



ANNUAL REPORT 2016/2017



# THE MARK OF BEST PRACTICE







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# 1 About Us

## WHO WE ARE AND WHAT WE DO

Fair Trade Tourism is a non-profit organisation that develops and helps to benchmark the market for sustainable, responsible tourism in Africa. It is the first, and still only organisation to adopt the global principles of Fairtrade within the tourism arena and is recognised by the Global Sustainable Tourism Council (GSTC).

Our main activities include awareness raising and advocacy; business development and capacity building. In addition Fair Trade Tourism encourages and publicises fair and responsible business practices by offering a certification programme (and supporting activities) endorsing tourism establishments that meet its stringent criteria - fair wages and working conditions; fair operations, purchasing and distribution of benefits; ethical business practice; and respect for human rights, culture and the environment.

Fair Trade Tourism certification is a prestigious accolade for any African tourism business taking

its commitment to sustainable tourism seriously and wanting to stand out in the rapidly growing responsible tourism market. It's a voluntary process offering several key benefits:

### We develop tourism businesses

The Fair Trade Tourism certification process provides expert business development services (BDS) and free training, assisting in all aspects of sustainability, from procurement and human resources to environmental resource efficiency, effective communication and marketing. The BDS process exposes a business to the cutting edge of global best practice in sustainable, responsible tourism, culminating in an independent, objective certification audit.

BDS does not stop at certification, as Fair Trade Tourism strives to keep businesses informed of the latest developments in sustainable tourism through regular networking forums, workshops and seminars. The organisation offers a range of customised business

toolkits and development aids designed to help improve your business at every level, both before and after certification.

### We give tourism businesses a competitive advantage

Fair Trade Tourism certification confirms that a tourism business is operated sustainably with a clear commitment to fair and responsible tourism, helping it to position itself as a preferred supplier to key local, regional and international markets.

Fair Trade Tourism certification allows a business to be included in Fair Trade Holiday packages sold through prominent approved tour operator partners in key markets and opens tourism businesses to a rapidly growing global audience through targeted awareness, advocacy and media campaigns.

Fair Trade Tourism certification also offers businesses the opportunity to join an exclusive and diverse network of like-minded tourism businesses across Africa.

### We improve market access for tourism businesses

Fair Trade Tourism identifies, researches and monitors sustainable tourism trends in key local, regional and international source markets, sharing its findings. It represents and promotes certified businesses at leading local, regional and international trade shows, roadshows and tourism events, offering the opportunity for certified businesses to participate in these at discounted rates.

Fair Trade Tourism is also involved in targeted local, regional and international marketing and media campaigns aimed at increasing the exposure of certified businesses to both the international travel trade and travelling public. It also has its own cutting-edge marketing platforms.

The organisation spearheads global best practice across Africa and through its certification programme and synergistic partnerships with mutually recognised initiatives. This offers businesses a regional and continental platform from which to expand. It is also a recognised global thought leader on sustainable tourism in Africa and represents the interests of stakeholders in leading local, regional and international political forums.

*“Fair Trade Tourism strives to keep businesses informed of the latest developments in sustainable tourism through regular networking forums, workshops and seminars.”*



### Our mission

To develop the market for Fair Trade Tourism across Africa in a way that benefits people, business and the environment.

### Our values

#### FAIR SHARE

All participants involved in a tourism activity should get their fair share of the income, in direct proportion to their contribution to the activity.

#### FAIR SAY

All participants involved in a tourism activity should have the right and opportunity to participate in decisions that concern them.

#### RESPECT

Both host and visitor should have respect for human rights, culture and environment.

#### RELIABILITY

The services delivered to tourists should be reliable and consistent. Basic safety and security for both host and visitor should be ensured.

#### TRANSPARENCY

Tourism businesses should establish mechanisms of accountability.

#### SUSTAINABILITY

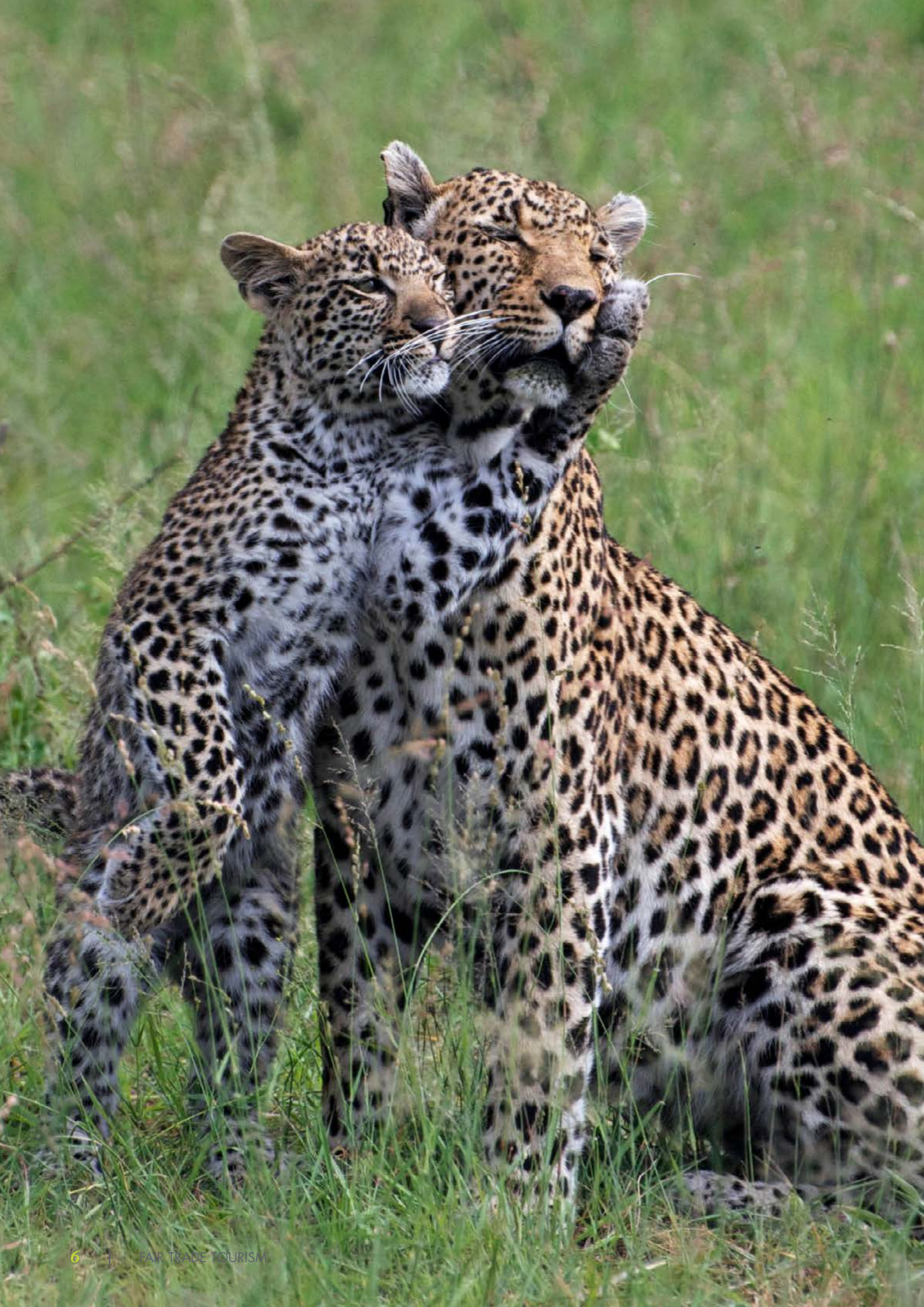
The tourism businesses should strive to be sustainable.

#### CUSTOMER SATISFACTION

Fair Trade Tourism's activities are based on the value that the support of certified tourism businesses and the trade channels that promote them is paramount to sustainability.







## 2 Report from the board

It has been another year of steady growth and expansion for Fair Trade Tourism with its African footprint boosted thanks to Mutual Recognition Agreements (MRAs) signed with Botswana and Kenya and the welcoming of Asilia's group of first-class safari camps to our MRA partner, Responsible Tourism Tanzania. The new MRAs and the addition of Asilia's Tanzanian camps means an increase in the Fair Trade Tourism offering across Africa to nearly 200 businesses, making the mark of best practice particularly appealing to tour operators specialising in the sustainable tourism arena.

This pleasing spread of mutually recognised properties could not have been achieved without the support and dedication of our partners in the Sustainable Tourism Certification Alliance Africa (STCAA), which is helping Fair Trade Tourism to rally the cause of benchmarked sustainable tourism across the continent.

Indeed, Fair Trade Tourism is fast becoming a major voice in the sustainable development of the Southern African region thanks to its engagement with organisations such as the Regional Tourism Organisation of Southern Africa (RETOSA).

It has been a challenging year economically in both South Africa and many other African countries. In South Africa the organisation has also had to face the challenges of a marketplace which has been negatively affected both by BREXIT in the UK and uncertainty over the UK's departure from the European Union and the advent of the Trump administration in the US. It is encouraging to note that Fair Trade Tourism has weathered these storms particularly well and has increased the number of clients in its homebase in spite of them.

This growth is also reflected in the organisation's strategic shift towards developing a broader cross-section of tourism enterprises and the undoubted opportunities this represents. It has also seen a greater spread of Fair Trade Tourism products across South Africa's provincial landscape, offering greater



possibilities for our tour operator associates to package and market Fair Trade Holidays.

The year under review saw us say goodbye to our Managing Director, Nivashnee Naidoo, who left the organisation in November 2016 to pursue her own business interests. We would like to thank her for her contribution and wish her well in her future endeavours. Nivashnee's chair has passed once more to Jane Edge, whose clear vision and commitment will be valuable as Fair Trade Tourism enters a new chapter in its development.

This year also saw us tragically lose a close friend and Fair Trade Tourism ally in Paul Miedema, who passed away on 1 February 2017. We are including a special "In memoriam" section in this report dedicated to Paul. He is sorely missed.

**Lee-Anne Bac**

***"Fair Trade Tourism's growth is reflected in the organisation's strategic shift towards developing a broader range of tourism enterprises, including micro and community-based businesses, and the undoubted opportunities this represents."***



### 3 Message from the Managing Director



This year has been one of substantial growth for Fair Trade Tourism which has seen the organisation rise to the challenge of new horizons and opportunities.

We are pleased that our portfolio of certified and recognised businesses grew to just under 200 during the period under review, spanning eight countries in Africa, which we are very proud of. Our growth and expansion beyond South Africa was one of the major objectives of our five-year FTT Scaling Up Project, which has largely been funded by the Swiss State Secretariat for Economic Affairs (SECO) over the past five years, with support from the Belgian Development Agency (BTC) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). We are very grateful for the tremendous support of our donors, which has enabled us to entrench our position as the leading tourism organisation promoting sustainability on the African continent.

During the year we brought on new auditors in the form of KPMG, who replaced FLOCERT, our previous audit partners, enabling a broader geographic footprint in terms of audit services and resulting in the lowering of our audit fees by some 30% - a benefit on both fronts.

In the latter part of the year, we established a new Client Advisory Committee, enabling us to have more interactive dialogue with our clients and to ensure more client involvement and contribution to our future direction.

In September 2016 we launched the first of a regular series of Sustainable Tourism Best Practice Workshops for our clients at The Townhouse hotel and conference centre in Cape Town. This was exceptionally well received and provided an excellent opportunity for our clients to interact with one another and learn from their peers about how best-practice sustainable tourism is working for them.

Towards the end of 2016, we undertook a thorough strategic review and in light of this we have rededicated ourselves to one of our founding goals - the development of SMMEs and community enterprises where sustainable tourism offers the real potential of beneficence, empowerment and upliftment.

We started off the 2017 year by finding a new home - we moved premises in February 2017 and are enjoying more modern comforts in an easy access location in Brooklyn, Pretoria.

Jane Edge







## 4 Why Fair Trade Tourism?

In an industry regarded as being critical to economic growth and development and one that offers such potential for the empowerment and upliftment of impoverished communities and the protection of sensitive eco-systems, it is essential that we have some way of measuring how committed a tourism business is to making a real and lasting difference.

Sustainability is a somewhat overused and much misunderstood word. Usually associated with being “environmentally friendly,” there is, in fact, a lot more to sustainability than just “green” issues.

Most importantly, sustainability means that whatever it is you are doing now you will be able to do tomorrow, next week, next month, next year and for the foreseeable future, without detriment to the planet and with positive beneficiation for people. This goes to the very heart of Fair Trade Tourism as the organisation’s DNA has been custom-designed to help people help people.

Through Fair Trade Tourism’s Business Development Services offering, a tourism company has the

opportunity to unpack its business model and examine it in minutiae, ensuring that every single aspect of the business is optimised to offer real sustainability with demonstrable benefits for communities and the environment.

When a tourism company undergoes the Fair Trade Tourism audit - a grueling litmus test which comes after the BDS process has been completed - it knows that every part of its business model has been scrutinised and improved upon, using globally accepted measures of best practice in sustainable tourism. It also understands implicitly that it is now ready to build upon the solid pillars Fair Trade Tourism provides it with, which, if adhered to and regularly monitored, will be truly sustainable.

The real testament to Fair Trade Tourism’s success is the continued success of the tourism businesses that choose the Fair Trade Tourism route. Their achievements speak louder than we ever could. So let’s hear from some of them why Fair Trade Tourism matters:

*“When I first heard of Fair Trade Tourism in 2003 I was excited by the prospects of such an organisation and wanted to be part of it. The ideals and principles that Fair Trade Tourism stand for were exactly what Umlani aspired to be. The certification process gave us new stretches and goals to work towards it also gave us recognition and support for what we were already doing right. This opened many doors for us and put us in contact with many like-minded organisations and people. It has been a magical journey all round and I can recommend joining the Fair Trade Tourism ‘tide’.”*

**Marco Schiess, CEO and owner of Umlani Bush Camp**

*“We decided to join Fair Trade Tourism because we wanted to show our commitment for long term sustainability to our community. We wanted to show that commitment to our guests, so they could be confident in their choice of accommodation and travel experiences and for them to know that the choice they have made has a positive impact on the area they visit. And because we personally believe in Fair Trade*

*Tourism’s objectives and principles. We have benefited immensely through various marketing opportunities and networking with like-minded people.”*

**Simon and Cheryl Blackburn, owners of Three Trees at Spioenkop**

*“Fair Trade in Tourism’s values reflect the way Sani Lodge Backpackers strives to operate. Having battled with other grading systems, we were delighted to find a certification which recognises factors which we believe are of critical importance in how a tourism business is run. Fair Trade Tourism’s criteria recognise our values and reward us for the way we operate. In addition, the rigorous certification and audit process meant that we learnt a tremendous amount about ways to improve and implementing these has led to better performance from staff, more input into our local communities and better environmental practices. We are extremely proud of being Fair Trade Tourism certified and our whole team feels the value.”*

**Russell and Simone Suchet, owners of Sani Lodge Backpackers**



## 5 The year's highlights

### RAISING AWARENESS

During the year under review, awareness of Fair Trade Tourism grew to its highest since the organisation began, thanks to concentrated marketing campaigns, high levels of media engagement and advocacy and prominence at industry events.

### NATIONAL EVENTS

#### The Sustainable Tourism Certification Alliance Africa ("the Alliance") Annual Conference

The Conference was held 4-5 April 2016 at Hotel Verde in Cape Town. It was convened by Fair Trade Tourism in its capacity as Alliance Secretariat and with funding from the Swiss State Secretariat for Economic Affairs (SECO) with the aim of furthering collaboration between Alliance member organisations. Almost all Alliance members attended.

The conference focused on the work tour operators do in promoting sustainable travel and the challenges of linking tour operator demand to certified tourism products effectively.

The conference included experts such as Matthias Leisinger, formerly of Kuoni; Randy Durband, CEO of the GSTC and José Fröhling of GIZ.

#### World Travel Market (WTM) Africa, Cape Town, South Africa

Fair Trade Tourism exhibited at the 3rd edition of WTM Africa at the Cape Town International Convention Centre (CTICC) from the 6-8 April 2016.

Its larger, more prominent stand was constructed from recycled and environmentally friendly materials and netted the "Most Responsible Stand Award" at the show.

During the show we held a client breakfast at the Cullinan Hotel which was well received. We also entered into a Joint Marketing Agreement with WTM Africa in the build-up to the show which netted us media coverage to a value of approximately R8-million.

At the show, FTT's Netsai Sibanda presented a media event for The Code, unveiling the new video, Dont Look way, to local and regional media. Marketing manager Sharon Gilbert-Rivett was invited to sit on a panel of experts presenting the documentary "Blood Lions".



#### Indaba, Durban, South Africa

The show took place from 7 – 9 May 2016 at Durban's Inkosi Albert Luthuli International Convention Centre. Fair Trade Tourism had taken the decision to scale down its presence at Indaba, due to poor attendances in 2015. As a result, we took a much smaller stand inside the ICC.

#### SATSA Annual Conference, White River, South Africa

Fair Trade Tourism MD Nivashnee Naidoo attended the 2016 SATSA Conference held at Pine Lake Inn in White River, Mpumalanga, from 21-23 July 2016.

The programme for the conference focused on the challenges and issues facing the industry, the Far East as an emerging market, how to make the transport sector more competitive, the guiding sector, a responsible tourism report-back, safety concerns in the tourism industry and the launch of the Tourism Futures Fund.

### INTERNATIONAL EVENTS

#### International Tourism Bourse (ITB), Berlin, Germany

ITB took place from 9 to 11 March 2016 and was attended by Manuel Bollmann and Nivashnee Naidoo. The organisation shared a stand with GIZ and BMZ in Hall 4.1, and took part in several events, one of which we hosted ourselves, together with the makers of the documentary "Blood Lions", on a panel which included Botswana's Minister of Environment, Wildlife and Tourism, Tshekedi Khama.

Using our publication of volunteering criteria as a starting point, we looked into Africa's global image in the world and how unsavory practices like lion cub petting and orphanage tourism may be damaging to our destinations in the long term, despite short term commercial gains.

While at ITB we were visited at our stand by Minister Gerd Müller of German Federal Ministry of Economic

Cooperation and Development (BMZ).

FTT spoke on behalf of the Alliance at an event hosted by Futouris, a foundation set up by leading German outbound tour operators, which covered some of the work Futouris and Alliance members Fair Trade Tourism, EcoAwards Namibia and Botswana Tourism Organisation have done to support destinations and products within the Kavango-Zambezi Transfrontier Conservation Area (KAZA TFCA).

#### WTM London, England

Held between 7 and 9 November, WTM was attended by Manuel Bollmann to showcase Fair Trade Tourism certified clients to buyers and to expand the organisation's approved tour operator programme. The new and improved show saw more content moved on to the exhibition floor to increase networking opportunities between exhibitors, buyers, visitors and media as well.



*“Fair Trade Tourism jumped at the opportunity to develop its own ‘in house’ magazine delivered on an app platform which would give it global exposure and garner important marketing analysis from an in-depth ‘back end’.”*

#### KEY MEDIA ENGAGEMENTS

##### Africa Geographic media campaign, July 1 2016 onwards

Fair Trade Tourism continued its content marketing campaign with online/digital African magazine Africa Geographic, giving the organisation the opportunity to submit regular blogs to this widely-read online publication.

##### Media trip to Botswana, November 2016

Marketing manager Sharon Gilbert-Rivett led a media trip to visit FTT recognised properties in Botswana from 1- 6 November 2016.

The trip resulted in features in print magazines such as Sawubona (the in-flight magazine for South African Airways) and Longevity, inserts on the People’s Weather channel and various radio stations, as well as widespread stories across travel blog sites and social media.

##### Launch of the Fair Trade Traveller app magazine, June 2016

Keeping up with new technology is a must for any organisation wishing to spread its messaging in an effective and exciting way. So Fair Trade Tourism jumped at the opportunity to develop its own “in house” magazine delivered on an app platform which would give it global exposure and garner important marketing analysis from an in-depth “back end”.

By end of June 2016, the magazine had garnered some 750 downloads in three weeks, putting it at the top of the list of similar travel titles on the Google Play and Apple App stores.

The second edition, bearing the new name “Fair Trade Traveller”, was launched in November 2016 and took the new magazine past the 1000 download mark.

The magazine has also been converted for viewing on the Fair Trade Tourism website.

##### Launch of the new-look Fair Trade Tourism website, September 2016

The Fair Trade Tourism website underwent a major overhaul during the year under review, bringing it up to

date with new technology and making it fully responsive to modern devices such as tablets and smartphones.

The modern and clean new-look website went live in September 2016 and immediately improved Fair Trade Tourism’s positioning in terms of its search engine rankings, providing pleasing analytics showing steady growth in the number of page views.

#### ADVOCACY AND NETWORKING

Extolling the virtues of sustainable tourism, the ethics and principles that underpin it and the work that Fair Trade Tourism does is often best done through networking with like-minded industry organisations, and key stakeholders who have direct influence over how effective tourism can be as an empowerment tool.

Fair Trade Tourism plays a key role in this respect through its membership of industry associations and its attendance at key industry meetings.

##### Volunteering Criteria

In 2009 Fair Trade Tourism reviewed its certification standard to include additional criteria for tourism products with volunteer offerings – the first attempt by any certification scheme globally to do so.

Since then, there has been a huge upsurge in both the supply of and demand for volunteer products in Africa, many of them focused on so-called conservation or orphanage programmes. Fair Trade Tourism became concerned about malpractices, which were especially evident in programmes dealing with vulnerable children and captive wildlife. The release of the hard-hitting documentary “Blood Lions” in 2016 and its accompanying global campaign against predator-breeding centres exposed some of the fraudulent practices around volunteer experiences with captive lions and other predators.

The decision was therefore taken to further revise the volunteering criteria on the basis that as an organisation that represents best-practice responsible tourism, it is our role and our interest to promote ethical, authentic, and transparently marketed volunteer experiences.

The revised certification criteria were informed by a

range of experts including Better Volunteering, Tourism Watch, UNICEF, Endangered Wildlife Trust, Wildlife Act, the Convention on Biodiversity, and the Association of British Travel Agents’ Global Welfare Guidance for Animals in Tourism. A number of Southern African volunteer organisations also gave their input.

The revised Fair Trade Tourism criteria came into effect on 1 June 2016 – they do not allow for any physical interaction by tourists or volunteers with a range of captive animals, including all large and medium sized carnivores, elephants, rhinos, large apes, hippos, ostrich, crocodiles and venomous snakes.

The new criteria also do not allow for tourists or volunteers to interact with any child or vulnerable person unless this takes place under continuous, qualified adult supervision.

##### Client Advisory Committee

The growing need to have input from clients into the direction being taken by Fair Trade Tourism was recognised, and the organisation undertook to find a

way to meaningfully engage with clients on a variety of issues. A think-tank process resulted in a meeting with key clients at The Townhouse in Cape Town on 28 October 2016 where the formation of a formal Client Advisory Committee was approved.

The result was the formation, in January 2017, of the Client Advisory Committee with the following members:

Chris van Zyl – The Vineyard Group  
 Wilfred Chivell – Marine Dynamics  
 Heidi Newton-King – Spier  
 David Malherbe – Coffee Shack  
 Russell / Simone Suchet – Sani Lodge  
 Lee Harris – The Backpack Cape Town  
 Simon Blackburn – Three Trees  
 Marco Schiess – Umlani  
 Glynn O’Leary – Xaus (TFPD)  
 Sonja Gottlebe – Boogie Pilgrim

The committee is tasked with consulting with Fair Trade Tourism regularly and giving its valued input on important decisions affecting the future of the organisation.



*“The sleek, modern and very clean new look website went live in September 2016 and immediately improved Fair Trade Tourism’s positioning in terms of its search engine rankings.”*





## INDUSTRY MEMBERSHIPS

The following is a list of the organisations Fair Trade Tourism was a member of during the year under review:

- African Travel and Tourism Association (ATTA)
- Southern Africa Tourism Services Association (SATSA)
- South African Youth Travel Confederation (SAYTC)
- Global Sustainable Tourism Council (GSTC)
- Event Greening Forum (EGF)
- Tourism Business Council of South Africa (TBCSA)

## Industry engagements and workshops

### NATIONAL

#### Best Practices Workshop, Cape Town

Fair Trade Tourism clients were invited to attend the first annual Best Practices Workshop, held in Cape Town at the Townhouse Hotel on 27 October 2016. This event was designed to allow clients to address an audience of like-minded colleagues on how their journey to best practice has either helped or hindered them, sharing the experiences and knowledge they have gained and giving opportunities for direct engagement and networking.

The event was split into four panel sessions based on the four pillars of Fair Trade Tourism's certification criteria, each followed by an interactive question and answer session. In this way, workshop delegates gained insight into the experiences of

their peers and had the chance to examine ways the best practice process could be improved upon.

#### Sustainable Tourism Workshops

In 2016/17 Fair Trade Tourism conducted three sustainable tourism workshops in Kimberly Northern Cape in September 2016; Montagu, Western Cape in October 2016; and Pretoria in February 2017. The Kimberly and Montagu workshops were facilitated by the late Paul Miedema. Fair Trade Tourism Business Development Support Manager Thiofhi Ravele facilitated the Pretoria workshop.

As a result of these workshops, Fair Trade Tourism was able to assist businesses to understand their contribution to the industry as a result of sustainable tourism practices and help make informed decisions going forward. We were also able to assist the Northern Cape's Department of Economic Development and Tourism in completing a draft action plan for responsible tourism.

### REGIONAL

#### IUCN Webinar

On 31 March 2016 Fair Trade Tourism participated in an IUCN webinar on Protected Area Tourism Solutions where we showcased best practices in sustainable tourism with a focus on biodiversity. Our presentation focused on our members' work around marine biodiversity in and around Gansbaai in South Africa's Western Cape.





## INTERNATIONAL

### Blue Solutions Forum Africa, Zanzibar

From 31 May-3 June 2016 Fair Trade Tourism attended the Blue Solutions Forum Africa in Zanzibar, where we presented the same case-study discussed in the IUCN Webinar to more than 100 partner organisations working on Marine Biodiversity across the African continent.

### European Developments Days, Brussels, Belgium

Manuel Bollmann attended the European Development Days in Brussels on 15-16 June 2016. These were hosted by the Foundation for European Sustainable Tourism and was organised together with the IUCN, Fair Trade Tourism, The Instasave-Caribsave Partnership, the Rwandan Embassy in Brussels, the Rwandan Development Board and Cardiff Metropolitan University.

### Roundtable Human Rights in Tourism, Kiel, Germany

On 24 June 2016 Fair Trade Tourism presented at the Roundtable Human Rights in Tourism - a non-profit association and international multi-stakeholder initiative promoting human rights.

### State of KAZA Symposium, Victoria Falls, Zimbabwe

Fair Trade Tourism presented on its work with the Alliance across Africa and engaged with community stakeholders and development experts working in the Kavango-Zambezi Transfrontier Conservation Area (KAZA). KAZA covers an area larger than Germany and Austria combined and nearly twice as large as the United Kingdom. It lies in the Kavango and Zambezi river basins where Angola, Botswana, Namibia, Zambia and Zimbabwe converge.

### Fair Trade Tourism certification

Fair Trade Tourism's certification programme lies at the heart of the organisation and is a natural culmination of its business development services. During the year under review the organisation's certification programme was offered in South Africa; Mozambique and Madagascar.

### Here is a list of all Fair Trade Tourism certified businesses during the year under review:



01. !Khwa ttu San Culture
02. !Xaus Lodge
03. Antrim Villa
04. Bartholomeus Klip Farmhouse
05. Birds of Eden
06. Bulungula Lodge
07. Calabash Tours (Real City Tour)
08. Calabash Tours (Shebeen Tour)
09. Calabash Tours (V-Tours)
10. Calabash Tours (V-Tours)
11. Camp Figtree
12. Cape St Francis Resort
13. Coffee Shack Backpackers
14. De Zalze Golf Course
15. De Zeekoe Guest Farm
16. Dyer Island Cruises
17. Fundani Tourism - Diamond Tour
18. Fundani Tourism - Refilwe Tour
19. Hog Hollow Country Lodge
20. Jan Harmgat Country House
21. Jukani Wildlife Sanctuary
22. Kungwini Guesthouse
23. Kwalata
24. Kololo
25. Lebo's Bicycle Tour
26. Lebo's Soweto Backpackers
27. Leriba Hotel
28. Leshiba Wilderness
29. Madi a Thavha Mountain Lodge

30. Marine Dynamics
31. Maropeng
32. Mashovhela Lodge
33. Mdumbi Backpackers
34. Mercure Bedfordview
35. Mercure Midrand
36. Mercure Nelspruit
37. Mercure Randburg
38. Monkeyland
39. Montagu Country Hotel
40. Motswari Private Game Reserve
41. Ocean Blue Adventures
42. Oude Werf Hotel
43. Oyster Bay Lodge
44. Pakamisa
45. Para Taxi Tandem Paragliding
46. Parker Cottage Guesthouse and Travels
47. Sabi Sabi Private Game Reserve
48. Safari Lodge at Amakhala
49. Sani Lodge Backpackers
50. Shamwari Game Reserve
51. Shamwari Conservation Experience (Volunteering)
52. Southern Right Charters
53. Spier
54. Stormsriver Adventures
55. Thaba Eco Hotel
56. The Backpack
57. The Peech Hotel
58. Three Tree Hill Lodge

59. Townhouse Hotel
60. Umlani Bushcamp
61. Uthando
62. Vineyard Hotel
63. Volunteer African 32 deg South
64. Voortrekker Monument
65. Whalesong Lodge
66. White Shark Projects

### Madagascar:

67. Hotel Le Paradisier
68. Mantasoa Lodge
69. Bush House
70. Iharana Bushcamp
71. Salary Bay
72. Tsara Camp
73. Saha Forest Camp
74. Camp Amoureux

### Mozambique:

75. Naara Eco lodge
76. Odysea Dive Centre
77. Kuvuka Café (Currently Closed down)
78. Machilla Magic
79. Casa Babi
80. Bahia Mar
81. Dunes de Dovela



## APPROVED TOUR OPERATORS AND PARTNERS

Fair Trade Tourism revised its certification of tour operators in 2015, replacing this with a much simpler approval process which allows approved tour operators to market Fair Trade Holiday packages. These are packages in which at least 50% of the bed nights (or activities) are spent with Fair Trade Tourism certified or recognised businesses.

Here is a list of tour operators approved under this process during the year under review:

### Inbound Tour Operators

AAA Travek  
Abang Africa  
Absolut Safaris & Tours  
Africa Travel Group (ATG)

African Link  
African Blue Tours  
African Travel Concept (ATC)  
All Out Africa  
Baobab Travel  
BazBus  
Boogie Pilgrim  
Elevate Destinations  
Humulani Tours  
Indonga Travel  
Infinite Africa  
Jambo Safari  
Jenman African Safaris  
Journey In Style  
Kuvona  
Livingstone Safaris  
Luxury Safaris  
Ocean Adventures

Out of Africa Safaris  
PG Tops Travel  
Pule Africa  
Southern Africa 360 Luxury Holidays  
Terra Agua Ceu  
The Responsible Safari Company  
Walthers

### Outbound Tour Operators

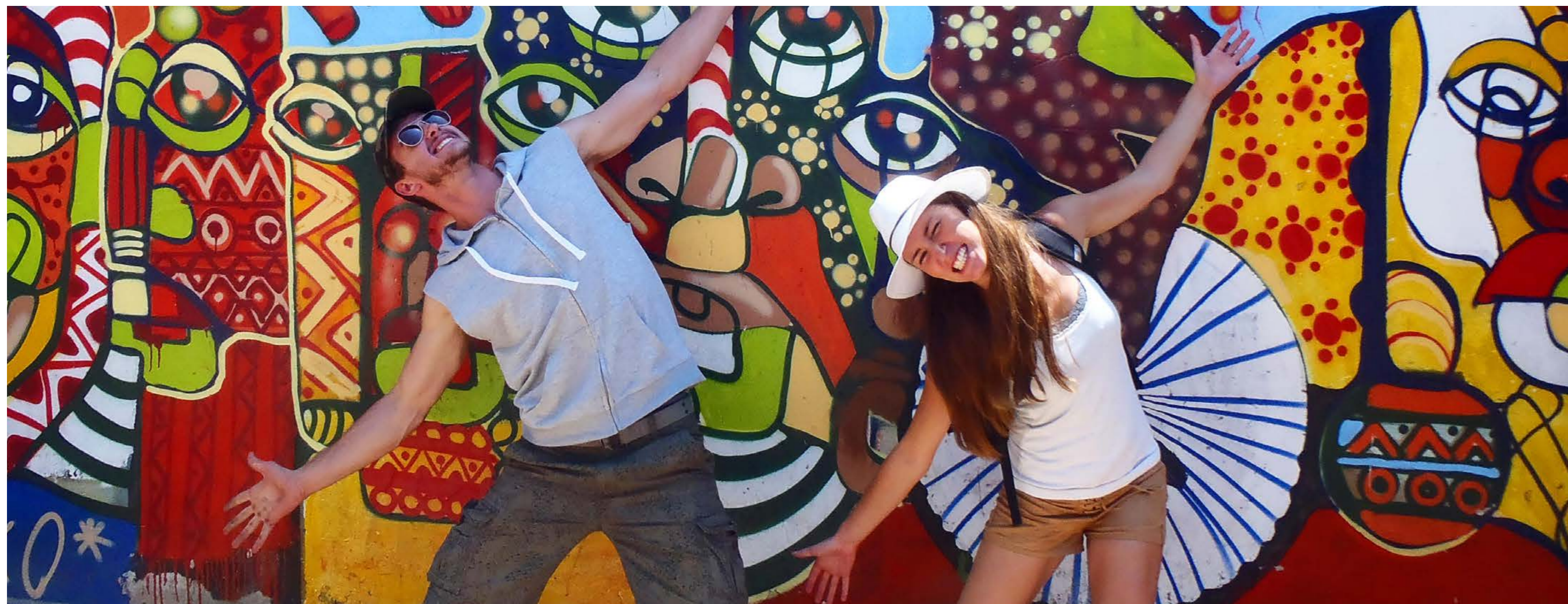
Accept Reisen  
Afrikaya Tours  
Daktari Travel  
Dreamtime  
ElementsZ Travel  
Fairfield Tours  
Footprint Travel  
Karawane Reisen

Kuoni UK  
One World – Reisen mit Sinnen  
SKR  
Tailormade Africa  
Tui Netherlands  
Wikinger Reisen

### DMCs

Cape Travel Online  
Private Safaris  
Safari Destinations  
Terra Nova  
XO Africa

In addition, the organisation entered into partnerships with several industry stakeholders to increase the awareness of Fair Trade Tourism and sustainable tourism in general.







**Here is a list of the partnerships initiated by Fair Trade Tourism in the year under review:**

WTM Africa, Thebe Reed Exhibitions – The Code and Joint Marketing Agreement for WTM Africa  
 The South African National Department of Tourism – The Code  
 Futouris – Kavango Zambezi (KAZA) Transfrontier Conservation Area  
 RETOSA – Alliance and Joint Programming  
 Lesotho Tourism Development Corporation – Resource Mobilisation  
 Mozambique Tourism Authority – Joint Marketing Agreement  
 Hlokomela - Hoedspruit Training Trust  
 KAZA secretariat  
 MRA with Botswana Ecotourism  
 MRA with Ecotourism Kenya

**EXPANDING OUR AFRICAN FOOTPRINT**

**In the year under review, Fair Trade Tourism entered into mutual recognition agreements (MRAs) with the following organisations in Africa:**

Botswana Tourism Organisation (BTO) Ecotourism Certification System - June 2016  
 Ecotourism Kenya - November 2016

The mutual recognition agreements aim to stimulate co-operation between sustainable tourism standards as well as expand the reach and awareness of sustainable tourism certification in the African tourism arena.

These MRAs also enable Fair Trade Tourism’s approved tour operators to incorporate top-tier certified businesses across eight countries in Fair Trade

Holidays - holiday packages in which at least 50% of bednights (or activities) are undertaken in or at Fair Trade Tourism certified or recognised businesses.

**During the year under review, the following properties were recognised under MRAs with our partner organisations:**

**Namibia**

Cañon Lodge  
 Cañon Roadhouse  
 Cañon Village  
 Dusternbrook Guest Farm  
 Etendeka Mountain Camp  
 Etosha Safari Camp  
 Etosha Safari Lodge  
 Hoanib Skeleton Coast Camp  
 Hobatere Lodge  
 Jackalberry Tented Camp  
 Namib Desert Lodge  
 Namushasha River Lodge  
 Nkasa Lupala Tented Lodge  
 Ongava Tented Camp  
 Sossus Oasis Camp Site  
 Sossusvlei Desert Camp  
 Sossusvlei Lodge  
 Wolwedans Boulders Camp  
 Wolwedans Dune Camp  
 Wolwedans Dunes Lodge  
 Wolwedans Private Camp

**Botswana**

&Beyond Sandibe Okavango Safari Lodge  
 &Beyond Xarana Okavango Delta Camp  
 &Beyond Xudum Okavango Delta Lodge  
 Abu Camp

Banoka Bush Camp  
 Camp Okavango  
 Chobe Game Lodge  
 Chitabe Camp  
 Duma Tao Camp  
 Jacana Camp  
 Jao Camp  
 Kalahari Plains Camp  
 Kings Pool Camp  
 Kwetsane Camp  
 Leroo-La-Tau Lodge  
 Little Yumbura Camp  
 Machaba Camp  
 Meno-A-Kwena Tented Camp  
 Mombo Camp  
 Savuti Bush Camp  
 Seba Camp  
 Selinda Camp  
 Selinda Explorers  
 Wildtrack Safaris Eco Lodge  
 Xigera Camp  
 Zarafa Camp

**Kenya**

Base Camp Maasai Mara  
 Camp Ya Kanzi  
 Cottar’s 1920’s Camp  
 Elephant Pepper Camp  
 Elsa’s Kopje  
 Kicheche Bush Camp  
 Kicheche Laikipia Camp  
 Kicheche Mara Camp  
 Kicheche Valley Camp  
 Kilima Camp  
 Lake Elementaita Serena Camp  
 Lewa Safari Camp  
 Mara Plains Camp

Medina Palms Hotel  
 Naboisho Camp  
 Olarro Lodge  
 Porini Amboseli Camp  
 Porini Lion Camp  
 Porini Mara Camp (Ol Kinyei)  
 Porini Rhino Camp  
 Sanctuary Olonana  
 Sasaab Samburu  
 Serena Beach Hotel and Spa  
 Solio Lodge  
 Sirikoi Lodge  
 Sweetwaters Serena Tented Camp  
 Tawi Lodge  
 Tortilis Camp  
 Turtle Bay Beach Club

**Seychelles**

Ans Forbans Chalets  
 Banyan Tree Seychelles Resort  
 Berjaya Beau Vallon Bay Resort and Casino  
 Constance Ephelia Resort  
 Hanneman’s Holiday Residence  
 Heliconia Grove  
 Hilton Labriz Resort and Spa  
 Kempinski Seychelles Resort

**Tanzania**

Dunia Camp  
 Kimondo Camp  
 Little Oliver’s Camp  
 Olakira Camp  
 Oliver’s Camp  
 Namiri Plains  
 Sayari Camp  
 Ubuntu Camp





## CAPACITY BUILDING AND TRANSFORMATION

### The Code and Child Protection Workshops

The Code is an instrument of self-regulation and corporate social responsibility, which provides increased protection to children from sexual exploitation in travel and tourism. Fair Trade Tourism trained 491 people under The Code in the year under review.

In July 2016 the organisation completed its second "Code" project funded by ECPAT Netherlands on behalf of the Foreign Ministry of the Netherlands. The aim of this pilot project was to enhance awareness and knowledge on sexual violence against children, among the public and relevant stakeholders that can guide responses and enhance co-operation around child protection.

People trained as part of the project were mostly staff in business hotels, as well as government and other stakeholders. They were trained in more than 20 workshops held across the country and included all levels of responsibility – from general managers to receptionists and cleaners.

It is our conclusion from evidence gathered in these workshops that there is a severe lack of awareness about commercial sexual exploitation of children in South Africa. The boundaries between prostitution involving legal adults (18 years and older) and minors are fluid, and while perpetrators are primarily South African nationals, foreign tourists are also involved. The MICE (Meetings, Incentives, Conferences and Events) sector is the most prone to commercial sexual



exploitation of children, mainly through business hotels and shuttle transport providers.

Fair Trade Tourism presented some of these results during the Global Launch of the South Africa Report on Sexual Exploitation of Children in Travel and Tourism by ECPAT International in Stellenbosch. The event was broadcast around the world with parallel events taking place in the US and Thailand.

### Labelwise Campaign, October 2016

The Labelwise campaign came out of the The Power of You (POY) Partnership - a South African campaign that sought to raise the profile of credible standard-setting organisations by delivering a single, unifying consumer message using a shared communications platform. Fair Trade Tourism, in partnership with Fair Trade Label South Africa, the Marine Stewardship Council and the Forest Stewardship Council launched the Labelwise campaign in October 2016 with a series of four professionally produced advertisements which were used across social media platforms and used other digital avenues and marketing campaigns to drive awareness. The adverts were also aired on People's Weather channel on DStv channel 180.

### Internal Capacity Building

Fair Trade Tourism is a level 3 contributor to Broad Based Black Economic Empowerment (BBBEE). The organisation remains a member of the Services SETA and paid R93,028.32 in skills development levies during the year under review.





## 6 In memoriam – Paul Miedema

During the year under review, Fair Trade Tourism had to say goodbye to one of its most valued clients and friends - Paul Miedema of Calabash Tours.

Paul was the embodiment of Fair Trade Tourism - a tourism businessman who was deeply committed to the principles of sustainable, responsible tourism and to the communities of Port Elizabeth whom he dedicated his life to helping. Paul embedded responsible tourism into Calabash's business and was a fierce supporter of Fair Trade Tourism, which he credited for helping his company find its blind spots and understand its limitations, allowing it to up its game.

He was a responsible tourism activist and was never afraid of raising his voice and making the case for a better way of doing business. His was a powerful voice, full of reasoned, measured thinking and an astute understanding of the way the world works. It was filled with passion and vigour and an unwavering call to action.

One of the last things Paul did for Fair Trade Tourism was help pull a ground-breaking article on township tourism together for the organisation's app-based magazine, Fair Trade Traveller. In it, he told writer Diane Tipping-Woods how he felt township tourism should be managed. We feel his words, rather than ours, should stand testament to Paul's remarkable contribution to the responsible tourism sector:

*"It's important to allow communities to help shape the ethos and the product. Operators need to constantly be asking 'how can we do this in a beneficial way? Are we welcome?' And if you are making money out of townships, you have to put money back.*

*I don't think we are doing well enough in terms of inclusive tourism and including marginal economies. I would like to see things move from language and policy to an action. Rather than narrowly looking at township or community based tourism products, inclusive tourism should operate throughout the industry's supply chain, involving local suppliers, SMMEs and service providers in all aspects of the sector.*

*Our agenda has always been to use tourism to drive social justice. Our initial thought wasn't about the money we could make. We started operating at a time of high social agency. We were thinking about labour practices and consent in communities and realised that visitors to South Africa needed a narrative to allow them to understand our society. On tours, we started to explain how apartheid used urban planning to separate people. Visitors were able to understand what they were seeing.*

*The latest shift in dialogue with operators is about authenticity - but not too much authenticity! Those wonderful uplifting stories are being replaced with less positive ones. There are burning tyre marks in almost every township in the Eastern Cape. We can't ignore that.*

*Our sector needs to wake up to the fact that tours don't have to be high gloss - some stories are hard. They are real. Airbrushing reality doesn't do our people or our country justice. We can be optimistic, but also realistic. It's not for us to decide on other people's stories."*

Paul Miedema, Calabash Tours





## 7 Our board of directors

During the year under review, Fair Trade Tourism's board comprised the following people:

**Lee-Anne Bac** is a Director of Grant Thornton where she is responsible for providing advisory services to property, tourism and hospitality clients. She was a member of the FTT Certification Panel from its inception in 2003 until its dissolution in September 2013 and has been a Fair Trade Tourism board member since October 2013.

**Jane Edge** is a tourism consultant with 25 years' experience in responsible tourism and conservation, PR and marketing, strategy and organisational development. She has worked in the tourism private sector as well as in the non-profit environment, most recently as Marketing Director for African Parks. She helped to roll out responsible tourism guidelines to South Africa's tourism sector in 2001/2002. She joined Fair Trade Tourism's board in February 2015.

**Des Mahony** is a Director at A4X (Africa Exchange). He is the former CEO of African Alliance Ltd, which

provides asset management, development finance and financial services to corporate clients. He joined the Board in March 2005 and brings valuable corporate and financial expertise to the team.

**Judy Kephher Gona** has spent 20 years at the forefront of Kenyan tourism, including 10 years as the CEO of Ecotourism Kenya and five years working with community wildlife conservancies. She is a former Board Member of the International Ecotourism Society and of the Global Sustainable Tourism Council.

**Dr Salifou Sidde** is a business development professional and holds a Doctor of Philosophy (PhD) in Organisational Communication from Pennsylvania State University. Currently serving as CEO of SME TradeLinks which links SMEs to business opportunities in Africa, his former posts include head of Communications at South African National Parks (SANParks); CEO of the Tourism Grading Council of SA (TGCSA) and CEO of the Tourism Enterprise Partnership (TEP).

## 8 Our operations team

During the year under review, the Fair Trade Tourism operations team comprised the following people:

**Adele van der Walt** – Systems and Administration Manager

**Buhle Mhlophe** – PR and Marketing Assistant

**Heinry Kalidozo** – Financial Controller

**Itani Malange** – Receptionist

**Nivashnee Naidoo** – Managing Director

**Jane Edge** – Managing Director

**Malebo Rammekoa** – Stakeholder Communications Assistant

**Manuel Bollmann** – Programme Development Manager

**Maria Nkuna** – Office Orderly

**Netsai Sibanda** – Stakeholder Relations Manager

**Thiofhi Ravele** – Business Development Support Manager

**Zoliswa Jayiya** – Business Development Support Assistant

**Sharon Gilbert-Rivett** – Marketing Manager  
**Ntotleng Manale** – Marketing Assistant and Marketing Manager

**Yunus Dhoda** – Financial Controller

**Tafadzwa Magaracha** – Financial Controller

Due to the nature of Fair Trade Tourism's internship and exchange programmes, some members of the team are only with Fair Trade Tourism for 12 months or less. Interns who worked with Fair Trade Tourism in the year under review include:

**Zoliswa Jayiya** – Business Development Services Assistant – Zoliswa was the sixth recipient of the Jennifer Caldwell Memorial Internship, established in honour of former Fair Trade Tourism intern, Jennifer Caldwell, who died in a tragic road accident in September 2009.





## 9 Donors and sponsors

Fair Trade Tourism would not exist without the generous support of its donors and sponsors:

### DONORS



**BTC** The **Belgian Technical Cooperation (BTC)** supports and provides guidance to development programmes. The BTC's aim is to increase access to markets for small and medium-sized certified businesses through market research (to identify clear target segments), product development assistance and creation of sustainable trade partnerships.



**End Child Prostitution, Child Pornography and Trafficking in Children for Sexual Purpose (ECPAT) International** is a global network of organisations and individuals working together for the elimination of child abuse and exploitation.



**Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH** on behalf of **German Federal Ministry of Development Cooperation (BMZ)**. As a federal enterprise, GIZ supports the German government in achieving its objectives in the field of international cooperation for sustainable development.



**Schweizerische Eidgenossenschaft**  
**Confédération suisse**  
**Confederazione Svizzera**  
**Confederaziun svizra**  
**Swiss State Secretariat for Economic Affairs (SECO)** is the Swiss Confederation agency responsible for economic policy. SECO is involved in supporting macro-economic policy reforms, infrastructure projects and programmes for promoting trade and investment.

### SPONSORS

**Adams & Adams** is a leading South African law firm specialising in intellectual property law and general commercial law. Adams & Adams has supported the management of the Fair Trade Tourism certification programme since 2001 through trademark registration and advice.

**Avis** is a leading South African car rental company that provides Fair Trade Tourism with a fixed number of sponsored vehicle hire days within South Africa to facilitate travel to various project sites.



## 10 The year ahead



The 2017/18 financial year looks set to hold challenges for Fair Trade Tourism, and, indeed, the African tourism industry in general. Brexit – Britain's withdrawal from the European Union (EU) – is already affecting travel to Africa from the UK and the future of the EU looks unclear. Continuing issues with South Africa's visa regulations and the ever-present global terrorism threat which has negatively affected European travel following high profile incidents across France, in Belgium and Turkey only add to the barriers to African tourism growth.

Fair Trade Tourism is focusing on strengthening its foothold in Africa and working closely with its existing MRA partners, forging new relationships with like-minded programmes across the continent and

preparing to take direct certification into Zimbabwe. Through these relationships, bolstered by its direct certification programmes in South Africa, Mozambique and Madagascar, Fair Trade Tourism aims to increase the awareness of sustainable tourism and the importance of harmonising sustainability benchmarking throughout Africa.

Most importantly, the organisation has developed a new membership scheme which will open the door to Fair Trade Tourism for a new generation of tourism companies, SMMEs and entrepreneurs for whom the cost of certification has been prohibitive. Through the use of specialised sustainable tourism toolkits, new members will be guided on the path towards more responsible business practices on an incremental basis.

*“the organisation has developed a new membership scheme which will open the door to Fair Trade Tourism for a new generation of tourism companies, SMMEs and entrepreneurs for whom the cost of certification has been prohibitive”*





## Company details **11**

Company Number 2004/034455/08  
Non Profit Registration Number: 040-021-NPO  
VAT Registration Number: 4320217690  
Income Tax Reference Number: 9729767146  
BBBEE Status: Level Two Contributor Verification  
Number: CNR 20264 Rev 077745



FAIR TRADE TOURISM (NPC)  
 (Registration number 2004/034455/08)  
 Annual Financial Statements  
 for the year ended 28 February 2017



These annual financial statements were prepared by:  
 Tafadzwa Magaracha – Professional Accountant (SA)  
 Fair Trade Tourism (NPC)

The financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

**Fair Trade Tourism NPC**

**Annual Financial Statements**  
*for the year ended 28 February 2017*

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## Fair Trade Tourism NPC

### Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of Fair Trade in Tourism NPC, comprising the statement of financial position at 28 February 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended 28 February 2017, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

### Approval of the annual financial statements

The annual financial statements of Fair Trade Tourism NPC, as identified in the first paragraph, were approved by the directors on 02 May 2017 and are signed on its behalf by:



Jane Edge



Desmond Mahony

## Fair Trade Tourism NPC

### Directors' report

The directors submitted their report for the year ended 28 February 2017.

#### 1. Review of activities

##### Main business and operations

The company is engaged in the assessment and certification of tourism businesses in Southern Africa, as well as raising awareness of sustainable tourism, advocacy and capacity building in the global tourism industry. The company operates principally in South Africa.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

#### 2. 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. The directors are comfortable that the company will remain solvent for at least the next 12 months on the basis of the contract concluded in June 2012 with the State Secretariat for Economic Affairs (SECO) for an additional amount of up to CHF55 000 (R 773 940) that will become available subject to the submission of the final report. Further income is available from the Belgian Technical Co-operation (BTC) of €132 747.62 (R1 867 759.01) as well as the National Lotteries Board (NLB) of R1 100 000. Further income arises from user label fees as well as investment income which totalled R368 875 and R206 628 respectively for 2017. Liquidity is supported by excess cash and cash equivalents of R8 134 042.

#### 3. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year which has not been accounted for in the financial statements and which would materially affect the financial results of the company.

#### 4. Directors

The directors of the company during the year and on the date of this report are as follows:

| Directors                    | Changes                   |
|------------------------------|---------------------------|
| LA Bac                       |                           |
| S Siddo                      | Appointed 1 December 2016 |
| JE Edge                      |                           |
| JAK Gona - Kenyan            | Appointed 1 March 2016    |
| CB Mabaso                    | Appointed 1 March 2016    |
|                              | Resigned 31 July 2016     |
| DT Mahony                    |                           |
| N Naidoo – Managing Director | Resigned 31 October 2016  |

#### 5. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act 71 of 2008.





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 Fax +27 (0)12 431 1301  
 Docex 109 Pretoria  
 Internet kpmg.co.za

## Independent Auditor's Report

### To the Directors of Fair Trade Tourism NPC

#### Opinion

We have audited the financial statements of Fair Trade Tourism NPC set out on pages 8 to 27 which comprise the statement of financial position as at 28 February 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fair Trade Tourism NPC as at 29 February 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our 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 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa and the Directors' Responsibility Statement. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Policy Board  
 Chief Executive: TH Hoole

Executive Directors: M Letsitsi, SL Louw, NKS Malaba, M Oddy, CAT Smit

Other Directors: ZA Boseti, LP Fourie, N Fubu, AH Jaffer (Chairman of the Board), ME Magondo, F Mall, GM Pickering, JN Pierce

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.



#### Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**KPMG Inc.**

Per J Vliegenthart  
Chartered Accountant (SA)  
Registered Auditor  
Director  
03 May 2017

## Fair Trade Tourism NPC

### Statement of financial position

at 28 February 2017

|  | Note | 2017<br>R        | 2016<br>R         |
|--|------|------------------|-------------------|
| <b>Assets</b>                            |      |                  |                   |
| <b>Non-current assets</b>                |      |                  |                   |
| Plant and equipment                      | 3    | 47 036           | 85 760            |
| <b>Current assets</b>                    |      |                  |                   |
| Trade and other receivables              | 4    | 193 868          | 393 456           |
| Cash and cash equivalents                | 5    | 8 134 042        | 10 785 121        |
| Advances by donors on project agreements | 7    | 540 568          | -                 |
| <b>Total assets</b>                      |      | <b>8 915 514</b> | <b>11 264 337</b> |
| <b>Equity and liabilities</b>            |      |                  |                   |
| <b>Capital and reserves</b>              |      |                  |                   |
| Retained surplus                         |      | 4 935 089        | 4 264 537         |
| <b>Current liabilities</b>               |      |                  |                   |
| Trade and other payables                 | 6    | 141 137          | 291 333           |
| Advances by donors on project agreements | 7    | 3 839 288        | 6 708 467         |
| <b>Total equity and liabilities</b>      |      | <b>8 915 514</b> | <b>11 264 337</b> |



## Fair Trade Tourism NPC

### Statement of profit or loss and other comprehensive income for the year ended 28 February 2017

|  |   | 2017<br>R             | 2016<br>R           |
|--|---|-----------------------|---------------------|
| Income   | 8 | 8 974 481             | 12 869 795          |
| Operating expenses                             |   | <u>(8 510 229)</u>    | <u>(10 975 955)</u> |
| <b>Operating surplus</b>                       | 9 | <b>464 252</b>        | 1 893 840           |
| Interest income                                |   | 206 628               | 270 034             |
| Interest expense                               |   | (105)                 | (271)               |
| Loss on foreign exchange differences           |   | <u>(223)</u>          | -                   |
| <b>Income for the year</b>                     |   | <b>670 552</b>        | 2 163 603           |
| Other comprehensive income                     |   | -                     | -                   |
| <b>Total comprehensive income for the year</b> |   | <u><b>670 552</b></u> | <u>2 163 603</u>    |

## Fair Trade Tourism NPC

### Statement of changes in equity for the year ended 28 February 2017

|                                    | Retained<br>surplus<br>R | Total equity<br>R       |
|------------------------------------|--------------------------|-------------------------|
| <b>Balance at 1 March 2015</b>     | 2 100 934                | 2 100 934               |
| <b>Changes in equity</b>           |                          |                         |
| Comprehensive income for the year  | <u>2 163 603</u>         | <u>2 163 603</u>        |
| <b>Balance at 1 March 2016</b>     | <b>4 264 537</b>         | <b>4 264 537</b>        |
| <b>Changes in equity</b>           |                          |                         |
| Comprehensive income for the year  | <u>670 552</u>           | <u>670 552</u>          |
| <b>Balance at 28 February 2017</b> | <u><b>4 935 089</b></u>  | <u><b>4 935 089</b></u> |



## Fair Trade Tourism NPC

### Statement of cash flows

for the year ended 28 February 2017

|  | Note | 2017<br>R          | 2016<br>R    |
|--|------|--------------------|--------------|
| <b>Cash flow from operating activities</b>                 |      |                    |              |
| Cash receipts from donors and clients                      |      | 9 129 641          | 13 669 860   |
| Cash paid to suppliers and employees                       |      | (12 016 255)       | (11 266 846) |
| <b>Cash (utilised)/generated by operations</b>             | 10   | <b>(2 886 614)</b> | 2 403 014    |
| Interest received  |      | 206 628            | 270 034      |
| Interest paid  |      | (105)              | (271)        |
| <b>Net cash (outflow)/inflow from operating activities</b> |      | <b>(2 680 091)</b> | 2 672 777    |
| <b>Cash inflow/(outflow) from investing activities</b>     |      |                    |              |
| Purchase of plant and equipment                            | 3    | -                  | (81 435)     |
| Proceeds from sale of plant and equipment                  | 3    | 29 012             | -            |
| Net (decrease)/increase in cash and cash equivalents       |      | (2 651 079)        | 2 591 342    |
| Cash and cash equivalents at the beginning of the year     |      | 10 785 121         | 8 193 779    |
| <b>Cash and cash equivalents at the end of the year</b>    | 5    | <b>8 134 042</b>   | 10 785 121   |

## Fair Trade Tourism NPC

### Notes to the financial statements

for the year ended 28 February 2017

#### 1 Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act 71 of 2008. The 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, except where otherwise noted.

#### 1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Items of property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

| Item                     | Average useful life |
|--------------------------|---------------------|
| • Furniture and fixtures | 7 years             |
| • Office equipment       | 6 years             |
| • IT equipment           | 3 years             |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in comprehensive income unless it is included in the carrying amount of another asset.



## Fair Trade Tourism NPC

### Notes to the financial statements

for the year ended 28 February 2017(continued)

#### 1.2 Financial instruments

##### Classification

The company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Other financial liabilities

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

##### Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company 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 instruments are measured initially at fair value plus transaction costs.

##### Subsequent measurement

Financial instruments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

##### Impairment of financial assets

At each reporting date the company assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

## Fair Trade Tourism NPC

### Notes to the financial statements

for the year ended 28 February 2017(continued)

#### 1.2 Financial instruments (continued)

##### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

##### 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.

##### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

#### 1.3 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.



## Fair Trade Tourism NPC

### Notes to the financial statements

for the year ended 28 February 2017(continued)

#### 1.3 Impairment of assets (continued)

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

#### 1.4 Employee benefits

##### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### 1.5 Provisions and contingencies

Provisions are recognised when:

- the company 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

#### 1.6 Grants

Grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

## Fair Trade Tourism NPC

### Notes to the financial statements

for the year ended 28 February 2017(continued)

#### 1.6 Grants (continued)

Grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Grants related to income are presented as a credit in the profit or loss (separately).

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

#### 1.7 Revenue recognition

Income received from the use of the “Fair Trade Tourism” certification mark is recognised and measured on the accrual basis in accordance with the substance of the agreement.

Contract revenue comprises:

the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments:

- to the extent that it is probable that they will result in revenue; and
- they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

#### 1.8 Translation of foreign currencies

##### Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are translated using the spot rate at each reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise. Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.



## Fair Trade Tourism NPC

### Notes to the financial statements

for the year ended 28 February 2017(continued)

#### 1.9 Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Assets held under operating leases and are not recognised in the Company's statement of financial position.

#### 2 Standards and interpretations not yet effective and adopted in the current year

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

##### Disclosure Initiative (Amendments to IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

It is not expected that the amendments will have a material impact on the company.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

##### IFRS 15 Revenue from contracts with customers

This standard replaces *IAS 11 Construction Contracts*, *IAS 18 Revenue*, *IFRIC 13 Customer Loyalty Programmes*, *IFRIC 15 Agreements for the Construction of Real Estate*, *IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The Company is currently in the process of performing a more detailed assessment of the impact of this standard on the Company and will provide more information in the year ending 28 February 2018 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

## Fair Trade Tourism NPC

### Notes to the financial statements

for the year ended 28 February 2017(continued)

#### 2 Standards and interpretations not yet effective and adopted in the current year (continued)

##### IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final *IFRS 9 Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace *IAS 39 Financial Instruments: Recognition and Measurement*.

Changes include the measurement bases financial instruments. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised.

The Company is currently in the process of performing a more detailed assessment of the impact of this standard on the Company and will provide more information in the year ending 28 February 2018 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

##### IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, *IAS 17 Leases*, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The Company is assessing the potential impact on the financial statements resulting from the application of IFRS 16 and will provide more information in the year ending 28 February 2018 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.



## Fair Trade Tourism NPC

### Notes to the financial statements (continued)

for the year ended 28 February 2017

#### 3. Property, plant and equipment

| 2017                        | Office equipment<br>R | Furniture and fittings<br>R | Computer equipment<br>R | Total<br>R       |
|-----------------------------|-----------------------|-----------------------------|-------------------------|------------------|
| <b>Cost</b>                 |                       |                             |                         |                  |
| Balance at 1 March 2016     | 30 483                | 78 632                      | 307 984                 | 417 099          |
| Disposals                   | -                     | (28 352)                    | (17 605)                | (45 957)         |
| Balance at 28 February 2017 | <u>30 483</u>         | <u>50 280</u>               | <u>290 379</u>          | <u>371 142</u>   |
| <b>Depreciation</b>         |                       |                             |                         |                  |
| Balance at 1 March 2016     | (30 482)              | (78 631)                    | (222 226)               | (331 339)        |
| Depreciation                | -                     | -                           | (31 547)                | (31 547)         |
| Disposals                   | -                     | 28 352                      | 10 428                  | 38 780           |
| Balance at 28 February 2017 | <u>(30 482)</u>       | <u>(50 279)</u>             | <u>(243 345)</u>        | <u>(324 106)</u> |
| <b>Carrying amounts</b>     |                       |                             |                         |                  |
| At 28 February 2017         | <u>1</u>              | <u>1</u>                    | <u>47 034</u>           | <u>47 036</u>    |
| <b>2016</b>                 |                       |                             |                         |                  |
| <b>Cost</b>                 |                       |                             |                         |                  |
| Balance at 1 March 2015     | 30 483                | 78 632                      | 226 549                 | 335 664          |
| Additions                   | -                     | -                           | 81 435                  | 81 435           |
| Balance at 29 February 2016 | <u>30 483</u>         | <u>78 632</u>               | <u>307 984</u>          | <u>417 099</u>   |
| <b>Depreciation</b>         |                       |                             |                         |                  |
| Balance at 1 March 2015     | (30 482)              | (75 939)                    | (203 376)               | (309 797)        |
| Depreciation                | -                     | (2 692)                     | (18 850)                | (21 542)         |
| Balance at 29 February 2016 | <u>(30 482)</u>       | <u>(78 631)</u>             | <u>(222 226)</u>        | <u>(331 339)</u> |
| <b>Carrying amounts</b>     |                       |                             |                         |                  |
| At 29 February 2016         | <u>1</u>              | <u>1</u>                    | <u>85 758</u>           | <u>85 760</u>    |

## Fair Trade Tourism NPC

### Notes to the financial statements (continued)

for the year ended 28 February 2017

|                                       | 2017<br>R      | 2016<br>R      |
|---------------------------------------|----------------|----------------|
| <b>4. Trade and other receivables</b> |                |                |
| Trade receivables                     | 143 242        | 282 988        |
| VAT                                   | 33 108         | 92 418         |
| Prepayments                           | 15 000         | 18 050         |
| Other receivables                     | 2 518          | -              |
|                                       | <u>193 868</u> | <u>393 456</u> |

Due to the short-term nature of the trade and other receivables, the carrying amount approximates its fair value.

#### 5. Cash and cash equivalents

|               | 2017<br>R        | 2016<br>R         |
|---------------|------------------|-------------------|
| Cash on hand  | 1 176            | 641               |
| Deposits      | 15 850           | 75 000            |
| Bank balances | 8 117 016        | 10 709 480        |
|               | <u>8 134 042</u> | <u>10 785 121</u> |

Due to the short-term nature of the cash and cash equivalents, the carrying amount approximates its fair value.

#### 6. Trade and other payables

|          | 2017<br>R      | 2016<br>R      |
|----------|----------------|----------------|
| Accruals | 141 137        | 291 333        |
|          | <u>141 137</u> | <u>291 333</u> |

The carrying amounts of trade and other payables approximates their fair values due to the short-term maturity of these liabilities.



## Fair Trade Tourism NPC

### Notes to the financial statements (continued)

for the year ended 28 February 2017

#### 7. Advances by donors on project agreements

| 2017  | Opening balance  | Receipts         | Utilised           | Unspent / (overspent) at year end |
|---|------------------|------------------|--------------------|-----------------------------------|
| Belgian Technical Cooperation (BTC)                               | 250 988          | 383 633          | (634 621)          | -                                 |
| Stichting Defence for Children International Nederland (EECPAT 2) | 226 662          | 148 545          | (375 207)          | -                                 |
| Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ)    | 211 888          | -                | -                  | 211 888                           |
| National Lotteries Board  | 4 394 132        | -                | (766 732)          | 3 627 400                         |
| Nelson Mandela Bay Tourism  | -                | 30 000           | (30 000)           | -                                 |
| Swiss State Secretariat for Economic Affairs (SECO)               | 1 624 797        | 4 473 903        | (6 639 268)        | (540 568)                         |
| <b>Total</b>  | <b>6 708 467</b> | <b>5 036 081</b> | <b>(8 445 828)</b> | <b>3 298 720</b>                  |
| Amount classified as current assets                               |                  |                  |                    | 540 568                           |
| Amount classified as current liabilities                          |                  |                  |                    | (3 839 288)                       |
| <b>Total</b>  |                  |                  |                    | <b>(3 298 720)</b>                |

SECO has committed to fund an additional CHF 55 000 on the over-utilisation incurred on the project. As a result the over-utilisation has been recognised as an asset limited to the amount committed to by SECO.

| 2016  | Opening balance  | Receipts          | Utilised            | Unspent at year end |
|---|------------------|-------------------|---------------------|---------------------|
| Belgian Technical Cooperation (BTC)                                 | 282 534          | -                 | (31 546)            | 250 988             |
| Stichting Defence for Children International Nederland (ECPAT )     | 701 788          | 230 554           | (932 342)           | -                   |
| Stitching Defence for Children International Nederland (ECPAT 2)    | -                | 480 503           | (253 841)           | 226 662             |
| Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) SADC | 20 889           | -                 | (20 889)            | -                   |
| Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ)      | 440 632          | 90 432            | (319 176)           | 211 888             |
| Swiss State Secretariat for Economic Affairs (SECO)                 | 4 161 442        | 8 321 775         | (10 858 420)        | 1 624 797           |
| National Lotteries Board  | -                | 4 400 000         | (5 868)             | 4 394 132           |
| <b>Total</b>  | <b>5 607 285</b> | <b>13 523 264</b> | <b>(12 422 082)</b> | <b>6 708 467</b>    |

## Fair Trade Tourism NPC

### Notes to the financial statements (continued)

for the year ended 28 February 2017

|  | 2017<br>R          | 2016<br>R         |
|--|--------------------|-------------------|
| <b>8. Income</b>   |                    |                   |
| Grant Income   | 8 525 140          | 12 473 789        |
| Label user fees  | 368 875            | 303 558           |
| Other income   | 80 466             | 92 448            |
|  | <b>8 974 481</b>   | <b>12 869 795</b> |
| <b>9. Operating surplus</b>  |                    |                   |
| Operating surplus for the year is stated after accounting for the following: |                    |                   |
| Auditors' remuneration   | 326 252            | 105 200           |
| -Audit fees  | 157 861            | 95 200            |
| -Other services  | 168 391            | 10 000            |
| Bad debts  | 44 428             | 40 305            |
| Consulting fees  | 1 749 720          | 2 615 849         |
| Employee costs   | 3 149 182          | 4 049 372         |
| Gain on disposal of plant and equipment                                      | 21 835             | -                 |
| Office rental expenses – contractual   | 227 619            | 357 901           |
| <b>10. Cash generated by operations</b>                                      |                    |                   |
| Income for the year  | 670 552            | 2 163 603         |
| <b>Adjusted for:</b>   |                    |                   |
| Depreciation   | 31 547             | 21 542            |
| Gain on disposal of plant and equipment                                      | (21 835)           | -                 |
| Loss on foreign exchange differences   | 223                | -                 |
| Interest received  | (206 628)          | (270 034)         |
| Interest paid  | 105                | 271               |
| <b>Change in working capital</b>   |                    |                   |
| Decrease/(increase) in trade and other receivables                           | 199 588            | (209 105)         |
| Decrease in trade and other payables   | (150 419)          | (404 445)         |
| (Decrease)/increase in advances by donors on projects agreements             | (3 409 747)        | 1 101 182         |
|  | <b>(2 886 614)</b> | <b>2 403 014</b>  |



## Fair Trade Tourism NPC

### Notes to the financial statements (continued)

for the year ended 28 February 2017

#### 11. Risk management

##### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The ageing of trade receivables that were not impaired was as follows:

|                               | 2017           | 2016           |
|-------------------------------|----------------|----------------|
| Neither past due nor impaired | 122 836        | 195 262        |
| Past due 1 – 30 days          | -              | 65 268         |
| Past due 31 – 60 days         | 5 244          | -              |
| Past due by more than 61 days | 15 162         | 22 458         |
|                               | <u>143 242</u> | <u>282 988</u> |

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk

## Fair Trade Tourism NPC

### Notes to the financial statements (continued)

for the year ended 28 February 2017

#### 11. Risk management (continued)

##### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Liquidity requirements are assessed on an on-going basis. No significant risks exist as the company is conservatively structured, donor funding is actively managed and the services offered to clients generate positive cash flows.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

| 2017  | Carrying Amount  | Contractual cash flows |                  |
|---|------------------|------------------------|------------------|
|   |                  | Total                  | 2 Months or less |
| <b>Non Derivative financial liabilities</b> |                  |                        |                  |
| Trade and other payables                    | 141 137          | 96 748                 | 96 748           |
| Advances by donors on project agreements    | 3 839 288        | -                      | -                |
|   | <u>3 980 425</u> | <u>96 748</u>          | <u>96 748</u>    |
| <br>  |                  |                        |                  |
| 2016  | Carrying Amount  | Contractual cash flows |                  |
|   |                  | Total                  | 2 Months or less |
| <b>Non Derivative financial liabilities</b> |                  |                        |                  |
| Trade and other payables                    | 291 333          | 291 333                | 291 333          |
| Advances by donors on project agreements    | 6 708 467        | -                      | -                |
|   | <u>6 999 800</u> | <u>291 333</u>         | <u>291 333</u>   |



## Fair Trade Tourism NPC

### Notes to the financial statements (continued)

for the year ended 28 February 2017

#### 11. Risk management (continued)

##### Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

##### Interest rate risk

Funding requirements or investment of surplus funds are managed through commercial bank facilities. The interest rate profile of the Company's interest-bearing financial instruments is as follows:

|                                  | 2017             | 2016             |
|----------------------------------|------------------|------------------|
| <b>Variable-rate instruments</b> |                  |                  |
| Financial assets                 | 2 655 506        | 4 780 913        |
| Financial liabilities            | (11 884)         | (59 708)         |
|                                  | <b>2 643 622</b> | <b>4 721 205</b> |

##### Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity by the amounts shown below (assuming that all other variables remain constant):

|                                    | 100 bp increase | 100 bp decrease |
|------------------------------------|-----------------|-----------------|
| <b>28 February 2017</b>            |                 |                 |
| Variable-rate instruments          | 26 463          | (26 463)        |
| <b>Cash flow sensitivity (net)</b> | <b>26 463</b>   | <b>(26 463)</b> |

##### 29 February 2016

|                                    |               |                 |
|------------------------------------|---------------|-----------------|
| Variable-rate instruments          | 47 212        | (47 212)        |
| <b>Cash flow sensitivity (net)</b> | <b>47 212</b> | <b>(47 212)</b> |

## Fair Trade Tourism NPC

### Notes to the financial statements (continued)

for the year ended 28 February 2017

#### 12. Financial instruments – accounting classification

| 2017                                     | Note | Loans and receivables | Other financial liabilities | Total            |
|--|------|-----------------------|-----------------------------|------------------|
| <b>Financial Assets</b>                  |      |                       |                             |                  |
| Trade and other receivables              | 4    | 143 242               | -                           | 143 242          |
| Cash and cash equivalents                | 5    | 8 134 042             | -                           | 8 134 042        |
| Advances by donors on project agreements | 7    | 540 568               | -                           | 540 568          |
| <b>Financial liabilities</b>             |      |                       |                             |                  |
| Trade and other payables                 | 6    | -                     | (141 137)                   | (141 137)        |
| Advances by donors on project agreements | 7    | -                     | (3 839 288)                 | (3 839 288)      |
|  |      | <b>8 817 852</b>      | <b>(3 980 425)</b>          | <b>4 837 427</b> |

| 2016                                     | Note | Loans and receivables | Other financial liabilities | Total            |
|--|------|-----------------------|-----------------------------|------------------|
| <b>Financial Assets</b>                  |      |                       |                             |                  |
| Trade and other receivables              | 4    | 393 456               | -                           | 393 456          |
| Cash and cash equivalents                | 5    | 10 785 121            | -                           | 10 785 121       |
| <b>Financial liabilities</b>             |      |                       |                             |                  |
| Trade and other payables                 | 6    | -                     | (291 333)                   | (291 333)        |
| Advances by donors on project agreements | 7    | -                     | (6 708 467)                 | (6 708 467)      |
|  |      | <b>11 178 577</b>     | <b>(6 999 800)</b>          | <b>4 178 777</b> |

#### 13. Subsequent events review

The directors have performed a review of events that occurred subsequent to year end. The results of this review indicated that no events occurred subsequent to year end that required disclosure in these annual financial statements.



## Fair Trade Tourism NPC

### Notes to the financial statements (continued)

for the year ended 28 February 2017

#### 14. Taxation

Taxation has not been provided as the company has tax exempt status (Exemption number: 930016071), in terms of the Income tax act in South Africa. Income for the year is therefore not taxable.

#### 15. Related parties

The Company does not have any related parties other than key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of that Company.

| Key management personnel compensation                          | 2017             | 2016           |
|--|------------------|----------------|
|  | R                | R              |
| Key management personnel compensation comprised the following: |                  |                |
| Short-term benefits  | <u>1 277 517</u> | <u>999 552</u> |
|  | <u>1 277 517</u> | <u>999 552</u> |

At year end there are no balances in favour of nor against related parties.

#### 16. Operating leases as a lessee

The Company leases an office under an operating leases. The lease term is month-to-month with the monthly rental payments at year end being R15 850. The rental payments increase at a rate of 10% per annum with the increase taking place February each year. No contingent rent payable and no restrictions imposed by lease arrangement.

As there is no guaranteed lease term it is not possible to assess with reasonable certainty any future minimum lease payments.

## Fair Trade Tourism NPC

### Detailed Income Statement

for the year ended 28 February 2017

|                                | 2017             | 2016              |
|--------------------------------|------------------|-------------------|
|                                | R                | R                 |
| <b>Income</b>                  |                  |                   |
| Grant income                   | 8 525 140        | 12 473 789        |
| Label user fees                | 368 875          | 303 558           |
| Other Income                   | 80 466           | 92 448            |
|                                | <u>8 974 481</u> | <u>12 869 795</u> |
| <b>Operating expenses</b>      |                  |                   |
| Auditors remuneration          | 326 252          | 105 200           |
| Bank charges                   | 21 040           | 152 452           |
| Bad debts                      | 44 428           | 40 305            |
| Board and AGM                  | 22 703           | 36 438            |
| Certification Subsidy          | 236 045          | 105 518           |
| Capacity Building              | 312 460          | -                 |
| Computer expenses              | 59 454           | 160 168           |
| Consulting fees                | 1 749 720        | 2 615 849         |
| Courier & Postage              | 3 946            | 17 751            |
| Depreciation                   | 31 547           | 21 542            |
| Donations                      | -                | 580               |
| Employee costs                 | 3 149 182        | 4 049 372         |
| Exhibitions                    | 73 307           | 1 029 586         |
| Insurance                      | 24 197           | 26 777            |
| Legal expenses                 | 89 179           | 51 123            |
| NLDF Amahlubi Project Expenses | 766 731          | -                 |
| Marketing                      | 372 786          | 898 499           |
| Membership Fees                | 4 925            | 32 457            |
| Monitoring and evaluation      | -                | 28 598            |
| Printing and collateral design | 15 542           | 124 898           |
| Project Management             | 42 000           | -                 |
| Recruitment Costs              | -                | 142 948           |
| Rentals and office expenses    | 484 641          | 357 901           |
| Research & Development         | 1 047            | -                 |
| Stationery                     | 24 850           | 9 054             |
| Telephone & Fax                | 49 825           | 79 673            |
| Training                       | 15 480           | 43 494            |
| Travel – international         | 186 675          | 325 005           |
| Travel – national              | 287 666          | 303 038           |
| Websites                       | 11 221           | 53 186            |
| Workshops                      | 103 380          | 164 543           |
|                                | <u>8 510 229</u> | <u>10 975 955</u> |
| <b>Operating surplus</b>       | <u>464 252</u>   | <u>1 893 840</u>  |

The supplementary information presented does not form part of the financial statements and is unaudited.



## Fair Trade Tourism NPC

### Detailed Income Statement (continued)

for the year ended 28 February 2017

|                                      | 2017           | 2016             |
|--------------------------------------|----------------|------------------|
|                                      | R              | R                |
| <b>Operating surplus</b>             | <b>464 252</b> | <b>1 893 840</b> |
| Finance Income                       | 206 628        | 270 034          |
| Finance Charges                      | (105)          | (271)            |
| Loss on Foreign Exchange Differences | (223)          | -                |
| <b>Income for the year</b>           | <b>670 552</b> | <b>2 163 603</b> |

The supplementary information presented does not form part of the financial statements and is unaudited.





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