

SOUTH AFRICAN WINE INDUSTRY TRUST
ANNUAL REPORT 2009



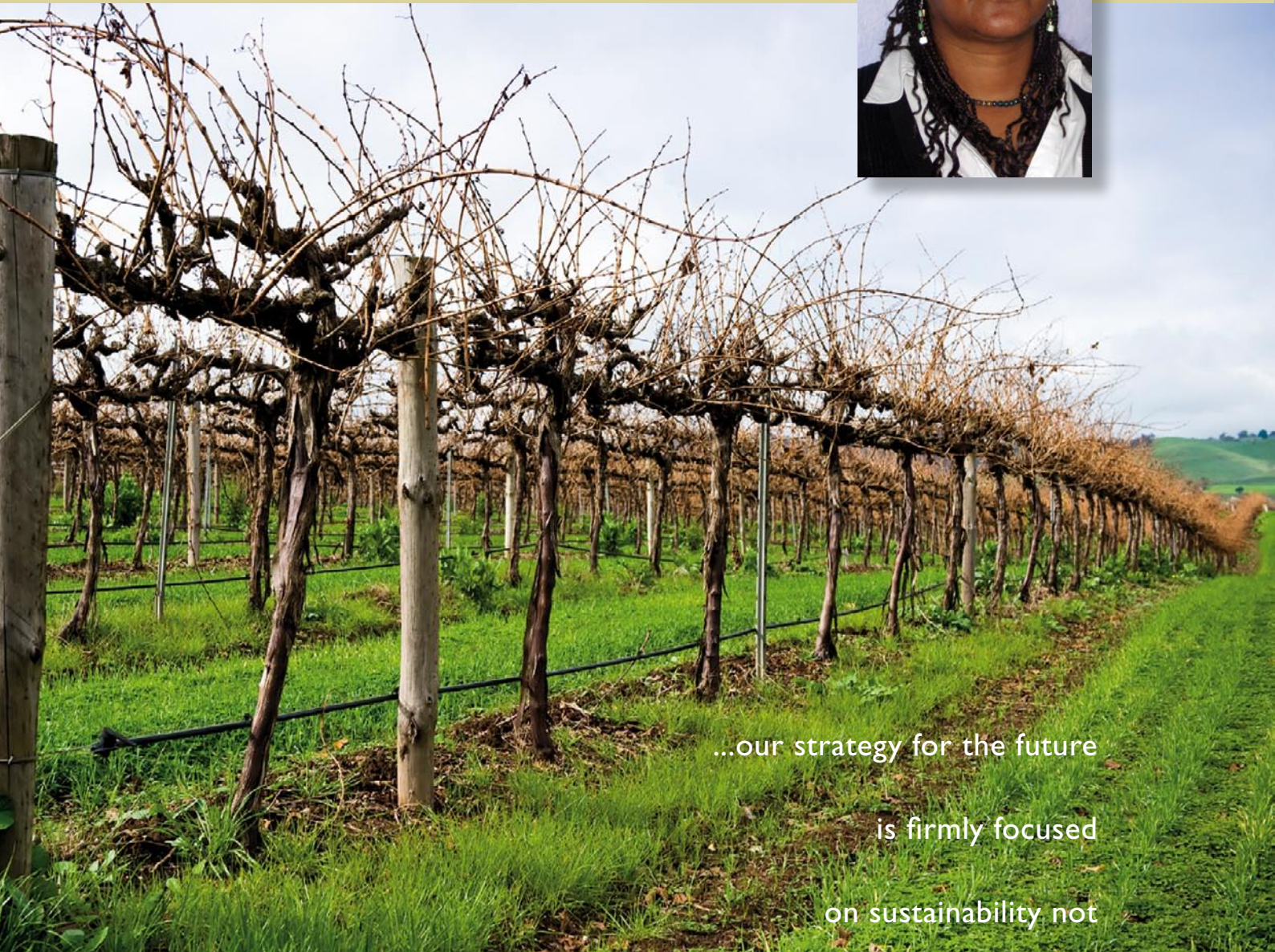
VISION

The creation of a transformed wine industry that is sustainable and vibrant, populated by an empowered worker community that shares quitably in the growth and prosperity of this industry



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...our strategy for the future
is firmly focused
on sustainability not

only for the industry
but also for the Trust.

Chairperson Looking Ahead

Between 1994 and 1997, South Africa went through three years of optimistic change as we experienced rapid movements in terms of development. The release from prison of Nelson Mandela and the formation of a democratic Government, cast South Africa into the rising tide of globalisation, with the changing commercial, social and political imperatives that accompanied these events. Government, aiming to demonstrate its ability to deliver on its mandate, and industry requiring innovative and strategic solutions to issues of transformation, initiated the South African Wine Industry Trust (SAWIT). As such SAWIT framed a partnership between that of the Department of Agriculture and KVV, formed for the purposes of stimulating and driving transformation within the wine industry. This collaboration was concluded and culminated when **SAWIT celebrated its 10th Anniversary in 2008**, with SAWIT fulfilling all its obligations and becoming a completely independent, autonomous, self-sustaining legal entity.

In 2009 the wine industry celebrated 350 years of South African wine – 1659 to 2009. The wine industry in South Africa has a long history of the exclusion of black people either as owners, shareholders or executive managers. This is neither affordable nor sustainable in the new South African economy. The Trust therefore remains committed to providing a leading role in the facilitation of broad based black economic empowerment (BBBEE) in the wine industry for the benefit of those communities who are based in the wine producing areas and also for those groupings and entrepreneurs who have historically been denied access to opportunities and wish to become active participants in the wine industry.

We realise that strategy is an ever developing and altering craft, especially when practiced at the macro level of an entire and diverse industry such as the South African Wine Industry. Hence as an entity founded with the purpose of providing directives and holding the wine industry responsible but also to provide opportunities and space for industry to:

Look in – providing the monitoring of key actions and projects, stimulating tight links between the different projects that have as their purpose change and transformation, and reflecting the impacts made as well as those not made.

Look out – as to what the industry most requires and will need; its challenges; risks; and predicting the needs and critical obstructions and/or actions (identifying the projects/issues which need to be focused on) that may be needed to clear its way forward.

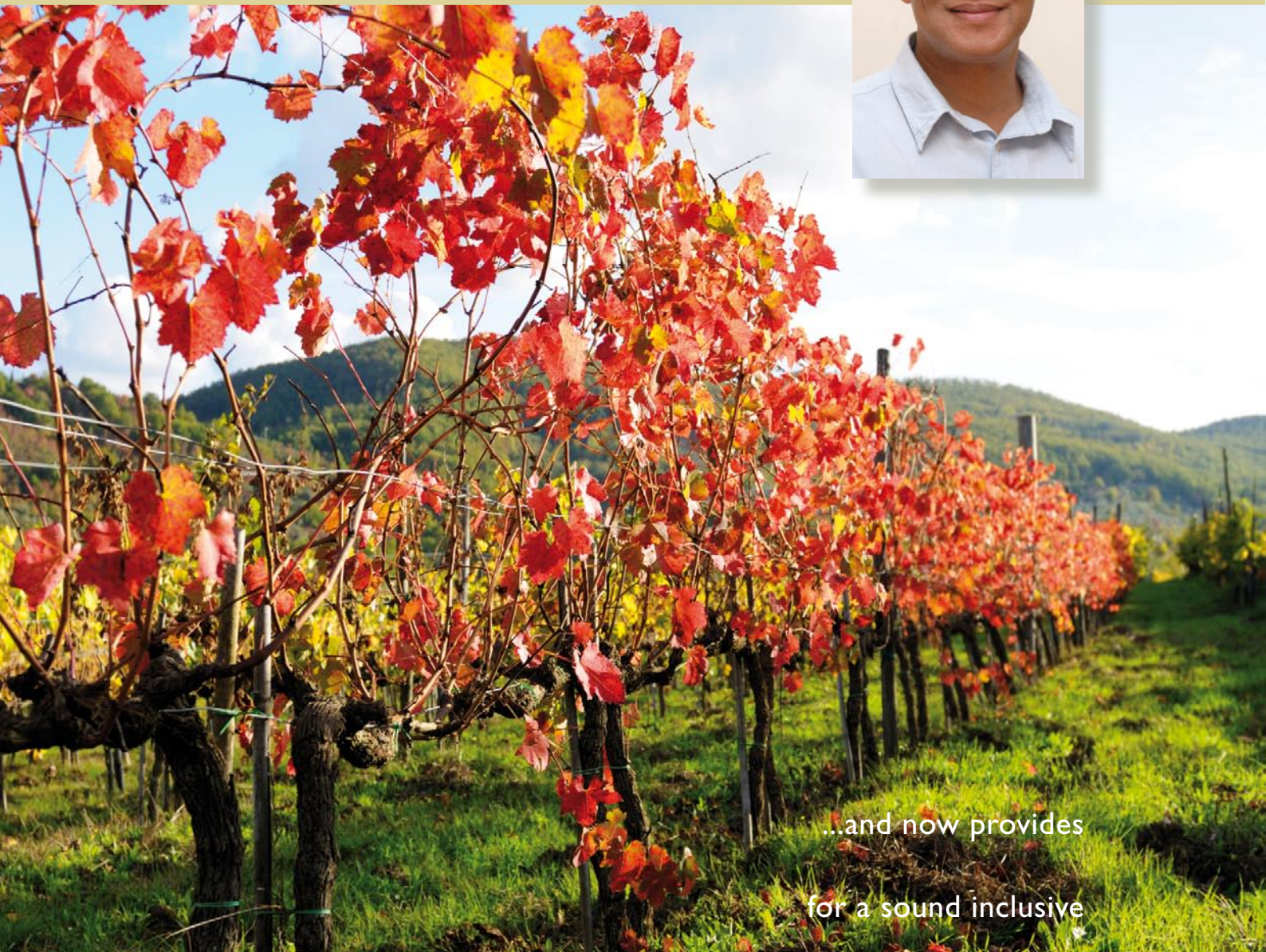
Look ahead – towards creating shared goals supported by the setting of clear targets for the industry.

Our agenda and action plan with key programmatic areas have been framed within the current economic context, informed by the principles of the Wine Transformation Charter; and developed through broad consultation, so as to ensure that transformation is achieved in a sustainable, equitable and economically viable manner.

As we move forward, our strategy for the future is firmly focused on sustainability not only for the industry but also for the Trust. Priorities here will include aggressive capital-raising exercises, growing and expanding development programmes, stimulating BBBEE initiatives, social development and emerging farmer development.



Sharron Marco-Thyse



...and now provides
for a sound inclusive

roadmap for the wine

industry as a whole

CEO Looking Back

To illustrate the diverse nature, experience and capacity, SAWIT has generated over the past twelve years, it is useful to reflect on a few of its achievements and industry milestones.

Establishment of the Wine Transformation Charter

Between 2002 and 2004 and Department of Agriculture initiated a consultative process with the five major producing agricultural sectors (grain, cotton, sugar, wine, red meat) which resulted in a draft AgriBEE Framework. Then, during November 2003, The South African Wine Industry Trust took on the initiative and convened the first conference on BEE within the Wine Industry. The objective was the realization of a Wine Industry Black Economic Empowerment Charter. To achieve this end, a Wine Transformation Charter Steering Committee (WCSC) was formed, which operated as an independent, non-aligned entity with its own identity and independence, with regular consultation taking place with between Departments of Agriculture and of Trade and Industry, and with other charter drafting processes. SAWIT provided the working capital for this venture channelled through the South African Wine and Brandy Company (SAWB). The outcome is a well framed and accepted charter that now provides for a sound inclusive roadmap for the wine industry as a whole.

Research & Development

For any entity operating in a specific environment, related knowledge and information are critical elements to forging strategy and effective and efficient operations. SAWIT has over the years identified the strategic elements that demand research and development to best influence transformation and growth in the industry. The most foundational to this has been the joint commissioned (Nedcor & Vinpro) comprehensive study on Land Reform in the Wine Industry published in 2005. This baseline study provides the litmus for areas such as:

- The profitability of wine farming in different regions;
- An inventory and analysis of all existing state-supported land reform projects in the wine industry;
- A survey of land reform amongst independent entrants into the industry; and
- An investigation into innovative financing mechanisms for land reform in the wine industry.

Further to this, work has been undertaken in areas of HIV & Aids, foetal alcohol syndrome, market trends and Fair Trade.

WIDA

SAWIT, provided much of the support and capital that has given rise to the creation of WIDA (Wine Industry Development Association). It has the goal and focus to promote transformation through social development, human resource development and training, economic empowerment and industrial relations in the South African wine industry.

The Thuthukile Skweyiya Western Cape – Burgundy Wine Exchange

The programme owes its name to the originator, Ms Thuthukile Skweyiya, the then South African ambassador to France, and was launched in 2001. The exchange programme operates within a larger Cooperation Agreement which was entered into by the Regional Council of Burgundy and the Province of the Western Cape. The Cooperation Agreement aims at fostering academic and economic ties between the regions, with a specific focus on the exchange of learners at training centres in France. The exchange programme focuses on education in viticulture and cellar technology and aims at providing vocational training and social upliftment to wine farm workers with no formal qualification up to NQF level 4 (but with relevant experience in viticulture and cellar technology) so that they may obtain a recognized certificate. SAWIT handed this programme over to the Department of Agriculture in the Western Cape and it remains a successful annual exchange event.

USA/SA Wine Foundation

SAWIT, bringing together a range of South African key role players namely, the Trellis Group, and Emerging Market Solutions, The Vineyard Academy and the Cape Wine Academy formed a contractual relationship with two United States training and educational entities namely that of Piedmont Virginia Community College and the Hartnell College. This partnership gave rise to the USA-SA Wine Exchange Programme which was established in 2006. Together the full programme was conceptualized to support SAWIT's wine industry transformation and capacity building goals but included from the start a market link so as to assist in exposing and increasing South African wines within the USA. The intent of the training and internship components of the exchange is to prepare and expose farm and cellar workers to the American wine industry and markets, and to assist BEE wine entrants and employees with an understanding of and an increased potential access to the US market. The first exchange programme of farm workers during 2006 to the USA under this programme have been significant.

Economic Development Support

SAWIT has had involvement in most if not all BEE wine initiatives ensuring that each of these companies has over a period of time received what necessary support (financially or non-financially) required. Providing direct support such as business planning, marketing and investment services to that of BEE Wineries has ensured a deepening of transformation strategies into the full value chain.

In so doing SAWIT has assisted in the establishment of new farmers and enterprises in the wine industry including but not limited to:

- Blouvllei Wines
- Bouwland Wines
- Carlsheim Wine Farm
- Kholisa Wines
- Lindiwe Wines
- Mia Cara
- M'Hudi
- Remogo Holdings
- Omaza/Lutouw Wine Estate
- Thabani Wines
- Thandi Estate
- Sagila Wines
- Ses Fikile Wines
- Women in Wine
- Yamme Wines

Phetogo Investments

SAWIT furthered its economic and development agenda in 2004 through the provision of loan funding to a BEE Consortium (Phetogo Pty. Investments Limited) and the employees of KWV (KEET) to obtain 25.1% of KWV. The Phetogo transaction ensured the first real Broad Based Black Economic Empowerment initiative with significant impact into one of South Africa's largest wine businesses.

Social Development & Support

SAWIT has provided grant funding to a variety of social welfare organisations operational in the sector, in order to further transformation in the meeting of shared objectives. SAWIT funds have brought about creative & positive changes in the lives of farm-workers and those that live within the wider communities. The support and upliftment of farm workers and farming communities has and will remain a primary focus towards industry transformation.

- Agritrain Education Bridging Programme
- BAWSI
- SACCO (Stellenbosch Winelands & Employees Savings Co-operative)
- Athlone House of Strength (AHOS)
- Bell Valley Initiative
- Breede River Winelands Rural Development Association
- Cape Women's Forum
- Women on Farms
- Wine Industry Ethical Trade Association
- NAFU Western Cape
- Centre for Rural Legal Studies
- Dopstop
- FASfacts
- Foundation for Alcohol Research
- Heldervalley Community Forum & Learning Centre
- SANCA
- Simonsig Wine Estate Farmworkers

Training, Education and Development

SAWIT has made large investments in terms of education and training through the provision of bursaries, the creation of new degree and educational programmes, and the support of various tertiary entities stimulating research capacity and improved deliverables that meet industry requirements. The following illustrate the large and long term approach and impact desired by SAWIT:

- The Bachelor of Science degree (BSC) Agriculture in Oenology and Viticulture Stellenbosch University 2001-2007
- Wine Management a.k.a. (LEAP programme) Stellenbosch Business School 2005-2007
- MBA Wine Management Graduate School of Business (University of Cape Town)
- The Cape Wine Academy (2006 & 2007)
- Master's degree in Sustainable Agriculture (University of Stellenbosch and the Sustainability Institute) 2005-2007
- Vineyard Academy providing for over 2500 individuals affording practical, outcomes-based modular course training

Export Promotion & Marketing

SAWIT recognises the care required in ensuring that global markets grow, as such development translates into the sustained provision of employment opportunities for an estimated 263,752 people extending to tourism and support services (indirectly 159,952 job opportunities throughout the economy and employs 103,800 people directly).

SAWIT financially assisted, Wines of South Africa (WOSA) over a period of 8 years, and contributed to an industry-wide sustainable institution which has as its purpose to address in a co-ordinated way, the promotions of exports of all South African wines in key international markets. WOSA has over 360 exporters on its database, comprising all the major South African wine exporters. It is currently constituted as a not-for-profit company, being independent of any producer or wholesaling company. It is also independent of any government department, although it is recognised by government as an Export Council and as such enjoys an effective dialogue between government and the wine industry, with a definitive focus on marketing research and export facilitation.

Technology Development

Wine Industry Network of Expertise and Technology (Winetech) represents an organisational structure formed into a network of participating institutions and individuals. This network is sustained by a strong interest in improving the competitive position of the South African Wine Industry. SAWIT has substantially supported Winetech's mission to build a strong, healthy and sustainable South African Wine Industry through cooperative (participating) Research & Development initiatives. The emphasis of activities is on collaboration and it consistently has facilitated and managed quality oenology and viticulture research and development.

Partnerships and Networks

The very nature, intent, and purpose of SAWIT, is to forge partnerships and networks, not only for itself, but for and within the wine industry. The proving of its strategic industry role is clearly illustrated through its funding and developmental work in the creation of the Wine Transformation Charter and the establishment of a South African Wine Council.

Much of the first decade of work that SAWIT undertook was in the forging of new industry entities and supporting of their activities in meeting the transformational agenda of the industry. Many NPO's, trade unions, research & tertiary entities, training and development enterprises, and grouped civil society organisations have a sustained existence through the offering of SAWIT's support over the years.

Illustrative of SAWIT's support is the assistance provided to the formation of a network orientated entity the Rural Development Network (RUDNET) which comprises diverse NGO's operational in the Northern and Western Cape sharing a mission to enhance the sustainable quality of life and standard of living of the farm working communities.

Information Management

With 10 years of experience and investments made in the wine industry, SAWIT has created well developed information systems that both informs its work, and assist in disseminating information and knowledge within the industry. As a Trust, this is most important as it also ensures and reaffirms our commitment to good governance and transparency. In 2008 SAWIT developed a Project Governance Tool with the assistance of Price Waterhouse Coopers, providing the framework for all SAWIT operations.

The governance tool is been utilised by our partners and stakeholders in the creation and management of the various SAWIT Specialist Team Projects and initiatives.



Charles Gordon Erasmus

OUR VISION

The creation of a transformed wine industry that is sustainable and vibrant, populated by an empowered worker community that shares equitably in the growth and prosperity of this industry.

OUR MISSION

Our intent is declared wherever the Wine Industry moves toward the empowerment, enablement and alignment of farm workers, to share equitably in the growth and prosperity of the industry.

OUR CORE OBJECTIVES

- Build a shared consciousness for worker and industry owners, through providing information, platforms for dialogue, education, coordination, and promote ethical trading.
- Change the structure of industry to more effectively represent the interests of all industry players, most notably, for the farm worker community.
- Engage in partnerships with stakeholders across the sector to effect the transformational agenda
- To act in the interest of the wine industry in general.

OUR SIX CENTRAL FUNCTIONS

- Oversee, monitor and alter the industry concerning transformation;
- Influence and facilitate the implementation of projects and processes with key partners;
- Share and distribute knowledge between the workers and within the industry through networking, skills development and community-based projects relating to self-help with workers;
- Perform the role of lobbying and advocacy within the wine industry and in partnership with government, in the interest of the worker;
- Ensure the provision of training, support and assistance by means of community based projects;
- Require a necessary focus on the leveraging of resources for the sustainability of industry, the Trust, and its work.

Governance and Management

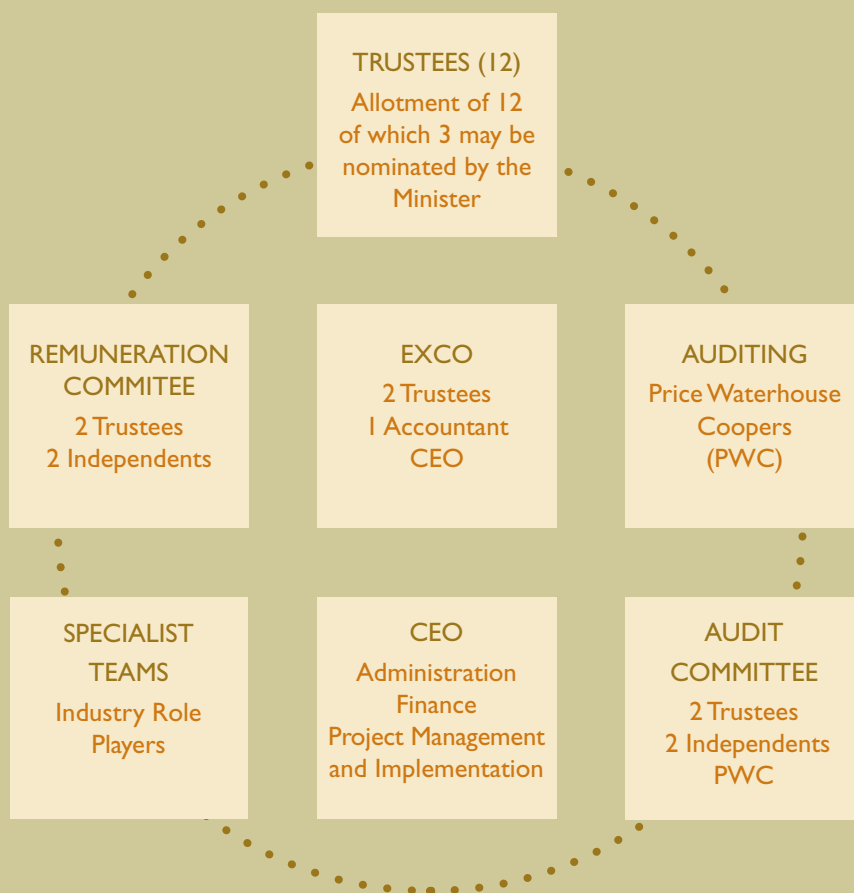
The Trustees (appointed by existing Trustees and the Minister for Agriculture) adequately represent the broad sectoral interests of the members of the wine industry including, but without limitations, labour, emerging farmers and civil society. Professional support provided on an ongoing basis: Mr Sakkie van der Vyfer (finance), Mr Steven Wetmore (program strategy development), Hopkins Calvert Associates (Human Resource and Management Development)

Trustees

Sharron Joy Marco-Thyse (Chairperson)
Barry Stemmet
Diane Hlati
Fatima Shabodien
Thozama Gwente
Willem Williams
Veronica Campher

Management

Chief Executive Officer: Mr Charles Gordon Erasmus
Senior Administrator & PA: Mrs Dawne Johnson
Financial Manager: Mrs Felicia Shaw
Financial Office Assistant: Mrs Elsame Flandorp
Project Fieldworker: Dr Gerhard van Wyk
House keeper : Mrs. Ethel Mdingi
Labour Coordinator: Mr Anthony Dietrich





PROJECTS ACHIEVE OUR GOALS?

DIATE
RE:
strengthen
transformation
er agenda



What are the planned
OUTCOMES of these
activities?

The setting of industry targets that
can now be monitored
year-on-year

To improve ability to influence &
advocate for key transformational
targets

Improved Industry networks

Sharing of Ideas and capacities
between industry role-players

Alter Industry structures to reflect
the charter & transformation

D
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lysis

Our Projects

I. Inform Reform: An Assessment & Monitoring Tool for Land Reform & Housing Models

Project Background

SAWIT's definition for framing land reform includes the alteration in societal arrangements in respect of possession and use of land which involves the redistribution and restitution of land, tenure reform, rural development and rural livelihoods, as well as the redefinition of the character and legal status of land rights.

However the costs related to suitable agricultural land for viticulture often far exceed any other form of agricultural enterprise mainly due to location, demand and competitive alternatives such as property developments, making it even more difficult to fund and leverage land for transformation. Furthermore, viticulture is capital intensive and marked by relatively low levels of profitability, especially within the first 5 to 7 year period thus limiting new entrants at the level of primary agriculture.

Additional incentives are necessary to support land reform, or the wine industry cannot be transformed. Many of the transformational ventures have included partial forms of land redistribution and where it has most has been provided to large community groupings or conceptualised in integrated business ventures. To date, the outcome has been limited, and little sustainability has been attained. The Charter has proposed that bonus points be added to the ownership element to reward participation in projects with larger land components and bolster transformation, yet very little land has been accessed or transferred!

We find it necessary to ask:

- What has been achieved and what can be done to further access to land, redistribution and sustainability?
- Can the concept of land reform be broadened and speak to all the components of the Wine Transformation Charter and include the full Wine value chain and so doing, stimulate transformation?
- What types of reform that exist are foundational?
- What is sustainable?
- What should be improved, how can they be improved, and
- What options could still be developed?

Project Strategy

To answer these and other questions, the project will undertake a baseline study of 9 different existing BEE initiatives as case studies which will be informed by the indicators of a previous land reform baseline released by Vinpro & Nedcor in 2004.

In addition to this, a focused review of the virtual winery models in partnership with WIDA, will be undertaken to assess their sustainability and viability as components to or building blocks towards land reform.

2. CHANCE – Community Health Care and Changing Environments

Project Background

SAWIT has supported much work in the past 5 years to issues related to primary health care in the wine sector.

SAWIT has questioned the types of interventions and focused approaches to various social, environmental and human ailments that often exist within a farming community. Given that the Wine Transformation Charter also has as a key element the focus on the quality of life of the farming community and asks for more Corporate Social Investments to be made in creating healthy communities, SAWIT should, generate a range of creative mechanisms and solutions that can be supported by farmers in extending their CSI programmes whilst empowering community health.

Project Strategy

The project would be approached through a participatory action research methodology, stimulating & piloting alternatives to inform a more holistic approach to community health and wellness in collaboration with the Centre for Rural Legal Studies and the University of the Western Cape. Three sites have potentially been identified:

- Elgin (joint)
- Rosenville
- Molteno

Utilising these 3 studies over a longitudinal period, an identification of all dimensions affecting farm community health will be made, and the current status quo analysed. Broad holistic indicators will be defined against which an optimal and appropriate benchmark can be set so as to guide commercial farming enterprises. These will inform the key outcome, which is to provide an innovative model for creating, operationalising, and managing a holistic primary health strategy that farming enterprises can adopt in meeting their Wine Transformation Charter goals and building a healthy farm community.

Primary Outcomes

- To promote primary health care and community well-being in 3 beneficiary farming communities;
- Inform a Work-based HIV/AIDS Policy;
- Define and provide Industry with strategies that speak to the Wine Transformation Charter and offer implementable Corporate Social Investment options that introduce a holistic approach to community wellness.

3. Project 2010: Bridging the Skills Gap

Project Background

The often isolated and rural nature of agricultural production continues to hamper the educational and skills development of farm workers. The median level of schooling among farm workers remains at less than 6 years, while illiteracy has been estimated to be 20% among adult farm workers. ABET opportunities are on the increase and through the work of many including SAWIT, much emphasis and resources have been made towards skills development. Much of these are structured as short course interventions. Although these are key, SAWIT has noted that they tend to rather meet more of the farmers immediate needs for improved skilled labour than the developmental needs of the unemployed potential farmer, individual farm worker, and the long term strategic needs of the industry. And although these short and specialized courses are mostly accredited, a full NQF qualification often remains inaccessible to the individual.

Project Strategy

SAWIT will focus on creating and supporting in partnership with other service providers, an Employment Skills Development Agency (ESDA) that serves to become a focused transformational skills development mechanism. Utilizing the ESDA, BBBEE farming enterprises will be supported in both generating Skills Development Plans and implementing these. This initiative has been branded "Project 2010" and has as its purpose to provide 2010 Learnerships/skills programmes & leadership training to farm workers, and unemployed community members as well as participating BEE enterprises over a 3-year period; funded by different SETA's and the NSF.

4. LEAD: Labour Empowerment and Development

Project Background

The average remuneration of both full-time farm employees and seasonal workers remains untenable. Quoted averages mask considerable inequality in wages between men and women and regional biases. The increase in the use of labour-brokers, outsourcing, and seasonal workers highlight direct and indirect matters of concern to the industry. While this helps to control costs, it has serious implications for farm worker livelihoods, and the basic conditions of employment do not always apply in such cases. The advent of democracy brought farm workers substantial new legal rights with which to defend their interests, including the right to strike, better access to mediation services, minimum wages and a range of regulations governing working conditions.

New tenure laws also provide more security of occupation. However, there is a great deal of unevenness in labour relations, and the conditions of many wine farm workers remain exceedingly poor. Furthermore, the much needed development and functioning or organised labour most definitely needs to be supported so as to ensure a stronger civil society and a more rigorous democracy.

These issues plus dedicated research in determining the food basket of farm workers to inform a living wage benchmark, will inform related research and where needed collaborative campaigning with the intent of social, economic and environmental upliftment and development.

Clearly becoming more integral to issues of worker rights is the shared global parameters created through fair ethical trade. The wine industry enjoys a well structured and operational entity such as WIETA, whose success has led to its broadening of scope to encompass all sectors of agriculture now called the Wine Agricultural Ethical Trade Association trading as "WIETA". Managing the emergence of fair trade wines as an ethical alternative for producers and retailers seeking more direct commercial benefit, WIETA provides for the sound auditing and accreditation processes that are well respected.

Project Strategy

LEAD will have 6 key components as building blocks to achieving Union development and improved farm worker relations and rights.

- The project's primary focus for the immediate period will be to provide direct support to the existing Labour Unions in the wine industry;
- The Unions will raise membership levels and informing labour rights, and
- Undertake to do primary action research in identifying issues that affect labour and their rights;
- Followed by training actions in partnership with entities such as Ditsela, which will be provided to their representatives.
- In partnership with WIETA, develop case studies on all current ethical trade compliant entities (with a focus on Fairtrade) to ascertain benefits and restraints.
- Through collaboration with Women on Farms (WOF) the provision of project coordination & support to the trade unions operating within the Agricultural sector will be provided. A fulltime coordinator has been appointed for this specific purpose. Their drive will be to support the above 5 initiatives as well as to support & drive specific campaigns around housing, ESTA, labour brokers etc.

SAWIT FINANCIAL STATEMENTS

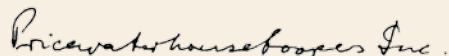
REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE SOUTH AFRICAN WINE INDUSTRY TRUST

The abridged group financial statements of The South African Wine Industry Trust set out on pages 2 to 6 have been derived from the group annual financial statements of The South African Wine Industry Trust for the year ended 28 February 2009. The abridged group financial statements are the responsibility of the trustees. Our responsibility is to express an opinion on whether the abridged group financial statements are consistent, in all material respects, with the group annual financial statements from which they were derived.

We have audited the group annual financial statements of The South African Wine Industry Trust for the year ended 28 February 2009 from which the abridged group financial statements were derived, in accordance with International Standards on Auditing. In our report dated 10 April 2010, we expressed an unqualified opinion on the group annual financial statements from which the abridged group financial statements were derived.


In our opinion, the abridged group financial statements are consistent, in all material respects, with the group annual financial statements from which they were derived.

For a better understanding of the group's financial position, its financial performance and cash flows for the period, and of the scope of our audit, the abridged group financial statements should be read in conjunction with the group annual financial statements from which the abridged group financial statements were derived and our audit report thereon.



PricewaterhouseCoopers Inc.
Director: CJ Matthee
Registered Auditor
10 April 2010



PRICEWATERHOUSECOOPERS 



THE SOUTH AFRICAN WINE INDUSTRY TRUST

ABRIDGED CONSOLIDATED BALANCE SHEET

on 29 February 2009

	2009	2008
	R	R
ASSETS		
Non-current assets	60,644,513	31,883,060
Property, plant and equipment	180,727	271,025
Available for sale investments (Refer note 4)	42,484,834	-
Held to Maturity investments (Refer note 5)	17,978,952	31,612,035
Current assets	7,741,445	16,005,677
Receivables and prepayments	5,672,412	11,749,968
Cash and cash equivalents	2,069,033	4,255,709
Total assets	68,385,958	47,888,737
EQUITY AND LIABILITIES		
Capital and reserves	25,535,411	46,227
Trust capital	100	100
Reserves	25,535,311	46,127
Current liabilities	42,850,547	47,842,510
Trade and other payables	565,193	12,842,510
Borrowings	42,285,354	35,000,000
Total equity and liabilities	68,385,958	47,888,737



THE SOUTH AFRICAN WINE INDUSTRY TRUST

ABRIDGED CONSOLIDATED INCOME STATEMENT
for the year ended 29 February 2009

	2009	2008
	R	R
Revenue		
Dividend income	241,520	-
Finance income	522,809	855,358
Reversal of VAT Payable due to SARS settlement agreement	5,932,949	-
Reversal of impairment on loans	28,413,978	-
	<u>35,111,256</u>	<u>855,358</u>
Expenses		
Advertising	29 950	166 340
Auditors' remuneration		
- audit fees	160 975	157 000
- (over) / under provision previous year	-	67 890
- other services	381 984	193 290
Bank charges	10 677	25 651
Consulting and legal fees	2 053 548	1 854 598
Depreciation on furniture and equipment	105 126	139 044
Donations	7 491	24 100
Facilitation and fundraising	-	60 000
Impairment of receivables	-	1 080 000
Impairment on available for sale investment	-	(4 648 906)
Interest paid	7 250 430	36 622
Office expenses	339 536	357 520
Raising fee	-	3 000 000
Staff costs	2 617 807	2 020 907
Trustees and directors remuneration	207 688	604 604
Travel and accommodation - management	80 818	227 474
	<u>13,246,030</u>	<u>5,366,136</u>
Income before contractual expenditure and Wine Education Fund expenditure	21 865 226	(4 510 776)
Contractual expenditure of designated income	2 078 012	10 831 034
	<u>19,787,214</u>	<u>(15,341,810)</u>
Profit/(Loss) before income tax	19,787,214	(15,341,810)
Income tax expense	-	-
Profit/(Loss) for the year	19,787,214	(15,341,810)



THE SOUTH AFRICAN WINE INDUSTRY TRUST

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 29 February 2009

	2009	2008
	R	R
Trust capital		
Balance at 1 March	100	100
Donation received	-	-
At end of year	<u>100</u>	<u>100</u>
Reserves		
Designated income		
Balance at 1 March	101 027 751	111 858 785
Utilised during the year	(2 078 012)	(10 831 034)
Balance at 28 February	<u>98 949 739</u>	<u>101 027 751</u>
Fair value adjustment reserve		
Fair value adjustment (note 4)	<u>5 701 970</u>	-
Retained earnings		
Balance at 1 March	(100 981 624)	(96 470 848)
Net income/(loss) for the year	19 787 214	(15 341 810)
Transfer to restricted reserves	2 078 012	10 831 034
At end of year	<u>(79 116 398)</u>	<u>(100 981 624)</u>
Total reserves	<u>25,535,311</u>	<u>46,127</u>



THE SOUTH AFRICAN WINE INDUSTRY TRUST

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT
for the year ended 29 February 2009

	2009	2008
	R	R
CASH FLOW FROM OPERATING ACTIVITIES		
Contractual expenditure paid	(2 078 012)	(10 831 034)
Cash paid to suppliers and employees	(5 915 766)	(9 417 594)
	<hr/>	<hr/>
Cash flows from operating activities	(7 993 778)	(20 248 628)
Interest received	149 671	855 358
Interest paid	(7 250 430)	(36 622)
	<hr/>	<hr/>
Net cash (utilised in)/generated from operating activities	(15 094 538)	(19 429 893)
	<hr/>	<hr/>
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in held-to-maturity investments	-	168 610
Repayment of held-to-maturity investments	637 336	-
Disposal of available for sale investment	5 000 000	-
Additions to property, plant and equipment	(14 828)	(31 152)
	<hr/>	<hr/>
Net cash utilised in investing activities	5 622 508	137 458
	<hr/>	<hr/>
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in borrowings	7 250 430	20 000 000
	<hr/>	<hr/>
Net cash generated from financing activities	7 250 430	20 000 000
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(2 221 600)	707 565
Cash and cash equivalents at beginning of year	4 255 709	3 548 144
	<hr/>	<hr/>
Cash and cash equivalents at end of year	2 034 109	4 255 709
	<hr/>	<hr/>



THE SOUTH AFRICAN WINE INDUSTRY TRUST

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS for the year ended 29 February 2009

1. Basis of preparation

The abridged group annual financial statements are prepared on the historical cost basis, except for the revaluation of available-for-sale investments and are consistent with those of the previous year in accordance with South African Statements of Generally Accepted Accounting Practice.

2. Income Tax

The Wine Industry Business Support Company of South Africa (BUSCO), The Wine Industry Development Company of South Africa (DEVCO) and The Wine Industry Empowerment Company of South Africa (WIECO) have been approved as public benefit organisations (PBO) in terms of section 30 (3) of the Income Tax Act up until the year of assessment ending 28 February 2009. This approval was confirmed by the South African Revenue Services (SARS) on 7 November 2008. Previously these entities have been treated as taxable entities in terms of the Income Tax Act and taxation has been provided for in full.

	2009	2008
3. Contractual expenditure approved	R	R
Contractual expenditure	2,066,893	14,026,977

At 28 February 2009 the Group had contractual commitments in respect of funding allocations approved by the Trustees to the various institutions. A liability will arise when these institutions claim amounts from the Group.

	2009	2008
4. Available for sale investments	R	R
Investment in Phetogo investments (Pty) Ltd		
Conversion of loan to 22,278 ordinary shares	41 782 864	-
Disposal of 2,381 shares	(5 000 000)	-
Fair value adjustment at 28 February 2009	5 701 970	-
	42 484 834	-

On 19 December 2008 WIECO, a subsidiary of SAWIT, converted a portion of the Phetogo loan with a nominal amount of R1 14,954,480 to 22,278 ordinary shares within Phetogo Investments (Pty) Ltd. On the same date 2,381 shares was disposed to Fourdec Advisory (Pty) Ltd for a purchase consideration of R5,000,000.

	2009	2008
	R	R
5. Held-to-maturity investments		
Loans		
Opening balance	31 612 035	36 429 551
Notional amount, including accrued interest	134 091 884	133 883 828
Impairment	(102 479 849)	(97 454 277)
Movement for the year	(13 633 083)	(4 817 516)
Conversion of R1 14,954,480 notional loan to shares	(41 782 864)	-
Impairment	-	(5 025 572)
Reversal of impairment	28 413 978	-
Interest accrued	373 139	208 056
Repayment received	(637 336)	-
Closing balance	17 978 952	31 612 035
Notional amount, including accrued interest	17 978 952	134 091 884
Impairment	-	(102 479 849)

Loans to BAWSI Trust, Kumnandi Liquor and Leisure (Pty) Ltd and Zamori was advanced on 15 September 2004 on an interest-free basis. These loan amounts are unsecured and repayable 6 months after the advance date. Penalty interest (equal to prime interest rate) are payable if not repaid by 15 March 2005.

The loan to Phetogo Investments (Proprietary) Limited was advanced in a once-off amount of R41,951,164 on 15 September 2004. Subsequently 47,5% of designated payments receivable by SAWIT (in terms of the Trust Deed), were advanced in terms of a cession agreement entered into between Phetogo Investments (Proprietary) Limited, the Industrial Development Corporation of South Africa Limited (IDC) and the company. On 3 July 2006 a final payment was made to IDC in terms of the cession agreement due to final settlement by KWV regarding its obligation towards SAWIT in terms of the Trust Deed.

The loan advanced to Phetogo is unsecured and will only start to accrue interest after all IDC funding have been repaid. Repayment will be based on future dividend income received from KWV and only repaid after settlement of IDC debt. The interest rates applicable is 1% on 52.5% of the capital amount and 6% on the remaining capital amount.

On 19 December 2008 a portion of the Phetogo loan with a nominal amount of R1 14,954,480 to 22,278 ordinary shares within Phetogo Investments (Pty) Ltd. Also refer to note 4.

SAWIT BOARD OF TRUSTEES



From left to right: Charles Erasmus (CEO), Barry Stemmet, Veronica Campher, Sharron Marco-Thyse (Chairperson), Willem Williams, Thozama Gwente, Fatima Shabodien
Diane Hlati (not in picture)

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