



FLOWER VALLEY
CONSERVATION TRUST

Registration no: IT437/1999
VAT no: 4820180166

Annual Report to the Trustees

By Lesley Richardson

Executive Director

2004 – 2005



CONTENTS

Mission statement

Overview

Detailed Report:

- 1. The Trust Strategy**
- 2. The Trust's Programme**
 - 2.1 Conservation Programme**
 - 2.2. Community and Education Programmes**
 - 2.3. Business matters**
- 3. Trustees**
- 4. Donors**
- 5. Staff**
- 6. Audited Financial Report**

MISSION STATEMENT

Our mission is to develop and deliver effective approaches to biodiversity conservation and community empowerment in the Cape Floral Kingdom.

OVERVIEW

Technically, this report covers the financial year of March 2004 to February 2005, but the figures need a context. So the events of the preceding six months, following the restructuring of Flower Valley Conservation Trust (the Trust) in September 2003, are also included. That was when the Trust sold its trading activities and set up a partnership experiment with the purchaser, Fynsa (Pty) Ltd.

This arrangement was more difficult to implement than we had expected. There were the standard difficulties that accompany any business partnership with an unknown or new entity. But these were made worse by the need for it to be based on triple bottom line principles favouring not only Profits but also People and the Planet. Exceptional strategic skill was and will be needed from both sides to find a structure that is right for the project, for the communities on the Agulhas Plain and for conservation.

Fortunately, towards the end of the reporting period, some progress was made towards this end. Indeed, by November 2004 negotiations between Trustees and Fynsa Directors had started to highlight the most critical issues needing attention. Changes had been made to Fynsa's management structure and communications and interaction between management began to improve.

The Trust has made significant progress towards achieving its mission, particularly in biodiversity conservation. It continues to build on the efforts of the many inspired individuals who, over the past five years, have worked towards a practicable model for biodiversity-based business to support fynbos conservation and community empowerment on the Agulhas Plain. The wild fynbos supplier network which operates across an estimated 20 000ha is at the heart of the exercise. Working with this network, in partnership with South African National Parks, CapeNature and others including Fauna and Flora International (FFI), the Trust addresses those practices that threaten this unique lowland vegetation and the local livelihoods that depend on it.

The Trust is an active member of C.A.P.E. (Cape Action for People and the Environment). C.A.P.E. has brought together the main stakeholders in formulating a common vision and action plan for conserving the Cape Floral Kingdom. Both C.A.P.E. and the Trust are committed to delivering sustainable economic benefits to local people. The Agulhas Biodiversity Initiative (ABI), a pilot project under C.A.P.E., underwent its project development phase during 2002 and set the stage for the Trust to take responsibility for the sustainable harvesting component of this major project. As a landowner and member of the Walker Bay Fynbos Conservancy, the Trust is also a local participant in fynbos conservation and agriculture. During the five-year funding cycle of ABI, which started in

January 2004, the Trust is piloting and researching many aspects of fynbos management. Key to the long-term success of the Trust's programme, is ensuring that the Trust's own 1 300ha of farmland is picked and managed sustainably.

The Trust's Deed was revised in 2004 to accommodate its new *modus operandi* and a business plan with a fundraising strategy was commissioned. With the sale of the business, the staff was reduced significantly and new financial management and administration systems were put in place.

As mentioned earlier, there were teething problems caused by the arrangement with the new commercial entity. These hampered income generation and fundraising for the period under review. Recognising this, the Trust and the new Fynsa management agreed that each one needed to define their core business better. It was decided, for instance, that as Fynsa's business was processing, exporting and marketing, the Trust was better placed to manage the farms and to handle the harvesting. It was critical for both of these activities to be managed properly if the Trust was to meet its objectives.

This renewed attention to the long-term sustainability of the Trust will become a permanent feature of our strategic planning.

DETAILED REPORT

1. THE TRUST'S STRATEGY

In the time leading up to September 2003, two main factors led to the decision to separate the trading operations of the Trust. Firstly, South Africa's tax laws were changing to make it difficult for not-for-profit organisations with a trading arm to maintain their tax exempt status. From a financial sustainability perspective, it made sense for the Trust to be able to receive tax exempt donations for its conservation and development work, and for the business side to be self-supportive through profits. Secondly, it seemed that investors, banks, and farmers would be more comfortable dealing with a private company than with an NGO on the business side. So, for the replication and growth of the model, it was thought at the time, to be best for trading activities to be run as a business separate from the non-profit activities of the Trust.

The relationship between the Trust and the private entity was spelled out in a partnership agreement containing the principles and purpose of the initiative. The broad objective was that the business would generate profits while meeting conservation and community empowerment objectives. On its side, the Trust would provide conservation support, community facilitation and expertise to lower the costs to the flower business and certified suppliers, and would offer valuable marketing services in the

form of niche market access and information. In return the Trust would receive a royalty on sales from the second year onwards.

In September 2003 the division took place and a company named Fynsa (Pty) Ltd was formed by a group of investors based mainly in the United Kingdom. They agreed to purchase the trading arm of the Trust as a going concern, to lease the Trust's farms and facilities and to develop a business there aimed at becoming not only financially viable but which would make verifiable progress with conservation and community development on the Agulhas Plain. All staff and management were transferred to Fynsa, except the two Co-ordinators, Gabbi Cook (Community Programmes) and Roger Bailey (Conservation Programmes). The new Executive Director position of the Trust was filled by Lesley Richardson on 1 September 2003. Also remaining under the wing of the Trust was the Early Learning Centre and its head, Deidre Gertse. The sale, partnership agreement as well as the lease of the two farms were negotiated and nominal rentals were agreed for the first year to allow Fynsa to find its feet.

Unfortunately, the first year was difficult for the partnership due to the management style of the company and differences in vision between the two organisations. For these reasons, the Trust sought to end the agreements in December 2004.

Fynsa agreed to make certain changes to its management structure in January 2005, and to adopt a more constructive relationship with the Trust. Negotiations were begun to establish new arrangements which would include a lease (only of the shed and not the farms), picking rights and a license agreement to operate under the Trust brand. At the time of writing, these had not been finalised and questions remain on the workability of a partnership between two such very different entities.

However, the Trust enters this new phase with confidence, appreciating that there are valuable lessons to be learnt from past experiences. Indeed, by the beginning of 2005, both parties had committed themselves to two important objectives. The first was getting the management teams and Directors and Trustees aligned. The next was putting in place appropriate management structures.

Lessons learnt during this experience need to be communicated to others in the fynbos biodiversity business sector. By its very nature, the business of biodiversity needs to be focused on the triple bottom line and not just on the creation of wealth for private investors.

The Trustees asked for a business plan. The business plan was to clarify the Trust's roles and activities within its new institutional context, to give direction to its programmes and to address its financial sustainability. It highlighted the Trust's work as a facilitator in the growth of the wild fynbos industry, and its commitment to empowering and enabling new entrants to the industry. With the Trust's goal in mind – of ensuring that industry activity occurs in a financially, socially and ecologically sustainable

manner – the plan described its main programmes to meet these objectives. These were the development and integration of a certification programme for exporters of floriculture, and integration and co-operation across the supply network. A further priority was broad-based training and education for landowners, picking operations and farm workers through support from the relevant Sector Education and Training Authority.

The sustainable harvesting of wild fynbos is proposed as an important way of balancing conservation, social development and economic empowerment in the region. In summary the Trust aims to:

1. enable landowners to derive income from fynbos in its natural state;
2. provide livelihoods for rural communities and entrepreneurial opportunities for new entrants to the industry; and
3. maintain the integrity of the lowland fynbos habitat through controlled harvesting of a limited number of species.

The Trust will generally act as a catalyst to the indigenous floriculture industry through environmental education, building capacity, and raising levels of efficiency, standards and quality, to address social inequalities and meet conservation needs. Five-year projections and various funding strategies are proposed to ensure the financial sustainability of the Trust. This includes the broad outline and five-year projections of a Trust Endowment Fund to cover the Trust's core costs in perpetuity.

2. THE TRUST'S PROGRAMME

2.1 CONSERVATION PROGRAMME

C.A.P.E. and the Agulhas Biodiversity Initiative (ABI)

C.A.P.E. is a partnership programme that provides a framework for its partners – including government, civil society, local and international conservation agencies – to achieve biodiversity conservation while reducing poverty. ABI applies this partnership approach to the Agulhas Plain, an area where Cape lowland fynbos is under severe threat and which has been identified as a key conservation priority under the C.A.P.E. programme. Structured as a five-year programme of the South African Government through the SA National Parks (SANParks), with project funding from the GEF through UNDP, ABI brings together key partners (including the Trust, CapeNature, Walker Bay Fynbos Conservancy, local municipalities and FFI, the international conservation NGO) with clear responsibilities and deliverables in the areas of conservation management, biodiversity-based business, nature-based tourism and local support.

The Trust was contracted to provide leadership and oversight for the biodiversity-based business-cum-sustainable harvesting component of ABI and has agreed to provide additional project resources, including a co-ordinator for the ABI Project Steering Committee. In 2002, as part of the project development phase, a number of conservation research studies were undertaken including a detailed report laying out the context and strategy options for the certification of wild flowers and a series of papers aimed at defining sustainable harvesting within the context of the Trust operations.

This research included:

- A preliminary vegetation survey for the Trust properties that recorded 266 species including 10 Red Data List species and estimates actual species in excess of 500. This provided the basis for a full biodiversity database to be developed once funds become available;
- An assessment of species type, origin and demand in relation to the flower harvesting business, which showed, *inter alia*, that only 13% of floral requirements are harvested off the Trust land, with the remaining either harvested by the Trust staff on surrounding properties or bought from other flower harvesters;
- A survey of the Trust's supplier network, including owner-managed operations, contract pickers and farms picked by the Trust staff.

The Project Preparation phase for ABI was completed and a full proposal submitted to GEF so that ABI would provide the funding and partnership mechanisms for the regulation and promotion of sustainable harvesting. Project deliverables for which Flower Valley is responsible in partnership with CapeNature, are:

- Updated regulations pertaining to the flower industry and the building of law enforcement capacity
- A code of practice for sustainable harvesting and a supply network management forum
- Training of landowners, contract pickers and participants for compliance with quality standards
- Increasing opportunities for new entrants into the network
- A modernised and integrated supply chain.
- The promotion and roll out of the Certification Scheme to attract landowners within areas of the high conservation value
- Long-term monitoring of the Certification Scheme.

Although the work was to begin in January 2004, the ABI contract was not signed until midyear as setting up the ABI systems within SANParks took much longer than anticipated. ABI funding also took longer to come through than planned. Once all was in place however, Roger Bailey, the Trust's Conservation Co-ordinator, working with CapeNature wasted little time in setting up various working groups in support of the various activities. Good progress was made with the updating of the permit and monitoring systems under CapeNature. Work started on a "Vulnerability Index" and a "Forbidden or No-go list".

Implementation of some parts of the programme, such as record keeping at the Flower Valley pack shed was, however, hindered by a lack of support from Fynsa even though certain responsibilities

under ABI had been transferred to the business component under the partnership agreement. The Trust was disappointed to have to hold these aspects back and addressed the problem as best it could by stepping in itself where possible. For example, it worked directly with suppliers when Fynsa should have been the main contact. The Trust also isolated aspects that could be held over till things were more stable such as the development of a branding and marketing strategy. We should see these parts of the programme fully underway in the course of the coming financial year.

The ABI Oversight Committee (ABI OC) was set up in 2004 and is comprised of representatives of the civil society and government agencies on the Agulhas Plain. It is this body to which the Trust reports quarterly on progress and which approves the Trust's quarterly requests for funding. The Executive Director represents the Trust on ABI OC.

Certification

Central to the Trust's strategy of influencing conservation-based land uses and enhanced social practices on the Agulhas Plain, are commercial incentives to landowners to adopt sustainable practices. Certification is one mechanism that the Trust is developing for this purpose, hoping to provide commercial incentives through preferential market access and possibly premium prices for producers who meet ethical and environmental standards.

On the basis of discussions in SA, UK and Germany in 2002 with the German Flower Label Programme (FLP), the Trust chose to join the FLP system. It offered the chance to gain access to the vast and eco-ethically conscious German market. The Trust also hoped that it would increase the likelihood of securing substantially higher prices by dealing directly with retailers. Earlier the first FLP inspection of Flower Valley and two of its suppliers took place in October 2001. In advance of this visit, the Trust made improvements to staff housing, working environment and enhanced record keeping, according to FLP compliance standards. The inspection was a success for the Trust which could begin using the label in early 2003 following discussions with FLP importers at the Essen Flower show.

One of the Trust's suppliers also received full FLP accreditation. Using funding under the ABI contract, the Trust is set to play a significant role in facilitating compliance standards and membership for more of its suppliers. However, Fynsa was not convinced of the commercial value of certification and of FLP at the time though their view could change as markets expand. This stance has delayed progress towards incentivising conservation for landowners since by 2002, by far the majority of the Trust's exported flowers and foliage were sourced from outside suppliers. Additional funding was obtained for 2004 from the World Bank's Development Marketplace grant scheme for the first six suppliers in order to help them meet the criteria for certification by FLP. It was not possible to meet the deadlines for this grant either, due to the partnership situation. An extension was requested to mid-2005 when it was hoped the situation would have improved.

Monitoring the impacts of harvesting

There are currently no labelling schemes that specifically address criteria for sustainably harvested wild flowers. FLP, like many other certification schemes, applies broader environmental criteria (such as the use of pesticides and waste management) and social criteria (mainly labour conditions) aimed at improving standards within the cultivated flower industry. Certification in its current form is therefore unlikely to prevent over-exploitation of the wild resource base. The Trust would like to play a role in helping to define guidelines for sustainable harvesting and investigating ways to incorporate these into certification schemes. It is envisaged that many of these principles could have wider applications, beyond fynbos, for other wild harvesting initiatives. Discussions were held by the Trust with the Heiveld Co-operative (wild rooibos harvesting) and the Devils Claw project on guidelines for sustainable use and also on influencing new biodiversity legislation to support sustainable harvesting practices.

A number of local workshops and meetings were held to discuss the Trust's sustainable harvesting strategy. Interim guidelines for sustainable harvesting were drawn up and piloted on the Trust's farms. This helped form the basis for the research papers put together as part of ABI on sustainable harvesting and certification for wild fynbos products. There is some funding under ABI for the Trust to set up pilot sites for monitoring of harvesting practices, and some initial work on one species was carried out during the current period. As data is collected, it will be fed into CapeNature's permit and recording system.

Another unfortunate outcome of the difficulties with the partnership was the poor control of harvesting practices on the Trust's farms under its new tenant, and a switch to piece-work by Fynsa, something which is counter to the methods being promoted under the Code of Practice. These issues were raised with Fynsa and it was agreed that they would be addressed in the coming year.

2.2 EDUCATION AND COMMUNITY PROGRAMMES

Early Childhood Development

Gabbi Cook, the Trust's Community Programmes Co-ordinator, continues to run the Early Childhood Development (ECD) programme, now ably assisted by Deidre Gertse whom she mentors as head of the Centre. Deidre is one of the ECD practitioners who has been enrolled since 2002 in the National Pilot Distance Learning Programme focusing on ECD and the reception year.

Together with other schools in the Overstrand, the Flower Valley Early Learning Centre has formed the ECD Forum. ECD practitioners from each school meet once a term for a workshop to build relationships between organisations with common interests, and to share resources and ideas. The aim is to create a support base to improve the learning environments of children in the area. This Forum is

part of the Trust's outreach programme to promote environmentally appropriate learning in the ECD curriculum.

Under the ABI programme the Trust has now been contracted for two years to expand the programme to other areas on the Agulhas Plain. Approximately 20 more ECD practitioners will be trained and supported through this Trust-led programme. Additional funding from the DG Murray Trust puts this on a firm footing.

The Governing Body, made up of parents and community members, assists the Head with fundraising, giving the community the sense of ownership necessary for the sustainability of such initiatives. Donations continue to support the ELC in particular through the efforts of FFI and their UK-based supporters. The Governing Body is essential to provide feedback to the school and the Trust. Members also help with the outdoor play area and garden work, and take part in various activities at the ELC.

Work continues with the Department of Education to provide the following:

- Governing Body training
- Conditional Grant Subsidisation for Reception year children
- Possible Grade R practitioner training
- A resource pack and training in its use

Many of the first children in the school have now moved on to primary school. Unfortunately this was made more difficult after the closure of the local primary school in February 2003 and the children had to enroll at the Gansbaai Primary School further away. Parents and teachers have supported, in principle, the need for an after-care facility, since not only are these children urgently in need of educational support but they need care and attention in the afternoons when their parents are working. Funds are needed for such a service as well as for the transport to and from school, something which remains a burden for families of this poorly serviced area.

Arts and Environmental Education

The successful activities of an artistic and theatrical nature during the Trust's first few years' work with children and adults at Flower Valley sparked the idea of expanding the programme to the youth and communities further afield. ABI funding was secured for this purpose and an innovative programme is now underway with a pilot group and at a local primary school. A contract with ABI for this part of the work and for the ECD programme expansion is being finalised.

Adult Learning Programmes

From fairly early days, Flower Valley has had a Community and Adult Learning Programme in place to promote adult development and empowerment. Volunteers and staff like Gabbi Cook have devoted substantial effort over the years to ensure progress in a number of areas.

These areas include:

- health worker training, school governing body training, financial and general life skills workshops, driving lessons, Early Childhood Development by long distance learning, dance workshops, fundraising and public relations, volunteer management and conservation workshops;
- support for those affected by alcohol-abuse;
- education and support programmes on HIV/AIDS;
- a community health programme, a new canteen to contribute to improved health and safety conditions, monthly mobile clinic visits to the farm, a sickbay and First Aid room, the election of a health and safety representative;
- a community garden to provide the community with an opportunity to take responsibility for affordable nutrition, greater food security and a healthy lifestyle, the employment of a full time gardener and part time assistant;
- the Community Forum which was a mechanism for participation, communication and grassroots decision-making at Flower Valley during the first years of the community programme, but unfortunately brought to a halt in 2004 by Fynsa. Fynsa management plans to reinstate a Workers' Committee in January 2005;
- a Staff Development Plan with training plans formalised in 2003.

Many of the above programmes were curtailed in the effort by the new company to cut costs. This was regretted by the Trust which, since the start, had invested considerably in its staff's wellbeing. It remains committed to this objective and will strive to provide support where possible. The Trust is determined to build on the considerable past investment in these empowerment and capacity building programmes. The Trust believes that they will yield benefits to the company in the medium to long term and looks forward to reviewing their progress in the next financial period.

A proposal was put through in 2003 to the Primary Agriculture Education and Training Authority (PAETA), approved in 2004 and a substantial grant obtained for a pilot programme for skills training for market readiness within Fynsa and the supply network. The grant included funds for adult literacy and numeracy (Adult Basic Education and Training or ABET), general industry skills and, in addition, an amount as co-financing to ABI to develop a new accredited qualification for sustainable harvesting practices. A section of the house at Flower Valley was equipped to serve as a new learning centre to accommodate the training in 2004. Accredited training institutions were contracted to carry out the training, under the co-ordinating eye of the Trust.

An ambitious and reasonably successful training programme was implemented among suppliers which carried over into 2005. In evaluating the activities, a number of logistical issues were highlighted with the distance between the training centre and the various small towns which workers went home to,

being the chief obstacle. It has been decided that other partners within ABI, such as the Department of Agriculture, need to be brought in so that an integrated but decentralised programme for the whole region can be put in place. Discussions with PAETA have begun and the next round of funding should also see a greater emphasis on learnerships and ABET.

2.3 BUSINESS MATTERS

Wild flower bouquets

Since 1999, when the Trust took over the flower business with the purchase of Flower Valley Farm, an effort has been made to improve the capabilities of the business. Support from British American Tobacco (BAT), Shell SA and Shell UK, and other donors enabled the plant initially to increase its production and efficiency, as well as enhance working conditions for both the flower and the handmade paper business. Interactions with clients such as Flower Plus, agents to Marks & Spencers, began in 2002. The Shell investment in the Trust and other good publicity in the early years gave Flower Valley a high profile and influenced certain agents favourably. Increased market recognition also came through the Trust logo on flower cartons. Efforts were made by Shell's retail manager for southern Africa to have fynbos bouquets with gift cards placed in Shell Select Stores.

Under the ABI contract, the Marketing and Sales Strategy is now to be revised to include the expansion of markets through suppliers joining the Flower Label Program (FLP), and starting a florist exchange programme with the 800-strong FLP florist membership. A five-minute promotional film clip was prepared on CD as a marketing tool and for distribution to business contacts at the annual Essen Flower Show. The Critical Ecosystem Partnership Fund (CEPF) made a generous contribution to assist with the Trust's marketing effort.

It was with all these aspects in place that Flower Valley's business was valued and negotiations were initiated with the UK-based investors to buy the Flower Valley business. Issues around marketing have since been raised by Fynsa such as the real value of FLP and the Flower Valley brand. Funds from ABI and the Development Marketplace which were earmarked for marketing and to support the branding and sales efforts could not be used optimally due to the partnership difficulties but funders agreed that funds could be held over to the coming year when it was hoped the situation will have improved.

Handmade fynbos paper industry

The paper enterprise was started in 2002 with the building and equipping of the new paper-product making and storage areas. Five full-time and 12 part-time jobs were created for women on the farm, and a marketing strategy was developed. It was hoped that with the opening up and expansion of markets for fynbos bouquets and the growing partnerships with Shell, the Eden Project and FLP that gift cards would provide a powerful boost to the paper business. Despite the early signs and some successes, one of the unfortunate results of the growing bouquet market was the reduction in 2004 in

the production of handmade paper. A novel order by BAT for tobacco-laced paper for photo-albums was large enough to keep people busy with this craft for three months in 2004. A potential market for the paper products still exists, with enquiries continuing to come in. The Trust is encouraging Fynsa to identify a manager who will revitalise the paper business.

Nature-based Tourism

The decision in 2002 to purchase a neighbouring property, Witvoetskloof, placed additional short-term management pressure and additional costs on the Trust but it also offered significant opportunities to further its objectives in a number of concrete ways. One of these was an improved opportunity to develop nature-based tourism. This scenically beautiful property with its historic buildings had already been earmarked for hiking trails and horseback riding by the previous owners.

The development of tourism with the Trust as part of the Walker Bay Fynbos Conservancy's (WBFC) tourism initiatives has been accepted as has been the notion of outsourcing marketing and guided tours to niche-market operators in interactive tourism. The concept of an up-market guided trail offering luxury en-route accommodation, with horseback riding and canoeing options is still being pursued, though the Trust was under some pressure in 2004 to commit to refurbishing the house on WVK into up-market trail accommodation. The Board was unanimous early in 2005 that the Trust should not extend itself at this stage with substantial capital expenditure. The other trail participants agreed to this and to allow those property owners who could not afford to invest in upmarket accommodation to do so when and if they could. Various trail lengths are going to be chosen to suit different target markets.

The signing of a notary agreement by all landowners was required as a legal basis for providing walking rights through private land before the trail could be marketed. A planning consultant marked out the trail and the Trust received some funding through ABI for Roger Bailey to map the area. The route passes across Trust land with a suggested overnight stop at the historic Witvoetskloof homestead, and a picnic lunch and interactive tour of Flower Valley Farm the following day.

Small groups continued to visit the Flower Valley premises and operations where they are given a close-up view of the flower and paper businesses and have the opportunity to walk in the fynbos. Grootbos Nature Reserve sends many of its guests to Flower Valley, but income from this source remains low. With some effort and a little investment it should be possible to grow this into another income generator especially once the Walker Bay hiking trail is open. One thing these tours are able to do is provide much needed publicity and to identify further contacts, donors and volunteers for the Trust.

3. TRUSTEES

The following people served as Trustees during the 2004-2005 period:

- Gerald Adlard – Chairperson*
- Adriana Dinu *
- Fulvio Grandin
- Martin Hollands
- Jon Hutton
- Khungeka Njobe
- Jaaibaalam Pillay
- Sean Privett*
- Trevor Sandwith*

* Member of the sub-committee of Trustees

4. MANAGEMENT

A team of four has been responsible for the work covered in this report:

- Lesley Richardson – Executive Director
- Roger Bailey – Co-ordinator: Conservation Programmes
- Gabbi Cook – Co-ordinator: Community and Education Programmes
- Deidre Gertse – Head: Early Learning Centre

Accounting services for the period under review were provided by Dennis Waterhouse.

5. DONORS

The Trust extends its gratitude to the following organisations and companies who have generously provided the Trust with financial and technical support.

In alphabetical order:

- ACE
- British American Tobacco (BAT)
- Care4Children
- Critical Ecosystem Partnership Fund (CEPF)
- Development Marketplace (World Bank)
- DG Murray Trust
- Fauna and Flora International (FFI)
- Global Environment Facility
- Open Door
- Primary Agriculture Education and Training Authority (PAETA)

6. AUDITED FINANCIAL REPORT

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF FLOWER VALLEY CONSERVATION TRUST

We have audited the annual financial statements of Flower Valley Conservation Trust set out on pages 3 to 11 for the year ended 28 February 2005. These financial statements are the responsibility of the trust's trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Qualification

In common with similar organisations, it is not feasible for the trust to institute accounting controls over cash collections prior to initial entry of the collections in the accounting records. Accordingly it was impracticable for us to extend our examination beyond the receipts actually recorded.

Qualified audit opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements fairly present, in all material respects, the financial position of the trust at 28 February 2005 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, appropriate to the business .

Supplementary information

The supplementary schedules set out on page 12 to 13 do not form part of the annual financial statements and are presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

G J Elliott
Chartered Accountants (S.A.)
Registered Accountants and Auditors

Fish Hoek
22 November 2005

The trustees present their report for the year ended 28 February 2005. This report forms part of the audited financial statements.

1. Incorporation

Your trust was formed in terms of Deed of Trust registered during 1999.

2. General review

The trust's operations and the results thereof are clearly reflected in the attached financial statements. No material fact or circumstance has occurred between the accounting date and the date of this report.

During the previous year the Trust sold its trading business operations.

3. Statements of responsibility

The trustees are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The external auditors are responsible for independently auditing and reporting on the fair presentation of financial statements in conformity with South African Auditing Standards. The financial statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act, 1973.

The trustees are also responsible for the trust's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the trustees to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the trustees have every reason to believe that the trust has adequate resources in place to continue in operation for the foreseeable future.

4. Events subsequent to the year end

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report.

5. Auditors

G J Elliott CA (SA).

Fish Hoek

22 November 2005

BALANCE SHEET
at 28 February 2005

	Note	2005 R	2004 R
Assets			
Non-current assets			
Property, plant and equipment	2	10 591 438	10 799 167
Loans receivable	3	9 388 938	9 458 749
		1 202 500	1 340 418
Current assets			
Trade and other receivables		493 410	54 941
Cash and cash equivalents		267 700	54 899
		225 710	42
Total assets		<u>11 084 848</u>	<u>10 854 108</u>
Funds, reserves and liabilities			
Funds and reserves			
Retained capital	4	10 090 874	10 321 863
Designated funds	1.3	10 090 874	10 314 367
		-	7 496
Non-current liabilities			
Long term liabilities	5	799 230	317 288
Deferred revenue	6	25 700	317 288
		773 530	-
Current liabilities			
Trade and other payables		194 744	214 957
Bank overdraft	7	194 183	100 427
		561	114 530
Total equity and liabilities		<u>11 084 848</u>	<u>10 854 108</u>

INCOME STATEMENT
for the year ended 28 February 2005

	Note	2005 R	2004 R
Gross revenue	8	-	572 220
Cost of sales		-	<u>186 423</u>
Gross surplus		-	385 797
Other income		885 409	2 468 375
Operating costs		<u>1 109 271</u>	<u>1 514 685</u>
Operating (deficit)/surplus	9	(223 862)	1 339 487
Net finance costs		<u>7 133</u>	<u>7 944</u>
(Deficit)/surplus		<u>(230 995)</u>	<u>1 331 543</u>

CASH FLOW STATEMENT
for the year ended 28 February 2005

	Notes	2005 R	2004 R
Cash flows from operating activities		482 491	250 170
Cash generated by operating activities	12.1	489 624	191 106
Interest paid		(7 133)	(7 944)
Capital donations		-	67 008
Cash flows from investing activities		10 816	1 456 067
<i>Expenditure to maintain operating capacity</i>			
Property, plant and equipment acquired		-	(47 722)
Proceeds of disposals of property, plant and equipment		10 816	160 581
Proceeds of disposals of intangible assets		-	1 343 208
Cash flows from financing activities		(153 670)	(1 736 630)
Designated funds redeemed		-	(306 000)
Loans raised		137 918	-
Loans repaid		(291 588)	(1 430 630)
		<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents		339 637	(30 393)
Cash and cash equivalents at beginning of the year	12.2	(114 488)	(84 095)
		<hr/>	<hr/>
Cash and cash equivalents at end of the year	12.2	225 149	(114 488)
		<hr/> <hr/>	<hr/> <hr/>

1 Basis of preparation

The financial statements are prepared in accordance with South African Statements of generally accepted accounting practice. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

1.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the trust and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

1.2 Property, plant and equipment

All property, plant and equipment are initially recorded at cost.

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives as follows:

- Buildings	0 years
- Motor vehicles	5 years
- Furniture and fittings	6 years
- Machinery	4 years
- Office equipment	3 years and 10 years years
- Computer equipment	3 years

Land and buildings are not depreciated.

Assets costing less than R1 000 are written off immediately.

1.3 Designated funds

Designated funds represent funds earmarked for expenditure on specific projects in the future. As and when the expenditure is incurred an equal amount is transferred to income in the case of operating expenses or directly to accumulated funds in the case of capital expenditure.

2. Property, plant and equipment

	2005			2004		
	Cost / valuation	Accumulated depreciation	Carrying value	Cost / valuation	Accumulated depreciation	Carrying value
<i>Owned assets</i>						
Land and buildings	9 369 649	-	9 369 649	9 369 649	-	9 369 649
Motor vehicles	100 000	90 001	9 999	220 000	154 001	65 999
Furniture and fittings	8 200	6 151	2 049	8 200	4 784	3 416
Office equipment	4 534	2 028	2 506	6 801	2 028	4 773
Computer equipment	30 532	25 797	4 735	30 532	15 620	14 912
	9 512 915	123 977	9 388 938	9 635 182	176 433	9 458 749

The carrying amounts of property, plant and equipment can be reconciled as follows:

2004	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
<i>Owned assets</i>					
Land and buildings	9 347 142	22 507	-	-	9 369 649
Motor vehicles	165 007	-	(46 821)	(52 187)	65 999
Furniture and fittings	37 227	7 279	(36 407)	(4 683)	3 416
Machinery	40 790	-	(33 744)	(7 046)	-
Office equipment	28 388	9 529	(25 429)	(7 715)	4 773
Computer equipment	33 421	8 407	(14 380)	(12 536)	14 912
	9 651 975	47 722	(156 781)	(84 167)	9 458 749

2005	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
<i>Owned assets</i>					
Land and buildings	9 369 649	-	-	-	9 369 649
Motor vehicles	65 999	-	(24 000)	(32 000)	9 999
Furniture and fittings	3 416	-	-	(1 367)	2 049
Office equipment	4 773	-	-	(2 267)	2 506
Computer equipment	14 912	-	-	(10 177)	4 735
	9 458 749	-	(24 000)	(45 811)	9 388 938

Land and buildings are incumbered by mortgage bond in favour of the bank as security for the overdraft facility.

2. Property, plant and equipment (continued) -

	2005 R	2004 R
<u>Flower Valley Farm</u> - full description		
Remainder of Portion 7 (Platklip) of the farm Uylenkraal No. 695 in the Division of Caledon		Remainder of the farm Windhuevel No. 696 in the Division of Caledon
Portion 1 (Platklip) of the farm Ben Nevis No. 694 in the Division of Caledon.		Remainder of the farm Baviaans uitzicht No. 693 in the Division of Caledon
Portion 6 (Stinkhoutboskloof) a portion of Portion 3 of the farm De Platte Rugt No. 692 in the Division of Caledon. Portion 2 (Windhuevel) of the farm Ben Nevis No. 694 in the Division of Caledon.		Portion 1 (geelbosch Randt) of the farm Baviaans Uitzicht No. 693 in the Division of Caledon.
At cost	- 1999	3 489 682
Additions at cost	- 2000	5 793
	- 2001	8 051
	- 2002	58 470
	- 2003	895 504
	- 2004	22 507
	<u>4 480 007</u>	<u>4 480 007</u>

Stinkhoutbos -full description

Portion 4 of the farm Helderfontein No. 688 in the District of Caledon, Western Cape Province.

At cost	- 1999	<u>89 642</u>	<u>89 642</u>
---------	--------	---------------	---------------

Farm Helderfontein - full description

Remainder of Portion 1 (except portion 5 thereof) of the farm Helderfontein No. 688 in the District of Caledon. Western Cape Province.

At cost	- 2003	<u>4 800 000</u>	<u>4 800 000</u>
		<u>9 369 649</u>	<u>9 369 649</u>

3. Loans receivable

Fynsa (Pty) Ltd	<u>1 202 500</u>	<u>1 340 418</u>
-----------------	------------------	------------------

The loan is interest free and is repayable in monthly instalments of R12 500.

R71 000 Of the loan is disputed by the debtor.

	2005	2004
	R	R
4. Retained capital		
Balance at beginning of year	10 314 367	8 923 313
Movement during year:		
-Surplus for the year	(230 995)	1 331 543
-Capital donations	-	67 008
-Net transfer from (to) designated funds	<u>7 502</u>	<u>(7 497)</u>
Balance at end of year	<u><u>10 090 874</u></u>	<u><u>10 314 367</u></u>

5. Long term liabilities

Unsecured loan - interest free	<u><u>25 700</u></u>	<u><u>317 288</u></u>
--------------------------------	----------------------	-----------------------

6. Deferred revenue

Deferred revenue represents funds received from participating partners to be spent on their behalf.

7. Bank overdraft

The banking facilities of the trust are secured by a mortgage bond over land and buildings.

8. Gross revenue

Gross revenue comprises turnover, which excludes value-added tax and represents the invoiced value of goods and services supplied.

9. Operating (loss)/profit

Operating (deficit)/surplus is stated after:

Income

Profit on disposals of property, plant and equipment	-	3 800
--	---	-------

Expenditure

Auditors' remuneration		
-Audit fee	13 000	16 500

Depreciation

-Property, plant and equipment	45 811	84 167
Loss on disposals of property, plant and equipment	13 184	-

10. Discontinued operation

During the course of the previous financial year the trust sold its trading business operations. A lease of the land for harvesting purposes was entered into with the purchaser.

11. Taxation

The Trust's receipts and accruals are exempt from income tax in terms of section 10(1)(cB)(i)(cc) of the Income Tax Act.

Donations made by or to the Trust are exempt from donations tax in terms of section 56(1)(h) of the aforementioned Act.

	2005 R	2004 R
--	-----------	-----------

12. Notes to the cash flow statement

12.1 Cash generated by operating activities

Net (loss)/profit	(230 995)	1 331 543
Adjustments for:		
Depreciation	45 811	84 167
Net finance costs	7 133	7 944
Loss/(profit) on disposals of property, plant and equipment	13 184	(3 800)
Profit on disposals of intangible assets	-	(1 343 208)
Deferred revenue	<u>773 530</u>	<u>-</u>
	608 663	76 646
Movements in working capital		
(Increase)/decrease in accounts receivable	(212 801)	214 538
Increase/(decrease) in accounts payable	<u>93 762</u>	<u>(100 078)</u>
	<u><u>489 624</u></u>	<u><u>191 106</u></u>

12.2 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Cash and cash equivalents	225 710	42
Bank overdraft	<u>(561)</u>	<u>(114 530)</u>
	<u><u>225 149</u></u>	<u><u>(114 488)</u></u>

Acronyms

ABET	Adult Basic Education and Training
ABI	Agulhas Biodiversity Initiative
BAT	British American Tobacco
C.A.P.E.	Cape Action for People and the Environment
DM	Development Marketplace
ECD	Early Childhood Development
ELC	Early Learning Centre
FLP	Flower Label Program
FFI	Fauna and Flora International
FVCT	Flower Valley Conservation Trust
GEF	Global Environment Facility
GIS	Global Information System
GPS	Global Positioning System
NGO	Non Government Organisation
PAETA	Primary Agriculture Education and Training Authority
SANParks	South African National Parks
UNDP	United Nations Development Program
WBFC	Walker Bay Fynbos Conservancy
WSSD	World Summit on Sustainable Development