cape Town	710,328	614,832
✓ University of Free State	-	122,026
✓ Buhle Farmers Academy	360,581	500,609
✓ Generic Marketing Campaign	6,716,752	4,551,219
✓ Dr WJ van der Walt	27,570	12,000
✓ Bursary Scheme	305,901	442,806
✓ No-Till Club	575,207	670,828
✓ University of Stellenbosch	335,800	383,868
✓ Pilot Project	-	3,315,807
✓ SIQ (Pty) Ltd	157,627	472,882
✓ WTO Dispute Project	147,360	431,075
✓ Emerging Farmers Assistance	3,635,803	2,497,399
	37,313,829	41,741,374

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6. Allocations approved during the year by the trustees

Agricultural Research Council	12,814,582	720,538
- Approved	12,854,517	-
- Recalculation of allocations	(39,935)	-
Grain South Africa	158,233	14,063,104
- Approved	2,128,234	16,226,339
- Recalculation of allocations	(1,970,001)	(2,163,235)
SAGIS	-	11,439,145
- Approved	-	11,517,487
- Recalculation of allocations	-	(78,342)
SA Grain Laboratory	-	2,277,711
University of Pretoria	-	160,000
Limpast	637,471	-
Bursary Scheme	-	983,297
- Approved	-	983,976
- Recalculation of allocations	-	(679)
Buhle Farmers Academy	(476,815)	807,782
- Approved	-	807,782
- Recalculation of allocations	(476,815)	-
Dr WJ van der Walt	25,950	24,000
Generic Marketing Campaign	-	1,000,000
University of Cape Town	1,215,682	5,571
- Approved	1,339,783	-
- Recalculation of allocations	(124,101)	-
University of Stellenbosch	413,000	515,980
- Approved	413,000	518,521
- Recalculation of allocations	-	(2,541)
No-Till Club	732,575	678,310
SIQ (Pty) Ltd	-	2,335,526
Pilot Project	-	3,315,807
- Approved	-	5,000,000
- Recalculation of allocations	-	(1,684,193)
WTO Dispute Project	-	1,431,584
Emerging Farmers Assistance	3,635,802	2,497,399
	19,156,480	42,255,754

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)	19,156,480	42,255,754
Unpaid allocations at end of previous year (as per note 7)	47,320,617	46,806,237
	66,477,097	89,061,991
Allocations paid during the year (as per note 5)	(37,313,829)	(41,741,374)
Unpaid allocations at end of year (as per note 7)	29,163,268	47,320,617

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Notes to the Financial Statements

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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	608,263	1,000,508
SAGAS	-	6,600
University of Cape Town	629,455	124,101
Agricultural Research Council	3,397,893	335,070
Grain SA	6,549,666	17,034,652
Generic Marketing Campaign	8,292,914	15,009,667
Bursary Scheme	363,864	669,765
SAGIS	5,862,742	8,563,701
Buhle Farmers Academy	180,401	1,017,797
Limpast	195,854	218,300
Dr WJ van der Walt	10,380	12,000
WTO Dispute Project	853,149	1,000,509
No-Till Club	293,030	135,662
University of Stellenbosch	220,641	143,442
CSIR	-	186,200
SIQ (Pty) Ltd	1,705,016	1,862,643
	29,163,268	47,320,617

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

Deficit before taxation	(53,457,211)	(47,298,384)
Adjustments for:		
Allocations to beneficiaries	19,156,480	42,255,754
Asset management fees	2,076,130	4,895,289
Dividends received	(13,824,115)	(14,474,862)
Interest received	(8,187,427)	(15,075,239)
Fair value adjustments	99,077,729	116,553,297
Movements in provisions	(18,157,349)	514,380
Changes in working capital:		
Trade and other payables	(11,643)	(48,905)
	26,672,594	87,321,330

10. Contingencies

A resolution has been taken to enter into a contract with Elmado Property Projects (Pty) Ltd to acquire Erven 1367 and 1368 in The Willows Extention 82, for purposes of erecting a building thereon for use and rent by grain services organisations. This acquisition will be done by a private company, wholly owned by The Maize Trust. An amount of R 107 million is budgeted for this project, this includes an amount of R 7,2 million to make the grain building more energy efficient.

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11. 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 2008	12 months ended 30 June 2008
Income			
Profit on sale of investments		45,831,436	88,183,732
Funding recovered from beneficiaries		136,081	662,923
Dividend revenue		13,824,115	14,474,862
Interest received		8,187,427	15,075,239
		<u>67,979,059</u>	<u>118,396,756</u>
Operating expenses			
Advertising		-	(39,449)
Audit fees		(88,350)	(72,675)
Bank charges		(24,638)	(85,748)
Computer expenses		-	(5,485)
Professional fees		(19,400)	-
Administrators fees		(508,889)	(842,266)
Remuneration - Investment advisor		(84,816)	(155,100)
Trustees emoluments		(128,348)	(319,107)
Conference costs		(69,300)	(52,663)
Maize Forum Costs		-	(175,993)
Insurance		(60,000)	(60,401)
Legal expenses		(128,716)	(172,713)
Communication strategy expenses		(13,474)	(9,200)
		<u>(1,125,931)</u>	<u>(1,990,800)</u>
Operating surplus before fees, adjustments and allocations		66,853,128	116,405,956
Fair value adjustments		(99,077,729)	(116,553,297)
Allocations to beneficiaries (as per note 6)		(19,156,480)	(42,255,754)
Asset Management fees (as per note 3)		(2,076,130)	(4,895,289)
		<u>(120,310,339)</u>	<u>(163,704,340)</u>
Net surplus after allocations to beneficiaries		(53,457,211)	(47,298,384)