

Sorghum Cluster Initiative NPC
(Registration number 2023/134152/08)
Annual financial statements
for the year ended 28 February 2025

Sorghum Cluster Initiative NPC

(Registration number: 2023/134152/08)

Annual Financial Statements for the year ended 28 February 2025

General Information

Country of incorporation and domicile	South Africa
Directors	Mr W Groothof Mr R Pholo Ms G Nel (Appointed 01/11/2024)
Registered office	477 Witherite Street The Willows Pretoria Gauteng 0040
Postal address	P.O. Box 74626 Lynnwood Ridge Pretoria Gauteng 0040
Auditor	The Ashton CA (SA) Group Inc Registered Auditors

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

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa, 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 company 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 International Financial Reporting Standard for Small and Medium-sized Entities, modified for entity specific accounting policies. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, modified for entity specific accounting policies and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors 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 external auditor is responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditor and their report is presented on page 5 - 6.

The annual financial statements set out on pages 7 to 12, which have been prepared on the going concern basis, were approved by the board of directors on 22.09.2025 and were signed on its behalf by:

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Director

MR WJ GROOTHOF
DIRECTOR
CHAIRPERSON OF THE SORGHUM TRUST

Sorghum Cluster Initiative NPC

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Annual Financial Statements for the year ended 28 February 2025

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Sorghum Cluster Initiative NPC for the year ended 28 February 2025.

1. Nature of business

Support and enhance the competitiveness of the Sorghum Industry locally through various initiatives.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities, modified for entity specific accounting policies and the requirements of the Companies Act of South Africa.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

3. Directors

The directors in office at the date of this report are as follows:

Directors

Mr W Groothof

Mr R Pholo

Ms G Nel (Appointed 01/11/2024)

4. Going concern

The directors acknowledge the uncertainty that was created upon the receipt of a letter from the Department of Science and Technology/Technology Innovation Agency (TIA) dated 18 October 2024. This letter indicated a breach of the funding agreement between Sorghum Cluster Initiative NPC and the TIA, while also recommending an amount of R 770 000 to be recouped in favour of the TIA as a remedy for overspending by the Sorghum Cluster Initiative NPC. Issues arising from the TIA letter included the initial establishment of the Sorghum Cluster Initiative, which the TIA claims was outside of the provisions of the agreement with them. The letter from the TIA also mentioned the possibility of termination of the agreement and the involving of legal remedies.

Subsequent efforts have been made by the directors to engage with the TIA on this matter, but only limited feedback was obtained from the TIA. Although the directors have decided to get more clarity from the TIA regarding the R 770 000, it was decided by the directors at a meeting held on 19 September 2025, that this full amount of R 770 000 be recouped by the Sorghum Cluster Initiative NPC from the Sorghum Trust. As at 28 February 2025, an amount of R 300 000 has already been recouped from the Sorghum Trust, as indicated in note 3 of the annual financial statements.

As at date of the issue of the 2025 annual financial statements, the limited feedback from the TIA is still creating various uncertainties relating to numerous operational aspects of the Sorghum Cluster Initiative NPC, which may have a material impact on the financial statements.

Independent Auditor's Report

To the Directors of Sorghum Cluster Initiative NPC

Disclaimer of Opinion

We were engaged to audit the annual financial statements of Sorghum Cluster Initiative NPC set out on pages 7 to 12, which comprise the statement of financial position as at 28 February 2025, statement of comprehensive income for the year then ended, and the notes to the annual financial statements, including a summary of significant accounting policies.

We do not express an opinion on the annual financial statements of Sorghum Cluster Initiative NPC. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of my report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these annual financial statements.

Basis for Disclaimer of Opinion

As indicated in note 9 to the financial statements, the Sorghum Cluster Initiative NPC is subject to material uncertainty arising from correspondence received from the Department of Science and Technology/Technology Innovation Agency (TIA) alleging a breach of the funding agreement entered into with them. The lack of subsequent correspondence from TIA limited our ability to evaluate the impact of events on the entity's ability to continue as a going concern, as well as the impact on various financial line items contained within the set of financial statements.

Other Matter - Reports Required by the Companies Act of South Africa

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for this other information.

We have read the other information and, in doing so, considered whether the other information is materially inconsistent with the annual financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. However, due to the Disclaimer of Opinion in terms of the International Standard on Auditing (ISA) 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report, we are unable to report further on this other information.

Responsibilities of the Directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, modified for entity specific accounting policies and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our responsibility is to conduct an audit of the company's annual financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these annual financial statements.

Independent Auditor's Report

We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

W Delport

26/09/2025

The Ashton CA (SA) Group Inc
W Delport
Director
Chartered Accountants (SA)
Registered Auditor

Sorghum Cluster Initiative NPC

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Annual Financial Statements for the year ended 28 February 2025

Statement of Financial Position as at 28 February 2025

Figures in Rand	Note(s)	2025	2024
Assets			
Current Assets			
Trade and other receivables	2	1 090 304	5 264 340
Total Assets		1 090 304	5 264 340
Equity and Liabilities			
Liabilities			
Current Liabilities			
Trade and other payables	4	-	202 162
Other financial liabilities	3	359 804	3 851 871
Provisions	11	730 500	1 210 307
Total Equity and Liabilities		1 090 304	5 264 340
		1 090 304	5 264 340

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Statement of Comprehensive Income

Figures in Rand	Note(s)	2025	2024
Income	5	4 011 174	3 221 446
Operating expenses	6	(642 146)	(499 629)
Allocations to beneficiaries	13	<u>(3 369 028)</u>	<u>(2 721 817)</u>
Surplus for the year		<u><u>-</u></u>	<u><u>-</u></u>

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Accounting Policies

General information

Sorghum Cluster Initiative NPC is a non-profit company incorporated and domiciled in South Africa.

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 the International Financial Reporting Standard for Small and Medium-sized Entities, modified for entity specific accounting policies, and the Companies Act of South Africa. 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.

1.1 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. They 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 profit or loss.

1.2 Provisions and contingencies

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event; it is probable that the company 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

Funding income is realised and recognised to the extent of operating expenses and allocations to beneficiaries in a period.

1.4 Trade and payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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Notes to the Annual Financial Statements

Figures in Rand

2025

2024

2. Trade and other receivables

The Sorghum Trust	1 090 304	5 264 340
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The amount due from The Sorghum Trust consists of bank balances held by The Sorghum Trust on behalf of Sorghum Cluster Initiative NPC. These funds are not available for use by The Sorghum Trust and are repayable by The Sorghum Trust on demand.

3. Other financial liabilities

At amortised cost

Technology Innovation Agency	359 804	3 851 871
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Current liabilities

At amortised cost	359 804	3 851 871
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This liability consists of unspent funding, received from the Technology Innovation Agency, still to be spent on intended projects as per the signed agreement and scoping document between the Technology Innovation Agency and The Sorghum Trust.

Reconciliation of Technology Innovation Agency liability

Opening balance	3 851 871	-
Contribution received - Sorghum Trust	300 000	-
Funding received during the year	-	6 700 000
Add: Interest accrued	219 107	373 317
Less: Operating expenses as per income statement	(642 146)	(499 629)
Less: Allocation to beneficiaries	(3 369 028)	(2 721 817)
	359 804	3 851 871

4. Trade and other payables

Trade payables	-	202 162
	-	202 162

5. Income

Funding Income recouped	4 011 174	3 221 446
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Funding income is realised and recognised to the extend of operating expense and allocations to beneficiaries in a period.

6. Operating expenses

Operating expenses include the following expenses:

Auditors remuneration	27 600	-
Administration and management fees	466 862	2 793
Conference fees	-	186 553
Consulting and professional fees	114 146	246 626

7. Auditor's remuneration

Fees	27 600	-
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Annual Financial Statements for the year ended 28 February 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024

8. Related parties

Relationships

The Sorghum Trust

Shares key management with significant influence

Related party balances and transactions with entities with control, joint control or significant influence over the company

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

The Sorghum Trust	1 090 304	5 264 340
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9. Going Concern

The directors acknowledge the uncertainty that was created upon the receipt of a letter from the Department of Science and Technology/Technology Innovation Agency (TIA) dated 18 October 2024. This letter indicated a breach of the funding agreement between Sorghum Cluster Initiative NPC and the TIA, while also recommending an amount of R 770 000 to be recouped in favour of the TIA as a remedy for overspending by the Sorghum Cluster Initiative NPC. Issues arising from the TIA letter included the initial establishment of the Sorghum Cluster Initiative, which the TIA claims was outside of the provisions of the agreement with them. The letter from the TIA also mentioned the possibility of termination of the agreement and the involving of legal remedies.

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10. Taxation

The company is in the process of applying for tax exemption.

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Notes to the Annual Financial Statements

Figures in Rand

2025

2024

11. Provisions

The following allocations were contractually agreed upon but have not been paid at the end of the period and is made up as follows:

Quelea Control Method	-	192 631
Awareness Campaign	-	571 067
Pre Breeding - Sorgho Seed	241 500	205 725
Pre Breeding - University of KwaZulu-Natal	244 500	126 884
Pre Breeding - University of Free State	244 500	114 000
	730 500	1 210 307

12. Actual payments to beneficiaries

Sorghum Awareness Campaign	579 887	-
Quelea Control Method	195 000	457 369
Pre Breeding - Sorgho Seed	769 224	480 025
Pre Breeding - University of KwaZulu-Natal	701 000	308 116
Pre Breeding - University of Free State	684 500	266 000
Product Development - University of Free State	501 000	-
Feasibility Phase 1 - BFAP	418 224	-
	3 848 835	1 511 510

13. Allocations to beneficiaries

Quelea Control Method	-	650 000
Awareness Campaign	14 804	571 067
Pre Breeding - Sorgho Seed	805 000	685 750
Pre Breeding - University KwaZuluNatal	815 000	435 000
Pre Breeding - University of Free State	815 000	380 000
Agro Processing	501 000	-
Value Chain Analysis	418 224	-
	3 369 028	2 721 817

Reconciliation of beneficiary allocations

Opening balance	1 210 307	-
Allocation commitments during the year (as above)	3 369 028	2 721 817
Allocations paid during the year (as per note 12)	(3 848 835)	(1 511 510)
Unpaid allocations as at year end (as per note 11)	730 500	1 210 307

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Detailed Income Statement

Figures in Rand	Note(s)	2025	2024
Income			
Funding income recouped		<u>4 011 174</u>	<u>3 221 446</u>
Operating expenses			
Administration and management fees		(466 862)	(2 793)
Advertising		(13 515)	(610)
Auditors remuneration	7	(27 600)	-
Bank charges		(1 884)	(1 242)
Computer expenses		(4 060)	(633)
Conference fees		-	(186 553)
Consulting and professional fees		(114 146)	(246 626)
Meeting costs		(10 120)	(7 476)
Travel costs		(3 031)	(52 960)
Website expenses		(928)	(736)
		<u>(642 146)</u>	<u>(499 629)</u>
Operating surplus before allocations to beneficiaries and provisions		3 369 028	2 721 817
Allocations to beneficiaries	13	(3 369 028)	(2 721 817)
Surplus for the year		<u>-</u>	<u>-</u>