

SOUTH AFRICAN TOURISM ANNUAL REPORT 2016/2017



SOUTH AFRICAN TOURISM

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SCENIC OUTDOORS

Active
Adventure

Coastal
Beaches

City
Lifestyle

Cultural
Roots

Scenic
Outdoors

Wildlife
Safari





A GENERAL INFORMATION

SOUTH AFRICAN TOURISM

GENERAL INFORMATION

Name of Public Entity:

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SOUTH AFRICAN TOURISM

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SOUTH AFRICAN TOURISM BANKERS INFORMATION

OFFICE	INSTITUTION
Head Office	Absa Sandton City
	Standard Bank
	Investec
	Nedbank Business Pretoria
	Nedbank
Tourism Grading Council	Nedbank
New York	The Bank of New York 51 West 51st Street, New York, NY 10019
London	Nedbank Private Wealth, Millennium Bridge House, 2 Lambeth Hill London EC4V 4GG
Tokyo	The Bank of Tokyo-Mitsubishi UFJ Toranomon Branch Address: 1-4-2 Toranomon, Minato-ku, Tokyo, Japan 105-0001
India	First Rand Bank Limited TCG Financial Centre, Plot No. c 53, G Block, Bandra Kurla Complex, Mumbai - 400051
Frankfurt	Frankfurter Volksbank e.G. Boersenstr. 7-11 D-60313 Frankfurt Germany
Paris	Credit du Nord 40 Avenue Niel 75017 PARIS
Amsterdam	ABN-AMCRO Bank Postal Address: Box 75580, 1070 AN, Amsterdam, Netherlands.
China	Bank of China 6 Gong Ti North Road, Chaoyang Beijing China 100027
Sydney	Westpac Bank Cnr Market Street & Clarence Street, Sydney
Nigeria	Stanbic IBTC Bank

LIST OF DEFINITIONS, ABBREVIATIONS AND ACRONYMS

DEFINITIONS

Activity – process or action that uses a range of inputs to produce the desired outputs, and, ultimately, outcomes. In essence, activities describe “what we do”.

Annual Performance Plan – an approved plan that sets out what South African Tourism intends doing in the forthcoming financial year and during the Medium-Term Expenditure Framework – to implement its Strategic Plan.

Annual Report – a report that provides information on the performance of South African Tourism in the period under review, for the purposes of oversight.

Audit – an examination of records or financial accounts to check accuracy and conformity with norms and criteria set out in advance. An internal audit is an assessment of internal controls undertaken by a unit reporting to management, while an external audit is conducted by an independent organisation.

Deputy Minister – the Deputy Minister of Tourism.

Impact – positive and negative, primary and secondary, long-term and short-term effects produced by a development intervention, or the results of achieving specific outcomes such as reducing poverty and creating jobs.

Key Performance Indicator – a variable that allows the verification of changes or shows results relative to what was planned.

Minister – the Minister of Tourism (Executive Authority).

Outcome – the medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution’s strategic goals and objectives which are set out in its plans. Outcomes are “what we wish to achieve”.

Performance – the degree to which a development intervention operates according to specified criteria, standards or guidelines – or achieves results in accordance with stated goals or plans.

Performance Information – a generic term for non-financial information about government services and activities. In addition, “performance indicator” and “performance measure” are sometimes used interchangeably. The policy will use the term “performance indicator”.

Performance Standards – the minimum acceptable level of performance that is generally expected.

South African Tourism – the South African Tourism Board as defined in the Tourism Act (Act No. 3 of 2014) which is the destination marketing organisation of the South African Tourism Board.

South African Tourism – the destination marketing organisation of the South African Tourism Board.

South African Tourism Board (used interchangeably with Accounting Authority and Board) – statutory body appointed by the Minister in terms of the Tourism Act (Act No. 3 of 2014) that has fiduciary responsibility over South African Tourism.

STAFF CATEGORIES:

- **Senior Management** – Managers on Paterson grading level F.
- **Middle Management** – Managers on Paterson grading levels D3-E.
- **Junior Management** – Managers on Paterson grading levels D1 and D2.
- **General Staff** – staff members on Paterson grading levels A1-C5.

Strategic Objective – states clearly what South African Tourism intends to do (or produce) in order to achieve its strategic goals.

Strategic Outcome-Orientated Goals – areas of organisational performance that are critical to the achievement of South African Tourism’s strategic objectives.

Strategic Plan – a plan that sets out South African Tourism’s priorities, programmes and project plans for a five-year period, as approved by the Board and the Minister of Tourism, and within the scope of available resources.

Target – an expected level of performance or improvement required in the future.

Tourism Revenue – the amount spent directly in South Africa by all foreign visitors and domestic travellers excluding amounts spent on capital goods.

Tourism Act – the Tourism Act (Act No. 3 of 2014).

ABBREVIATIONS AND ACRONYMS

ADV	Advertisement	MTSF	Medium Term Strategic Framework
AGSA	Auditor-General of South Africa	NDP	National Development Plan
APP	Annual Performance Plan	NDT	National Department of Tourism
BRICS	Brazil, Russia, India, China and South Africa	NT	National Treasury
CCBO	Chief Convention Bureau Officer	NTSS	National Tourism Sector Strategy
CEO	Chief Executive Officer	PFMA	Public Finance Management Act (Act No. 1 of 1999)
CFO	Chief Financial Officer	PR	Public Relations
CMO	Chief Marketing Officer	PTA	Provincial Tourism Agencies
COO	Chief Operating Officer	ROI	Return on Investment
CPI	Consumer Price Index	SADC	Southern African Development Community
CQAO	Chief Quality Assurance Officer	SANCB	South African National Convention Bureau
DG	Director-General of the National Department of Tourism	StatsSA	Statistics South Africa
DIRCO	Department of International Relations and Co-operation	SMME	Small, Medium and Micro-Sized Enterprises
DMC	Destination Management Companies	TBCSA	Tourism Business Council of South Africa
DPME	Department of Performance, Monitoring and Evaluation	TDDS	Total Tourism Direct Spend
DTGS	Domestic Tourism Growth Strategy	TEP	Tourism Enterprise Partnership
EXCO	Executive Management Committee of South African Tourism	TIP	Tourism Incentive Programme
GDP	Gross Domestic Product	TGCSA	Tourism Grading Council of South Africa
ICCA	International Congress and Convention Association	TTFDS	Total Tourist Direct Spend
JMA	Joint Marketing Agreement	TOMSA	Tourism Marketing South Africa
MICE	Meetings, Incentives, Conventions and Events	UK	United Kingdom
MIF	Marketing Investment Framework	UNWTO	United Nations World Travel Organisation
MRRSAT	Ministerial Review Report on South African Tourism	USA	United States of America
MTEF	Medium-Term Expenditure Framework	VFM	Value for Money
		VFR	Visiting Friends and Relatives

MESSAGE FROM THE MINISTER OF TOURISM



With more than 10 million international tourists flocking to experience South Africa in 2016, and 11.7 million South Africans taking 24.3 million trips around their own scenic country, it's clear that tourism has grown into one of our country's most robust, lively and thriving economic sector.

Indeed, the South African Government had acknowledged the importance of tourism by allocating an additional R494 million over the medium term to the Department of Tourism to promote South Africa as a leisure and business events tourism destination. This represents a strong vote of confidence in tourism's largely untapped potential to spur economic transformation, job creation and inclusive growth.

Growing tourism requires a desirable, welcoming, easily accessible, multifaceted and value for money destination, which South Africa certainly is. It also requires effective marketing, and the strategic allocation of budgets to markets that will offer the best return on investment in the number of leisure and business events travellers that are attracted.

Here, South African Tourism is doing as sterling job, constantly reassessing and refining its marketing investment model based on trends and insights, always bearing in mind the limited spending power of the rand overseas.

But tourism growth also requires smart partnerships and creative collaborations, bringing the travel trade on board to work towards a common goal, as well as government stakeholders such the departments of tourism, home affairs, environment and police, in addition to embassy offices around the world.

It is for this reason that we look back on the past year as a success not only in terms of the number of tourist arrivals and the amount of revenue generated for the fiscus, but also in terms of how the public and private sectors have rallied together to ensure the long-term sustainability of the tourism industry. They have achieved this by, inter alia, enabling, uplifting and empowering women, youth and black-owned businesses to add diversity and flavour to our tourism offering.

Here, two of the projects spearheaded by the National Department of Tourism and embracing the broader tourism industry are worth singling out for special mention.

One is our Women in Tourism 30 in 5 campaign, which aims to increase the proportion of women in tourism management positions to 30% in the next five years. Most of those working in South Africa's travel industry are women, yet this is mainly at the lower and entry levels. To accelerate gender transformation in the sector, our "WiT 30in5" public-private partnership, chaired by Tourvest chief operating officer Judi Nwokedi, is already taking concrete steps to increase the number of women in executive management and directorship positions in the tourism industry.

Another project of which we are extremely proud is the NDT's SMME Markets Access Programme, informally known as "Hidden Gems", which has introduced dozens of new players to the market. In collaboration with the Southern Africa Tourism Services Association and South African Tourism, this pioneering projects sees small tourism businesses in each of the nine provinces receiving training and mentorship by industry professionals, and being given access to travel buyers and other key industry stakeholders.

With 2017 being declared the international Year of Sustainable Tourism for Development by the United Nations World Tourism Organisation, these are bona fide examples of sustainable tourism in action – tourism that is not only good for the planet, but for the people too.

Business events tourism is also an important focus area for our industry, with South Africa currently hosting about one million business delegates every year – many of whom also stay to enjoy its leisure attractions – but having the capability and capacity to grow this figure even more.

The additional resources for tourism unveiled in the Budget Speech include provision for a Bidding Fund, with R110 million allocated over the next four years to help the South Africa National Convention Bureau, as well as provincial and city convention bureaus, bid for international association conferences, meetings, incentives and exhibitions. We are confident that this added muscle will help us bolster our bidding power and attract more prestigious international events like the World Aids Conference.

On the domestic front, despite a depressed economy and a constrained spending climate, South African Tourism is pulling out all the stops to build a culture of leisure travel among South Africans who habitually travel to visit friends and relatives, but for whom the concept of leisure travel is foreign. We want to show them that going on holiday can be affordable, accessible and fun.

There is clearly still much work to be done but, as South African Tourism completes its organisational review and emerges as a more efficient, focused and streamlined organisation, we look forward to continuing the tourism boom that is rapidly capturing the imagination of our people – and contributing to their prosperity.



Tokozile Xasa, MP

Minister of Tourism

FOREWORD BY THE CHAIRPERSON



There is no doubt that we are in the midst of extremely exciting times for South African Tourism in particular, and for our country's booming tourism sector in general.

As the Board, we have witnessed how the organisation has been energised by the appointment last October of a dynamic, passionate and big picture-thinking Chief Executive, Sisa Ntshona. He has made great strides in galvanising staff and the broader industry to rally together behind the potential of tourism as a catalyst for inclusive economic growth and enhanced social cohesion, as mapped out in the National Development Plan.

This ambitious vision for South Africa's tourism sector is, of course, playing out against the backdrop of a domestic economy in recession, counterpoised by the vast potential of the global tourism marketplace. Evidence of this was felt last year, with the emphatic bounce-back of international arrivals to South Africa to breach the 10-million mark.

We are fortunate, then, that South African Tourism has been systematically equipping itself to respond to local and global market fluctuations, challenges and opportunities. This is thanks to the clear and unambiguous direction provided by the Ministerial Review Report on South African Tourism, which made a number of recommendations that we have been implementing. These will help to reposition the entity as an industry-leading authority on tourism that can fully capitalise on the country's tourism potential.

Given impetus by the Ministerial Review, during the year under review we developed a new Marketing Investment Framework (MIF) to identify where best to "play" over the next few years. This framework used research insights to pinpoint the international markets that showed the best potential for attracting tourists to South Africa – and that were, consequently, strategically viable to invest our limited marketing resources in.

South African Tourism had to take into account trends in global travel such as the rapid rise of the millennial traveller, the increased disposable income for international travel by the new middle class in nations such as China, the burgeoning role of technology in how people book travel and share their tourism experiences, and new opportunities in green and business events travel.

An ambitious goal was identified, in close consultation with industry stakeholders: to attract five million additional tourists (both international travellers and domestic holiday trips) to South Africa within five years, by 2021.

To help us deliver on this "5-in-5" goal and strategy, we have embarked on an organisational review process to reconfigure and reinvigorate South African Tourism, and help make it more agile, efficient, focused and able to respond to the rapidly evolving international travel landscape. We are close to finalising this internal redesign, known as Project Ignite, putting in place a more supple organisation whose every movement is informed by sophisticated in-house analytics and market intelligence.

In an international climate where tourism is proving to be one of the most resilient industries, growing steadily every year, travel to emerging economies such as South Africa is projected to grow at twice the global average. This is an opportunity that we must seize. It is therefore vital for South African Tourism to be adaptable, nimble and smart in delivering on its mandate, as the destination vies with other countries seen as offering similar experiences and value for money. At the same time whilst taking advantage of this international windfall we will continue to encourage our own people to partake in this amazing tourism experience - as both tourists and providers of product.

We all know that South Africa can compete as a destination with the very best in the world. As the Board of South African Tourism, we will continue to ensure the organisation capitalises on South Africa's many attributes to maximise its tourism potential, and thereby nurture a tourism industry that could easily become the engine room of the country's economic growth.

We look forward to another exciting and fruitful year in tourism.

A handwritten signature in dark ink, appearing to read 'A Ntsaluba', with a stylized flourish at the end.

Dr Ayanda Ntsaluba

Acting Chairperson: South African Tourism Board

CHIEF EXECUTIVE OFFICER'S OVERVIEW



We have an ethos at South African Tourism that says, show us any sector of the economy, and we will show you how it contributes to the tourism value chain; from an immigration officer welcoming visitors at the airport with a smile, banks exchanging foreign currency for visitors, a farm supplying vegetables to the local hotel, and the list goes on; all are part of the tourism ecosystem. Tourism permeates all facets of the economy. It is in the interest of all South Africans to invest in, grow, transform, and protect the sector.

In 2016, global tourism reached a 1.235 billion tourists, with South Africa receiving a record of 10 million of this market share; a 12.8% increase from 2015. With this global upward trajectory, South Africa is in an ideal position to expand the significance of tourism, scale its product offerings, and allow many more people to participate and showcase the plethora of cultures, heritage and experiences that our country has to offer.

South African Tourism is actively positioning itself to be a thought leader in the sector to ensure firstly; that we are the go-to organisation that markets South Africa as one of the best business events and leisure tourism destinations in the world, centred around thorough and current insights and analytics; secondly, that we vigorously attract new players into the fold, and support small and medium enterprises (SMEs) to make the sector more inclusive and attractive to travellers.

In the year under review, we collaborated with stakeholders –in both the public and private sectors- to develop the national tourism strategy of '5-in-5'. Following consultations with the different partners, from provincial tourism authorities to industry players, the consensus was that we need to grow the sector – with “inclusive” being a non-negotiable passenger to that “growth”, in order to effect meaningful transformation in the sector. At an organisational level, we also structured ourselves to be agile, innovative, and performance driven in order to deliver on the mandate.

With regards to stakeholder engagement; alignment on performance plans, co-ordinating marketing activities and proportioning resource allocation for investment maximisation; has become imperative. Also viewed in light of South African Tourism's escalating operating costs abroad and driving domestic travel; finding common understanding and relying on partners has become essential. The Department of International Relations and Cooperation (DIRCO) to use as an example; has over a 120 Missions across the globe, as a result, partnering with them gives us a footprint that our marketing budget is unable to provide. In addition, it allows the various entities of government to contribute and buy into the tourism growth story as a lever for development.

In the year under review, the organisation also went through a restructuring process to ensure we have the right people, placed in the right positions to not only drive the tourism numbers, but to ensure that as an organisation, we are in the forefront to champion and support new tourism experiences and SMEs to make them part of the bigger tourism ecosystem. We also provide them with market access training and opportunities to showcase their experiences to the world.

As an organisation, we understand that it can no longer be business as usual. When we market the destination for leisure and business events purposes, we do so by investing in markets we have researched and know will deliver the volume and value of travellers into South Africa. With our strategies in place, we are well on our way to reaching the target set out in the National Tourism Sector Strategy of marketing South Africa as one of the Top 50 destinations in the world.

We also collaborate with provinces and trade partners to ensure we also position South Africa among the top 10 long-haul business events destinations by 2025, while collaborating to convert business travellers into leisure tourists. South African Tourism does not work in a vacuum, and needs its partners in the provinces, municipalities and local authorities – who are essentially the hosts of all tourists- to deliver on the brand promise. Therefore, our work in revamping the value proposition of tourism grading, to inspire our partners and provincial stakeholders to deliver on the brand promise and quality visitor experience, is very important. It is crucial that tourism grading be seen not as a barrier but as an enabler for business to flourish. In that regard, regular liaison and interactions to support the provinces to improve on infrastructure and other elements that will make them attractive to host both leisure and business events travellers have started.

We have raised the bar in the way we work to deliver on our brand promise to our visitors, as well as in supporting the emergence and growth of SMEs. We are deliberate in how we sell the destination in a manner that will address geographical spread and seasonality. Instead of leading with the traditional offerings of Bush, Berg and Beach in a few provinces; we showcase experiences in all the nine provinces of our country, and the diversity of those offerings.

And this has also led us to intensify our efforts around domestic travel. With 70% of domestic travel coming from people visiting friends and relatives, we want to give our people a different side and reason to travel such as the explorations of different cities, cultures, food, and attractions. It is for that reason that we work tirelessly with our stakeholders to raise the awareness, education and add to growing domestic tourism - which in truth, is the cornerstone of any thriving tourism economy.

South Africa has a kaleidoscope of people, culture, heritage, scenic beauty, and city life that is yet to be introduced and packaged to the world. There are experiences that will bring awe to the world once explored and packaged. There is space for everyone, and bringing in more players will not take away from the existing ones, but will make the destination more attractive, and keep visitors coming back to explore the length and breadth of our country; throughout the year.

Our strength is truly centred around all the industry players. The tourism trade, as the engines that keep this industry moving forward, has invested generously in all our efforts. In the year under review we have started monthly webinars with the trade, and the commitment and passion they have for the industry is unparalleled. They have assisted us to be more accessible, open, and have let us take them into confidence with all our plans. As an organisation, we have also received R122.5 million of our budget from the Tourism Marketing South Africa (TOMSA) levy contributed through the Tourism Business Council of South Africa (TBCSA) - a great contribution that goes a long way in our marketing efforts around the world.

The dedication, enthusiasm, commitment, and hard work of all our staff members; in Bojanala House, South Africa, and across all our international offices; cannot go without being praised. To all my fellow colleagues, thank you on behalf of the entire executive team for being resilient, adaptable, and espousing the ideals of the '5-in-5' strategy.

To our Board, under the leadership of Dr Tanya Abrahamse, your direction and counsel is always appreciated. Thank you also to the team at the NDT, under the leadership of the honourable Minister Tokozile Xasa, and the honourable Deputy Minister Elizabeth Thabethe, for their unwavering support and leadership. Thank you also to the Director General, Mr Victor Tharage, and colleagues of the NDT and provincial tourism authorities, for their continued support and teamwork.

Let us continue to do tourism.



Sisa Ntshona

Chief Executive Officer: South African Tourism

STRATEGIC OVERVIEW

VISION

To position South Africa as an exceptional tourist and business events destination that offers a value-for-money, quality visitor experience that is diverse and unique.

MISSION

To contribute to inclusive economic growth by increasing the volume of travellers and the value contributed to the South African economy.

VALUES

Our values are:

- **Respect:** Everyone will be treated with the utmost dignity, inclusiveness, openness, tolerance and a sense of appreciation of diversity;
- **Integrity:** South African Tourism will do things consistently, regardless of the circumstances;
- **Authentic caring:** South African Tourism staff members will show genuine care to each other, customers, shareholders, partners, suppliers and businesses;
- **Responsibility:** South African Tourism will take personal responsibility for delivering work that exceeds internal and external customers' expectations; and
- **Excellence:** South African Tourism will take pride in, and commit to, always meeting and exceeding its customers' expectations.

In living these shared common values as demonstrated through employee behaviours and actions, South African Tourism's organisational culture will be anchored on the following three cornerstones:

- **Teamwork** demonstrated by supportive and trustworthy relationships, as well as by strong co-operation across departmental boundaries, as employees co-create innovative solutions;
- Every employee's passion and unwavering drive for excellence will contribute significantly to innovating and creating inspirational memories; and
- **"Ubuntu"** in all dealings at South African Tourism, which will ensure that people come first and relate to each other with compassion and consideration.

LEGISLATIVE AND OTHER MANDATES

Tourism Act (Act No. 3 of 2014)

The South African Tourism Board is a public entity, which is listed under Schedule 3A of the Public Finance Management Act (PFMA) (Act No. 1 of 1999). Its existence accords with the Tourism Act (Act No. 3 of 2014).

The implementation of the Tourism Act requires an update to and realignment of the Strategic Plan and Annual Performance Plan, as well as other existing governance documents.

Chapter 3 of the Tourism Act provides the following as functions of the South African Tourism Board:

- Market South Africa as a domestic and international tourist destination;
- Market South African tourism products and facilities internationally and domestically;
- Develop and implement a marketing strategy for tourism that promotes the objectives of the Act, and the National Tourism Sector Strategy (NTSS);
- Advise the Minister on any other matter relating to tourism marketing; and
- With the approval of the Minister, establish a National Convention Bureau in order to market South Africa as a destination for business events by:
 - Co-ordinating bidding for international conventions; and
 - Liaising with other organs of state and suitable bodies to promote South Africa as a destination for business events.
 - Reporting to the Minister on the work performance of the National Convention Bureau.

The Board must perform any function imposed on it, in accordance with a policy directive of the Minister, and not in conflict with the Act. Additionally, Chapter 4 of the Tourism Act provides the following as functions of the Grading Council:

- The Council must implement and manage the national grading system for tourism, as contemplated in Section 28;
- The Minister must oversee the functioning of the Council; and
- The Council is, in this respect, accountable to the Minister for the proper implementation and management of the national grading system.

Other Legislative Mandates

In implementing its plans, South African Tourism considered the National Development Plan's (NDP) long-term perspective, vision and road map for South Africa and its people.

Priorities articulated in the Medium-Term Strategic Framework were embodied in the 2016/17 plans and targets set by the tourism industry. The NTSS and the Domestic Tourism Growth Strategy (DTGS) further reinforced this.

According to the Tourism Act, the Minister has the authority to establish a grading council system for tourism establishments. The authority is delegated by the Board to the Tourism Grading Council of South Africa (TGCSA) Awards Committee in terms of Section 18(5) of the Tourism Act. The Minister also appoints the chairperson of the TGCSA Awards Committee (who is also a member of the Board) when the Board is appointed every three years.

ORGANISATIONAL STRUCTURE





From left to right: Dr Ayanda Ntsaluba, Colin Geoffrey Bell, Michelle Constant, Chichi Maponya, Margie Whitehouse, Abba Omar, Mmaditonki Setwaba, Judi Nwokedi, Dr Tanya Ethel Abrahamse. **Front:** Tom Bouwer



From left to right: Sisa Ntshona, Sthembiso Dlamini, Graham Ian Wood, Amanda Kotze-Nhlapo, Enver Duminy, Thebeetsile Ikalafeng, Darryl Erasmus, Oregan Hoskins. **Front:** Amor Malan

ACTIVE ADVENTURE



Active
Adventure

Coastal
Beaches

City
Lifestyle

Cultural
Roots

Scenic
Outdoors

Wildlife
Safari



B

PERFORMANCE INFORMATION

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

The Board is responsible for the preparation of the public entity's performance information and for the judgments made in this information.

The Board is responsible for establishing and implementing a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the operations of South African Tourism for the financial year ended 31 March 2017.



Dr Ayanda Ntsaluba

Acting Chairperson

31 July 2017

SITUATIONAL ANALYSIS

The performance with regard to tourist arrivals, revenue, domestic holiday trips and business events is reported on each calendar year (January to December), while the performance of graded establishments is reported on a financial year basis (April to March).

Service Delivery Environment Geopolitical Landscape

According to Euromonitor International's 2016 Passport Travel edition, volatile global geopolitical situations, such as migration and conflict, have affected the travel industry negatively. Notwithstanding, tourism has proven resilient, with global tourists reaching 1.235 billion in 2016, showing year-on-year growth.

Sporadic terror attacks in various parts of the world have also impacted the travel and tourism market negatively. These tend to cause a short, sharp decline in a country's tourist numbers, followed by a rebound. However, it has been noted that sustained and frequent attacks have a more long-term effect on tourism.

Looking to Europe, Euromonitor also mentions countries under great economic stress negatively impacting travel. It cites Brexit – the United Kingdom's decision to leave the European Union – for example, as contributing to high levels of uncertainty regarding the British economy. The depreciation of the Pound significantly constraining the UK market to travel.

Operational Opportunities and Trends

Despite uncertainty and volatility in certain markets, large and untapped tourism potential exists in populous nations like China, India and Indonesia.

Technology has also increased in importance in the industry as the use of mobile phones and gadgets is influencing how travellers, particularly millennials, interact with the tourism ecosystem – from bookings to using social media to review and analyse other tourists' experiences.

In addition, to boost tourism and make travelling as seamless as possible for potential tourists, more countries are now providing inbound travellers with visas on arrival.

Global Tourism Performance

According to the United Nations World Tourism Organisations (UNWTO) World Tourism Barometer (January 2017), demand for international tourism remained robust in 2016 despite politico-economic challenges. International tourist arrivals grew by 3.9% to reach a total of 1.235 billion worldwide. Some 46 million more tourists (overnight visitors) travelled internationally in 2016 compared to 2015.

2016 was the seventh consecutive year of sustained growth following the 2008 global economic and financial crisis. According to the UNWTO Secretary-General, Mr Taleb Rifai, tourism has shown extraordinary strength and resilience in recent years despite many challenges, particularly those related to safety and security. It continues to grow strongly and contribute to job creation and the wellbeing of communities around the world.

Emerging markets led tourism growth in 2016, with Asia and Australasia growing by 8.4% and Africa growing by 8.1% compared to 2015. Arrivals in Sub-Saharan Africa grew by 10.7%, with South Africa being the main driver of this upturn, growing by double digits of 12.8% to reach more than 10 million international tourist arrivals in 2016.

South Africa benchmarks its tourism performance against two major destinations – Australia and Thailand – and in the review period South Africa outperformed these two destinations. This feat should, however, be viewed against the fact that South Africa's compound annual growth rate in tourist numbers since 2014 remains well behind both competitors.

Tourist Arrivals in South Africa

South Africa witnessed a 12.8% increase in international tourists – from 8.9 million in 2015 to 10 million in 2016. This is far in excess of the 3.9% growth in tourist arrivals globally. South Africa's revenue from international tourism grew by 10.8%, from R68.2 billion in 2015 to R75.5 billion in 2016. The tourists' average length of stay was 9.2 nights in 2016, down from 9.5 nights in 2015.

All regions showed positive growth in tourists into the country in 2016, leading with Asia by 30.3%, North America with 14.9%, Europe recorded 15.8%, Australasia with 10.9%, Africa land markets with 11.4%, and Africa air markets recorded 5.3%.

Domestic Tourism

Domestic tourism revenue increased by 12% to total R26.5 billion in 2016, compared to R23.6 billion in 2015. On average, domestic tourists who took trips in this period spent more per trip than in previous years.

Notwithstanding a 12.3% increase in the domestic spend in 2016, the total number of trips declined by 0.7%. On average, South Africans each took 2.1 trips in 2016 – an increase compared to 2.0 trips in 2015. Domestic trips can be divided into holiday trips with 11% of all trips taken, business trips accounted for 8%, whilst trips to visit friends and relatives (VFR) accounted for 70%; amongst others. In 2016, holiday trips taken within South Africa fell by 3.1%, from 2.7 million to 2.6 million.

Domestic tourists' length of stay grew from 4.2 nights in 2015 to 4.3 nights in 2016. The total number of bed nights increased by 0.9%.

Global Meetings and Events Trends

Spend on business meetings, incentives, conferences and exhibitions (MICE) is rising globally and the international meetings market is expanding exponentially. According to the International Congress and Convention Association's (ICCA) rankings, the United States hosted the most meetings in 2016, trailed by Germany, the United Kingdom, France and Spain.

The South African business events industry has been growing steadily over the last 10 years, contributing towards the country's overall tourist arrivals. This growth comes from sectors in which South Africa has developed cutting-edge technology and/or shows potential for growth. This includes opportunities emanating from the burgeoning African association industry and government events.

In 2016 South Africa was ranked 34th globally as a meetings destination, four places higher than the previous year, cementing the country's status as the number one ranked business events destination in Africa and the Middle East.

In 2016 South Africa hosted 125 ICCA-registered international and regional meetings and conferences, which attracted just under 74 000 delegates. These events represented 538 combined conference days and generated approximately R1.1 billion directly to the economy.

Out of the 12 293 conferences held globally, qualifying under the ICCA ranking criteria, South Africa accounted for 1% of the total. Conferences that are ICCA-accredited need to meet the following criteria:

- Only association conferences and meetings are counted;
- The meetings and conferences need to rotate to at least three countries; and
- The meetings and conferences need to be attended by at least 50 international delegates.

Quality Assurance

The Tourism Grading Council of South Africa (TGCSA) is a mandated enabler and accreditor of tourism quality assurance. It provides customers with the sought-after and predictable service levels across the same category and class of accommodation facilities as well as spaces for meetings, events and exhibitions.

According to Statistics South Africa (StatsSA), South Africa's accommodation industry has more than 10 000 accommodation establishments. Approximately 50% of these facilities are graded. This can be further broken down into about 85% being non-hotel establishments and 15% being large hotel chains, and facilities for meetings, exhibitions and special events.

The large hotel groups and conference facilities account for 50% of graded rooms. The remaining 50% of rooms are in small to medium-sized establishments.

The Tourism Act (Act No. 3 of 2014) allows for an expanded quality assurance mandate that goes beyond accommodation. This expanded mandate ensures that the entire value chain of tourism is aligned with internationally recognised quality standards.

South African Tourism, in collaboration with the NDT, has provided inputs into an ongoing policy review of the legislation that governs the TGCSA.

During the year under review, the administration of the NDT's Tourism Incentive Programme (TIP) for grading support was transferred to the TGCSA and automated. This transfer and automation has allowed for a greater accessibility and uptake in funding support for new grading applications and annual membership renewals.

The NDT offers the Service Excellence Programme, aimed at improving service levels in the entire tourism value chain. This programme, which targets frontline staff, is independent of the grading system. Its integration into the quality assurance system will improve the impetus for grading.

A number of surveys and studies conducted during the year have indicated a continued improvement in the perceptions of the value of grading. While the cost of grading is becoming less of a barrier due to improved access to subsidies under the NDT's TIP grading support programme, the value gained, as perceived by establishments, will need to become even more compelling, particularly since grading remains voluntary.

While the targets set for growth in the number of graded establishments and the number of graded rooms for the fiscal year were not met, it is reassuring to note that a net increase in both the above metrics was achieved for the year.

Similar to other tourism destinations, South Africa has established a quality assurance recognition and reward programme (the annual Lilizela Tourism Awards) to encourage industry players across the value chain to improve tourist experiences through service excellence, thus growing South Africa's global destination competitiveness.

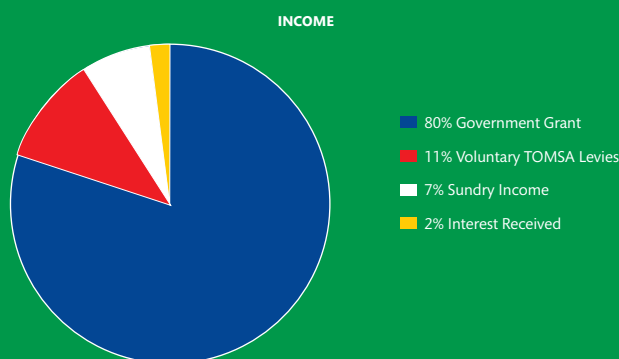
Organisational Environment

In 2016/2017 South African Tourism developed its 5-in-5 strategy. This was followed by the development and partial implementation of the MIF to identify the markets to invest in. Subsequently, South African Tourism reconfigured its operating model in order to deliver on this strategy by undertaking an organisational review process (known as Project Ignite). These two projects, 5-in-5 strategy and Project Ignite, due to their consultative nature, helped boost staff morale and encouraged a common vision among employees. The appointment of the new Chief Executive Officer in October 2016 also added further impetus to the organisational environment, as it brought in fresh thinking and innovative leadership.

In order to achieve a marketing and overheads budget ratio of 70:30, particularly in light of escalating operating costs abroad, South African Tourism closed its Italy office during the year under review, as well as identified markets that South African Tourism will invest in over the period 2017-2021.

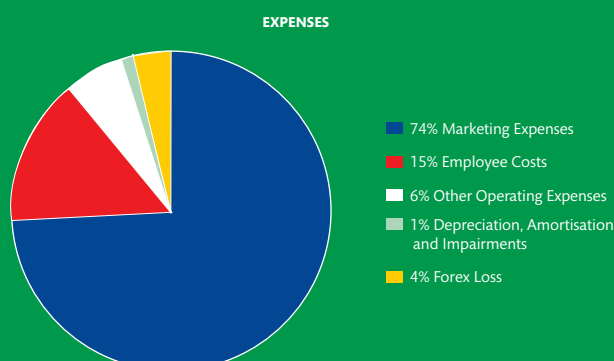
Over and above the grant allocation from the government, South African Tourism received R122.5 million of its budget from the Tourism Marketing South Africa (TOMSA) levy allocated through the Tourism Business Council of South Africa (TBCSA), as well as the 15.1 million collaborative fund as stipulated in the Memorandum of Understanding (MOU) with TBCSA. This accounted for 11% of the budget as a contribution from the private sector. This partnership increases South African Tourism's ability to market South Africa internationally. These two revenue streams contribute 91% to South African Tourism's total income.

The remaining 9% relates to interest income (R28.3 million), grading income (R20.6 million) and sundry income of R92.9 million. Sundry income comprises income from exhibitions such as INDABA and Meetings Africa.



In line with South African Tourism's mandate, marketing expenses remain the entity's highest cost. A total of R917.5 million was allocated to marketing, representing 74% of South African Tourism's total expenses. This includes R100 million received during the financial year for domestic marketing.

Employee costs make up 15% of total expenses. It is important to note that this also includes salaries and cost of living allowances for locally recruited international staff members. The reduction from the previous year can be attributed to numerous vacant senior positions.



Key Policy Developments and Legislative Changes

South African Tourism has undertaken a compliance review of applicable South African and international laws that led to a complete policy review in the organisation. This included crafting employee handbooks for international offices to have ease of reference to all policies in order to mitigate any risk of non-compliance.

STRATEGIC OUTCOME-ORIENTATED GOAL

Market South Africa for the increased contribution of the tourism sector to inclusive and sustainable economic growth.

South African Tourism's aim was to implement its marketing strategies to build brand positivity of South Africa as a leisure tourism and business events destination, and attract travellers that will increase tourism revenue's contribution to the economy from a projected R91.2 billion in 2015 to R124.4 billion by 2020. The tourism revenue contribution to the South African economy for the year under review was R102 billion.

South African Tourism's strategic objectives for the year under review included the following:

- Contribute to the South African economy by increasing the number of travellers to and within South Africa;
- Build positive awareness of the South African experience;
- Reposition South African Tourism to be recognised as a tourism and business events industry leader in market intelligence, insights and analytics;
- Collaborate with stakeholders and partners to deliver on South African Tourism's mandate;
- Improve visitor experience in line with the brand promise; and
- Create an organisational culture of work satisfaction, excellence and innovation to improve effectiveness and operational efficiency.



PERFORMANCE INFORMATION BY OBJECTIVE

This is the consolidated South African Tourism performance information report for the year ending 31 March 2017.

* UNWTO aligned (January – December)

+ Financial year aligned (April – March)

STRATEGIC OBJECTIVES	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	COMMENT ON DEVIATIONS
Contribute to the South African economy by increasing the number of travellers into and within South Africa	Number of international tourist arrivals achieved	8 903 773	9 077 995	10 044 163 (January-December 2016)* Financial year: 9 945 373 (April 2016 – March 2017)	+10.6% +9.6%	<p>Annual target was exceeded by 10.6% due to a positive year-on-year performance in tourist arrivals of 12.8% from 8 903 773 for the period January-December of 2015 to 10 044 163 in 2016. This significant growth was experienced from all source markets and was driven by:</p> <ul style="list-style-type: none"> - Improved value-for-money perception due to the weakening of the Rand; - Improved perception of safety vis-à-vis the global environment; - Economic recovery by some source markets; - Additional visa facilitation centres across China; - Re-introduction of direct air routes in Brazil and China; and - Various in-market promotional activities.

STRATEGIC OBJECTIVES	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	COMMENT ON DEVIATIONS
Contribute to the South African economy by increasing the number of travellers into and within South Africa	Number of domestic holiday trips achieved	2 700 000	3 059 764	2 600 000 (January-December 2016)* Financial year: 2 950 000 (April 2016 - March 2017)	-15% -3.6%	Target was not met due to an overall decline in the number of trips taken, from 24.5 million in 2015 to 24.3 million in 2016. The South African economy was constrained resulting in a decline in disposable income, with affordability remained the main deterrent to taking a trip i.e. fewer holiday trips.
	Number of business events hosted in South Africa	108	138	125	-9.4%	Target was not achieved due to the disqualification for accreditation by ICCA of 16 out of 141 events that were hosted and submitted by South Africa.
	Number of business delegates hosted in South Africa	New KPI	77 567	73 866	-4.8%	
	Total tourism revenue achieved (billion Rand)	R91.7 billion	R95.7 billion	R102 billion (January-December 2016)* Financial year: R95.1 billion (April 2016 - March 2017)	+6.6% -0.6%	Target was exceeded due to the 12.3% growth in Total Domestic Direct Spend (TDDS) and the 11% growth in Total Tourist Foreign Direct Spend (TTFDS).
Build positive awareness of the South African experience	Percentage of brand positivity achieved	New KPI	40%	38%	-2%	Target was not achieved due to a substantial reduction of the marketing and advertising budget, thus affecting brand visibility globally and in-market.

STRATEGIC OBJECTIVES	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	COMMENT ON DEVIATIONS
Reposition South African Tourism to be recognised as a tourism and business events industry leader in market intelligence, insights and analytics	Reviewed leisure tourism market portfolio	New KPI	Approved market portfolio	Target achieved. The Marketing Investment Framework (MIF), which identified the markets that South African Tourism will invest in over the period 2017-2021, was approved at the November Board meeting.		
Collaborate with stakeholders and partners to deliver on South African Tourism's mandate	Stakeholder satisfaction score	New KPI	Set baseline	Not achieved		The stakeholder satisfaction survey was deferred and will be conducted post Project Ignite.
	Stakeholder engagement matrix in consultation with stakeholders	New KPI	Approved stakeholder engagement matrix in consultation with stakeholders	Target achieved. The stakeholder engagement matrix has been included in the Stakeholder Management Framework and is aligned to the stakeholders that were surveyed during the Ministerial Review as well as those identified as important/influential in delivering against business objectives.		

STRATEGIC OBJECTIVES	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	COMMENT ON DEVIATIONS
Improve visitor experience in line with the brand promise	Number of graded establishments	5 230	5 650	5 354	-17.5%	Although the performance on graded establishments and rooms is below target for the year, a steady net increase has been achieved in the number for the fiscal year. This is due to membership cancellations despite basket of benefits and Tourism Incentive Programme (TIP) support.
	Number of graded rooms	New KPI	122 686	118 869	-3.1%	
Create an organisational culture of work satisfaction, excellence and innovation to improve effectiveness and operational efficiency	Staff satisfaction score	New KPI	3.7	2.9	-21.6%	<p>Target was not achieved. The following were identified as areas for improvement:</p> <ul style="list-style-type: none"> - Training and development; - Pay and benefits; and - Structure and policy implementation, mainly with reference to the application of PFMA requirements in country offices. <p>South African Tourism's operations in jurisdictions other than South Africa find it difficult to implement some aspects of the PFMA and National Treasury (NT) regulations, yet remain efficient and competitive. There are ongoing engagements with NT for special dispensations and to reduce the risk arising from currency loss.</p>
	Unqualified report by AGSA	New KPI	Unqualified audit report	Target achieved. South African Tourism received an unqualified audit report from the AGSA.		
Create an organisational culture of work satisfaction, excellence and innovation to improve effectiveness and operational efficiency	Staff turnover rate achieved	New KPI	7%	6.6%	+0.4%	

PERFORMANCE INFORMATION BY ACTIVITY

LEISURE MARKETING OVERVIEW

International Marketing

South African Tourism Market Portfolio

During the year under review, South African Tourism continued to drive its marketing strategy by focusing on the following:

- Investing in selected markets for leisure tourism to deliver volume (travellers) and value (tourism revenue);
- Working with trade partners to leverage resources to deliver travellers to and within South Africa;
- Positioning South Africa among the top 10 long-haul business events destinations by 2025 while collaborating to convert business travellers into leisure tourists;
- Revamping the value proposition of tourism grading to inspire partners and stakeholders to deliver on the brand promise and quality visitor experience;
- Collaborating with partners and stakeholders for tourism growth;
- Creating an organisational culture of work satisfaction, excellence and innovation to improve effectiveness and operational efficiency; and
- Positioning South African Tourism as a thought leader in tourism, business events as well as quality assurance.

Leisure Tourism Market Portfolio

The performance reported in this Annual Report originates from the current leisure market portfolio (depicted in the table below), effective until 31 March 2017.

	AFRICA & MIDDLE EAST	AMERICA	ASIA & AUSTRALIA	EUROPE
CORE MARKETS	Angola Domestic Kenya Mozambique Nigeria Tanzania	Brazil USA	Australia China India	France Germany Netherlands UK
INVESTMENT MARKETS	Botswana DRC Ghana Lesotho Uganda Zimbabwe	Canada	Japan South Korea	Italy Russia
TACTICAL MARKETS	Namibia UAE Zambia	-	Singapore	Switzerland
WATCH-LIST MARKETS	Ethiopia Malawi Swaziland	Argentina	New Zealand	Austria, Belgium, Denmark, Finland, Norway, Spain, Sweden, Turkey
STRATEGIC IMPORTANCE	Egypt Israel Morocco Saudi Arabia Tunisia	-	Malaysia	-

The markets in South African Tourism's leisure market portfolio are described as:

- **Core markets** that are very attractive and have easy access from a tourism marketing point of view. They deliver the "bread and butter" in terms of tourism for South Africa. Approximately 60% of the organisation's efforts (in terms of human capital and budget) are deployed in these markets.
- **Investment markets** that are also very attractive, but more difficult to access from a tourism marketing point of view. Given the potential of these markets, it is important that South African Tourism invests in them to deliver future returns. Approximately 20% of the organisation's efforts are deployed in these markets.
- **Tactical markets** that are less attractive, but very easy to access from a tourism marketing point of view. Approximately 15% of the organisation's efforts are deployed in these markets.
- **Watch-list markets** that are less attractive and more difficult to reach from a tourism marketing point of view. However, limited exploratory marketing, mainly in conjunction with South Africa's Diplomatic Missions and tour operators, is being undertaken. The anticipation is that these might grow into prominent markets for South Africa in the future. Approximately 5% of the organisation's efforts are deployed in these markets.
- **Markets of strategic importance** that are markets placed under surveillance due to future growth prospects arising from their position as growing logistics hubs or any other economic rationale.

During the year under review, South African Tourism continued to defend and grow its market share in the core and investment markets, as well as drive growth in the tactical and watch-list markets including markets of strategic importance.

In order to keep the destination top of mind for consumers and the trade, the organisation needed to implement a 360 degrees communications plan to consistently inspire travel and address the barriers to entry for tourists. These included the issue of affordability and personal safety which are key considerations for travellers. A unified brand on digital and social media platforms, as well as strategic global and national media partnerships also assisted in laying out the path to purchase that is simple and seamless, as well as guaranteeing personal security that the modern traveller expects.

Support Provided to the Three Pillars of the Business

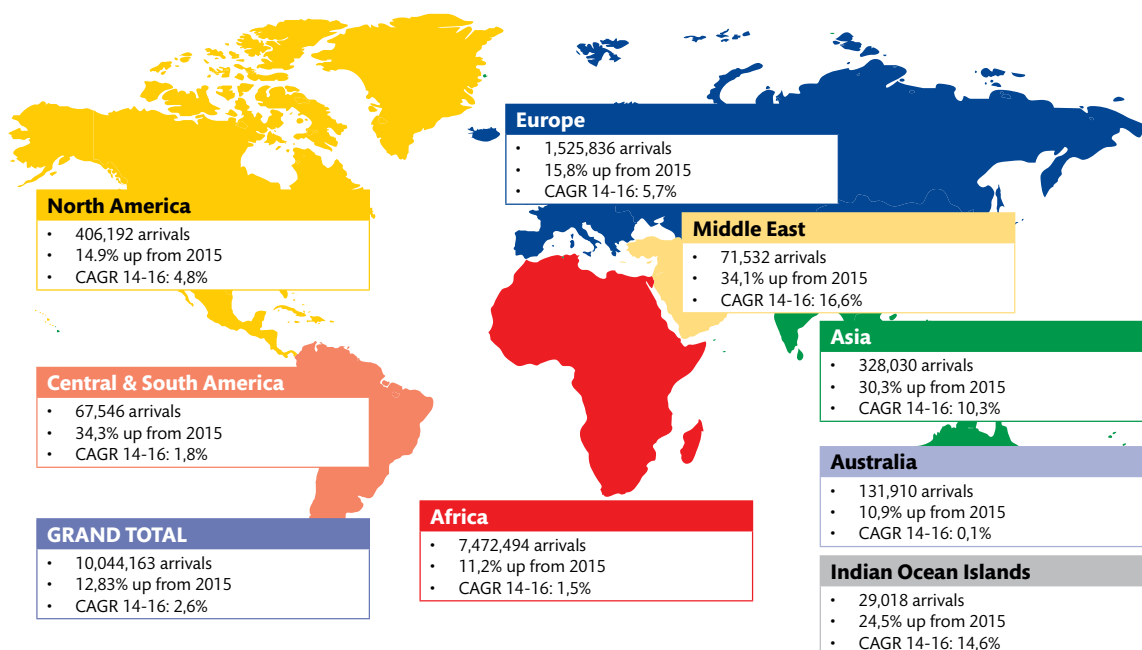
In the year under review, South African Tourism continued to work closely with the trade in order to equip them to meet consumers' needs. This it achieved by building brand experiences that inspire and excite, and were executed through:

- **Speed marketing:** platforms created to encourage accredited tour operators to package all regions of South Africa, thus improving geographical spread. In addition to exposing the trade to domestic and international buyers, they also serve as a platform to share information and educate the trade on new and exciting product developments within the different regions;
- **Familiarity trips:** these are vital for international and domestic trade selling South Africa, as they are given first-hand experience of the country – thus empowering them to better package and sell South Africa as a destination. Bespoke itineraries were used when hosting key media and trade and the experiences chosen were to enhance South Africa's competitive advantage in nature and wildlife, adventure, city lifestyle, scenic beauty, coastal beaches, and culture and heritage categories; in line with South African Tourism's brand pillars;
- **Welcome campaign:** sought to create a welcoming tourism culture across all tourist touch points and provided workshops highlighting the importance of trade's face-to-face interaction with tourists; and
- **The product packaging workshops:** were used to update the trade with the latest market knowledge and trends as well as practical tips and advice for servicing specific countries and markets.

Performance Snapshot

International Performance

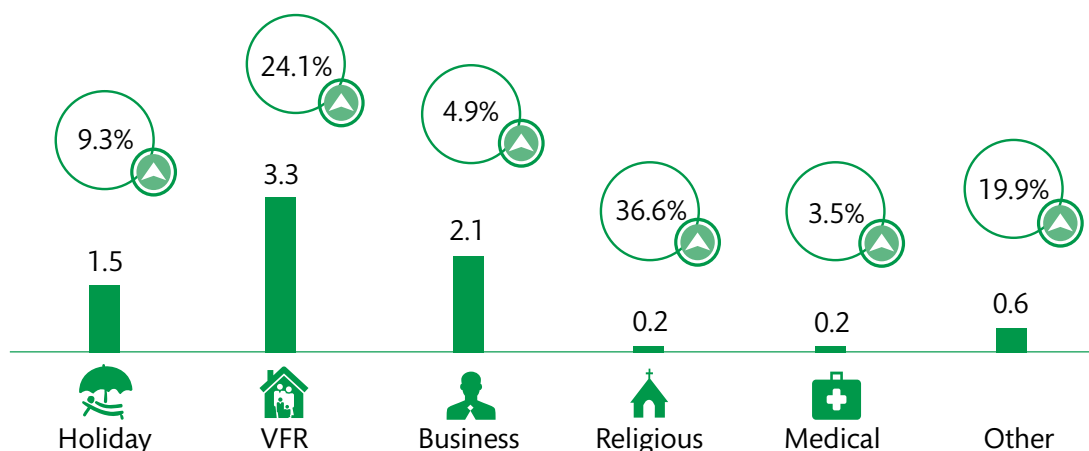
International tourist arrivals to South Africa have fully recovered from the 2015 decline, and grew by 12.8% to reach a record high of 10 million arrivals in 2016. This means that an additional 1.1 million tourists chose to visit South Africa over other destinations. The growth in international tourist arrivals to South Africa came from all regions, with arrivals from Central and South America, the Middle East and Asia growing by 30.3% (albeit from a small base), while arrivals from other regions grew by double digits.



Profile of International Tourists by Purpose of Visit

Visiting friends and relatives (VFR) was mentioned as the main reason for visits by international tourists who came to South Africa in 2016. This category grew by 24.1% to reach 3.3 million tourists. Holiday tourists grew by 9.3%, while MICE tourist numbers contracted by 7.3% over the previous year.

Religious and medical tourism recorded strong growth, albeit from a very small base. In the MICE segment, there was a 18.6% decline, specifically in tourists coming for conventions and 3.1% for exhibitions, while the meetings and incentives groups recorded an increase.

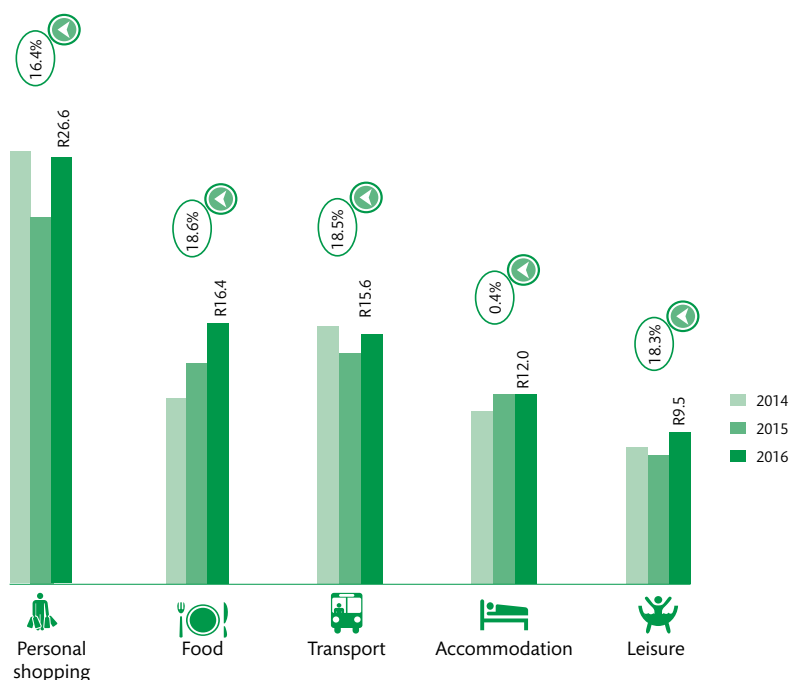


International tourists by purpose of visit

International Tourism Performance: Revenue

International tourist revenue increased by 10.8% to total R75.5 billion during 2016. The growth in spend was driven by increase in arrivals resulting in R8.7 billion; spend per day increased by 1.5% resulting in an additional R1 billion, average length of stay dipped by -2.9% and resulted to a loss of close to R2 billion. The Rand strengthened against most currencies across the world, but despite the weaker currencies the tourism spend grew from each of the source regions.

During 2016, 34.6% of international tourist spend was on shopping for personal items, which represents 16.4% growth estimated at R26 billion. Except for accommodation spend, which remained stable, the tourism spend on food, transport and leisure-related activities increased.



International Tourism Performance: Length of Stay

The Africa land markets were the only in the Southern Africa region to show a slight increase of 1% in the average length of stay in 2016, to 7.7 nights. Europe and Asia/Australasia were the principal drivers of the decline in length of stay, dropping by 12% and 10.6% respectively. The Americas and Africa air markets also declined in this metric, by 8.7% and 2.1% respectively.

Overall, bed nights in South Africa grew by 4.6% to reach 192.2 million in 2016. Bed nights by international tourists increased by 9.2% to reach 88.8 million. This growth was despite a decline in the bed nights of holiday and VFR tourists by 2.2% and 8.1% respectively, who account for a combined share of 85.5% of bed nights. Medical, religious and business tourists' bed nights grew by double digits, increasing by 64.2%, 17.4% and 10.2% respectively, and made up for the losses from the holiday and VFR tourist segments.

International Tourism Performance: Geographical Spread and Seasonality

The geographical spread of tourism saw an improvement in 2016, with 15.2% of international tourists visiting more than one province. VFR makes up 38.5% of international tourist volumes, while holiday and business trips make up 22.1% and 20.8% respectively. These three purposes cumulatively account for 81.4% of all international tourist arrivals, and any growth or decline in these categories has an impact on the tourist volumes for the various provinces. An upswing or decline in religious and medical tourists has little to no impact on overall international tourist volumes. All provinces saw growth in their share of international tourists in 2016, with the exception of the Northern Cape.

International tourists remained relatively stable to reach 1.3% in 2016, from 1.4% in 2015, which is a minor improvement (one basis point) in seasonality. International tourist arrivals increased in each quarter, growing by 18.7%, 11.6%, 12.3% and 8.7% for each respective quarter.

Europe is the most seasonal source market and the seasonality index from that region worsened to 8.7%. Africa air markets also saw worsening seasonality, while Africa land markets, the Americas and Asia-Australasia improved on seasonality. The Asia-Australasia region has the lowest seasonality index and growing tourist arrivals from that region will go a long way to further improve seasonality.

Domestic Tourism Performance

According to the Domestic Survey (2016), 57% of the respondents cited unaffordability or no income as a barrier to their travelling locally. The other stated barriers to travel are "no reason to travel" (28%) and "time constraints" (19%).

IN-COUNTRY MARKETING HIGHLIGHTS FOR THE YEAR UNDER REVIEW EXCLUDING AFRICA

UNITED KINGDOM AND IRELAND

STRATEGIC FOCUS

Partner with the trade to sell South Africa as a value-for-money holiday destination. Inspire targeted British travellers by showing them that South Africa is fun, safe and friendly.

CAMPAIGN HIGHLIGHTS

The #FindYourWild consumer activation, and the Mumford and Sons pop-up exhibition in London, and the #UnmissableSAMoments photographic competition. Presenter Phillip Schofield's South African trip was featured on ITV's *This Morning*, and *Masterchef* UK filmed in Cape Town.

TRADE ACTIVITY

Fourteen South African businesses took part in a roadshow, exposing them to 105 travel agents in Glasgow, Manchester and London.

SOUTH EUROPE

STRATEGIC FOCUS

Motivate the Italian trade to sell South Africa by creating consumer demand through shareable content. Convert French consumers to visit South Africa by providing compelling information and deals. Ignite consumer interest in Spain by partnering with the South African travel trade.

CAMPAIGN HIGHLIGHTS

A radio campaign in France; digital media buy and creating shareable blog content in Spain.

TRADE ACTIVITY

In Italy, 45 members of the trade attended a trade forum. In France, 700 travel agents were trained to package deals, and 10 travel agents and four media were hosted on a familiarisation trip. In Spain, 13 trade and media were hosted at the FITUR trade show and a TV programme on South Africa was produced.

NORDICS

STRATEGIC FOCUS

Ignite consumer interest for South Africa while positioning the country as a preferred destination by partnering with the South African travel trade operating in these markets.

CAMPAIGN HIGHLIGHTS

Two roadshows identified future partners, and a South Africa-themed reality TV show called *Taste Expedition* was aired in Sweden and five other countries.

TRADE ACTIVITY

Nordic trade and media interacted with 28 South African suppliers, including SMMs, during a hosting trip.

UNITED STATES

STRATEGIC FOCUS

Created a vivid picture of South Africa as a desirable "safari-plus" destination by showcasing iconic, activity-rich experiences that demonstrate value for time and money.

CAMPAIGN HIGHLIGHTS

The #WowSouthAfrica campaign, launched with partners, showcased South Africa's variety of experiences in close proximity, targeting the "wanderluster" and millennial markets.

PR VALUE

R2.5 billion

TRADE ACTIVITY

About 4 000 trade representatives were trained and two familiarisation trips were undertaken.

BRAZIL

STRATEGIC FOCUS

Inspired desirability for South Africa by working with the trade to position it as iconic, value-for-money destination with easy-to-do experiences.

CAMPAIGN HIGHLIGHTS

30 journalists were hosted, familiarisation trips took place and the "Meet South Africa" and "Experiences in South Africa" campaigns were rolled out.

PR VALUE

R289 000

TRADE ACTIVITY

Partnerships with tour operators educated the travel trade. A roadshow showcased South African products to buyers in Sao Paulo, Rio de Janeiro and Belo Horizonte.



THE NETHERLANDS

STRATEGIC FOCUS

Inspired the Dutch traveller to visit South Africa by showcasing varied, authentic experiences with welcoming South African locals, while empowering trade partners to sell South Africa.

CAMPAIGN HIGHLIGHTS

The "Wat Sê Jy?" online campaign introduced Dutch "wanderlusters" to South Africa's languages, cultures and people.

PR VALUE

R56 million

TRADE ACTIVITY

A roadshow saw 20 South African products presented to 200 Dutch trade, four familiarisation trips were undertaken, and Dutch and Belgian trade agreements were sealed.

GERMANY

STRATEGIC FOCUS

Made 2016 a "big year" with an extensive marketing campaign targeting German travellers was launched.

CAMPAIGN HIGHLIGHTS

A film promoting South Africa was shown in cinemas, the Schätzt Dich nach Südafrika PR campaign was rolled out and 72 journalists and influencers were hosted.

TRADE ACTIVITY

Partnerships were entered in with 274 tour operators and 2 000 travel agents were trained.

CHINA

STRATEGIC FOCUS

Capitalised on high interest in South Africa by partnering with and educating the trade to sell the benefits of a South African holiday to the Chinese.

CAMPAIGN HIGHLIGHTS

A consumer campaign and the "Wow in Every Moment" media roadshows were held in Beijing, Shanghai and Hong Kong.

Five familiarisation trips hosted 50 media and celebrities.

TOTAL PR VALUE

R1.1 billion

TRADE ACTIVITY

Partnerships were sealed with trade partners and educational workshops were held.

SOUTH KOREA

STRATEGIC FOCUS

Partnered with and educated the trade to package, promote and sell South Africa in a way that improves tourist arrivals and builds brand awareness.

CAMPAIGN HIGHLIGHTS

A partnership with the TV *Home Shopping* programme resulted in at least 600 Korean bookings to travel to South Africa.

TRADE ACTIVITY

Included a Korean trade familiarisation visit to South Africa.

AUSTRALASIA

STRATEGIC FOCUS

Inspired Australians and New Zealanders to consider South Africa as a destination by showcasing authentic experiences and enticing them to visit friends and relatives.

CAMPAIGN HIGHLIGHTS

The Western Cape hosted the Australian Society of Travel Writers' AGM.

PR VALUE

R117.1 million

TRADE ACTIVITY

Partnerships with airlines promoted special fares. A five-city trade educational was led by a local influencer.

INDIA

STRATEGIC FOCUS

Increased Indian arrivals, by defending South Africa's leading position on wildlife, and built presence in the "adventure", "breathtaking experiences" and "value for money" categories.

CAMPAIGN HIGHLIGHTS

The Fastest 50 trade sales campaign during the World Cup in India encouraged frontline sales staff sell trips to South Africa.

INR91 073 285 in printed and online coverage.

TRADE ACTIVITY

Strategic partnerships were entered into with key media titles and members of the travel trade.

JAPAN

STRATEGIC FOCUS

Provided the Japanese trade with fresh itineraries that promoted South Africa's variety of attractions while building consumers' confidence in the destination.

CAMPAIGN HIGHLIGHTS

Media launched of the "A Wow in Every Moment" campaign and a Japanese goodwill ambassador highlighting South Africa as an attractive destination.

PR VALUE

R1.6 billion

TRADE ACTIVITY

Trade workshops in Osaka and Tokyo saw 30 South African businesses promoting their products. Trade partnerships were formed during the Japan Outbound Tourism Council conference.



AFRICA AIR AND LAND MARKETS

Arrivals from the rest of the continent increased by 11.2% in the year under review, bringing the total number of African travellers entering South Africa to 7.5 million, and total foreign direct spend increasing as well. This can be attributed to a number of factors, including the focused and targeted media, travel trade and influencer partnerships that were central to South African Tourism's marketing campaign across the continent. Significant improvements were recorded in most of the brand attributes in the West Africa and East Africa hubs, especially on the metrics of South Africa having welcoming people and offering a variety of experiences compared to competitor destinations.

Visa processing remains a cause for concern, but credit is due to the staff of South African embassies, visa facilitation offices, and border officials on the continent, who have been working hard to overcome barriers in processing millions of visitors coming into the country. This has resulted in improved visa processing turnaround times in most countries, with Nigeria still struggling due to resourcing constraints.

AFRICA HIGHLIGHTS

- The "Allow Us" campaign gave South Africa a presence in all African markets across TV, radio and social media platforms.

EAST AFRICA



- Kenya's Capital FM covered the Standard Bank Joy of Jazz Festival live, yielding significant reach and impact.



- South Africa successfully participated in the Magical Kenya Travel Expo.



- Ten businesswomen from Uganda were hosted in South Africa.

WEST AFRICA



- To position South Africa as a friendly and welcoming destination with a variety of contemporary experiences, West African influencers shared "Meet South Africa" content with their social media followers, reaching some 60 million people.



- Partnership agreements were signed with in-market trade representatives and trade associations to disseminate destination information.



- More than 500 trade members were trained on the destination during workshops across five cities.



- Almost 50 trade partners were hosted on familiarisation trips.



- 13 South African product owners met stakeholders and members of the travel trade in Nigeria and Ghana.



- South African Tourism won the award for best stand design at the Akwaaba African Travel Market in Lagos.

THE CONTINENT AT LARGE

- Agreements were signed with African tourism associations to foster trade training initiatives and collaborative marketing opportunities in order to drive travel to South Africa.
- The Africa Mega Fam saw 90 tour operators and travel agents from 15 African countries being hosted in South Africa. A trade workshop at Robben Island saw 40 South African products showcased, including SMMEs.
- South African Tourism's portfolio of 10 watch-list markets included three North African markets (Morocco, Egypt and Tunisia), two SADC countries (Malawi and Swaziland) and three Middle Eastern countries (Turkey, Israel and Saudi Arabia). Limited but strategic marketing took place in these non-core markets, mainly in conjunction with South Africa's Diplomatic Missions and tour operators. This with a view to them growing into major source markets in the future.

DOMESTIC MARKETING HIGHLIGHTS

Domestic tourism remains the cornerstone of the work of South African Tourism. Additional funding was granted to the organisation over the MTEF period to create and inspire a culture of holiday travel among South Africans. This was driven through:

- Stimulating local travel;
- Motivating target segments to take more holiday trips by showcasing a variety of desirable experiences through rich, engaging, informative content; and
- Partnering with and educating the channels (where consumers look to buy travel) to promote relevant value-for-money deals, with the supporting content on activities, so that prioritised segments are motivated to book immediately.

In collaboration with NDT a number of social tourism initiatives were implemented to achieve the above, as well as drive conversion of VFR travellers into holiday travellers – directly impacting on holiday trips and tourism revenue.



The “A Million New Experiences Are Only a Sho’t Left Away” campaign sought to stimulate local holiday travel, by partnering with and educating booking channels to promote value-for-money deals.



Trade partnerships targeted the “build” (building a culture of travel) and “convert” (converting VFR travellers to travel for leisure purposes) market segments.



A partnership with the National Stokvel Association of South Africa motivated 800 000 stokvel members to save for domestic travel via affordable long-term lay-by holiday plans.



Consumer deal-driven activations promoting rail travel were rolled out to inspire locals to book a sho’t left holiday (a short trip or weekend getaway).



A trade partnership at petrol forecourts drove deal-driven activations to motivate South Africans to take leisure day trips while visiting friends and family over the festive period.



Campus activations saw students receiving co-branded International Student Identity Cards promoting discounted holiday travel deals within South Africa.



A social tourism partnership with Gogo on Tour mobilised 1 000 senior citizens across all nine provinces to entrench a culture of holiday travel among the elderly.



Youth tours galvanising 2 000 high school learners were done in partnership with Tshwane Tourism as well as the NDT.



The Mzansi Spelling Bee project challenged children with tourism - and travel-themed words drawn from South Africa’s cultural heritage and natural attractions.



Partnerships with key industry players (the private sector, NGOs and trade bodies) helped ensure alignment with consumer insights and research to sell the country in a way that resonated with consumers.



A “Finders Keepers” print, radio and online campaign with TOMSA and the TGCSA highlighted attractions and hidden tourism gems in nine provinces as clues, with one consumer winning a R1 million prize.



A total of 98 journalists and influencers were hosted, generating PR coverage to the value of R123 million.



Media partnerships contributed to a successful #TourismForAll Tourism Month campaign, launched in the Free State.



South African Tourism received an Orchid accolade from journalist Brendan Seery for the #TourismForAll television commercial.

TOURISM GRADING



In the year under review, South African Tourism's Grading Council drove positive perceptions of the importance of grading in the industry by refining its value proposition and tailoring communication per client category, showing that quality assurance is about partnering with product owners to help drive profitability through sustaining their quality of business. It was very important to grow and retain the customer base through targeted sales and relationship building strategies.

In collaboration with the NDT, the Grading Support Programme, which allowed for up to a 90% discount on grading fees, 80% for Tourism Incentive Programme members, and 10% for TOMSA members, was streamlined. This was in an attempt to grow the number of participants from the SMME sector and retain those properties that indicated that the cost of grading was a barrier to membership.

Enhancement of the Strategy

Although the performance on graded establishments was below target for the year, a steady net increase was achieved. While the target of 5 650 graded properties was missed by 296, there was a net increase of 138 properties during the year under review.

In order to entrench the value proposition of grading, the triennial review of grading criteria has been implemented and is nearing completion. A detailed research into the perceptions of grading has commenced and will assist in refining the value proposition and address both operational and strategic challenges.



SPEED MARKETING TESTIMONIALS: BUYERS AND EXHIBITORS

Testimonials from various buyers from across the world

What did you like most about the speed marketing session?

- "It used to be moving tourism forward for Southern Africa; now it's Africa. That's our delight; that's what excites us and excited me. Africa is our oyster. We always believe that there are two gateways to Africa: Lagos and Durban."
- "The best part of the whole session is the additional information that I had no prior knowledge of. It has educated me further to the products that I want to be able to put in my 2018 brochure when that comes out."
- "With INDABA, you really have time. It's one-on-one appointments. They really have time for you. You are able to sell what you have and you are also able to get what you want. Coming from West Africa, I think packaging the southern part of Africa, especially South Africa, is one of the major things that I have benefited from at INDABA."

Testimonials from various exhibitors that presented

Did you find it beneficial participating in the speed marketing session?

- "Yes, I did. It was very beneficial. It was my first time attending something like this, so for me it was great to get all the other exhibitors' information while I was here in a very short time. That is what I loved about it the most – it's not wasting time; it's not spending a whole day."
- "It was amazing. It's a platform where we can talk to the people and they can realise what unique products we offer."
- "Absolutely. I literally walked out of this session now and I have already been approached by one of the tour operators who wants to book out our entire B&B for next year's INDABA for all his directors, so immediately it has worked. So I think it's just been amazing – the immediate exposure, but also being able to present our small B&B, which is a five-star, to this amount of international buyers has just been priceless. Amazing."

BUSINESS EVENTS



South Africa is host to approximately 1 million business tourists annually whose primary purpose of visit is to attend a business or industry meeting, conference or exhibition. SANCB celebrated its fifth anniversary in February 2017. In the year under review it continued to co-ordinate the bidding for international conventions as well as liaise with other organs of government and suitable bodies to promote South Africa as a business tourism destination.

In the past five years the SANCB has achieved various milestones. It has:

- Achieved the 5.7% growth target that the South African business events industry set for itself over the past five years;
- Submitted, in conjunction with the city and provincial convention bureaus, more than 240 bids and proposals worth R5 billion in estimated economic impact;
- Maintained South Africa's International Congress and Convention Association (ICCA) global ranking to be placed in the top 35 business events destinations in the world;
- Maintained South Africa's ICCA ranking as one of the top 15 long-haul meetings destinations in the world, breaking into the top 10 in 2016;
- Created market access platforms for 35 SMMEs to participate in international trade exhibitions, and subsidised 380 business events products and services to participate at 20 international trade exhibitions;
- Sourced and hosted more than 1 000 international and regional hosted buyers at Meetings Africa, with buying power exceeding R5 billion worth of potential business for the country; and
- Created a secured bids pipeline of 53 international association conferences over the next four years that will attract 97 000 association professionals and generate R1.4 billion in economic impact for the country.

INTERNATIONAL ASSOCIATION CONFERENCES HOSTED IN 2016

141		International Meetings and Conferences Hosted in 2016
76 196		Number of Delegates
595		Number of combined conference days
R1.1 billion		Estimated Economic Impact

SECURED BUSINESS 2018 - 2023

137		Secured meetings for the next 5 years (2017-2021)
R2.1 billion		Estimated Economic Impact
138 111		Number of Delegates

BID SUBMISSIONS 2016 - 2017 FINANCIAL YEAR

78		Bid submissions
R1.3 billion		Estimated Economic Impact
139 936		Number of Potential Delegates
401		Estimated Conference days

EXHIBITIONS AND STRATEGIC EVENTS

South African Tourism is one of only two Destination Marketing Organisations that owns its own trade shows. These provide opportunities to showcase the wide variety of products in South Africa and to introduce new entrants into the industry.

Indaba is the largest and leading travel trade show on the African continent and continues to offer the leisure travel industry in South Africa and the African continent an opportunity to market their products and network with buyers from across the globe.

Meetings Africa on the other side continues to be the leading business tourism exhibition on the continent. It has created a platform for association buyers, professional conference organisers and event planners to meet and review the potential that the African continent has in hosting meetings, incentives, conferences and exhibitions.

INDABA
Africa's Top Travel Show

INDABA 2016



To maintain INDABA's status as one of the top three exhibitions of its kind on the international travel trade tourism calendar.



To align all strategic partners and stakeholders from both government and the private sector to ensure that there is a focused partnership approach to create growth in the tourism sector.



To ensure the right product mix was available to attract buyers, with a specific emphasis on developing the SMME tier of product for trade show readiness, in the form of the Hidden Gems and speed marketing initiatives.



To showcase and promote Southern Africa as a prominent destination to the international market in an effective exhibition environment.



To leverage on existing relationships with key local and international stakeholders to maximise awareness and to ensure that visitors, especially key buyers, were able to take maximum advantage of the opportunities and deals on offer – facilitating the “buyer/seller” networks and sustainable transactions. South African Tourism placed a greater focus on the training and development of exhibitors to use the online diary and matchmaking system, the mobile app, as well as product positioning in preparation for the show.



To aggressively grow the number of “quality” international buyers. This growth was sourced from South African Tourism's key global markets, namely the UK, USA, Germany, France, the Netherlands, India, Japan, China, Australia, Canada, Kenya, Nigeria, Brazil and Africa. South African Tourism entrenched stricter control measures for hosted buyers in particular, to ensure that the mandatory number of meetings per day were adhered to.



To align with the business objectives of exhibitors and become a conduit for exhibitors to achieve real value and return on their investment.

LILIZELA TOURISM AWARDS



The Lilizela Tourism Awards, launched by the Minister of Tourism in 2013, are regarded as South Africa's premier travel and tourism awards.



They aim to recognise and celebrate business excellence in tourism, and the contribution these establishments make to South Africa's global competitiveness, GDP, job creation and black economic empowerment.



In 2016 it celebrated its fourth year and attracted 1 122 entries from all over the country. Of these, 589 finalists were selected nationwide and each province held its own awards ceremony, during which 265 provincial winners were awarded.

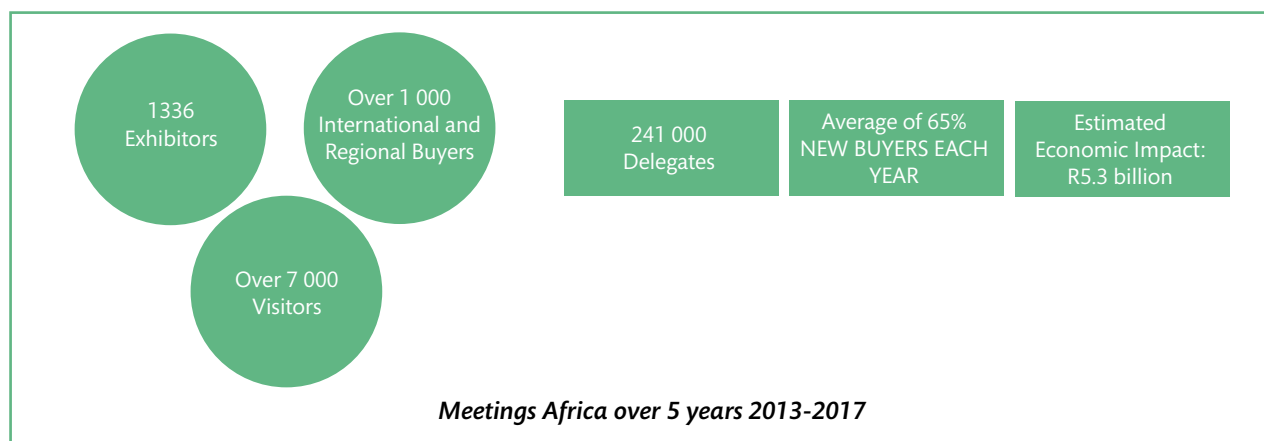


The provincial shortlist was further narrowed down, and a total of 54 national winners were honoured by the Minister of Tourism at a gala event on 16 October 2016.



Awards were made in a number of categories including the Service Excellence Award (with sub-categories Accommodation, Visitor Experience, Tourist Guides and Tour Operators); Entrepreneurship (for emerging tourism businesses); Sustainability and Good Governance.

MEETINGS AFRICA



In 2017 Meetings Africa positioned as a Pan-African show, was one of the most successful editions of the trade show in the past 5 years. The show exceeded its hosted buyer and exhibitor targets with great distinction.

The hosted buyer qualification process for the show again demonstrated the value it generates for the exhibitors. The 243 international and regional hosted buyers that went through the qualification process represented businesses worth R2.3 billion and 115 483 delegates that conducted business with the 296 exhibitors resulting in an increase in the hosted buyer return on investment.

OPERATIONAL EFFICIENCY

In order to achieve operational efficiency South African Tourism worked towards mapping and automation of business processes to improve agility and decision-making. It oversaw the strategic planning, organisational performance, reporting, monitoring and evaluation of the organisation. This was to ensure continued compliance with the regulations of the National Treasury.

In addition it ensures that the following areas of the business are functioning optimally:

Strategic Research

Emanating from the Ministerial Review, South African Tourism's focus for the year under review was to reposition itself to be recognised as a leading authority on tourism and a business events industry leader in market intelligence, insights and analytics. Consequentially, South African Tourism embarked on building a next-generation research competency that was finalised through Project Ignite. This saw the finalisation of the 5-in-5 strategy, the MIF and the travel trade landscape project.

Business Information Systems (BIS) and Business Process Mapping

During the year under review, South African Tourism updated its ICT strategy to support the technical requirements of the business and maintain excellent systems availability. This has resulted in the organisation achieving a consistent systems uptime of 98%. Tourism's key business processes, which was to improve operational efficiency through the workflow management system, was completed

Facilities Management and Administration

During the year under review, no occupational health and safety (OHS) incidents were reported. In future, the organisation's OHS compliance will be expanded to include compliance with the OHS standards of the countries in which South African Tourism operates.

Internal Audit

During the 2016/2017 financial year, Internal Audit continued to contribute to the enhancement of governance, risk management and internal controls within and around the organisation through the delivery of assurance and advisory services. It followed a risk-based audit approach, as required by Treasury Regulations and recommended by King III, with the primary aim of contributing to the adequacy and effectiveness of internal controls over the following:

- The information technology system environment;
- The reliability and integrity of financial and operational performance information;
- The effectiveness of South African Tourism's operations and its performance;
- The adequacy of safeguarding assets; and
- Compliance with relevant laws and regulations, including supply chain management policies.

In addition, Internal Audit contributed successfully to maintaining an ethical business environment by monitoring the South African Tourism ethics hotline, which is independently managed by business consultancy Deloitte.

Legal and Compliance

During the year under review, South African Tourism reviewed its policies to ensure greater compliance with South African and international legislation and regulations. There has also been a sharp decline in hotline employee relations issues, which is taken as an indication of greater awareness of statutory and policy compliance within the organisation. Employee relations disputes have also decreased in the past financial year.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

South African Tourism will achieve its national tourism strategy of 5-in-5 by optimising marketing investments to allow it to focus on prioritised markets and segments, reassess and realign the brand to be appealing, resilient and competitive tourism -including business events- brand across the target markets and segments, develop effective stakeholder partnerships to collaborate with partners, both local and international, to maximise synergies, enhance traveller experience and close sales, utilise resources effectively to drive operational efficiencies in all activities, including human, marketing and other resources, as well as build an inspired and energised organisation that is motivated to meet the defined goal.

KEY PERFORMANCE INDICATOR	STRATEGY
Number of holiday trips	Based on the recent Domestic Market segment research, identifying new segments to focus on; South African Tourism will put more emphasis in those areas to build the culture of travel, convert and defend existing travellers, as well as increase the frequency of travel. These will result in the increase of holiday trips and total domestic trips.
Brand positivity	South African Tourism will commence implementation of its 5-in-5 Framework from 2017/18. This Framework is supported by detailed plans for each strategic thrust as well as a well configured operating model to drive efficiencies within the organisation.
Number of business events achieved in South Africa	
Number of business delegates achieved in South Africa	
Number of graded establishments achieved	The grading criteria have been recently reviewed to make grading more accessible. Furthermore the collaboration with NDT on the TIP subsidy implemented in the year under review will yield rewards by the improvement of ease of access for SMMEs.
Number of graded rooms achieved	

Linking Performance with Budgets

	2015/16			2016/17		
OBJECTIVE	BUDGET	ACTUAL EXPENDITURE	(OVER)/ UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/ UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Business enablement/ Administration	117 385	125 040	(7 655)	123 842	139 570	(15 728)
Contribute to the South African economy by increasing the number of travellers into and within South Africa	801 798	849 985	(48 187)	795 660	857 162	(61 502)
Build positive awareness of the South African experience *	205 947	246 619	(40 672)	218 303	183 676	34 627
Reposition South African Tourism to be recognised as a tourism and business events industry leader in market intelligence, insights and analytics.	-	-	-	34 000	34 000	-
Collaborate with stakeholders and partners to deliver on South African Tourism's mandate	-	-	-	3 121	2 695	426
Improve visitor experience in line with the brand promise.	48 425	34 528	13 897	46 909	40 473	6 436
Total	1 173 555	1 256 172	(82 617)	1 221 835	1 257 576	(35 741)

* South African Tourism's global media budget is included in this figure and includes global media platforms such as CNN, BBC and National Geographic

Capital Investment

South African Tourism's capital expenditure has been stable for the past three years, and it is envisaged that it will maintain a similar trend in the next five years.

As part of continuous improvement and to keep up with technological advancements, South African Tourism embarked on the integration of the Oracle Finance and Enterprise Schedule Service systems with the Workflow Management System as well as Client Relations Management System.

Bi-annual asset counts are undertaken at head office and in-country offices to ensure that the asset register of South African Tourism is maintained.





INTERNATIONAL MARKETING AWARDS

West Africa

- South African Tourism's West Africa Regional Manager was named one of the Top 100 Eminent Tourism Personalities in West Africa at the Accra Weizo Tourism Conference.
- South African Tourism West Africa received a special recognition award for Best Destination Marketing Organisation and for "positive tourism development" in the region from Akwaaba African Travel Market organiser Ikechi Uko, who is also the publisher of ATQ travel magazine.
- Out of more than 12 000 registered travel and tourism entities in West Africa, South African Tourism was named among the top 100 most influential and competitive brands in a survey by ATQ magazine, announced at Akwaaba 2016.
- South African Tourism's stand at Akwaaba 2016 was also named the Best African Stand, thanks to its hostesses in traditional attire and its daily cultural themes. Images of the stand were enthusiastically shared on social media.

United States: Destination awards

- *Travel + Leisure* 2016 World's Best Awards – Cape Town voted Top City (Africa and the Middle East)
- The Virtuoso Top 10 (most popular countries on client's radar based on future bookings) – South Africa ranked #4
- The Virtuoso Hot 10 (countries that have seen the largest percentage of growth in year-on-year bookings from Virtuoso agents) – South Africa ranked #7, with a 28% increase
- *Recommend Readers' Choice Awards* – Gold winner for Best-Selling Destination (Africa and the Middle East)
- Medical Tourism Index – South Africa ranked 27th Global Destination and top African Destination for medical tourism in the 2016 MTI ranking
- *Travel Weekly* 2016 Readers' Choice Award – South Africa named Best Destination in Africa
- Global Traveller 2016 GT Tested Awards – South Africa ranked #4 Best Tourism Destination
- Virtuoso Luxe Report 2017 Top Adventure Destinations – South Africa ranked #1 (for the second consecutive year); Top Global Destinations – South Africa ranked #2; Top Emerging Destinations – South Africa ranked #4

South African Tourism awards

- Magellan Awards 2016 – Silver Award for #MeetSouthAfrica Social Media Miniseries; Destination Marketing – Advertising/Marketing campaign category
- HSMIA Adrian Awards 2017 – Platinum Award for #MeetSouthAfrica Influencer Programme; Public Relations – Influencer Marketing category
- HSMIA Top 25 Most Extraordinary Minds in Sales & Marketing 2017 – won by South African Tourism's US Marketing Manager

- *The New York Times* Travel Show – South African Tourism won the 2017 Award of Excellence for Best in Show (out of 500+ exhibitors)

India

- South African Tourism's Country Manager at the India office received the 2016 Skål International Karl Twiggs Award for outstanding service in the travel and tourism industry, for steering the Indian market towards increased interest in South Africa. In 2016, more than 95 000 Indian travellers came to South Africa, up 21.7% over the previous year.
- The Country Manager was also presented with a Pillars of Hindustaanee Society Award by the Trans Asian Chamber of Commerce & Industry for promoting South Africa.
- The Country Manager was shortlisted for the Pacific Area Travel Writers Association (PATWA) International Travel Award 2016 in the Best Professional in Marketing category.
- For the sixth year in a row, South Africa was named Best Wildlife Destination at the *Lonely Planet Magazine* India Travel Awards, voted for by Indian travellers.
- South Africa also won the *Outlook Traveller* Award for Best International Wildlife Destination, underscoring the country's position as Indian travellers' favourite destination for authentic wildlife experiences.
- The Indian travel trade voted South Africa Best Adventure Destination at the 2017 South India Travel Awards, which form part of the India Travel Awards.

Germany

- South African Tourism in Germany won silver during the Globus Travel Awards 2017, in the category Best Service to Travel Agencies and Destination Marketing.

China

- In China's Best Travel Awards, South Africa received the Best Photographic Destination of the Year for 2016, thanks to the South African Tourism team's hostings throughout the year.
- South Africa was named "Most Satisfying Travel Destination" by WI Trip media, while Cape Town was named "Best International City".
- South Africa was voted China's "Destination of Choice" during 2016 by *National Geographic Traveller*, which was voted for by Chinese travellers.
- *MICE Magazine* named South Africa the "Best International MICE Destination" during 2016, a remarkable achievement in the Chinese market.
- South African Tourism in China received the award for "Best Photographic Destination – South Africa", voted for by influential Chinese photographers.
- South African Tourism in China received the award for "Best Destination for China – South Africa", voted for by Chinese travellers.



CULTURAL ROOTS

Active
Adventure

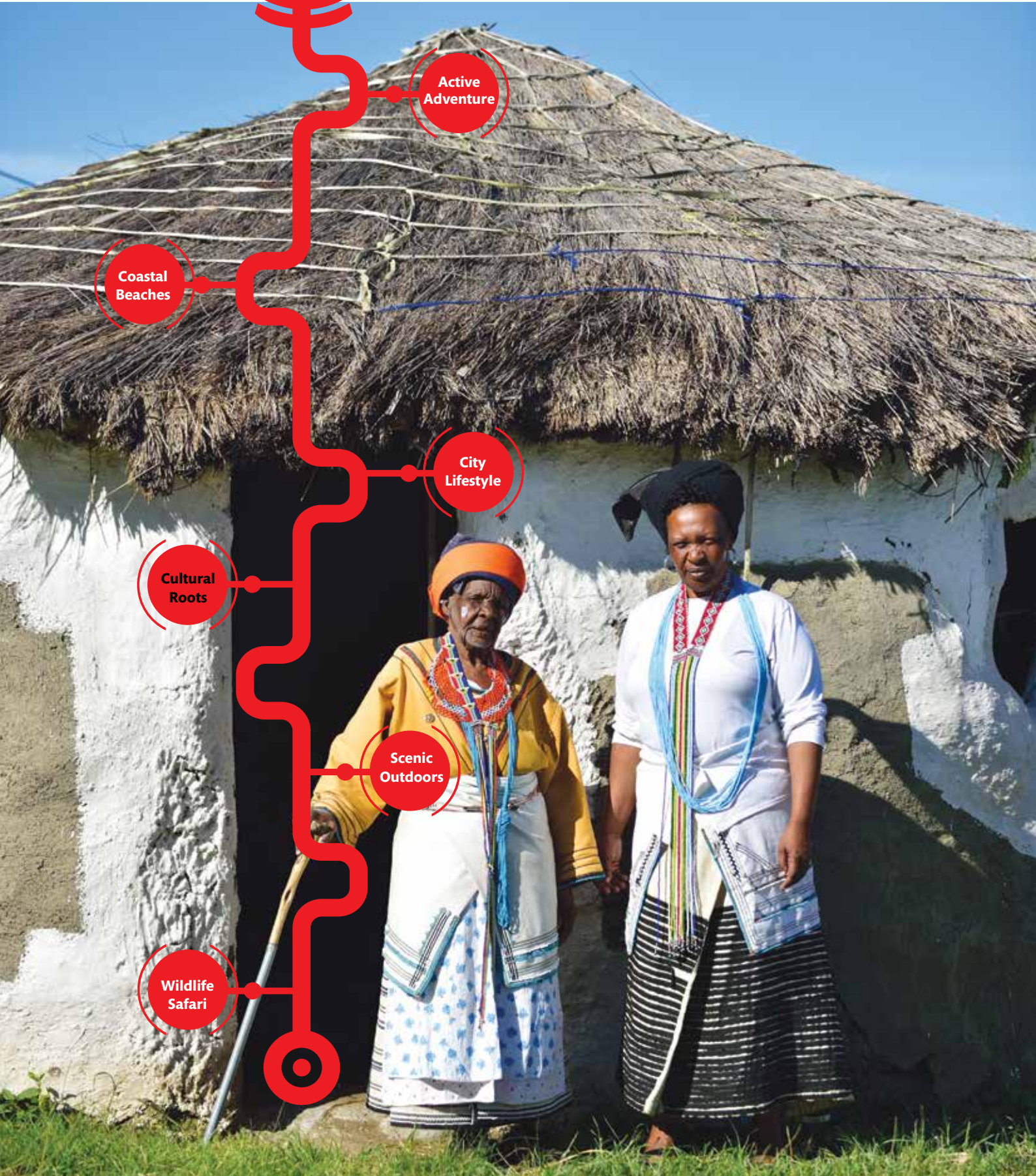
Coastal
Beaches

City
Lifestyle

Cultural
Roots

Scenic
Outdoors

Wildlife
Safari





C

GOVERNANCE

INTRODUCTION

South African Tourism is a Schedule 3A Public Entity. It subscribes to and is committed to complying with the principles and standards of integrity and accountability expressed in the Public Finance Management Act of 1999 (PFMA), relevant Treasury Regulations and, where applicable and practical, the King IV Report on Corporate Governance.

While the Board oversees the overall process and structure of corporate governance, each business unit and every South African Tourism employee worldwide is responsible for promoting good corporate governance practices.

The organisation's values and philosophies are the framework against which behaviour, practices and activities are measured to assess that one is keeping up to the characteristics of good governance.

Our corporate values require directors and employees to behave with integrity, and to consistently and uncompromisingly display moral strength and conduct which promote trust.

Portfolio Committees

Parliament exercises its oversight role through evaluating the performance of South African Tourism, and by interrogating its Annual Financial Statements and other relevant documents.

The Portfolio Committee for Tourism and the Select Committee on Trade and International Relations exercise oversight over service delivery performance. They review the non-financial information contained in the Annual Report, and are concerned with service delivery and enhancing economic growth.

South African Tourism met with the Portfolio Committee as follows:

DATE	PURPOSE
08/04/2016	Five-Year Strategic Plan (2016-2021) and Annual Performance Plan (2016/17)
02/09/2016	South African Tourism Q1 (2016/17) Performance Report
14/10/2016	South African Tourism Annual Report
25/11/2016	South African Tourism Q2 (2016/17) Performance Report
17/03/2017	South African Tourism Q3 (2016/17) Performance Report

South African Tourism met with the Select Committee as follows:

DATE	PURPOSE
18/05/2016	Five-Year Strategic Plan (2016-2021) and Annual Performance Plan (2016/17)
08/02/2017	2015/16 Annual Report presentation

Executive Authority

The Executive Authority derives oversight powers from the prescripts of the PFMA and the Tourism Act.

As part of its oversight role, the Executive Authority commissioned independent reviews for INDABA, Lilizela Awards and South African Tourism.

Meetings were held to discuss the following:

DATE	PURPOSE
Parliament	Discussion points
03/06/2016	Tourism Budget Vote Debate
MINMEC	Discussion points
06/05/2016	Marketing Working Group Report Tourism Sector Performance Results January to December 2015 INDABA 2016 Briefing
26/09/2016	Marketing Working Group Report South African Tourism's Enhanced Strategy for Growth Tourism Grading Council INDABA 2017 and beyond update Lilizela 2016 Update
MIPTech	Discussion points
25/07/2016	Marketing Working Group Report Tourism Policy Review – including Tourism Grading Council Tourism Strategy Review – including South African Tourism's Enhanced Strategy for Growth
15/08/2016 to 17/08/2016	Joint Planning Session: INDABA 2016 Debrief Lilizela Awards 2016 Update Tourism Grading Council Criteria Review
13/03/2017	Marketing Working Group Report INDABA 2017 Update South African Tourism Marketing Investment Framework

The Accounting Authority (South African Tourism Board)

The Minister of Tourism, in terms of the Tourism Act of 2014, appoints South African Tourism Board members. The Board consists of not fewer than nine, and not more than 15 members. The Board further includes an official representing the Department of Tourism, also appointed by the Minister.

The Board, in its capacity as the Accounting Authority of South African Tourism, is charged with responsibility for oversight of governance. It is responsible for setting the strategic direction of the organisation through the establishment of strategic objectives and key policies, and monitors the implementation of strategies and policies through a structured approach. The Board has the authority to lead, control, manage and conduct the business of South African Tourism.

The Board meets quarterly or more frequently if circumstances require. It monitors the executive management by ensuring that all material matters are subject to Board approval. Members of the Executive Committee attend Board meetings by invitation.

The Board members fulfil their roles, duties and functions with due regard to the fiduciary responsibilities bestowed on them in line with the Tourism Act. The Board members have a duty to become fully acquainted with all issues pertaining to the operations of South African Tourism to enable them to properly fulfil their duties. As required by the King III guideline, all Board members have access to the advice and services of the company secretary and are entitled to seek independent professional advice concerning the affairs of South African Tourism.

In order to effectively carry out its responsibilities, the Board and its established sub-committees met during the following months, where the main agenda points discussed were as follows:

DATE OF BOARD MEETING	MAIN AGENDA ITEMS
May 2016	<ul style="list-style-type: none"> • Approval of Annual Financial Statement, Statement of Responsibility, Corporate Governance Report, Performance Information and Audit and Risk Report; • Approval of remuneration increases and performance bonuses; • Approval of Policies within the ambit of the Board; • Medium Term Expenditure Framework (MTEF); • Organisational Review Project; • INDABA 2017/18 considerations; • Approval of Social and Ethics Committee; • Monitoring of the implementation of the Internal Audit Plan; • Transformation, Social and Ethics Report; • Condonement of irregular expenditure; and • Appointment of Awards Committee Members.
August 2016	<ul style="list-style-type: none"> • Board strategy session; • Market Insights and Analytics Restructure; and • Incentive scheme for senior management.
November 2016	<ul style="list-style-type: none"> • Approval of Second Draft Strategic Plan, Annual Performance Plan and Budget; • Approval of Marketing Investment Framework; • Approval of Employment Equity Plan and Workplace Skills Plan; and • Organisational Review Structure and Target Operating Model
January 2017	<ul style="list-style-type: none"> • Approval of Final Strategic Plan and Annual Performance Plan and Budget; • INDABA 2018 Request For Proposal (RFP).
March 2017	<ul style="list-style-type: none"> • Approval of Internal Audit Plan; • Approval of TGCSA Grading Criteria Review; • Approval of increase in grading fees; and • Approval of cost of living increase.
March 2017	<ul style="list-style-type: none"> • Review of Board Charter and Committee terms of reference; • Approval of Information Communications Technology (ICT) Strategy.

1.1. The Role of the Board and the Board Charter

The Board's role is to exercise stewardship over South African Tourism within an approved framework and with prudent and effective controls in place to enable effective and efficient management of assessed business risks. The Board determines and outlines strategic objectives to be achieved, reviews whether the necessary financial and human resources are in place to meet its objectives, and monitors management performance in relation to the execution of the approved Strategic Plan and the Annual Performance Plan. It is kept informed about major developments affecting the mandate of South African Tourism.

The roles and responsibilities of the Board are summarised as follows:

- Ensuring good corporate governance is applied within South African Tourism at all times;
- Assisting and providing high-level input to executive management in setting strategic objectives for the organisation and in determining high-level marketing strategy, taking into consideration the latest market intelligence, research and appropriate risk parameters;
- Determining, delegating and reviewing, from time to time, certain levels of authority and responsibility of the executive and senior management of South African Tourism pertaining to the negotiating of contracts, capital expenditure and operational matters;
- Monitoring compliance with the Public Finance Management Act, Treasury Regulations, the Tourism Act and other relevant legislation and regulations that are applicable to business in general in South Africa;
- Approval of strategic plans, annual performance plans and consolidated high-level KPAs and targets;
- Approval of the implementation of a remuneration policy;
- Ensuring that a model for succession planning is introduced for all executive management, all business unit and sub-business unit managers, and for all country managers;
- Ensuring that management prepares and submits the financial statements to the Auditor General for audit purposes in accordance with the PFMA and its regulations;
- Annually measuring its performance as a whole and also its committees and the executive(s);
- Ensuring that South African Tourism manages its risk appropriately; and
- Ensuring that suitably qualified and experienced individuals are appointed as part of the executive management of South African Tourism.

The Board shall, as soon as practically possible, after the end of each financial year submit:

- An Annual Report for the Minister's approval and tabling in Parliament; and
- Any other matter that the Minister may request the Board to deal with.

The operations of the organisation are guided by the corporate strategic plan, annual performance plan, policies, et al.

The number of meetings held during the year under review was six (including two special Board meetings), and the attendance is outlined below:

COMPOSITION OF THE BOARD

The South African Tourism Board is comprised of 14 members. In accordance with the Tourism Act, the Minister of Tourism appoints members serving on the Board for a period of three years. The current Board was appointed by the Minister with effect from 1 June 2015 for a period of three years.

The roles of chairperson of the Board and the CEO do not vest in the same person, and the chairperson is a non-executive member of the Board.

The Board Members for the Period 1 April 2016 – 31 May 2017:

NAME	DESIGNATION	DATE APPOINTED	END OF TERM	QUALIFICATIONS	EXPERTISE	OTHER BOARD DIRECTORSHIP
Graham Wood (Mr)	Non-Executive	1 June 2015	31 May 2018	B Compt Hons CA(SA)	Finance, Management, Strategic Travel and Tourism	Atela Investments (Pty) Ltd Eco-Navitas (Pty) Ltd
Ayanda Ntsaluba (Dr)	Non-Executive	1 June 2012	31 May 2018	MBChB, FCOG (SA), MSc Health Policy, Planning and Financing, MBA, International relations, political economy and philosophy	Management, Finance, Philosophy, Health, International Relations	Discovery Ltd, Discovery Life Ltd, Discovery Health (Pty) Ltd, Discovery Vitality (Pty) Ltd, Clinix Health Group (Pty) Ltd, Discovery Holdings Europe Ltd, Vitality Health Ltd, Vitality Health Insurance Ltd, Vitality Corporate Services Ltd, Council Member: Council of University of Kwa-Zulu Natal
Thebe Ikalafeng (Mr)	Deputy Chairperson (appointed 7 April 2016)	1 June 2015	31 May 2018	BSc, MBA, CM (SA)	Management, Marketing and branding	World Wide Fund – SA (WWF); Brand Leadership Group (Pty) Ikalafeng & Associates CC; The Brand Leadership Academy (Pty) Ltd; Ihop World (Pty) Ltd; Trustee, Kwena Trust and Jabari Trust

NAME	DESIGNATION	DATE APPOINTED	END OF TERM	QUALIFICATIONS	EXPERTISE	OTHER BOARD DIRECTORSHIP
Tanya Abrahamse (Dr)	Chairperson (Appointed Acting Chairperson 27 October 2016 and Chairperson 7 April 2017)	1 June 2015	31 May 2018	MSc, PhD	Public and private sector management and leadership experience in development, environment, biodiversity and tourism – policies, processes and institutions including international engagements	CEO and Board member – SANBI Board member – MISTRA Member – Inaugural Science Advisory Board of the UN Secretary General
Judi Nwokedi (Ms)	Non-Executive	1 June 2015	31 May 2018	BSoc, Leadership training at Harvard and GIBS	Broadcasting, Telecommunications and Nuclear Energy. Public sector experience (Australia) Multinational experience (USA and France)	Consolidated Infrastructure Group, Nwokedi Consultants, The International Women's Forum SA, ArcBlue – Afrika (Pty) Ltd, Hitricon (Pty) Ltd, JNPV, Tourvest Group, Tourvest Holdings, Tourvest Financial Services
Colin Bell (Mr)	Non-Executive	1 June 2015	31 May 2018	BCom	Nature conservation, tourism, Photography, Author, Public speaking	Trustee: WWF South Africa, SATSA, Trustee: Conservation Action Trust, Director: Natural Selection Safaris (Pty) Ltd, Mkambati Matters (Pty) Ltd, Beach Lodge (Pty) Ltd

NAME	DESIGNATION	DATE APPOINTED	END OF TERM	QUALIFICATIONS	EXPERTISE	OTHER BOARD DIRECTORSHIP
Chichi Maponya (Ms)	Non-Executive	1 June 2015	31 May 2018	BCom	Communication, business management, marketing	CEO Maponya Group, Former Chairman of Brand South Africa, Deputy Chair South African Council on International Relations (SACOIR), Trustee: Dr Richard Maponya Institute for Skills and Entrepreneurship, Trustee: Marina Maponya Memorial Fund, Director Barloworld Maponya Trustee: Kgalema Motlanthe Foundation, Chairperson Opera Africa, Board Member Consumer Goods Council of South Africa (CGCSA)
Amor Malan (Ms)	Non-Executive	1 June 2015	31 May 2018	BCom Honours, MCom, MBA BTEC Project Management, Diploma: Education Training and Practitioner Centre for Accessible Environments Universal Access Certificate, Australia Institute for Access Training : Access Audit Consultant Certificate – current	Formulating strategy, Project Management, Stakeholder engagement, Community network development, Special Needs Passengers Insight, Training (UA), Governance	Health Professionals Council of South Africa: Occupational Therapy and Orthotics Board
Oregan Hoskins (Mr)	Non-Executive	1 June 2015	31 May 2018	BA LLB MBA	Legal Leadership Management Sport and recreation	President – SARU Vice Chairman IRB

NAME	DESIGNATION	DATE APPOINTED	END OF TERM	QUALIFICATIONS	EXPERTISE	OTHER BOARD DIRECTORSHIP
Michelle Constant (Ms)	Non-Executive	1 June 2015	31 May 2018	BA, Perf.Dip Social Entrepreneurship Programme. (GIBS)	Arts and Culture, Business Management, Media and Marketing	CEO at Business and Arts South Africa (NPC) Presenter weekly SAFM Lifestyle Show Advisory Committee (French Institute of South Africa) Advisory Committee (Artist Proof Studio) Advisory Committee (Arts Investment Forum)
Mmaditlonki Setwaba (Ms)	Non-Executive	1 June 2015	31 May 2018	B. Proc LLB (Post Graduate) Certificate in Legislative Drafting	Legal	Admitted Attorney Member - Audit and Risk Management Committee: Department of Tourism. In-house Counsel: Department of Tourism

NAME	DESIGNATION	DATE APPOINTED	END OF TERM	QUALIFICATIONS	EXPERTISE	OTHER BOARD DIRECTORSHIP
Yacoob Abba Omar (Mr)	Non-Executive	19 November 2015	31 May 2018	Currently reading for his PhD on 'Sovereignty and National Identity in South Africa' through Wits University	SGM: Strategy and Communications The Banking Association South Africa Previously Director Operations of the Mapungubwe Institute (MISTRA). Before that he served: as South Africa's Ambassador to Oman from 2003 to 2008, and then to the United Arab Emirates from 2008 to December 2012; and as the Deputy Director-General of Government Communication and Information System (GCIS) from 1998 to 2002	Trustee of South African National AIDS Council (SANAC); Advisory committee: University of Witwatersrand's Institute for Diversity Studies, Advisory Board member of the Institute for International Management Practice, Anglia Ruskin University, Cambridge
Enver Duminy (Mr)	Non-Executive	26 August 2016	31 May 2018	B.Sc. (Computer Science & Mathematical Statics) Microsoft Certified Professional IBM Systems Professional Certificate in Management Studies	Information Technology, Research & Knowledge Management, Finance & Marketing	Cape Town Tourism Cape Town Commercial (Pty) Ltd Tourism Grading Council of South Africa
Mmatsatsi Ramawela (Ms)	Non-Executive	26 August 2016	31 May 2018	Honours Bachelor of Administration Postgraduate Diploma in Marketing Management	Business Strategy management	IDC – Auspex B-BBEE Charter Council STH RETOSA

Six meetings (including two special Board meetings) were held during the year under review, and the attendance was as follows:

	BOARD MEETING	BOARD LEKGOTLA	BOARD MEETING	SPECIAL BOARD MEETING	BOARD MEETING	SPECIAL BOARD MEETING
NAME	31 May 2016	22-24 August 2016	23 November 2016	26 January 2017	15 March 2017	29 March 2017
Tanya Abrahamse (appointed acting chairperson on 27 October 2015 and Chairperson on 7 April 2016)	✓	✓	✓	✓	x	✓
Thebe Ikalafeng (appointed Deputy Chairperson on 7 April 2016)	x	✓	x	✓	✓	✓
Ayanda Ntsaluba	✓	✓	✓	✓	✓	✓
Graham Wood	✓	✓	✓	✓	✓	x
Chichi Maponya	x	✓	✓	x	✓	✓
Oregan Hoskins	✓	✓	✓	x	✓	✓
Michelle Constant	✓	x	✓	✓	✓	✓
Colin Bell	✓	✓	✓	x	✓	✓
Amor Malan	✓	x	x	x	x	✓
Judy Nwokedi	✓	✓	✓	✓	✓	✓
Mmaditlonki Setwaba	✓	✓	✓	x	✓	x
Yacoob Abba Omar	✓	✓	✓	✓	✓	✓
Enver Duminy (appointed on 26 August 2016)			✓	✓	✓	✓
Mmatsatsi Ramawela (appointed on 26 August 2016)			✓	x	✓	✓

Board Committees

The Board is assisted in the discharge of its duties by a number of committees, the details of which are set out below:

- Chairpersons' Committee;
- Marketing Committee;
- Human Capital and Remuneration Committee;
- Audit and Risk Committee;
- TGCSA Awards Committee; and
- National Convention Bureau Marketing Committee.

The Board took note of the following recommendations of the King IV report when considering the composition of the committees:

- For the Human Capital and Remuneration Committee, the Board has ensured that the Chairperson of the Board is a member of the Committee, but is not the chairperson of the Committee.
- For the Audit and Risk Committee, the Board approved that the CEO, CFO and the chairperson of the Board should not be members of this committee; however, they are permanent invitees to the committee.

Chairpersons' Committee

The Chairpersons' Committee consists of the chairpersons of the Board, Marketing Committee, Audit and Risk Committee, Human Capital and Remuneration Committee, TGCSA Awards Committee and SANCB Committee. This committee meets as and when required and is chaired by the Board chairperson.

Marketing Committee

The committee comprises seven non-executive directors, including all members of the Executive Committee. The chairperson is Ms Michelle Constant. The Marketing Committee reports on its activities and makes recommendations to the Board. The roles and responsibilities of this committee include:

- Reviewing the revised five-year strategic plan, which includes strategies, high-level action plans and targets covering the next financial year plus four financial years thereafter, and make appropriate recommendations to the Board;
- Reviewing and recommending for approval to the Board all primary marketing policies, including branding, that will/will not have financial implications covered by the approved budget;
- In terms of the business plan and budget; reviewing significant changes to mainline expense items as approved by Exco;
- Reviewing and discussing business plans and budgets for new financial years, and make applicable recommendations to the Board; and
- Reviewing proposed parameters for next Medium Term Expenditure Framework period's business plan and budget, and make applicable recommendations to the Board.

Four meetings were held during the year under review, and attendance was as follows:

NAME	31 May 2016	22-24 August 2016	22 November 2016	26 January 2017
Michelle Constant (Chairperson)	✓	x	✓	✓
Colin Bell	✓	✓	✓	✓
Thebe Ikalafeng	x	✓	✓	✓
Oregan Hoskins	✓	✓	✓	✓
Yacoob Abba Omar	✓	✓	x	✓
Enver Duminy (appointed to the Committee on 15 March 2017)				
Mmatsatsi Ramawela (appointed to the Committee on 15 March 2017)				

Human Capital and Remuneration Committee

The Human Capital and Remuneration Committee remains a sub-committee of the Board, which approves the appointment of members serving in this sub-committee. The Committee assists the Board by ensuring that South African Tourism develops and implements adequate remuneration policies and procedures aimed at supporting the organisation in achieving its short and long-term objectives.

The committee operates in accordance with approved terms of reference. It is also mandated to ensure that in taking decisions pertaining to remuneration and employee-related matters, due care is exercised. The business operations of the committee are aligned with the compliance requirements of relevant prescripts such as the Basic Conditions of Employment Act.

The committee comprises of six non-executive directors and its chairperson is Ms Judi Nwokedi. The CEO, CFO and COO are permanent invitees to all Human Capital and Remuneration Committee meetings.

This committee oversees the organisation's human resources principles, practices and programmes with regard to employee's terms and conditions, management development, equal employment opportunity, and remuneration.

The roles and responsibilities of this committee amongst others include:

- reviewing proposed changes to the approved organogram of South African Tourism and make applicable recommendations to the Board,
- Overseeing the setting and administering of remuneration at all levels in the organisation,
- approving the implementation of reviewed and updated HR policies and procedures,
- approving proposed remuneration changes within budget (annual inflation increases, designation increments and any other changes to total-cost-to-company packages),
- recommending for approval to the Board, proposed remuneration changes outside budget (annual inflation increases, designation increments and any other changes to total-cost-to-company packages), and
- Reviewing proposed parameters for the next MTEF period's business plan and budget, and make applicable recommendations to the Board.

Four meetings were held during the year under review, and attendance was as follows:

NAME	24 May 2016	22-24 August 2016	22 November 2016	14 March 2017
Judy Nwokedi (Chairperson)	✓	✓	✓	✓
Ayanda Ntsaluba	×	✓	×	✓
Graham Wood	✓	✓	✓	✓
Tanya Abrahamse	×	✓	✓	✓
Yacoob Abba Omar	✓	✓	×	×
Mmatsatsi Ramawela (appointed to the Committee on 15 March 2017)				

Audit and Risk Committee

The committee comprises of seven non-executive Board members and is chaired by Dr Ayanda Ntsaluba. The King IV Report on Corporate Governance stipulates that the chairperson of the Board may not be a member of the Audit and Risk Committee.

This Committee assists the Board by providing assurance on the adequacy and efficiency of South African Tourism's internal controls systems in respect of both the organisations' direct affairs in South Africa and at its offices abroad.

The Committee is also vested with the powers to examine any financial, operational and strategic matters relating to the operations of South African Tourism. This includes reviewing and approving the annual financial statements, accounting policies, compliance and regulatory matters. The Internal Audit unit is fully accountable to, and reports its business operations administratively and functionally directly to this Committee.

The roles and responsibilities of this committee includes:

- approving financial statements for audit purposes (together with the accounting policies applied) prepared and presented by management. These financial statements form part of the Annual Report;
- ensuring that reporting timelines as prescribed by the PFMA, including regulations, are complied with;
- monitoring the effectiveness of risk management systems and processes implemented by management. The committee is responsible for ensuring that management implements corrective plans and strategies aimed at mitigating identified business risks;
- examining and reviewing the internal control environment within the organisation, and reviewing the organisation's statement on internal control systems prior to endorsement by the Board. The Audit and Risk Committee provides the Board with assurance of the adequacy and efficiency of South African Tourism's internal controls systems;
- approving the remuneration and terms of engagement of external auditors;
- reviewing annually the effectiveness of the internal audit function throughout the organisation, in the context of the organisation's overall risk management system, with particular focus on the internal audit charter, annual work plans, activities, staffing, organisational and reporting structure, and status of the function;
- reviewing the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- reviewing its terms of reference from time to time and making appropriate recommendations to the Board;
- ensuring that appropriate standards of governance, reporting and compliance are being met, and
- advising the Board on issues relating to the application of accounting standards as they relate to published financial information, in particular the transition to GRAP, and in the absence of GRAP, SA GAAP.

The head of the Internal Audit unit has direct access to the chairperson of the Audit and Risk Committee. The Committee provides the following significant benefits to South African Tourism with effectiveness and efficiency:

- improving the quality and enhancing the credibility of the financial reporting process;
- improving internal controls within the entity;
- promoting communication and engagement between Board members, auditors and management;
- strengthening the independence of both the external and the internal auditors through the credibility of the audited Annual Financial Statements;
- improving the performance of the external auditors and the quality of the audit process; and
- Preparing an independent report on the reviewed financial statements audited.

Five meetings were held during the year under review, and attendance was as follows:

NAME	Special				
	24 May 2016	22 July 2016	22-24 August 2016	23 November 2016	14 March 2017
Ayanda Ntsaluba (Chairperson)	✓	x	✓	x	✓
Chichi Maponya	x	✓	✓	✓	✓
Judy Nwokedi	x	✓	✓	✓	✓
Mmaditonki Setwaba	✓	✓	✓	✓	✓
Amor Malan	x	✓	x	x	x
Oregan Hoskins	✓	x	✓	✓	x
Enver Duminy (appointed to the Committee on 15 March 2017)					

Tourism Grading Council (Awards Committee)

The chairperson of the committee is Mr Graham Wood, who is a non-executive member of the Board.

The roles and responsibilities of this committee include:

- Monitoring the relevance, effectiveness and efficiency of the grading system;
- Making recommendations to the CQAO, the CEO and the TGCSA on any improvements or changes in policy, procedures and processes that would, in the opinion of the Awards Committee, enhance the acceptance and effectiveness of the grading system and/or address any stakeholder concerns;
- Reviewing and updating the minimum requirements for the TGCSA Star-Grading System for each category and star-grading level of graded establishment;
- Reviewing and updating the grading criteria for the TGCSA Star-Grading System for each category and star-grading level of graded establishment;
- Overseeing a tri-annual formal review process of the Grading Minimum Requirements and ensuring that there is appropriate stakeholder consultation and involvement in the process;
- Receiving and deciding upon appeals received from establishments against the grading awarded to them;
- Ensuring that the minimum requirements and criteria applicable to each category of tourism establishment and the TGCSA policies, procedures and processes, are aligned with international best practice at all times;
- Reviewing and advising on the five-year strategic plan, annual performance plan and the marketing plan for the TGCSA through the Awards Committee's participation in the annual strategic meeting and/or any other interventions; and
- Advising on any other matters or issues referred to it by the TGCSA executive management team, the CEO, or the Board of South African Tourism.

On 17 July 2015 the Minister assigned the functions of the Tourism Grading Council as contemplated in section (30)2 of the Tourism Act, to the SA Tourism Board with the term of office being effective until 30 June 2015. A new Committee was appointed by the SA Tourism Board from 1 July 2015 for a period of one year ending 30 June 2016.

For the period under review and within the duration of the above Committee's term, only one meeting was held:

NAME	9 May 2016
** Graham Wood (Chairperson)	✓
** Amor Malan	✓
** Mmaditlonki Setwaba	✓
Yousuf Patel	✓
Nina Freysen-Pretorius	x
Jegie Padmanathan	✓
Caroline Ungersbock	✓
Alan Romburgh	✓
Noli Mboweni	✓
Tony Hazel	✓
Lindiwe Rakharebe	✓
Wendy Alberts	✓
Johanna Mukoki	x
Ravi Nadasen	✓

** South African Tourism Board members

Following a review of the Tourism Grading Council Awards Committee membership by the SA Tourism Board at the end of the Committee's term on 30 June 2016, a new Committee was appointed on 1 July 2016 for a period of two years ending 31 May 2018

For the period under review, three meetings were held:

NAME	4-August 2016	3 November 2016	15 February 2017
** Graham Wood (Chairperson)	✓	x	✓
** Amor Malan	✓	x	x
** Mmaditlonki Setwaba		✓	✓
Jeggie Padmanathan	✓	✓	✓
Lindiwe Rakharebe	✓	x	x
Wendy Alberts	✓	x	✓
Johanna Mukoki	✓	✓	✓
Ravi Nadasen	✓	x	✓
Tshifhiwa Tshivhenwa	✓	✓	✓
*Lindiwe Sangweni-Siddo	x	x	x
*Hapiloe Sello	x	x	x
*Rosemarie Van Staden	✓	✓	✓
*Nombeko Rwaxa	✓	✓	✓
*/**Enver Duminy (appointed to the Committee on 1 July 2016 and appointed as South African Tourism Board Member 26 August 2016)	✓	✓	✓

* New appointments to the committee

** South African Tourism Board members

South African National Convention Bureau Committee

The objective of the SANCB committee is to create a platform for the South African business events industry to advise and ensure collaboration on programmes for sales, lead development and marketing activities of the SANCB. It also exists to ensure an enhanced industry presence and credibility among all stakeholders.

The Board appoints the chairperson of the SANCB committee, who reports to the Board on the activities of the SANCB. The chairperson of the committee is Mr Thebe Ikalafeng, who is a non-executive member of the Board.

The roles and responsibilities of this committee include:

- Establishing a strong collaborative industry approach to market South Africa as a preferred destination for business events, and to reach its full potential through industry participation;
- Providing stakeholders with advice and input from the South African business events industry, including all aspects of organising business events in South Africa;
- Providing participation from the industry in terms of corporate programmes that will maximise the positioning of South Africa as a preferred business events destination;
- Providing input and guidance in terms of reviewing the destination's performance in relation to the national targets set for the South African business events industry;
- Coordinating input and industry support for South African business events development activities. These inputs focus on factors that the South African business events industry regards as important to grow the sector;
- Providing industry input into the organisation/operation of Meetings Africa,
- Advising and reviewing the SANCB brand essence and development of collateral;
- Advising and reviewing the SANCB policies on lead distribution and bidding;
- Advising and reviewing the strategic direction of the Business Events Team South Africa, to support its aim of establishing South Africa as a preferred international business events destination;
- Advising and reviewing the five-year strategic plan, annual performance plan and marketing plan for the SANCB through the participation in the annual strategic meeting and/or other interventions;
- Acting as a collaborative forum of industry stakeholders that will advise the SANCB on the positioning of South Africa as an international business events destination;
- Accessing the activity levels of the South African business events industry, providing programme support for the industry, guidance, and input in terms of the positioning of South Africa in the global business events market; and
- Focusing all elements related to the business events value chain in order to contribute to the development of the complete industry.

Four meetings were held during the year under review. The fourth meeting was attended by all committee members during Meetings Africa, held annually in the month of February/ March.

NAME	25 May 2016	17 August 2016	21 November 2016	1 March 2017
** Thebe Ikalafeng (Chairperson)	✓	✓	✓	✗
** Michelle Constant	✗	✗	✗	✗
** Oregan Hoskins	✓	✗	✗	✓
Dirk Elzinga	✗	✗	✓	✓
Mati Nyazema (resigned 6 May 2016)				
Sean Bradley	✓	✓	✓	✓
Ravi Nadasen	✗	✓	✓	✓
Eleanor Bloem	✓	✗	✗	✗
Denise Kemp	✓	✓	✓	✓
Craig Newman	✗	✓	✗	✓

** South African Tourism Board members

Executive Management Committee

The Executive Management Committee (Exco) is responsible for the execution and implementation of the Strategic Plan, Consolidated Business Plan (Annual Performance Plan), and budget of South African Tourism. The Board has delegated certain authority to the Exco so it can properly manage the operations and finances of the organisation.

The Executive Management team is comprised as follows:

- Chief Executive Officer;
- Chief Operating Officer;
- Chief Financial Officer;
- Chief Marketing Officer;
- Chief Quality Assurance Officer; and
- Chief Convention Bureau Officer.

The General Manager: Human Resources, Manager: Office of the CEO, and the Company Secretary are also attendees to the committee meetings.

Remuneration of Board Members

On 1 June 2015, the Minister approved the remuneration payable to Board members. Other costs payable for Board members include airfares, car hire, refunds for private use of motor vehicle for business purposes, and subsistence and travel allowances in accordance with approved rates. Any other costs or expenses incurred in this regard are also in accordance with the approved policies and procedures of South African Tourism. The following costs have been incurred in line with the fiduciary responsibilities carried out by mentioned Board members:

1 April 2016 to 31 March 2017

NAME	TRAVEL	REMUNERATION	OTHER	TOTAL
Tanya Abrahamse (Chairperson)	23 264	-	-	23 264
Thebe Ikalfeng (Deputy Chairperson)	27 701	34 554	-	62 255
Ayanda Ntsaluba	-	48 074	-	48 074
Graham Wood	34 838	39 146	-	73 984
Chichi Maponya		29 848	-	29 848
Oregan Hoskins	28 785	57 400	-	86 185
Judy Nwokedi	6 675	72 394	-	79 069
Michelle Constant	-	45 778	-	45 778
Colin Bell	28 462	34 440	-	62 902
Amor Malan	-	18 368	-	18 368
Mmaditlonki Setwaba	-	-	-	-
Yacoob Abba Omar	-	51 306	-	51 306
Enver Duminy	37 109	9 298	-	46 407
Mmatsatsi Ramawela	5 760	-	-	5 760
TOTAL	192 593	440 606	-	633 260

The following amounts were paid to members of the Grading Council Awards committee for the period 1 April 2016 to 31 March 2017:

NAME	TRAVEL	REMUNERATION	OTHER	TOTAL
Graham Wood (Chairperson)	21 009	30 462	-	51 471
Amor Malan	-	9 184	-	9 184
Mmaditlonki Setwaba	-	-	-	-
Yousuf Patel	-	9 184	-	9 184
Nina Freysen-Pretorius	-	-	-	-
Jegie Padmanathan	-	21 458	-	21 458
Caroline Ungersbock	-	9 184	-	9 184
Alan Romburgh	-	4 592	-	4 592
Noli Mboweni	-	9 184	-	9 184
Tony Hazel	-	9 184	-	9 184
Lindiwe Rakharebe	8 117	13 776	-	21 893
Wendy Alberts	-	18 482	-	18 482
Johanna Mukoki	-	9 298	-	9 298
Ravi Nadasen	-	18 482	-	18 482
Lindiwe Sangweni-Siddo*	-	-	-	-
Hapiloe Sello*	-	-	-	-
Rosemarie Van Staden*	-	13 890	-	13 890
Nombeko Rwaxa*	-	13 890	-	13 890
Enver Duminy*	4 304	13 890	-	18 194
Tshifhiwa Tshivhenwa*	-	13 890	-	13 890
TOTAL	33 430	218 030	-	251 460

*Members newly appointed to the Grading Council Awards Committee from 1 July 2016

Risk Management

In line with the governance compliance requirements prescribed in the PFMA, including its Treasury regulations and the King Code on Corporate Governance, South African Tourism implements enterprise-wide risk management processes to manage all its business risks. A comprehensive Risk Management Policy Framework was updated during the year under review subject to Board approval. This framework and policy is aligned with the approved strategic plan and embraces best practices guided by the requirements of ISO 31000 standards and the COSO framework. The approved framework and policy outlines the process of monitoring identified and assessed business risks on a quarterly basis with status reports on emerging business risks identified and reported to the Audit and Risk Committee.

The entity has a Business Continuity Plan (BCP) in place which is aligned with the approved framework and policy, and covers training and testing of systems to ensure capability and capacity to deal with business interruptions. The BCP also gives guidance on how the organisation should deal with crises during unforeseen or unintended emergencies.

The approved framework and policy includes a risk universe outlining risk categories and classifications such as; strategic risks, operational risks, financial risks, compliance or regulatory risks, marketing and reputational risks based on which risk assessments were conducted.

South African Tourism's risk management universe incorporated in the approved framework and policy is integrated, and also covers risk elements associated with; project management, business planning, performance management and monitoring, systems implementation, acquisitions, and business/systems integration including activities/operations. Risk management processes within the entity are also embedded in governance practices and decision-making processes. It is on this basis that South African Tourism strives to be a sustainable and performance-driven organisation.

Risk management initiatives within South African Tourism are implemented to ensure that the strategic objectives set by the Board and approved by the Minister are achieved, while effectively and efficiently protecting the organisation, including its brand, against reputational and financial risks or damage. Management is responsible for ensuring that business risks of the entity associated with the main strategic objectives are effectively and efficiently mitigated at an appropriate and acceptable risk tolerance levels. This will ensure optimising the return of investment in relation to resources utilised to achieve the set objectives.

A register of strategic risks aligned to the mandate and objectives of the organisation was maintained and reported to the Audit and Risk Committee as part of the risk monitoring process. Amongst these twelve risks the following were the top five prioritised risks during the reporting period, in accordance with their significant levels:

- Inability to deliver on all the elements within the tourism value chain;
- Negative meta perceptions and barriers of the South African Brand;
- Currency loss and increased costs of doing business abroad;
- Funding model vs strategy misalignment; and
- Inadequate human capital management.

Internal Controls

Risk management and internal controls within South African Tourism are designed to effectively and efficiently identify and manage risks. The implementation of these processes includes monitoring of risks to ensure effective controls are in place. This is a governance responsibility that requires implementation of internal control systems that guarantee the safeguarding of assets and all its resources. Our internal controls are also in line with guidelines and prescripts issued by the National Treasury.

The Internal Audit unit performs risk-based audits, providing assurance to management and the Board on the effectiveness and efficiency of all internal controls.

Internal Audit

Internal Audit is an independent and objective provider of assurance and advisory services established within SA Tourism to examine and evaluate adequacy and effectiveness of governance, risk management and internal control systems to contribute to the realisation of organisational objectives.

In terms of King III and Institute of Internal Auditors (IIA) standards, Internal Audit is required to provide the SA Tourism Board with a written assessment of the effectiveness of the system of internal controls and risk management. The purpose of this assessment is to inform the Board on the assessed adequacy and effectiveness of the system of internal controls for inclusion in the integrated report.

1.1 Annual assessment

The IIA standards require that Internal Audit comply with ethical and performance standards requirements, plan and perform Internal Audit work to obtain reasonable assurance that governance, risk management and systems of internal controls are effective.

IIA standards regard the overall opinion as a professional judgement of Head Internal Audit based on several individual engagements and other activities for a specific time interval.

In giving our opinion it should be noted that assurance can never be absolute. The most that the Internal Audit can provide is a reasonable assurance that there are no major weaknesses in governance, risk management and internal control processes

1.2 Audit coverage

Internal Audit completed the planned audits for 2016/2017 financial year except for the approved postponement of audits and a country office that was being finalised at the time of reporting. In addition, Internal Audit completed several ad hoc assignments contributing to the basis for the overall assessment and conclusion on the effectiveness of governance, risk management and internal control systems.

1.3 Ethics line report

Internal Audit successfully monitored and investigated cases reported by whistle-blowers to the South African Tourism ethics hotline managed independently managed by Deloitte, requested by management and detected through Internal Audit reviews.

The outcomes and specific issues noted were reported to management and considered in determining the overall opinion.

1.4 Overall opinion

Based on the results of our audit engagements, as well as the conclusions given on governance, risk management and internal controls (financial and non-financial), our overall opinion is that, in all significant respects, SA Tourism control environment is adequate and/or effective to be relied upon.

Nothing has come to the attention of SA Tourism Internal Audit that suggests any significant breakdown in the functioning of controls, resulting in significant loss for SA Tourism occurred during the year and up to the date of this report.

1.5 Audit committee oversight

During the period 2016/2017 financial year, SA Tourism Internal Audit presented reports to the Audit and Risk Committee. These reports covered significant audits findings (where applicable), progress against audit plan and Internal Audit administrative processes.

The Audit and Risk Committee continued to fulfil its oversight on Internal Audit function. Through the approval of the audit plan, Audit and Risk Committee provided guidance and direction on Internal Audit focus towards the organizations' key priorities and risks.

Compliance with Laws and Regulations

South African Tourism strives to comply with laws and regulations to ensure that operational, financial efficiency and objectivity are at reasonable and acceptable levels. Assurance on compliance with systems of internal control and their effectiveness is obtained through regular management reviews, self-control -assessment, internal audit reviews, and testing of certain aspects of the internal financial controls by external auditors during the course of their statutory examinations.

In line with the above, South African Tourism is in the process of updating and reviewing its policies and procedures to ensure that they are aligned with the applicable legislation. The process will be completed during the 2017/18 financial year. This will include close monitoring of South African Tourism's B-BBEE legal requirements, particularly:

- The implementation of Employment Equity Plan with its targets;
- The tracking of the percentage expenditure on B-BBEE compliant suppliers against the targets set in the Annual Performance Plan; as well as
- Transformation and the inclusion of SMEs in marketing initiatives being intricate parts of the business plans and their implementation.

Members of the South African Tourism Board are responsible for the organisation's internal controls and for reviewing their effectiveness. The Board has conducted a review of the effectiveness of the company's internal controls, covering all material controls including financial, operational, compliance controls, and risk management.

The internal controls are designed to manage rather than eliminate the risk of failure to achieve business objectives.

They can also provide reasonable but not absolute assurance against material misstatement or loss. In reviewing these, the Board has taken into account the results of all the work carried out by internal and external auditors to audit and review the activities of the group.

It is also responsible for ensuring that the organisation maintains adequate records, which disclose with reasonable accuracy, the financial performance and position of the organisation. In the case of South African Tourism, great reliance is placed on information contained in its financial statements, not least by Parliament,

stakeholders and every taxpayer in South Africa.

The organisation's Internal Audit function and the external auditors independently appraise the adequacy and effectiveness of the internal controls. The Audit and Risk Committee, with extensive input from the internal and external auditors, plays a major role in assisting the Board in satisfying itself with regard to the adequacy and effectiveness of the accounting systems, records and internal controls.

Fraud and Corruption

Through the business operations of South African Tourism, the Prevention and Combating of Corrupt Activities Act of 2003, and all other legislated laws and regulations, stand as pillars to assist in the management of fraud and corruption.

There is also an Ethics and Fraud Policy which was developed during the year under review and is currently awaiting approval by the Board. To further enhance governance practice and to ensure compliance with the necessary statutory requirements, South African Tourism has other policies and procedures developed and implemented to promote good governance.

South African Tourism continues to use its Ethics Hotline, which is externally managed by Deloitte Tip-offs Anonymous. As one of the leading independent global whistle-blowing service providers, the facility enables employees and all stakeholders of our organisation to report unethical behaviour and perceived misconduct in the workplace; anonymously as well as confidentially. Two fraud awareness campaigns and initiatives were implemented during the year under review. A complaints handling line has also been introduced to deal with service delivery and supply chain related matters.

The enterprise-wide risk management approach also focuses on addressing fraud risks.

In the event that fraud or corruption is detected or suspected, investigations are initiated, and if warranted, disciplinary proceedings are conducted against internal perpetrators. Should such activities also be of criminal nature, the organisation reports those to the respective law enforcement agencies. Further actions are also initiated aimed at recovering losses incurred.

Minimising Conflict of Interest

Conflict of interest is minimised by the declaration of interest by all employees. As part of the recruitment process, all new employees are obliged to complete a Declaration of Interest form when they are appointed and during the first day of assuming their duties at South African Tourism.

All Board members must also declare their interest annually and at every Board meeting. Records in this regard are filled and maintained by the Company Secretary. Declaration of interest is also disclosed in committees such as the Bid Evaluation Committees, Bid Adjudication Committees, and Recruitment and Selection Panels/Committees.

Code of Conduct

Board members and employees are required to uphold and maintain the highest standard of ethics with understanding, to ensure that business practices are conducted in a manner that, in all reasonable circumstances, is beyond reproach. Ethical conduct is an integral part of South African Tourism, a deeply ingrained tradition that is passed from one generation of employees to the next.

The Risk Management Framework and Policy and the Fraud Prevention Policy have sound reference to the principles embraced in the adopted Code of Ethics, which complies with the highest standards of integrity, honesty and ethics when dealing with all stakeholders, including the Board, managers, employees, service providers and the society at large.

All employees of South African Tourism are required to adhere to a comprehensive Internet and electronic mail policy. This prohibits any activities that may bring the entity into disrepute. A detailed disciplinary code is in place, and disciplinary action is taken against individuals who contravene the code.

Health, Safety and Environmental Issues

The Board of South African Tourism is vested with the responsibility of ensuring that all employees work in a safe and healthy environment. This requires giving assurance to other stakeholders that South African Tourism conducts its business in compliance with the occupational health, safety standards and requirements as prescribed in the Occupational Health and Safety Act.

South African Tourism has a Health and Safety Officer, as required by the Occupational Health and Safety Act. Employees representing the different business units were selected and completed emergency fire training courses as well as emergency first-aid courses. They now have the relevant certifications enabling them to perform emergency procedures if and when necessary.

South African Tourism undertook due diligence for Occupational Health and Safety (OHS) in South Africa and countries where South Africa operates. All recommendations will be implemented and risks mitigated. Compliance risk on OHS is aimed at:

- providing and maintaining a healthy and safe workplace for all employees;
- conducting activities in an environmentally friendly manner to ensure the health and safety of people in the vicinity of the entity;
- preventing personal injury and protecting the health of employees and others on the premises;
- identifying, documenting and maintaining processes within specified safety criteria, and documenting the methods of control for those processes that have been identified to conform with the requirements of the Occupational Health and Safety Act;
- ensuring that all employees, at every level and in every function, are aware of their responsibility for their own health and safety and that of others;
- ensuring that employees who advise on occupational health, safety and environmental matters are appropriately qualified, trained and accredited; and
- demonstrating South African Tourism's active involvement and commitment in relation to occupational health and safety within its scope of operations.

South African Tourism's undertook a robust energy efficiency, water efficiency and waste management drive during its basement construction. The environmental objectives focus on:

- conserving and protecting the environment and associated resources;
- preventing or minimising adverse impacts that might arise from normal business operations;
- demonstrating active stewardship of land and biodiversity;
- enhancing capacity and promoting healthy relationships with local communities as key stakeholders, and
- respecting all people's culture, diversity and heritage.

Company Secretary

The Company Secretary is responsible to the Board for inter alia, ensuring compliance with procedures and applicable statutes and regulations. To enable the Board to function effectively, all Board members have full and timely access to the entity's information and records relevant to them discharging their fiduciary duties effectively and efficiently. This includes information such as financial statements, strategic plans, business plans, corporate calendars, and activities of South African Tourism, interaction and communications with the office of the Minister of Tourism, and agenda items for Board meetings and other developments that may affect the mandate and operations of the Board.

The Board also has access to South African Tourism management when required. The Company Secretary proactively renders strategic support service to the Board.

Social Responsibility

South African Tourism has adopted its Corporate Social Investment Guidelines, with a focus on tourism education. A bursary programme has been running for the past two years through a partnership with Tourism Education South Africa (TESA). TESA was involved in student selection as well as ensuring that students have access to experiential learning opportunities. The guidelines are currently under review to strengthen youth development and access to opportunities, amongst others.

In line with the PFMA on asset disposal, South African Tourism donated some of its assets to a number of community organisations and Non-Governmental Organisations during the year under review.

South African Tourism staff participated in the charity drive for Ratang Bana in Alexandra as well as with Follow the Sun and Nelson Mandela Foundation.

2. Remuneration of South African Tourism's Exco Members

During the 2016/17 financial year, South African Tourism paid total remuneration of R11.81 million to Exco members, details of which are as follows:

SURNAME	NAME	DESIGNATION	DATE EMPLOYED	TERMINATION DATE	A BASICSALARY	B 13TH CHEQUE BONUSES	C PERFORMANCE BONUS	D OTHER EARNINGS	E TOTAL COMPANY CONTRIBUTIONS	A + B + C + D + E TOTAL COST (RAND VALUE)
ERASMUS	DARRYL	CHIEF QUALITY ASSURANCE OFFICER	2015/09/07		1 109 002.27	-	39 192.35	587 168.64	101 289.73	1 836 652.99
BOUWER	TOM	CHIEF FINANCIAL OFFICER	2013/10/17		1 230 820.72	154 397.90	158 776.68	584 860.96	133 950.35	2 262 806.61
DLAMINI	STHEMBISO	CHIEF OPERATING OFFICER	2014/08/01		1 125 637.52	-	145 208.01	783 977.39	176 385.15	2 231 208.07
KOTZE NHLAPO	AMANDA	CHIEF CONVENTIONS BUREAU OFFICER	2011/11/01		1 590 785.45	-	145 422.10	123 480.07	210 082.67	2 069 770.29
NTSHONA	SISA	CHIEF EXECUTIVE OFFICER	2016/10/03		824 411.82	-	-	387 818.65	74 227.21	1 286 457.68
WHITEHOUSE	MARGIE	CHIEF MARKETING OFFICER	2015/03/01		1 249 283.54	-	106 501.99	654 455.49	114 646.31	2 124 887.33
TOTAL					7 129 941.32	154 397.90	595 101.13	3 121 761.20	810 581.42	11 811 782.97

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is a statutory committee established by the Board of South African Tourism and is delegated certain duties, powers and responsibilities.

The Audit and Risk Committee meets at least four times a year in line with its approved terms of reference. During the year under review, the committee held approximately five meetings, which were also attended by the auditors from the Auditor General's office.

The Committee has adopted appropriate formal terms of reference in the form of the Audit Charter; in line with the requirements of Section 51(1) (a) and 77 of the Public Finance Management Act (PFMA) and Treasury Regulation 27.1 - which were under review during the financial year.

The Effectiveness of Internal Controls

In line with the PFMA and the King IV Report on Corporate Governance recommendations, Internal Audit provides the Audit and Risk Committee and management with the assurance that the internal controls in place are adequate, effective and serving desired purposes.

This is achieved by adhering to the risk management processes, as well as the identification of corrective actions and recommended enhancements to the controls and processes. A formal risk identification was conducted during the period under review, and the Board prioritised the effective monitoring and management of the strategic risks that affected the business.

In line with the principles of combined assurance the Audit and Risk Committee, EXCO, Management Committee, Internal Audit, as well as Governance, Compliance and Risk; worked collaboratively to ensure quality assurance while maintaining independence. From the various reports of the Internal Auditors, the audit report on the annual financial statements and the management report of the Auditor-General of South Africa, it was noted that no matters were reported that indicated any material deficiencies in the systems of internal control or any deviations thereof. This is due to the monitoring of the Audit Register aimed at implementing corrective measures on findings raised by both internal and external auditors. Accordingly, we can report that the internal controls over financial reporting for the period under review were efficient and effective.

As part of the responsibilities of the Audit and Risk Committee, predetermined objectives and key performance indicators are reviewed quarterly in line with the approved Strategic Plan and Annual Performance Plan. In addition to the financial and non-financial performance information, the Audit and Risk Committee

ensured that South African Tourism complied with all applicable South African and international laws.

Evaluation of Financial Statements

The following have been executed:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor General of South Africa and the accounting officer;
- Reviewed the Auditor General's management report and management's response;
- Reviewed changes in the accounting policy and practices;
- Reviewed and assessed South African Tourism's compliance with statutory, legal and regulatory provisions;
- Reviewed all adjustments resulting from the audits conducted and reported; and
- Ensured adequacy, reliability and accuracy of financial information provided by management and other users of such information.

The unit has concurred with, and accepted the Auditor General's report on the annual financial statements. Therefore the audited statements should be accepted and read together with the report of the Auditor General.

Internal Audit

We are satisfied that the Internal Audit function is operating efficiently and effectively and that it has addressed the risks pertinent to South African Tourism in its audits. The Annual Audit Plan is risk based.

In line with the statutory requirements and the Audit Standards, we have assessed the independence of the Internal Audit unit.

Auditor General of South Africa

We have also met with the Auditor General of South Africa to ensure that there are no unresolved issues.



Chichi Maponya

Acting Chairperson of the Audit and Risk Committee
31 July 2017



CITYLIFE

Active
Adventure

Coastal
Beaches

City
Lifestyle

Cultural
Roots

Scenic
Outdoors

Wildlife
Safari





D HUMAN RESOURCES MANAGEMENT

INTRODUCTION

In its attempt to deliver on its mandate of building an inspiring and energised organisation as well as improve operational efficiency, South African Tourism focused on maintaining its culture while the following initiatives were undertaken during the period under review:

Human Resources Information System (HRIS)

In keeping with South African Tourism's goal to become operationally efficient, a HRIS project was initiated on Oracle to reduce the manual and administrative burden of managing employee records. This solution will offer real time update and minimise errors arising from manual interventions. The Oracle HR system has been implemented and employee information has been uploaded onto the system. While customised HR Reports have been developed, the integration between Oracle HR and VIP Payroll system is still pending.

Project iGnite

Toward the latter part of 2016, South African Tourism commenced with the Organisational Design process known as Project iGnite. The purpose of which is to reconfigure the organisation to deliver on strategy and align internally. This commenced with individual Business Unit sessions facilitated by Ernest and Young on obtaining detailed input as to how each business unit and employees understood their roles in aligning to the vision and mission of the organisation.

Employee Engagement

Employee engagement positively contributes to staff morale, productivity and a sense of belonging. For this reason, South African Tourism endeavours to inculcate open communication at all levels. These are some of the feedback sessions and interventions that we have carried out during the year under review:

- Focus groups aimed at communicating and getting feedback regarding the organisational design,
- Regular internal communication through the South African Tourism e-newsletter/intranet,
- Reconstitution of Management Committee together with EXCO (MEXICO),
- Implementation of an Employee Wellness Day in partnership with ICAS,
- Commissioning of Korn Ferry HayGroup to administer the employee survey,
- Matters raised via the Ethics Line being addressed,
- The iGnite anonymous feedback platform.

HR Compliance Review

HR Compliance Review commenced during the year under review to create a regulatory universe of HR related legislation and review of HR policies to address the identified gaps.

The following HR policies have been realigned during project iGnite and will be finalised at the end of the May Board Meeting:

- Guaranteed Remuneration Policy;
- DOA Overhaul and Review;
- Disciplinary Code;
- General HR Policy;
- Leave Policy;
- Bursary Policy;
- Overtime Policy; and
- Performance Management Policy and Framework.

Human Resources Oversight Statistics

The table below summarises the department's expenditure and provides an indication of the personnel cost per programme and salary band.

Personnel cost by objective

OBJECTIVE	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXPENDITURE AS A % OF TOTAL EXPENDITURE (R'000)	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Business enablement/ Administration	139 570	49 659	36%	51	974
Contribute to the South African economy by increasing the number of travellers into and within South Africa.	857 162	117 730	14%	80	1 472
Build positive awareness of the South African experience *	183 676	5 887	3%	7	841
Reposition South African Tourism to be recognised as a tourism and business events industry leader in market intelligence, insights and analytics.	34 000	3 016	9%	4	754
Collaborate with stakeholders and partners to deliver on South African Tourism's mandate	2 695	984	37%	1	984
Improve visitor experience in line with the brand promise.	40 473	8 979	22%	12	748
TOTAL	1 257 576	186 255	15%	155	1 202

Personnel cost per salary band

LEVEL	PERSONNEL EXPENDITURE (R'000)	% OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST (R'000)	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top management	12 579	8.19%	6	2 096.50
Senior management	9 041	5.88%	6	1 506.83
Professional qualified	93 780	61.03%	89	1 053.71
Skilled	31 399	20.43%	54	581.46
Semi-skilled	4 641	3.02%	20	232.05
Unskilled	-	-	-	-
Other* (Internships)	2 226	1.45%	40	55.65
TOTAL	153,666	100.00%	215	5 526

Performance Management

Performance Incentive System

South African Tourism utilises a three-tier performance management system to monitor and evaluate its organisational and employee performance. The primary objectives of our performance management system is to incentivise all employees to pro-actively and consistently contribute to the organisation to exceed its short- and long-term key performance areas and targets as contained in its Five-Year Strategic Plan, Annual Performance Plan and budget approved by the Board of South African Tourism.

Performance-related pay (PRP) has been institutionalised as standard practice at South African Tourism. Performance outputs were developed for all employees in support of the business strategy and aligned to the “smart” principle. South African Tourism’s performance-driven corporate culture is embedded in a work environment that encourages its people to continuously enhance their capabilities and strive towards performance excellence.

The table below represents the performance rewards per salary band:

LEVEL	PERFORMANCE REWARDS (R'000)	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST (R'000)
Top management	595	12 159	4.89%
Senior management	666	9 103	7.32%
Professional qualified	4 204	74 542	5.64%
Skilled	1 624	31 501	5.16%
Semi-skilled	275	4 653	5.1%
Unskilled	-	-	0%
Other	-	4 202	0%
TOTAL	7 364	136 160	5.41%

Skills Development and Training

Skills development, as a means of improving performance and organisational effectiveness, has increasingly become an important component of Human Resources. South African Tourism offers a wide range of developmental opportunities enabling employees to obtain the skills, competencies and experience necessary to contribute to the attainment of individual, team and organisational goals in an increasingly diverse and demanding context.

Employee training is both the responsibility of the organisation as well as a shared responsibility between management and the individual employee. This requires leadership commitment to ensure that all employees have equal access to training and development opportunities, and can continuously improve their skills and competences.

Human resources aims to support this initiative through the provision of integrated learning and development programmes aimed at equipping and strengthening employees’ capabilities and capacity to meet current and future business requirements.

Workplace Skills Plan for 2017/2018

The development of the workplace skills plan was informed by the employee’s personal development plan in line with their identified skills gaps and individual career progression. A skills gap analysis will be conducted by the EY project team as part of Project iGnite.

Training Costs

South African Tourism is committed to creating an environment that promotes continuous learning and development to enhance employees’ skills and competencies to reach their full potential and contribute to strategy attainment. We continued to invest in the development of our staff, offering a wide range of competency-based and technical training courses tailored to the needs of the organisation. For the period under review, South African Tourism spent R 953 005.99 on training interventions and R316 987.00 on bursaries. Staff members are also encouraged to take ownership of their development through individual development plans.

TRAINING COSTS PROGRAMME/ ACTIVITY/ OBJECTIVE	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST	NO. OF EMPLOYEES TRAINED	AVERAGE TRAINING COST PER EMPLOYEE
MS Excel	186 255	65	0.035%	12	5
Excel for Apps Finance		40	0.021%	12	3
MS Power point		5	0.003%	3	2
HR Performance Management		10	0.005%	4	3
Ms Projects		12	0.006%	3	4
English Language Training		4	0.002%	1	4
Executive Development Program		450	0.242%	2	225
Individual Voice Programme		15	0.008%	1	15
Copy Editing		12	0.006%	1	12
Skills Development Summit		9	0.005%	1	9
Power speaking program		11	0.006%	1	11
Project Management		29	0.016%	6	5
Presentation skills		39	0.021%	8	5
Facilities Master class		32	0.017%	2	16
Effective report writing & minute taking		13	0.007%	1	13
French Classes		13	0.007%	1	13
Marketing Science Ideas exchange		13	0.007%	1	13
Marketing Certificate		14	0.008%	1	14
Facebook & Social media masterclass		40	0.021%	2	20
Audit Indaba		21	0.011%	2	11
Ms Office package training		9	0.005%	1	9
Negotiation Strategies		19	0.010%	1	19
Employment Equity Training		28	0.015%	13	2
Power speaking program		11	0.006%	1	11
Business writing		3	0.002%	1	3
First Aid Level 3		2	0.001%	1	2
Travel Marketing Summit		11	0.006%	2	6
Extended Fire Fighting		9	0.005%	6	2
Communications Conference		16	0.009%	2	8
Business Communication		4	0.002%	1	4
AED Defibrillator and CPR Training		2	0.001%	1	2

Employment and Vacancies

To maintain South African Tourism's equity employment targets, it is endeavoured to fill critical vacancies. The Board-approved structure has 202 positions versus the head count of 156 positions. The table below summarises the South African Tourism employment and vacancies report.

LEVELS	2016/17 APPROVED POSTS	2016/17 NUMBER OF EMPLOYEES	2016/17 VACANCIES	% OF VACANCIES
Top management	6	6	-	-
Senior management	7	5	2	28.5%
Professional qualified	100	71	29	29%
Skilled	66	54	12	18.2%
Semi-skilled	21	18	3	14.2%
Unskilled	2	2	-	-
TOTAL	202	156	46	22.77%

BUSINESS UNIT	2016/17 NUMBER OF EMPLOYEES	2016/17 APPROVED POSTS	2016/17 NUMBER OF EMPLOYEES	2016/17 VACANCIES	% OF VACANCIES
Marketing	93	114	78	36	31.58%
Tourism Grading Council of South Africa	13	14	12	2	14.29%
National Convention Bureau	12	15	10	5	33.33%
Finance & SCM	22	23	22	1	4.35%
Operations/Office of CEO	33	36	34	2	5.56%
TOTAL	173	202	156	46	22.77%

South African Tourism is operating at 76.73% occupancy rate against the approved staff establishment with the remaining 30.32% recorded as vacancy rate. However, where there are vacant senior management positions internal arrangements were made through the appointment of internal staff members on acting and secondment contracts.

Staff Movement

The table below represents employment movements for the period under review:

LEVELS	EMPLOYMENT AS AT 31 MARCH 2016	TERMINATIONS	APPOINTMENTS	EMPLOYMENT AS AT 31 MARCH 2017
Top management	5	-	1	6
Senior management	5	1	1	5
Professional qualified	77	9	4	71
Skilled	57	9	4	54
Semi-skilled	16	1	1	18
Unskilled	2	-	-	2
TOTAL	162	20	11	156

Reasons for Staff Leaving

The table below outlines the attrition trends in relation to the number of staff that have left the organisation during the period under review. Quarterly statistics are reported, and the annual turnover rate is an average of the four quarterly statistics.

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	-	-
Resignation	14	8.9%
Dismissal	2	1.3%
Retirement	1	0.64%
In ill health	-	-
Expiry of contract	-	-
Sub Total	17	10.89%
Other – Office Closure	5	3.18%
TOTAL	22	14.1%

As at 31 March 2017, a staff turnover of 14.19% was recorded. This is an increase on last year's turnover for the same period, which was 11.5%. The highest staff turnover as reported above is due to employee resignations. Overall, a total of 22 employees have left South African Tourism, and some of these positions have been temporarily filled until the end of Project iGnite, while others have been filled by employees through career development and personal growth.

Industrial Relations: Misconduct and Disciplinary Action

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	1
Written Warning	3
Final Written warning	1
Dismissal	2 (Resignations)
TOTAL	7

Two disciplinary cases were reported. The warnings issued were related to misconduct- gross negligence, non-adherence to policies, and/or dereliction of duty.

Equity Target and Employment Equity Status

The Employment Equity (EE) figures are based on the South African employees at head office and South African country managers. While international offices have the promotion of diversity in their labour laws, EE targets do not bind them and South Africa's EE legislation does not affect them. For the period under review, the EE targets for South African Tourism were determined in consideration of EE legislation, and the EAP profile for Gauteng as a guideline. 76.77% of South African Tourism staff are South African.

The tables and graphs below are based on the formats prescribed by the Employment Equity Act, 55 of 1998 and the Department of Labour:

LEVELS FEMALE								
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	-	-	-	-	2	2
Senior management	2	2	-	1	1	1	-	-
Professional qualified	14	16	3	3	4	4	6	5
Skilled	19	22	6	6	3	3	4	4
Semi-skilled	10	12	-	-	-	-	-	-
Unskilled	2	-	-	-	-	-	-	-
TOTAL	48	53	9	10	8	8	12	10

Females represent 64.71% of the South African employees' profile across South African Tourism. 62.34% of the South African female employees are African.

LEVELS MALE								
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	2	-	-	-	-	2	2
Senior management	1	1	-	1	-	-	1	1
Professional qualified	9	10	2	2	2	2	4	3
Skilled	11	12	1	1	-	-	2	2
Semi-skilled	5	6	-	-	1	1	-	-
Unskilled	-	-	-	-	-	-	-	-
TOTAL	27	31	3	4	3	3	9	8

Males represent 35.29% of the South African employees' profile across South African Tourism. 64.29% of the South African male employees are African.

Staff with a Disability

South African Tourism continues to strive for fair representation of people with disabilities. The table below details South African Tourism's disability profile at all occupational levels compared to the internal target.

LEVELS	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top management	1	1		
Senior management				
Professional qualified				
Skilled				
Semi-skilled				
Unskilled				
TOTAL	1	1		

Currently, South African Tourism has one certified employee with a disability, which equates to 0.64%. The organisation's demographics employee profile complies with the employment equity plans.

Employee Wellness

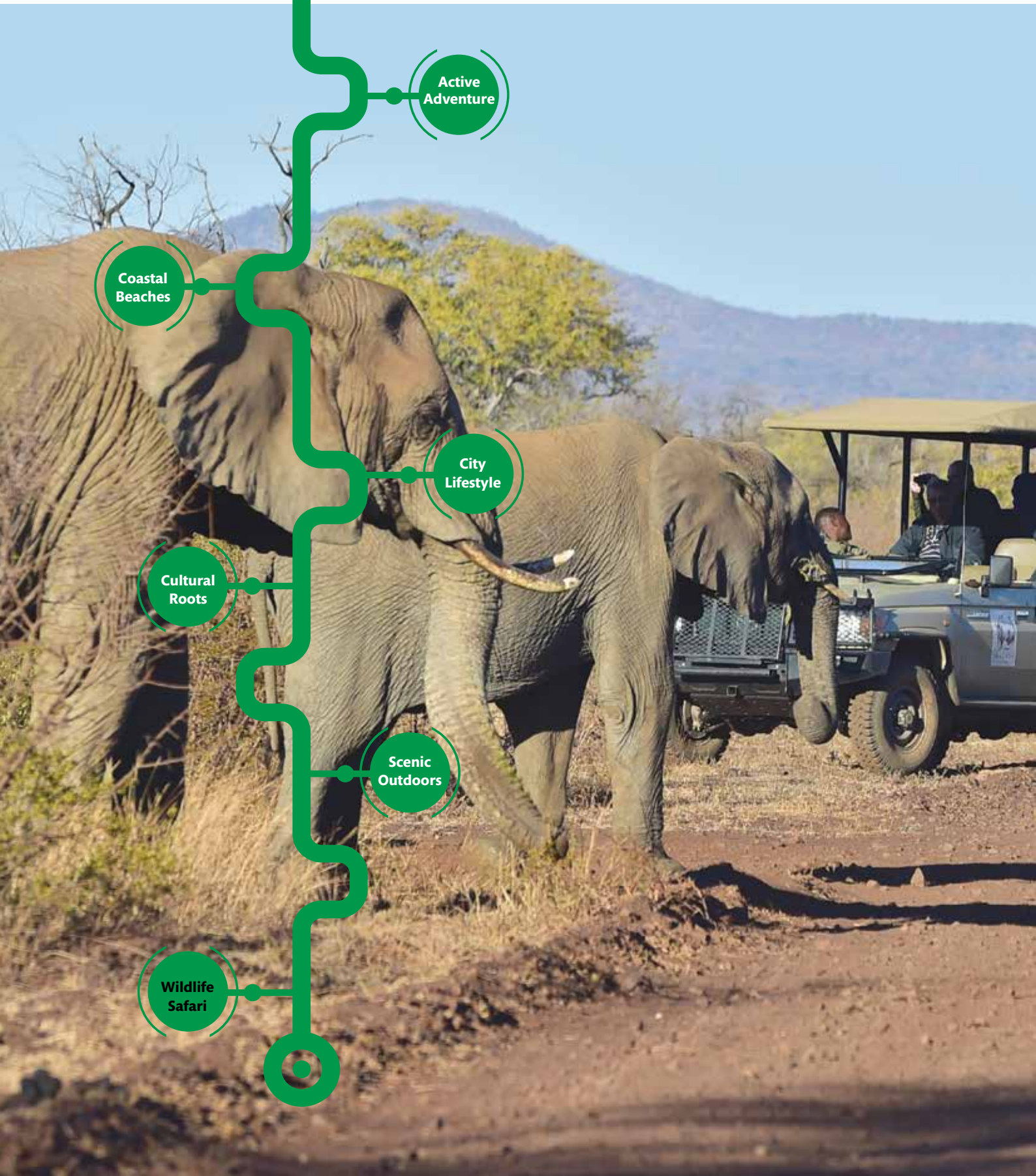
As a responsible employer, South African Tourism implemented a comprehensive health and wellness strategy to create awareness and educate employees about personal wellness. South African Tourism partnered with ICAS Globally to provide employees and their immediate family members with wellness services. The Wellness Day was successfully hosted on the 09th December 2016. 82 staff members, inclusive of all the employees on site participated in the wellness activities on the day. The percentage of female participants was 62.2% and male participants was 37.8%. From lifestyle, all other measures: physical activity, smoking, binge drinking and stress; the South African Tourism scored well compared to the general population, except for smoking.

The overall engagement rate, which includes uptake of all services provided, amounted to 34.0% during the year under review, which compares to 42.5% during the comparable previous period. The most utilised service was the professional counselling, which constituted 58.8% of total engagements as compared to the previous year when it accounted for 72.4%.

It is encouraging to note that organisational and HR issues remain lower than the industry average, as these types of issues tend to cause absenteeism, disengagement and conflict in work and personal lives.



WILDLIFE



Active
Adventure

Coastal
Beaches

City
Lifestyle

Cultural
Roots

Scenic
Outdoors

Wildlife
Safari



E

FINANCIAL INFORMATION

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE REPORT

Requirements of the Public Finance Management Act

The members of the Board are required by the Public Finance Management Act (Act No. 1 of 1999) to maintain adequate accounting records, and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the members of the Board to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year, and the results of its operations and cash flows for the period then ended. External auditors were engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board.

The Public Finance Management Act (Act No. 1 of 1999), as amended, requires:

- The Accounting Authority to ensure that the organisation keeps full and proper records of its financial affairs
- That the Annual Financial Statements fairly present the state of affairs of the organisation, its financial results, its performance against predetermined objectives and its financial position as at the end of each financial year
- That the Annual Financial Statements are presented in terms of Generally Recognised Accounting Practice (South Africa)

Objective of the Statement of Responsibility

The Statement of Responsibility is a summary of responsibilities signed by the Accounting Authority, to indicate that they have complied with the appropriate legislation.

Responsibilities Around Annual Financial Statements

The Annual Financial Statements are the responsibility of the Accounting Authority, in the case of South African Tourism represented by its Board of Directors and hereinafter referred to as the "Board". Management is responsible to the Board for the preparation and integrity of the financial statements and related information included in this annual report.

The Auditor-General is responsible for independently auditing and reporting on the financial statements. The Auditor-General has audited the South African Tourism Board's financial statements.

Basis for Preparation

The Annual Financial Statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board, in accordance with the Public Finance Management Act (Act No. 1 of 1999). The Annual Financial Statements have been prepared on the accrual basis of accounting and are in accordance with the historical cost convention, unless specified otherwise. They are presented in South African Rands.

Going Concern

South African Tourism has obtained the government grant allocation letter for next three years and, based on this and the comparative audited Statement of Financial Position, the Board has every reason to believe that the organisation will be a going concern in the year ahead and have continued to adopt the going-concern basis in preparing the financial statements.

Internal Control and Risk Management

The Board sets standards to enable management to meet the above responsibilities by implementing systems of internal control and risk management that are designed to provide reasonable, but not absolute assurance against material misstatements and losses. However, the Board has ultimate responsibility for the system of internal controls and reviews South African Tourism's operations and risk profile primarily through the Audit sub-committee meetings of the Board.

Internal financial and management controls have been maintained in accordance with section 55 of the Public Finance Management Act (Act No. 1 of 1999, as amended by Act No. 29 of 1999) in the period under review to provide assurance regarding:

- The safeguarding of assets against unauthorised use or disposition
- The maintenance of proper accounting records and the reliability of financial information used within the business or for publication

Trained, skilled personnel have been appointed to implement and maintain these controls. They are monitored by management and include a comprehensive budgeting and reporting system, operating within strict deadlines and an appropriate control framework. The controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls.

An effective system of internal control therefore aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, financial statement presentation. Furthermore, because of changes in conditions, the effectiveness of internal controls may vary over time. As part of the system of internal control, an internal audit function was in place for the entire period under review and operational, financial and specific audits have been conducted in line with an Internal Audit Plan approved by the Board. All such internal audit reports, which incorporate comments from management on audit findings, have been made available to external auditors, whose responsibility is limited to reporting on the financial statements.

Board's Opinion

The Board has reviewed the organisation's systems of internal control and risk management for the period 1 April 2016 to 31 March 2017. The Board is of the opinion that:

- The organisation's systems of internal control and risk management were effective for the period under review
- Save as otherwise disclosed in note 38, no material losses, irregular expenditure, fruitless expenditure or wasteful expenditure occurred in the period under review
- The Annual Financial Statements fairly present the financial position of the South African Tourism Board at 31 March 2017, and the results of its operations and cash-flow information for the year ended 31 March 2017.

Approval of Annual Financial Statements

The Annual Financial Statements for the year ended 31 March 2017, set out on pages 93 to 133, were submitted for auditing on 31 May 2017 and approved by the Board in terms of section 51 (1) (f) of the Public Finance Management Act (Act No. 1 of 1999), as amended, and are signed on its behalf by:



Dr Ayanda Ntsaluba

Acting Chairperson

31 July 2017

Report of the auditor-general to Parliament on South African Tourism

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of South African Tourism set out on pages 93 to 133, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of South African Tourism as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with generally recognised accounting practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing South African Tourism's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

8. My 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 my 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.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice issued in terms of the PAA, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2017:

Objectives	Pages in the annual performance report
Objective 1 – Contribute to the South African economy by increasing the number of travellers into and within South Africa	30 – 31

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objective:
 - Contribute to the South African economy by increasing the number of travellers into and within South Africa.

Other matter

15. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Achievement of planned targets

16. Refer to the annual performance report on page(s) 30 - 33 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.

Report on audit of compliance with legislation

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Other information

18. The South African Tourism accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.
19. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
 In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have not yet received the annual report. When I do receive this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected I may have to re-issue my auditor's report amended as appropriate.

Internal control deficiencies

20. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

Auditor-General

Pretoria

31 July 2017



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I 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 my 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 public entity's internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
 - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on South African Tourism ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity 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.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

South African Tourism

Financial Statements for the year ended 31 March 2017

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	NOTE(S)	2017 R	2016 R
Assets			
Current Assets			
Trade and other receivables	2	20 713 573	44 287 982
Staff advances - Current	6	8 056	318
Cash and cash equivalents	3	551 260 679	459 357 921
		571 982 308	503 646 221
Non-Current Assets			
Investment property	32	5 953 634	5 307 970
Property, plant and equipment	4	89 677 825	96 231 297
Intangible assets	5	5 703 576	6 058 453
		101 335 035	107 597 720
Total Assets		673 317 343	611 243 941
Net Assets and Liabilities			
Current Liabilities			
Finance lease liability - Current	8	150 187	164 471
Trade and other payables	7	310 884 705	322 279 847
Income received in advance	10	9 852 579	25 507 146
Provisions	9	19 670 066	24 532 363
		340 557 537	372 483 827
Non-Current Liabilities			
Finance lease liability - Current	8	56 241	184 667
Provisions	9	23 923 000	28 731 155
		23 979 241	28 915 822
Total Liabilities		364 536 778	401 399 649
Net Assets		308 780 565	209 844 292
Reserves Revaluation reserve	22	70 589 216	70 536 793
Accumulated surplus	23	238 313 861	139 307 499
Total Net Assets		308 903 077	209 844 292

South African Tourism

Financial Statements for the year ended 31 March 2017

STATEMENT OF FINANCIAL PERFORMANCE AS AT 31 MARCH 2017

	NOTE(S)	2017 R	2016 R
Revenue			
Government grants & subsidies	24	1 024 847 000	977 712 000
Voluntary Tomsa levies		137 577 643	123 203 348
		1 162 424 643	1 100 915 348
Other income			
Sundry income	11	83 275 802	81 547 057
Grading revenue	12	20 569 006	18 393 524
Interest received	21	28 278 533	11 962 974
Gains on disposal of assets		-	488 969
		132 123 341	112 392 524
Operating Expenses			
Administration and management fees		(54 871 017)	(50 025 703)
Auditors remuneration	13	(4 020 225)	(5 288 209)
Bad debts	28	(90 327)	(429 936)
Depreciation, amortisation and impairments		(11 104 185)	(14 919 638)
Employee costs	26	(186 255 024)	(170 296 840)
Lease rentals on operating lease		(20 521 452)	(22 771 600)
Loss on disposal of assets		(265 301)	-
Loss on exchange differences		(51 256 969)	-
Marketing expenses		(914 003 647)	(982 013 394)
Grading expenses	12	(15 065 437)	(14 358 872)
		(1 257 453 584)	(1 260 104 192)
Operating Surplus (Deficit)		37 094 400	(46 796 320)
Finance costs	15	(33 287)	(49 126)
Fair value adjustments	34	645 665	242 261
Foreign exchange gains		-	62 258 719
		612 378	62 451 854
Surplus for the year		37 706 778	15 655 534

South African Tourism

Financial Statements for the year ended 31 March 2017

STATEMENT OF CHANGES IN NET ASSETS

	REVALUATION RESERVE R	ACCUMULATED SURPLUS R	TOTAL NET ASSETS R
Balance at 01 April 2015	26 528 571	123 651 966	150 180 537
Revaluation of land and buildings	44 008 222	-	44 008 222
Net income (losses) recognised directly in net assets	44 008 222	-	44 008 222
Surplus for the year	-	15 655 534	15 655 534
Total changes	44 008 222	15 655 534	59 663 756
Balance at 01 April 2016	70 536 793	139 307 499	209 844 292
Currency translation differences	-	58 792 847	58 792 847
Adjustments	-	2 506 737	2 506 737
Net income (losses) recognised directly in net assets	52 423	61 299 584	61 352 007
Surplus for the year	-	37 706 778	37 706 778
Total changes	52 423	99 006 362	99 058 785
Balance at 31 March 2017	70 589 216	238 313 861	308 903 077
Note(s)	22		

South African Tourism

Financial Statements for the year ended 31 March 2017

CASH FLOW STATEMENT

	NOTE(S)	2017 R	2016 R
Cash Flows from Operating Activities			
Receipts			
Sale of goods and services		230 788 303	175 433 688
Grants		1 024 847 000	977 712 000
Interest income		28 278 533	11 962 974
		1 283 913 836	1 165 108 662
Payments			
Employee costs		(186 255 024)	(170 296 840)
Suppliers		(1 001 188 021)	(892 721 177)
Finance costs		(33 287)	(49 126)
		(1 187 476 332)	(1 063 067 143)
Net Cash Flows from Operating Activities	16	96 437 504	102 041 519
Cash Flows from Investing Activities			
Purchase of property, plant & equipment	4	(3 747 441)	(16 074 364)
Proceeds from sale of property, plant & equipment	4	(21 070)	64 753
Purchase of investment property	32	-	(11 698)
Purchase of other intangible assets	5	(623 527)	(720 654)
Net Cash Flows from Investing Activities		(4 392 038)	(16 741 963)
Cash flows from financing activities			
Finance lease payments		(142 709)	3 020
Net increase/(decrease) in cash and cash equivalents		91 902 757	85 302 574
Cash and cash equivalents at the beginning of the year		459 357 922	374 055 347
Cash And Cash Equivalents at the End of the Year	3	551 260 679	459 357 921

ACCOUNTING POLICIES

1. Presentation of Financial Statements

The financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), as issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

These accounting policies are consistent with the previous period.

1.1 Presentation Currency

These financial statements are presented in South African Rand, which is the functional currency of entity.

1.2 Going Concern Assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Significant Judgements and Sources of Estimation Uncertainty

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

For the financial period under review, significant judgement was applied in determining the extended useful lives of fixed assets in terms of GRAP 17 Property, Plant and Equipment.

Trade receivables

The entity assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the probability of the potential outcomes of the provisions raised.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

ACCOUNTING POLICIES

1.3 Significant Judgements and Sources of Estimation Uncertainty (continued)

Effective interest rate

The entity uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

In addition to this, all other debtors over 90 days are provided for.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives of the underlying items. The useful lives of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use.

Significant judgement was applied in determining the extended useful lives of fixed assets in terms of GRAP 17 Property, Plant and Equipment.

Pension and other post-employment benefits

Post-employment pension benefits offered by the entity take the form of defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

SA Tourism discloses the amount recognised as an expense for the defined contribution pension plan in note 27.

1.3 Significant Judgements and Sources of Estimation Uncertainty (continued)

The post retirement healthcare liability as valued by an independent actuary is disclosed in note 9 and 32. The liability is presented in the Statement of Financial Position while the movement is accounted for in the Statement of Financial Performance.

1.4 Investment Property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

The fair value of De Bosporus 50 te Amstelveen property could not be measured reliably by the appraiser on 31-03-2014 and 29-01-2014 as the appraiser's report noted that an appraisal by date in the past, is not possible without using hindsight i.e using realised selling prices. The entity adopts par 55 of GRAP 3 to account for the Investment Property effective 31 March 2015.

Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

The entity separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

ACCOUNTING POLICIES

1.5 Property, Plant and Equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include 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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

1.5 Property, Plant and Equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

ACCOUNTING POLICIES

1.5 Property, Plant and Equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the 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.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	4-40
Motor vehicles	Straight line	4-15 years
IT equipment	Straight line	3-20 years
Leasehold improvements	Straight line	Period of lease or shorter
Lift	Straight line	5-50 years
Airconditioning	Straight line	5-20 years
Leased assets	Straight line	Period of lease or shorter
Electrical installation	Straight line	5-20 years

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

ACCOUNTING POLICIES

1.5 Property, Plant and Equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible Assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

1.6 Intangible Assets (continued)

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Marketing rights	10 years
Computer software	10 to 12 years
Website costs	2 to 12 years

ACCOUNTING POLICIES

1.6 Intangible Assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial Instruments

Classification

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

- Financial assets at fair value.
- Loans and receivables
- Financial liabilities measured at amortised cost

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, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

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

The entity 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, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

1.7 Financial Instruments (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at cost, and are subsequently measured at amortised cost using the effective interest rate method unless the effect of discounting is immaterial. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit 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 (90 days overdue) are considered indicators that the trade receivable is impaired.

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

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting is immaterial.

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.

ACCOUNTING POLICIES

1.8 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

GRAP 20.32 requires only transactions with related parties not at arm's length or not in the ordinary course of business to be disclosed.

1.9 Events after Reporting Date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.10 Leases

Finance leases – lessee

Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

Derecognition

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

ACCOUNTING POLICIES

1.10 Leases (continued)

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Operating lease rentals with fixed escalation clauses are charged to the statement of financial performance on a straight-line basis over the term of the lease.

1.11 Impairment of Cash-Generating Assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

1.11 Impairment of Cash-Generating Assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use. Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.12 Share Capital / Contributed Capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.13 Employee Benefits

Short term employee benefits

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

ACCOUNTING POLICIES

1.13 Employee Benefits (continued)

Post employment benefits

The entity provides post employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Actuarial valuations are conducted on an annual basis by independent actuaries for each plan.

Actuarial gains and losses are recognised in full in the Statement of Financial Performance in the year that they occur.

The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

1.13 Employee Benefits (continued)

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

ACCOUNTING POLICIES

1.13 Employee Benefits (continued)

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.14 Provisions

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

1.14 Provisions (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 20.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement.

Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

ACCOUNTING POLICIES

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from Exchange Transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

1.16 Revenue from Exchange Transactions (continued)

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

ACCOUNTING POLICIES

1.17 Revenue from Non-Exchange Transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

1.17 Revenue from Non-Exchange Transactions (continued)

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

ACCOUNTING POLICIES

1.18 Interest

Interest received is recognized as the interest accrues (taking into account the effective yield on the asset).

1.19 Borrowing Costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

1.20 Translation of Foreign Currencies Foreign Currency Transactions

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded are expensed.

Transactions in foreign currency are accounted for at the spot rate of the exchange ruling on the date of the transaction.

Gains and losses arising on the translation are dealt with in the Statement of Financial Performance in the year in which they occur.

1.21 Comparative Figures

Current year comparatives (Budget)

Budget information in accordance with GRAP 1, has been provided in a separate disclosure note to these annual financial statements.

SA Tourism does not make its budget publically available and is thus not required to disclose budget information in accordance with GRAP 24.

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

1.21 Comparative Figures (continued)

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods except for presentation of foreign currency gains which are presented after operating surplus/ deficit as this format is more useful to the users of our financial statements.

1.22 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state and expenditure in the form of a grant that is not permitted. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as income in the Statement of Financial Performance..

1.23 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. .

1.24 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (PFMA). Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

ACCOUNTING POLICIES

1.25 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
2. Trade and Other Receivables		
Trade debtors	8 137 295	22 712 242
Deposits	6 926 897	8 092 346
Prepaid expenses	5 649 381	13 483 394
	20 713 573	44 287 982

Total receivables (net of allowance for doubtful debts) held by the entity at 31 March 2017 amounted to R 8.1m (2016: R 22.7 m). Short-term receivables with no stated interest rate is measured at original invoice amount if the effect of discounting is immaterial. Accounts receivable discounting procedures were performed and the results showed that the effect of discounting is immaterial.

The entity has provided fully for all receivables over 90 days because historical experience is such that receivables that are past due beyond 90 days are generally not recoverable.

South African Tourism's debtors consists mainly of staff debtors, graded establishments and funders i.e. provincial tourism authorities and Government Departments.

The creation and release of provision for impairment receivables have been included in operating expenses in the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of recovering outstanding.

Movement in the allowance for debtors		
Opening balance	2 448 788	2 230 798
Increase in provision / (Reversal of provision)	(1 163 555)	217 990
Closing balance	1 285 233	2 448 788
Ageing of allowance for doubtful debts		
91 -180 days	340 831	322 473
181 - 360 days	7 817	734 438
361+ days	936 585	1 391 876
	1 285 233	2 448 787

South African Tourism believes that there is no further credit provision required in excess of the current allowance for doubtful debts.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Bank balances	551 260 679	459 357 921
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NOTES TO THE FINANCIAL STATEMENTS

4. Property, Plant and Equipment

	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	10 690 000	-	10 690 000	10 690 000	-	10 690 000
Buildings	73 084 208	(4 862 440)	68 221 768	73 012 569	(9 926)	73 002 643
Furniture & Fixtures	10 491 195	(6 894 657)	3 596 538	10 624 692	(6 483 211)	4 141 481
Motor vehicles	2 168 358	(847 941)	1 320 417	1 345 520	(783 528)	561 992
Computer equipment	11 587 615	(7 696 600)	3 891 015	12 093 204	(7 343 223)	4 749 981
Leasehold Improvements	8 331 158	(6 581 830)	1 749 328	7 353 185	(4 719 404)	2 633 781
Leased Assets	562 774	(354 015)	208 759	671 559	(220 140)	451 419
Total	116 915 308	(27 237 483)	89 677 825	115 790 729	(19 559 432)	96 231 297

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Land	10 690 000	-	-	-	-	10 690 000
Buildings	73 002 643	36 181	-	-	(4 817 056)	68 221 768
Furniture & fixtures	4 141 481	228 452	-	-	(773 395)	3 596 538
Motor vehicles	561 992	1 064 318	-	-	(305 893)	1 320 417
Computer equipment	4 749 981	2 039 465	(87 094)	-	(2 811 337)	3 891 015
Leasehold Improvements	2 633 781	379 025	-	-	(1 263 478)	1 749 328
Leased Assets	451 419	-	-	(88 041)	(154 619)	208 759
	96 231 297	3 747 441	(87 094)	(88 041)	(10 125 778)	89 677 825

NOTES TO THE FINANCIAL STATEMENTS

4. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Revaluations	Other changes, movements	Depreciation	Total
Land	6 500 000	-	-	4 190 000	-	-	10 690 000
Buildings	24 983 872	10 917 389	-	44 068 380	-	(6 966 998)	73 002 643
Furniture & fixtures	3 431 569	1 522 941	-	-	-	(813 029)	4 141 481
Motor vehicles	756 837	-	-	-	(25 028)	(169 817)	561 992
Computer equipment	3 946 315	2 802 272	(74 341)	-	-	(1 924 265)	4 749 981
Leasehold Improvements	2 716 744	475 056	-	-	-	(558 019)	2 633 781
Leased Assets	295 096	356 706	-	-	-	(200 383)	451 419
	42 630 433	16 074 364	(74 341)	48 258 380	(25 028)	(10 632 511)	96 231 297

Revaluations

The effective date of the revaluations was 31 March 2016. Revaluations were performed by independent valuer, GC Jacobs [Professional Associated Valuer], of Mirfin Countrywide Property Valuation. Mr GC Jacobs is not connected to the entity.

Land and buildings are re-valued independently every 3 years.

NOTES TO THE FINANCIAL STATEMENTS

2017 R							2016 R		
5. Intangible Assets									
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value			
Marketing rights	2 500 000	(2 375 000)	125 000	2 500 000	(2 125 000)	375 000			
Computer software	13 828 117	(10 765 996)	3 062 121	13 216 937	(9 839 444)	3 377 493			
Website costs	8 111 733	(5 595 278)	2 516 455	8 111 733	(5 805 773)	2 305 960			
Total	24 439 850	(18 736 274)	5 703 576	23 828 670	(17 770 217)	6 058 453			
Reconciliation of property, plant and equipment - 2017									
			Opening balance	Additions	Amortisation	Total			
Marketing rights			375 000	-	(250 000)	125 000			
Computer software			3 377 493	623 527	(938 899)	3 062 121			
Website costs			2 305 960	-	210 495	2 516 455			
Total			6 058 453	623 527	(978 404)	5 703 576			
Reconciliation of property, plant and equipment - 2016									
			Opening balance	Additions	Disposals	Amortisation	Total		
Marketing rights			625 000	-	-	(250 000)	375 000		
Computer software			4 911 087	720 654	(25 478)	(2 228 770)	3 377 493		
Website costs			4 114 313	-	-	(1 808 353)	2 305 960		
Total			9 650 400	720 654	(25 478)	(4 287 123)	6 058 453		

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
6. Staff Advances		
Staff advances - Current	8 056	318
The staff advances balance of R 8056 relates to S&T advances for staff travel.		
7. Trade and Other Payables		
Trade payables and other payables	81 797 670	114 822 256
Accrued liabilities	229 087 035	207 394 948
Unallocated deposits	-	62 643
	310 884 705	322 279 847
8. Finance Lease Liability - Current		
Minimum lease payments due		
• within one year	164 622	192 715
• in second to fifth year inclusive	60 034	198 147
	224 656	390 862
Less: future finance charges	(18 227)	(41 725)
Present value of minimum lease payments	206 429	349 137
Present value of minimum lease payments due		
• within one year	150 187	164 471
• in second to fifth year inclusive	56 241	184 667
	206 428	349 138

Finance leases relate to office premises and office equipment. Legal title does not transfer for any of these leases. The economic substance over the legal form was considered in classifying other leases as finance leases. The two conditions that ensured that these leases met the definition of a finance lease:

- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Finance leases were discounted at a rate of 10% and interest was calculated using the effective interest rate method.

Staff and other guarantees

South African Tourism has made no guarantees with regards to staff housing loans during the current and previous financial years.

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

		2017 R	2016 R
9. Provisions			
Reconciliation of provisions - 2017			
	Opening Balance	Reversed during the year	Total
Legal proceedings	2 444 155	(2 444 155)	-
Provision - Input vat claims	24 532 363	(4 862 297)	19 670 066
Post retirement health care benefits	26 287 000	(2 364 000)	23 923 000
	53 263 518	(9 670 452)	43 593 066
Reconciliation of provisions - 2016			
	Opening Balance	Additions	Total
Legal proceedings	538 219	1 905 936	2 444 155
Provision-Input VAT credits	20 081 125	4 451 238	24 532 363
Post retirement health care benefits	24 599 000	1 688 000	26 287 000
	45 218 344	8 045 174	53 263 518
Non-current liabilities		23 923 000	28 731 155
Current liabilities		19 670 066	24 532 363
		43 593 066	53 263 518

Provision for Input VAT

The provision for input VAT represents the amount of VAT that the international tax authorities are claiming from the entity that was previously allowed to be claimed as VAT input credits. These authorities have won their administrative tribunal review, and the matter has now been escalated to the Crown Court

Employee benefit cost provision

The post retirement medical aid liability as this date is R 23 923 000. The discount rate in the current valuation hasa been revised to 9.80% p.a from the 10.08%p.a used in the 2016 projection, with the health care cost inflation assumption decreasing from 9.51% p.a. to 8.78% p.a. This resulted in an increase in the real discount rate from 0.52% p.a. to 0.94% p.a. resulting in a surplus of approximately R 1,730,000. A surplus of approximately R 4,067,000 is attributable to the change in the Normal Retirement age from 60 to 65.

Liability at 1 April	26 287	24 599
Service Cost	1 659	1 566
Benefits	(1 376)	(1 240)
Interest Cost	2 582	2 051
Actuarial loss/ (gain)	(5 229)	(689)
Liability at 31 March	23 923	26 287

The valuation was conducted by Priya Makanjee in her capacity as an actuary of NMG Consultants and Actuaries (Pty) Ltd. She holds a BSc (Hons) FASSA. There is no conflict of interest.

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
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10. Income Received in Advance

Income received in advance comprises of funding received from the National Department of Tourism for SMME market access programme during INDABA 2017.

Movement during the year		
Balance at the beginning of the year	25 507 146	616 332
Additions during the year	9 455 365	25 507 146
Reversed during the current year	(25 109 932)	(616 332)
	9 852 579	25 507 146

11. Revenue

Sundry income	83 275 802	81 547 057
Grading income	20 569 006	18 393 524
Interest received - investment	28 278 533	11 962 974
Government grants & subsidies	1 024 847 000	977 712 000
Voluntary TOMSA levies ((TBCSA)	137 577 643	123 203 348
	1 294 547 984	1 212 818 903

The amount included in revenue arising from exchanges of goods or services are as follows:

Sundry income	83 275 802	81 547 057
Grading income	20 569 006	18 393 524
Interest received - investment	28 278 533	11 962 974
	132 123 341	111 903 555

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Transfer revenue		
Government grants & subsidies	1 024 847 000	977 712 000
Voluntary TOMSA levies	137 577 643	123 203 348
	1 162 424 643	1 100 915 348

Nature of sundry income

Sundry income is income generated from exhibitions such as INDABA and Meetings Africa. as well as miscellaneous income. An amount of R 53.4 mil of this balance relates to income generated from INDABA.

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
12. Grading Income		
Grading revenue	20 569 006	18 393 524
Grading Expenses	(15 065 437)	(14 358 872)
	5 503 569	4 034 652
13. Auditors' Remuneration		
Fees	4 020 225	5 288 209
14. Marketing		
Retainer fees	208 532 172	128 551 427
Other marketing expenditure	705 471 475	853 461 967
	914 003 647	982 013 394

Consultants fees includes retainer fees for above and below the line marketing advertising agencies, PR agencies, exhibition management services and market research. SA Tourism has put a consultancy reduction plan for 2016/17 financial year, as mandated by National Treasury through its Treasury Instruction 1 of 2014: Cost containment measures.

Other marketing expenses relates to marketing expenses such as marketing development, research and campaigns, incurred by SAT during the 2016/17 financial in order to fulfil its mandate of marketing South Africa both domestically and internationally.

The increase in consultancy fees is mainly due to annual inflationary increases as per contract terms and conditions.

15. Finance Costs

Finance leases	33 287	49 126
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South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
16. Cash Generated from Operations		
Surplus	37 706 778	15 655 533
Depreciation and amortisation	11 104 185	14 919 638
Loss on sale of assets	265 301	(488 969)
(Gain)/ Loss on unrealised foreign exchange	61 233 829	(3 737 456)
Fair value adjustments	(645 665)	(242 261)
Finance costs - Finance leases	33 287	49 126
Movements in provisions	(9 670 452)	8 045 174
Other non-cash items	(122 515)	-
Changes in working capital:		
Trade and other receivables	23 574 409	(12 572 746)
Staff advances-Current	8 056	318
Trade and other payables	(11 395 142)	55 522 348
Income received in advance	(15 654 567)	24 890 814
	96 437 504	102 041 519

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
17. Commitments		
Authorised capital expenditure		
Approved but not yet contracted for		
Property, plant and equipment	22 852 000	9 800 000
Already contracted for		
Property, plant and equipment	-	-
Total capital commitments		
Approved but not yet contracted for	22 852 000	9 800 000
Authorised operational expenditure		
Already committed for but not provided for		
SMME Market Access Programme	9 455 365	-
Total operational commitments		
Already contracted for but not provided for	9 455 365	-
This committed expenditure relates to property and will be financed by available bank facilities.		
Operating leases – as lessee (expense)		
Contracted for		
Minimum lease payments due		
• within one year	16 765 176	17 472 932
• in second to fifth year inclusive	25 271 217	36 837 385
• later than five years	9 569 144	10 652 030
	51 605 537	64 962 347
Operating leases relate to rental of premises, with lease terms varying between 4 to 10 years, and rental of office equipment with lease terms varying between 2-5 years. The entity does not have an option to purchase the leased asset at maturity of the lease period.		
Operating leases – as lessor (income)		
Minimum lease payments due		
• within one year	-	335 226
• in second to fifth year inclusive	-	279 355
	-	614 581

50 Bosphorus Amstelveen property is held to generate rental income for a 3-year period. Lease agreements can be terminated provided sufficient notice is provided as agreed upon. The lease terminated during the third quarter of 2016/17.

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

18. Financial Instruments

Interest Rate Risk

Finance leases (referred to as other financial liabilities on the Statement of Financial Position) refers to leases which have been classified, in terms of GRAP 13, as finance leases because of the accounting substance over the legal form. None of these leases are with financial institutions and interest risk is associated with these finance leases is deemed to be immaterial.

Cash held in foreign amounts are transferred solely for the purposes of settling foreign creditors. Temporary reserves in those bank accounts comprise creditors not yet paid and interest is earned at the local prime rate specific to that country.

It would not be appropriate to have a weighted average interest rate for all the markets because each of the markets has different risk characteristics and it would be misleading to users to have a combined weighted average effected interest rate. Therefore, no interest rate sensitivity analysis is disclosed.

Foreign currency risk

The entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound.

The entity does not hedge foreign exchange fluctuations.

The entity operates in foreign countries and is thus exposed to foreign currency translation risk.

Surplus is more sensitive to movement in exchange rates in 2017 than 2016 because of the increased fluctuations in foreign exchange rates.

South African Tourism's foreign currency risk relates to those monetary balances emanating from foreign marketing expenditure and administrative costs of its international offices. These are normally settled within a short period to limit the risk of exposure to currency fluctuations.

SA Tourism is extremely sensitive to movements/fluctuations in GBP/EUR/USD (three major currencies the entity transacts in). The foreign exchange rates table below illustrates that as at 31 March 2017, the Rand strengthened by 27.8% against GBP, 11.3. % against the USD and by 18 % against the EUR.

Exchange rates used for conversion of foreign items were:

	Budget rates		Actual rates	
	2017	2016	2017	2016
GBP	24,68	24,68	16,78	21,45
JPY	0,12	0,12	0,12	0,13
EUR	17,00	18,36	14,35	16,94
USD	14,12	17,12	13,44	14,96
AUD	11,18	11,18	10,27	11,45
CNY	0,40	0,40	0,51	2,33

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

18. Financial Instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. In order to mitigate the risk of financial loss, SA Tourism only deals with creditworthy parties. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financial Assets		
Loans and receivables at amortised cost		
Trade and other receivables	20 713 573	44 287 982
Financial assets at fair value		
Cash and cash equivalents	551 260 679	459 357 921
Financial liabilities at amortised cost		
Carrying amount of financial liabilities	311 091 133	322 628 985
Other financial liabilities at amortised cost		
Finance lease obligation - Non current portion	56 241	184 667
Finance lease obligation - Current portion	150 187	164 471
Trade and other payables	310 884 705	322 279 847

The amount disclosed as Trade and other receivables, Cash and cash equivalent & Trade and other payables are the contractual undiscounted cashflows. Balances due within 12 months equal their carrying balances as the impact of discounting is immaterial.

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

19. Related Parties

Related party relationships exist within the entity. During the year all purchasing and selling transactions were concluded at arm's length. Details of transactions with related parties not disclosed elsewhere in the financial statements are as follows:

South African Tourism is 100% controlled by its shareholder, the government, represented by the National Department of Tourism. South African Tourism constitutes a Schedule 3A public entity in terms of the Public Finance Management Act. During the financial year South African Tourism received grant income of R 1 024 847 000 (2016: R 977 712 000). No amounts were due to NDT by South African Tourism as at the 31 March 2017. SA Tourism also received income in advance from the National Department of Tourism: R 9.9mil.

South African Tourism transacted with the following public entities that fall within the ambit of the National Sphere of Government. Transactions with these entities and balances owed are as follows:

Related party transactions		
Public Entity		
Telkom	297 011	350 779
SARS	22 518 828	25 958 178
	22 815 839	26 308 957

Travel procuremet was done through appointed TMC and not directly with SAA. GRAP 20 has been approved however it is not yet effective as no effective date has been determined by the Minister of Finance, thus the balances disclosed above are for comparative purposes, as required by GRAP 1.

Compensation to members and other key management		
Short-term employee benefits	13 880 735	12 435 482
Post-employment benefits	810 581	792 858
	14 691 316	13 228 340

20. Contingent Liabilities

SA Tourism adopted GRAP19.111 to account for the entity's cotingent liability as disclosure of some or all of the information required can be expected to seriously prejudice the position of the entity as the matters are sub-judice.

The entity currently has the following two contingent liabilities: Plaintiff claim of trademark infringement and an applicant claim of substantive and procedural unfair dismissal.

21. Investment Revenue

Interest revenue		
Bank	28 278 533	11 962 974

The amount of R 28 278 533 relates to revenue from call accounts.

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

22. Revaluation Reserve

The balance of revaluation reserve, which arised due to the revaluation of land and buildings is:

Revaluation reserve	70 589 216	70 536 793
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23. Accumulated Surplus

The movement in exchange rates had a favourable impact on the Statement of Net Assets resulting in a foreign currency gain as presented in the Statement of Net Assets, on the conversion of the financial records of SAT's operating units which are denominated in foreign currency. Revaluation of accumulated surplus i.e equity is presented in the Statement of Net Asset.

24. Government Grants and Subsidies

Government grant	1 024 847 000	977 712 000
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25. General Expenses

Auditors remuneration	4 020 225	5 288 209
Consulting and professional fees	15 065 437	14 358 872
Marketing	914 003 647	982 013 394
	933 089 309	1 001 660 475

26. Employee Related Costs

Basic	107 135 084	105 436 073
Bonus	2 256 099	2 554 014
Medical aid - company contributions	2 626 315	2 305 201
UIF	749 730	529 545
SDL	980 420	1 063 256
Leave pay provision charge	1 481 627	1 177 956
Other short term costs	3 625 907	70 484
Defined contribution plans	7 509 697	9 848 109
Overtime payments	125 887	186 964
Allowances	31 515 805	34 438 310
Social Insurance	4 565 214	4 779 792
Other HR costs	23 683 239	7 907 136
	186 255 024	170 296 840

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

27. Administrative Expenditure

Administration and management fees - third party	53 770 357	49 141 941
Administration and management fees - related party	1 100 660	883 762
	54 871 017	50 025 703

Administration and management fees balance mainly consist of VAT expenses, legal fees, IT support expenses and computer licence fees.

Administration and management fees-related parties relates to expenses incurred by the Board during the execution of their duties as SAT board members. SA Tourism board members are not compensated for their duties.

28. Debt Impairment

Debt impairment	-	-
Bad debts written off	90 327	429 936
	90 327	429 936

29. Reconciliation Between Budget and Statement of Financial Performance

Reconciliation of budget surplus as per the approved Estimates of National Expenditure (ENE) database with the surplus in the statement of financial performance. In line with relevant prescripts SA Tourism does not budget for a deficit or a surplus:

Paragraph.03 of GRAP 24 states that the standard applies to entities that are required or elect to make publicly available their approved budgets. Paragraph.04 further states that for the purpose of GRAP 24, budgets are made publicly available when they have been approved and made available to the public at large by tabling in Parliament, legislatures or municipalities councils.

This standard does not require approved budgets to be made publicly available. SA Tourism does not make its approved budget publicly available, thus management deems the reconciliation between the actual surplus and budget as sufficient for our users.

Reconciliation of budget surplus as per approved Estimate of National Expenditure with surplus per Statement of Financial Performance:

Net surplus per the statement of financial performance	37 706 778	15 655 534
Adjusted for:		
Fair value adjustments	(645 665)	(242 261)
Gain (loss) on the sale of assets	265 301	(488 969)
Increases/ decreases in provisions	(9 670 452)	8 045 173
Depreciation and amortisation	11 104 185	14 919 638
Gain/ Loss on foreign exchange	61 156 077	(3 737 456)
Over/ under expenditure	(99 916 224)	(34 151 659)
Net surplus per approved budget	-	-

NOTES TO THE FINANCIAL STATEMENTS

30. Segment Information General Information Identification of Segments

General information

Identification of segments

The entity is organised and reports to management on the basis of two major functional areas: Head Office and International Marketing services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The entity operates in South Africa with branches in 12 country offices globally. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout International offices were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Head Office	Domestic marketing, quality assurance, NCB and support to domestic and global marketing
International offices	International marketing

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

30. Segment Information (continued)

2017

				Figures in Rand
	Segment 1	Segment 2	Eliminations	Total
Revenue				
Revenue from non-exchange transactions	1 162 424 643	-	-	1 162 424 643
Fair value adjustment IP	-	645 665	-	645 665
Interest revenue	28 035 157	243 376	-	28 278 533
Sundry income	79 809 196	3 466 606	-	83 275 802
Forex gain	13 141 195	-	-	13 141 195
Grading revenue	20 569 006	-	-	20 569 006
Total segment revenue	1 303 979 197	4 355 647	-	1 308 334 844
Entity's revenue				1 308 334 844
Expenditure				
Salaries and wages	104 282 022	81 973 007	-	186 255 029
Marketing expenses	656 825 482	257 469 494	-	914 294 976
General expenses	71 577 937	34 101 960	-	105 679 897
Foreign exchange loss	-	64 398 164	-	64 398 164
Total segment expenditure	832 685 441	437 942 625	-	1 270 628 066
Total segmental surplus/(deficit)				37 706 778
Assets				
Segment assets	514 369 088	158 948 252	-	673 317 340
Total assets as per Statement of financial Position				673 317 340
Liabilities				
Segment liabilities	210 697 791	578 746 632	(424 907 642)	364 536 781
Total liabilities as per Statement of financial Position				364 536 781

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

30. Segment Information (continued)

2016

				Figures in Rand
	Segment 1	Segment 2	Eliminations	Total
Revenue				
Revenue from non-exchange transactions	1 100 915 213	135	-	1 100 915 348
Fair value adjustment	-	242 261	-	242 261
Interest revenue	11 599 404	363 565	-	11 962 969
Gain on disposal of assets	488 969	-	-	488 969
Sundry income	78 755 088	2 791 969	-	81 547 057
Forex gain	43 239 788	19 018 931	-	62 258 719
Grading income	18 393 523	-	-	18 393 523
Total segment revenue	1 253 391 985	22 416 861	-	1 275 808 846
Entity's revenue				1 275 808 846
Expenditure				
Salaries and wages	99 999 218	70 297 622	-	170 296 840
Marketing expenses	622 960 990	359 052 400	-	982 013 390
General expenses	70 152 665	37 690 417	-	107 843 082
Total segment expenditure	793 112 873	467 040 439	-	1 260 153 312
Total segmental surplus/(deficit)				15 655 534
Assets				
Segment assets	421 275 101	189 968 840	-	611 243 941
Total assets as per Statement of financial Position				611 243 941
Liabilities				
Segment assets	234 913 260	574 923 581	(408 437 192)	401 399 649
Total assets as per Statement of financial Position				401 399 649

State grant transactions for the financial year was R 424 907 642 (2016: R 408 437 192)

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

31. New Standards and Interpretations

31.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact
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31.2 Standards and Interpretations early adopted

The entity has chosen to early adopt the following standards and interpretations:

31.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2017 or later periods but are not relevant to its operations:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

NOTES TO THE FINANCIAL STATEMENTS

31. New Standards and Interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

NOTES TO THE FINANCIAL STATEMENTS

31. New Standards and Interpretations (continued)

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's financial statements.

32. Investment Property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 953 634	-	5 953 634	5 307 970	-	5 307 970

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	5 307 970	645 664	5 953 634

Reconciliation of investment property - 2016

	Opening balance	Additions	Fair value adjustments	Total
Investment property	5 054 011	11 698	242 261	5 307 970

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

32. Investment Property (continued)

De Bosporus 50 te Amstelveen was used as owner-occupied property and disclosed as part of Property, plant and equipment until 2014. The property was recognised as Investment Property as at 31 March 2015 as fair value of the asset could be measured reliably as at that date.

SA Tourism applied the fair value model to account for Investment property. An independent valuer, who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued, was used to determine the fair value of the property. The independent valuer used the average growth of realised selling prices to determine the fair value of the asset as at 31 March 2017.

An appraisal by date in the past is impractical.

Deemed cost

The amounts recognised in Statement of Financial Performance for rental revenue from Investment Property is R 278 495.38. There are no restrictions on the realisability of Investment Property nor contractual obligations to purchase, construct. SAT is responsible for repairs and maintenance. SAT incurred direct expenses in the current year in relation to the property in the current year which amounted to EUR 2 308.91 (approximately R 31 261.35 converted at spot rate at year-end).

33. Employee Benefits

Post-retirement contribution plan

South African Tourism has a defined benefit contribution pension plan covering all of its employees. Retirement benefits are based on the growth of each member's investment. South African Tourism retirement fund value as at 31 March 2017 was valued at R 99 419 532.66 (2016: R 93 235 854.74).

The trustees aim to maximise investment returns, with due regard for the nature and objective of the Fund, on behalf of the members in order that they may retire with meaningful benefits.

34. Fair Value Adjustments

Investment property (Fair value model)

645 665

242 261

35. Taxation

South African Tourism is exempt from income tax in terms of section 10(1)(CA)(1) of Income Tax Act.

36. Going Concern

We draw attention to the fact that at 31 March 2017, the entity had accumulated surplus of R 238 313 861 and that the entity's total assets exceed its liabilities by R 308 903 077.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

South African Tourism

Financial Statements for the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

37. Events after the Reporting Date

South African Tourism had the following non-adjusting event after year-end:

The approval and payment of bonuses R 8.8 mil, post Statement of Financial Position date, represents a non-adjusting events after reporting date.

Dr. Tanya Abrahamse, is on sabbatical leave until the end of October 2017. Our Minister, Ms Tokozile Xasa, requested Dr Ayanda Ntsaluba to act as Chairperson during this period.

38. Irregular Expenditure

Add: Irregular Expenditure - current year	1 093 661	82 946
Less: Amounts condoned	(87 951)	(82 946)
	1 005 710	-

South African Tourism had two transactions which resulted in irregular expenditure: balance of R 87 951 relates to irregular expenditure resulting from non-competitive bidding .

A transaction of R 87 951 relates to irregular expenditure resulting from non-competitive bidding. This amount was condoned as investigation results proved that there was no loss for SA Tourism and appropriate disciplinary action was taken against the employee.

Second instance is as a result of non-compliance with Practice Note 6 of 2007/08 and instruction note 3 of 2016/17. Irregular expenditure to the value of R 1 005 709.77 has been included in the balance of Irregular expenditure incurred in the current year.

mpower ratings

Ensuring Change through Empowerment

B-BBEE Verification Certificate

Registered Name: *South African Tourism Board*
Trading as: *South African Tourism*
Registration no: *Public entity (established in terms of section (2) of the Tourism Act, (Act No. 72 of 1993 as amended)*
VAT No: *N/A*
Head Office Location: *Bojonala House, 90 Protea Road, Chilsehurst, Sandton, Gauteng*
Postal address: *Private Bag X 10012, Sandton, Gauteng*
Verification standard applied: *Dti Codes of Good Practice on Black Economic Empowerment*
Scorecard applied: *Specialized Generic Scorecard Validation*

Element	Target Score	Actual Score
Management Control	20	0.00
Skills Development	25	5.80
Enterprise and Supplier Development	50	35.86
Socio-Economic Development	5	5.00
Total Score:	100	46.67

Broad Based BEE status level: *NON-COMPLIANT*
BEE procurement recognition level: *0.00%*
Empowering Supplier: *Yes*
Date of Issue: *18 August 2017*
Expiry Date: *17 August 2018*



Technical Signatory: *Floyd Mazibuko CA(SA)*

SOU006101/08/2017

Certificate Number

The information on this certificate and in the verification report represent an independent opinion based on verification procedures and analysis carried out by mPowerRatings in terms of the principles contained in the Department of Trade and Industry's Code of Good Practice on Broad Based Black Economic Empowerment as gazette August 2015

mPowerRatings (Pty) Ltd Reg No. 2004/003425/07



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C E R T I F I C A T E



CERTIFICATE OF ENVIRONMENTAL ACCOMPLISHMENT

This is to certify that

South African Tourism

participated in Shred-it's shredding and recycling program for

Period	Jan - Dec 2016
Mass Shredded (kg)	7830
Trees saved	80
L of oil - saved	11480
m3 of landfill space - freed up	17
Kw of Energy - saved	31
L of water - saved	211883
kg of air pollution - saved	1093
Comparison Trees saved	
How much CO2 the above trees would absorb from atmosphere	4305
How much CO2 would have been created when the paper was burnt	26753

Shred-it congratulates staff members on the positive impact
this initiative has made towards saving our environment.

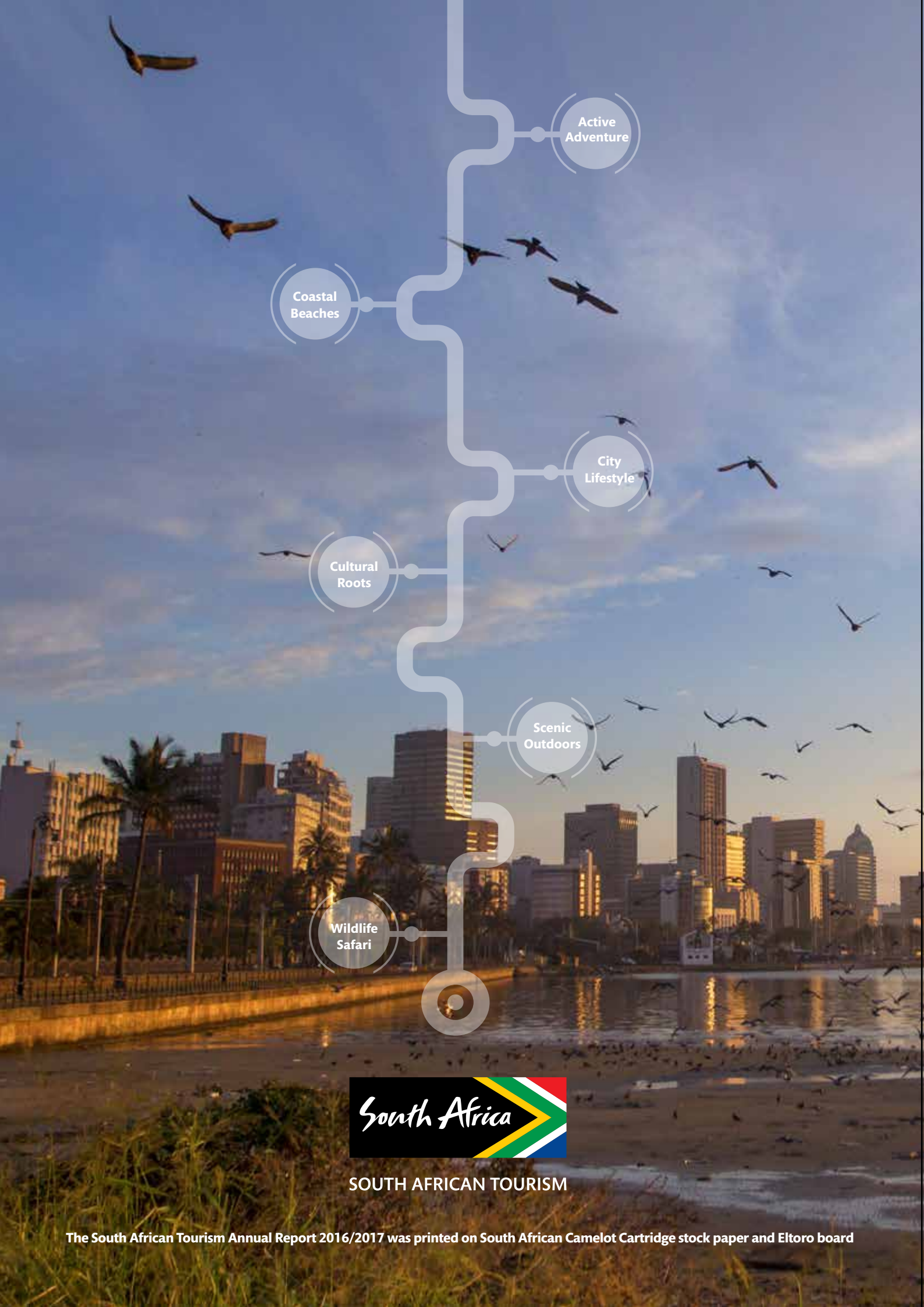
THANK YOU FOR
YOUR BUSINESS.

SH13NAS



SECURING YOUR OFFICE
AND THE ENVIRONMENT





Active
Adventure

Coastal
Beaches

City
Lifestyle

Cultural
Roots

Scenic
Outdoors

Wildlife
Safari



SOUTH AFRICAN TOURISM

The South African Tourism Annual Report 2016/2017 was printed on South African Camelot Cartridge stock paper and Eltoro board