

South African Tourism
Annual Report 2012/13



SOUTH AFRICAN TOURISM



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Part A: General information

Public Entity's General Information

Scope of this report

The annual report for the year ended 31 March 2013 is an integrated financial, economic, environmental and social sustainability report. South African Tourism aligns itself with international sustainability best reporting practices, including the Global Reporting Initiative (GRI) Sustainability Reporting Guideline, and the AA1000APS (2008) Accountability Principles Standard.

The report considers financial, economic, environmental, social and technical performance and is available in an electronic version on the South African Tourism website (www.southafrica.net).

Mission

To develop and implement a world-class international tourism marketing strategy for South Africa. In pursuance of this, South African Tourism will:

- facilitate the strategic alignment of the provinces and industry in support of the global marketing of tourism to South Africa;
- remove identified obstacles to tourism growth;
- build a tourist-friendly nation; and
- ensure that tourism benefits all South Africans.

Strategic overview

Given its limited resources, most notably financial, South African Tourism has adopted and rolled out the National Tourism Sector Strategy (NTSS) based on in-depth segmentation research and focus groups conducted around the world. This strategy was approved by the Cabinet and focuses on South African Tourism's marketing activities on specific segments of tourists in particular markets:

- that are most likely to come to South Africa; and
- whose value for South Africa will be the highest taking into consideration the size of the segment (value is calculated as the days spent in South Africa multiplied by the amount spent per day).

For South African Tourism's purposes, markets have been classified as follows:

Core markets: These markets are very attractive and have easier access from a tourism marketing point of view, deliver the "bread and butter" in terms of tourism to South Africa and approximately 60% of the organisation's effort (in terms of human capital and budget) is deployed in these markets.

Vision

For South Africa to be the preferred tourist destination in the world, in order to maximise the economic potential of tourism for our country and its people.

Values

We unconditionally respect our organisation's people, its purpose and its assets. Living this respect with integrity translates into an authentic caring for South Africa and each other, a feeling of responsibility, and the acceptance of accountability for the outcomes of our actions. Our team pushes the boundaries of excellence in everything we do.

Investment markets: These markets are also very attractive, but more difficult to access from a tourism marketing point of view. Given the potential of these markets, it is of great importance for South African Tourism to invest in them, ahead of future returns. Approximately 20% of the organisation's effort (in terms of human capital and budget) is deployed in these markets.

Tactical markets: These markets are less attractive, but very easy to access from a tourism marketing point of view. Approximately 15% of the organisation's effort (in terms of human capital and budget) is deployed in these markets.

Watch-list markets: These markets are less attractive and more difficult to access from a tourism marketing point of view. However, limited exploratory marketing, largely in conjunction with South Africa's overseas missions and tour operators, is to be undertaken by South African Tourism in these markets as they might grow in the future, more prominent tourism markets. Approximately 5% of the organisation's effort (in terms of human capital and budget) is deployed against these markets.

South African Tourism promotes South Africa generically in terms of its unique selling points as an all-season, year-round preferred tourist destination, utilising marketing initiatives that are guided by the Tourism Growth Strategy. The strategy incorporates five key market portfolios namely: Regional Africa.
Domestic.
Americas.
Asia and Australasia.
Europe and the UK.

Each portfolio is headed by a regional director tasked with developing and implementing marketing strategies, an approach which serves to optimise the efficiency and strategic marketing activities in specific market segments.

South African Tourism's overall marketing strategy promotes South Africa's scenic beauty, diverse wildlife, eco-tourism and variety of cultures and heritage. We also work to engender a travel culture among South Africans and to develop South Africa's potential as a business events destination.

South African Tourism's international marketing approach differs slightly in its scope: it is more focused, more cost-effective and more customer driven. We persistently undertake to "play smarter" in the increasingly competitive global tourism market by adopting, among other initiatives, ongoing segmentation research into key spend and volume markets that highlight areas where South African Tourism's marketing efforts will reap the greatest returns. As a result, the organisation has also embarked on an aggressive e-Business Tourism Growth Strategy that includes fully-fledged research, social media engagement and a website: www.southafrica.net. South African Tourism also participates in major travel shows; co-ordinates advertising, public relations and direct mailing campaigns; and holds educational work sessions with the international partners of South Africa's travel industry. Furthermore, the organisation is active in promoting South Africa as a destination for Business Events through its National Convention Bureau that works closely with sector representatives both abroad and in South Africa.

South African Tourism also works with South Africa's Embassies and Consulates all over the world to encourage tourism to South Africa.

Good corporate governance is essentially about effective leadership. It requires leadership that is able to integrate decision making, strategy and sustainability. It also calls for an inclusive and collaborative approach with stakeholders, founded on the need for effective dialogue and engagement.

Legislative and other mandates

The following green papers, white papers, notices, bills and/or national legislation were introduced in the 2012/13 financial year, which may, in future, directly or indirectly affect operations at the South African Tourism board:

► Tourism Bill 44 of 2012 (Published 4 December 2012).

The introduction of the Tourism Bill once enacted, will most probably affect management and corporate practices at the South African Tourism board. The Bill maintains the structure, powers and functioning of the board for the most part, but creates the prospective divisions between the board, its research capacities and the Tourism Grading Council. The Bill, once enacted, will also necessitate an update to the Delegation of Authority and Corporate Practice Policy, as well as all other subsidiary policies and practices.

Internally, the South African Tourism board has updated the following key policies in the 2012/13 financial year:

- 1) Delegation of Authority;
- 2) Corporate Practice Policy; and
- 3) Supply Chain Management Policy.

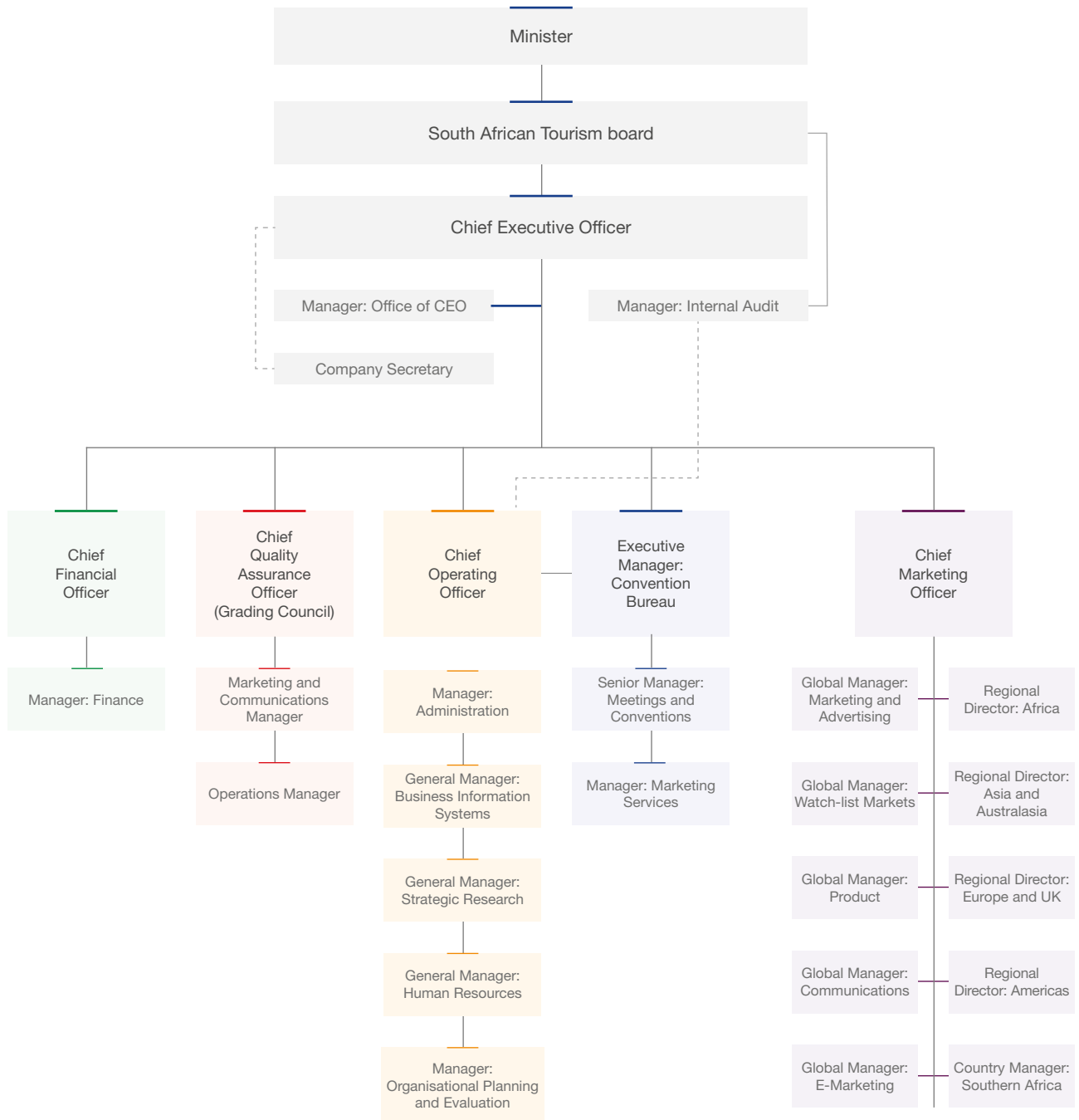
The official Delegation of Authority has been aligned to principle enabling legislation governing the South African Tourism board as an entity and an Accounting Authority, in alignment with the Tourism Act 72 of 1993 and the Public Finance Management Act 1 of 1999. The alignment of the Delegation of Authority with these Acts has necessitated the updating of the Corporate Practice Policy to regulate and direct the implementation of authorities within which South African Tourism operates. The change in Delegation of Authorities has naturally also resulted in a realignment of Supply Chain Management policies and practices which have been addressed accordingly.

Part A: General information continued

List of abbreviations/acronyms

AFCON	Africa Cup of Nations	MICE	Meetings, Incentives, Conference And Exhibitions
AIME	Asia Pacific Incentives and Meetings Expo	MoU	Memorandum of Understanding
ASAE	American Society of Association Executives	MPI	Meeting Professionals International
ASTA	American Society of Travel Agents	MTEF	Medium-term Expenditure Framework
BBBEE	Broad-based Black Economic Empowerment	NCP	National Communications Partnership
BEE	Black Economic Empowerment	NDT	National Department of Tourism
CEO	Chief Executive Officer	NGC	National Geographic Channel
CFO	Chief Financial Officer	NTSS	National Tourism Sector Strategy
CMO	Chief Marketing Officer	PDI	Previously Disadvantaged Individual
COO	Chief Operating Officer	PFMA	Public Finance Management Act
CQAO	Chief Quality Assurance Officer	PR	Public Relations
CSR	Corporate Social Responsibility	RDP	Reconstruction and Development Programme
DMS	Destination Marketing Services	SAA	South African Airways
DTI	Department of Trade and Industry	SAACI	South African Association for the Conferencing Industry
ETEYA	Emerging Tourism Entrepreneur of the Year Award	SABC	South African Broadcasting Corporation
EXCO	Executive Committee (of South African Tourism)	SADC	Southern African Development Community
EXSA	The Exhibition and Event Association of Southern Africa	SANEC	South African and Netherlands Chamber of Commerce
FIFA	Federation of International Football Associations	SANParks	South African National Parks
GAAP	Generally Accepted Accounting Practice	SARS	South African Revenue Service
GRAP	Generally Recognised Accounting Practices	SAT	South African Tourism
HDI	Historically Disadvantaged Individual	SAX	South African Express
HR	Human Resources	SIC	Standing Interpretations Committee (of the International Accounting Standards)
IAS 16	International Accounting Standard 16	SITE	Society for Incentive Travel Executives
ICC	International Cricket Council	SMME	Small, Medium and Micro Enterprises
ICCA	International Congress and Convention Association	TBCSA	Tourism Business Council of South Africa
Indaba	South Africa's Premier Tourist Exhibition, Durban	TBEECC	Tourism BEE Charter Council
IPAP	Industrial Policy Action Plan	TGCSA	Tourism Grading Council of South Africa
ISO	International Organisation for Standardisation	TOMSA	Tourism Marketing South Africa
IT	Information Technology	TSA	Tourism Satellite Account
IT&ME	Incentive Travel and Meeting Executives Show	UIA	Union of International Associations
ITB	International Tourism Bourse	UIF	Unemployment Insurance Fund
JATA	Japan Association of Travel Agents	UK	United Kingdom
JMA	Joint Marketing Agreement	UNWTO	United Nations World Tourism Organisation
King Report	King Report on Corporate Governance	US	United States of America
MANCO	Management Committee of South African Tourism	USD	United States Dollar
MATCH	FIFA Accommodation Provider	WOM	Word-of-Mouth
		WTM	World Travel Market

Organisational structure



Part A: General information continued

Non-executive members of the board



Frank Kilbourn

Chairman

CEO: Bright Equity (Pty) Ltd

Qualifications: B Com Law, LLB, BA Honours (Philosophy), Higher Diploma in Tax Law, LLM



Zwelibanzi Mntambo

Deputy Chairman

MD: KATIBA Consulting

Qualifications: BJuris, LLB, LLM (Yale)



Allan Moore

Qualifications: Executive Leadership Programmes



Ayanda Ntsaluba

Executive Director: Discovery Holdings

Qualifications: MBChB, International Relations, Political Economy and Philosophy at the Moscow Institute of Social Science, MSc in Health Policy, Planning and Financing at the University of London, Executive MBA from the Graduate School of Business of the University of Cape Town



Dirk van Schalkwyk

COO: National Department of Tourism

Qualifications: Advanced Diploma in Public Administration



Graham Wood

Deputy Chairman: TBCSA

MD: Tsogo Sun Hotels

Qualifications: B Com (University of Natal), B Compt Hons (Unisa), CA(SA) South African Institute of Chartered Accountants



Kananelo Makhetha

MD: Connex Travel

Qualifications: B.Com (National University of Lesotho), MBA (Wits)



Nomaxabiso Majokweni

CEO: Business Unity SA

Qualifications: Post Graduate Degree – Economics, Executive Leadership Programme



Siza Mzimela

MD: Blue Crane Aviation

Qualifications: BA (Economics and Statistics), Executive Programmes at several institutions



Thebe Ikalfeng

MD: Brand Leadership Group

Qualifications: BSc, MBA, CM (SA)



Tumi Makgabo

Executive Producer of Tumi & Co

Qualifications: Executive Leadership Programmes at several institutions

Executive members of the board



Thulani Nzima

CEO: South African Tourism

Qualifications: B Com, Executive Programmes at several institutions



Johan van der Walt

CFO: South African Tourism

Qualifications: B Compt and B Compt Honours (both from the University of Free State), CA(SA) and MCom (cum laude) (University of Johannesburg)

Part A: General information continued

South African Tourism executive management



Thulani Nzima
Chief Executive Officer



Johan van der Walt
Chief Financial Officer



Timothy Scholtz
Chief Operating Officer



Jan Hutton
Chief Marketing Officer



Thembi Kunene
Chief Quality Assurance Officer: TGCSA



Amanda Kotze-Nhlapo
Executive Manager: NCB

TOP: South Africa Tourism staff at the annual South African Tourism Staff Conference.

BOTTOM: China Office was named South African Tourism Office of the Year at the 2012 South African Tourism Annual Staff Conference.



Part A: General information continued



Frank Kilbourn, Chairperson

South African Tourism's strategic approach of investing our resources in identified markets that we know will give us strong returns on our investment continues to bear fruit.

Foreword by the Chairperson

We all know that tourism is a major generator of revenue and jobs in South Africa, but this was the year in which our industry's contribution received recognition from the highest echelons.

When the South African Cabinet officially listed tourism as one of the country's six key economic drivers, it was a major boost for all in our industry, but one that also came with considerable pressure to continue to perform.

I am proud that in 2012/13 that faith was repaid and we've "earned our keep", so to speak, as a record 9 188 368 international tourists visited South Africa in 2012 – 10.2% more than the 8 339 354 tourists who travelled to the country in 2011.

These foreign tourists directly contributed R76 billion to the South African economy, while domestic tourists contributed R21.8 billion from 25.4 million domestic trips.

International tourist growth of more than two-and-a-half times the rate of global tourism growth in 2012 was compelling enough for our country's President, Jacob Zuma,

Direct tourism contribution to the country's gross domestic product went up by 5% to R84.3 billion in 2011.

to announce our 2012 tourism statistics with Tourism Minister, Marthinus van Schalkwyk.

We were further encouraged by the results of the Tourism Satellite Account of 2011, which indicated that the direct tourism contribution to the country's gross domestic product went up by 5% to R84.3 billion in 2011.

Direct employment in the sector as a percentage of overall employment in the country went up from 4.3% to 4.5% between 2010 and 2011. This was as a result of the increase of about 31 000 direct jobs in the sector from 2010 to a total direct employment of 598 432 in 2011.

South African Tourism's strategic approach of investing our resources in identified markets that we know will give us strong returns on our investment continues to bear fruit.

We have weathered some tough economic times to continue to see growth from our core markets of Europe and North America, and I am delighted to see us reaping the early rewards from our investments in the emerging markets of Asia and South America, as well as regional Africa.

A major factor in the growth we saw this year stems from the hard-working, skilled and dedicated individuals who work at our head office and in our country offices all around the world. Their tactical and innovative marketing campaigns have certainly resonated and created demand from our consumers, while our tourism industry has been instrumental in turning that demand into hard sales and conversion.

Ours is a collaborative business and when we have celebrated a good year, credit must go to every individual in the tourism value chain. It is the little things that mean a lot in our business and our industry has continued to deliver exceptional service and attention to detail to ensure our destination remains a treasured and sought-after holiday experience.

A few years ago we took the decision to begin actively marketing destination South Africa in emerging markets, which has yielded extremely positive results. Since 2009, arrivals from China have more than tripled, arrivals from Brazil have more than doubled and arrivals from India have almost doubled.

Launched at Meetings Africa 2012, our National Convention Bureau has exceeded all expectations.

Tourist arrivals from the BRICS coalition of countries accounted for 330 834 of our international tourist numbers in 2012 and the potential for further growth is huge. Greater collaboration at this level will no doubt go a long way in making South Africa a more accessible destination for visitors from these markets and ensure that these countries continue to fuel our industry's success going forward.

Regional Africa remains the pillar of our tourism economy and we are happy to see that arrivals from the region have maintained their solid growth path. Regional Africa's

importance to our tourism industry will continue to grow, as African economies are among the best-performing economies in the world at the moment.

We are absolutely delighted at how we have coupled our leisure tourism offering with an exceptionally professional business events value proposition.

Launched at Meetings Africa 2012, our National Convention Bureau has exceeded all expectations in its first full year of operation in aligning and leading our country's business events efforts. South African Tourism is equally proud of the achievements of our Tourism Grading Council of South Africa (TGCSA) in positioning and establishing itself as the grading platform for tourism experiences in South Africa.

For us at South African Tourism it was also a year in which we welcomed a new board of directors and one in which I took over the reins of Chairperson from the charismatic Jabu Mabuza, having served two terms as Vice-Chairperson.

Jabu was an astute leader of the board, providing a firm guiding hand over its work and that of the broader organisation. With him at the helm, South African Tourism enjoyed some of its most successful years and it was a pleasure to assume the role of Chairperson with strong structures and processes in place.

On behalf of the organisation, I would like to sincerely thank those members who served on the previous board, who so ably and astutely gave their time and expertise to this critical industry. I take this opportunity to welcome the committed and competent new board, which will guide our efforts into the new financial year and beyond. We are fortunate that five members of the previous board have agreed to serve on the new board, thus providing continuity and adding to our corporate memory.

I would also like to thank our colleagues at the National Department of Tourism (NDT), ably led by Tourism Minister, Marthinus van Schalkwyk and the Director-General, Ambassador Kingsley Makhubela, for their unwavering support, leadership and direction.

The NDT-led National Tourism Sector Strategy has provided a clear blueprint for the future targets of the industry and set a clear framework for our deliverables at South African Tourism.



Frank Kilbourn
Chairperson

Part A: General information continued



Thulani Nzima, Chief Executive Officer

After a very successful 2012, in which we saw 10.2% growth and passed the nine million tourist mark for the first time, it's gratifying to see growth from all the markets in which South African Tourism has invested resources, effort, research and expertise.

Chief Executive Officer's Overview

When South African Tourism embarked on its Tourism Growth Strategy over a decade ago, it was with the intention of "playing smarter" in the increasingly competitive global tourism market.

With a set budget to work with and a targeted approach to attracting travellers with the propensity, budget and desire to travel to South Africa, we set out our stall to achieve maximum returns.

After a very successful 2012, in which we saw 10.2% growth and passed the nine million tourist mark for the first time, it's gratifying to see growth from all the markets in which South African Tourism has invested resources, effort, research and expertise.

When analysing our statistics, we have seen strong growth all round. We attracted the lion's share of our tourism market from regional Africa, with 6 634 933 tourists visiting South

When analysing our statistics, we have seen strong growth all round.

Africa in 2012, up 8.5% on our 2011 figures. We received a total of 1 396 978 tourists from Europe, up 9.5% on our 2011 figures.

A total of 398 304 tourists travelled to South Africa from Asia, up 33.7% on our 2011 figures, driven by major growth from the emerging markets of China and India. A total of 393 446 tourists visited us from North America, up 13.9% on 2011 figures, as the United States remained a critical market for us. We recorded a total of 142 949 tourists from Australasia, up 16.4% on our 2011 figures, and 119 913 tourists from South and Central America, up 37% on our 2011 figures.

We worked extremely hard this year to defend, and indeed grow substantially in Europe and North America following the global recession. We are seeing the benefits of an early, sustained presence in the emerging markets of Asia and South America, while we've invested considerable resources in maintaining our revenue targets in regional Africa.

Importantly, the total foreign direct spend generated from international tourists increased from R71 billion in 2011 to R76.4 billion in 2012, up 7.39%, although average spend per tourist decreased slightly by 2.3% from R8 900 in 2011 to R8 700 per trip in 2012. Of this figure, R47.6 billion was generated by regional African tourist spend, R15.8 billion by European tourists, R6.7 billion from Asia and Australasia and R6.3 billion from the Americas.

South Africa's domestic tourist market performance saw a reduction in the number of trips taken, from 26.4 million trips in 2011 to 25.4 million trips in 2012. Length of stay of domestic travellers has, however, increased from 4.4 bed nights per trip in 2011 to 4.8 bed nights per trip in 2012. Overall domestic tourism spend has also increased by 1.5%, from R20.3 billion in 2011 to R21.8 billion in 2012.

We are proud of our marketing efforts this year, a year in which we reached over one billion consumers.

The average spend on domestic travel per trip per day increased from R780 per day spent to R850 per day. We have noted a slight decline by adult travellers from 13.9 million in 2011 to 12.5 million in 2012, reflecting the impact of the soft economic situation and unemployment.

We are confident that investing our money wisely in the right places – led by extensive research and consumer insights that helped us choose the right media and marketing mix for our brand message – has had the desired effect.

We are proud of our marketing efforts this year, a year in which we reached over one billion consumers through our global marketing and advertising work and a further one billion consumers through our ground breaking digital destination marketing efforts. We also generated over R4.6 billion in global media exposure for our destination through our extensive public relations and media work around the world in our key markets.

While we appreciate that our job is to create the demand, appetite and desire for travel among the world's consumers, we completely understand that our efforts can only be successful if our tourism trade converts that demand into hard sales and holiday trips to our destination.

Ours is a professional, slick and highly skilled tourism industry, employing hundreds of thousands of South Africans solely dedicated to providing the best possible holiday experience to the millions of international tourists and locals who find our beautiful destination ever more appealing. We salute them and value the partnership we have with our tourism trade in South Africa and also around the world.

Our focused, cost-effective and customer-driven approach has not changed in the last decade, although this year we have, in football parlance, "changed our formation" a little to extract the best possible value and effectiveness from our marketing efforts.

We are still guided by regional directors dedicated to managing our efforts across our markets around the world. This year, however, we streamlined our portfolios, putting in place a dedicated regional director for the Americas, for the first time, to consolidate our North American growth and mine the potential from South America.

Part A: General information *continued*

We have also put in place a dedicated Southern Africa country manager to place special emphasis on the crucial domestic tourism market, while our Africa regional director continued to be responsible for growth from the rest of the continent, which constituted over 70% of our tourism volume and value this year.

These are important operational alignments aimed at improving our traction in various regions, allowing us to respond to immediate opportunities.

While the global tourism outlook remains positive, what we need to contend with in terms of current global trends is an increasing demand for shorter trips instead of long-haul travel. While our numbers remain good, we are seeing reduced length of stay by foreign tourists and also an increase in the use of non-hotel accommodation, for which we need to analyse and plan.

The general trend at the moment is for shorter trips, but higher spend, while there is still ongoing concern regarding the future of the Eurozone, which impacts the number of trips planned and booked.

Globally, there is a continuing decline in disposable income and uncertainty regarding the global economic recovery, which places a dampener on travel plans from the United States and Europe.

While this has been a good year, we are conscious of the need to continue to be vigilant and to look for opportunities for growth.

We have embarked on a global hub strategy across the world to expand our reach from our traditional strong air markets. We are also maintaining a watching brief in our watch-list markets by monitoring and encouraging growth from countries such as Sweden, Argentina and Switzerland.

We are also extremely excited about the successes enjoyed by our South African National Convention Bureau in consolidating and uniting our country's business events industry as we grow this critical sector of our tourism industry.

Part of our key deliverables is to improve visitors' experiences when they come to South Africa. We are pleased that the Tourism Grading Council of South Africa (TGCSA) has consolidated its position as the authority in grading tourist facilities and establishments in the country. As at the end of the 2012/13 financial year, the TGCSA successfully graded 6 022 establishments and increased its range of tourist-related facilities to be graded to 10 experiences.

This was a good year, but we know this industry is all about longevity and sustainable growth, and we are accordingly gearing ourselves up to be in a position to celebrate many good years to come.



Thulani Nzima
Chief Executive Officer

TOP: Minister, Marthinus van Schalkwyk presents the Friend of South Africa award to the 106th Mayor of the City of New York, David N Dinkins joined by South Africa's Ambassador to the United States Ebrahim Rasool, South African Tourism Chief Executive Officer Thulani Nzima and South African Tourism North America Country Manager Sthu Zungu.

BOTTOM: Info Cup Mega Press Trip from France enjoying a stop during a game drive at Ubizane in KwaZulu-Natal.







Part B: Performance information

Statement of responsibility for performance information

Pursuant and in compliance with the requirements of the Public Finance Management Act of 1999 and the Treasury Regulations, management of South African Tourism is responsible for the preparation of the performance information, annual financial statements and the supplementary schedules thereof.

The Chief Executive Officer is responsible for establishing, developing and implementing systems 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 actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of South African Tourism for the financial year ended 31 March 2013.

South African Tourism's performance information for the year ended 31 March 2013 have been examined by the external auditors and their report is presented on page 68.

The performance information of the entity set out on pages 68 to 71 were approved by the board.

Performance information (ie information on predetermined objectives), is key to effective management planning, budgeting, implementation, monitoring, evaluation and reporting. Measuring performance ensures that policy, planning, budgeting and reporting are aligned in order to achieve set goals and objectives. Performance information indicates how well South African Tourism is striving to achieve its aims and objectives, and which policies, strategies and processes are working. Making the best use of resources, data and knowledge is crucial for improving the execution of the mandate that South African Tourism is vested with.



Thulani Nzima

Chief Executive Officer



Frank Kilbourn

Chairperson of the board

Overview of performance of South African Tourism

Although positive global outbound tourism trends are forecast by UNWTO, South African Tourism competes in a fiercely competitive global environment to attract tourists to South Africa.

There is global recovery of travel and tourism following the financial crisis, but discretionary consumer income is still under pressure. The impact of austerity measures as implemented by different countries will further exacerbate disposable income.

Shifting geographic markets – the recession in Europe has meant that new opportunities exist in emerging markets and South Africa must be prepared on the supply side with relevant products for markets like India, China, Brazil and Regional Africa.

Evolving post-recession consumer preferences – consumers are focused on personal value and have ethical concerns about destinations that do not have sustainable practices. South Africa can exploit its competitive advantage in responsible tourism. More and more consumers are now looking for value for money when choosing a destination.

New opportunities and challenges presented by emerging technologies – the rise of online travel and mobile/tablets have changed how consumers receive and share information. The immediacy of social media reviews can be challenging if not understood and leveraged appropriately.

New cost drivers in aviation that affect consumer behaviour and travel trends – the long-haul travel to South Africa is still a barrier but tourists are willing to take indirect routes.

E-visa and e-passports access to South Africa as a preferred destination must be considered.

Economic growth on the African continent with its relative distance to South Africa is translating into higher-value tourists with great potential to drive growth. There is a global trend emerging that indicates that consumers are reducing their length of stay. For this reason, South African Tourism's marketing efforts are more focused on value-for-money products.

Economic constraints remain the major barrier to taking a domestic trip which could explain the decline in domestic travel since 2007 as the South African consumer faced economic pressures due to the recession that brought about job losses in South Africa. Although there was a recovery in the economy in 2010, it did not translate to more domestic trips, but it did translate to more trips taken for holidays.

Domestic tourism in South Africa is largely purpose-driven by people Visiting Friends and Relatives (VFR).

Domestic tourism is very seasonal with most of the travel occurring during summer school holidays.

Rising unemployment, Consumer Price Index (CPI) as well as the subsequent cost of living in the country results in people re-allocating more of their disposable income towards basic living as opposed to travel. This may result in a reduced number of adult travellers in the domestic market.

Strategic outcome oriented goals

To market South Africa in such a way that annual arrivals to South Africa increase to 12 068 030 by 2015 and 15 million by 2020 while the number of domestic tourists per annum should increase to 16 million by 2015.

To market South Africa in such a way that the average spend per arrival in South Africa is at least R12 536 per person during the 2012 calendar year.

To market South Africa in such a way that the country moves towards becoming the most preferred tourism brand (ie tourism destination in the world) by obtaining at least an average positive brand awareness percentage of 79% in all the markets where brand tracking is done.

To deliver on the quality experience expected by the international and domestic tourist by having at least 6 172 graded tourism products in South Africa by 31 March 2013.

To continuously improve South African Tourism's internal policies, procedures and business processes so that it supports the spending of no less than 98% or no more than 102% of its consolidated annual approved budget as well as the achievement of clean annual audit reports.

To continuously improve South African Tourism's internal communication and a culture of staff members living the values of the organisation so that it can reduce its average annual staff turnover rate to no more than 10% while achieving an average score of at least 3.3 in the Deloitte Best Company to Work for Survey that will take place during June/ July 2013.





Part B: Performance information continued

Chief Marketing Officer's overview



Jan Hutton, Chief Marketing Officer

An integrated destination marketing strategy that enticed potential tourists to come to South Africa in the spaces where they make travel decisions, with customised information and campaigns on traditional and digital marketing platforms, was the hallmark of our marketing efforts this year.

Marketing and advertising

Our marketing blueprint is actively focused on improving conversion ratios by brand, increasing awareness and positivity that results in improved closure ratios in our core markets. Our global challenge and subsequent opportunity is to create positive awareness about South Africa as a preferred destination.

Our marketing plans continue to focus on protecting our leadership in wildlife and adventure, supported by our hospitality, design/art and welcoming people. The critical factor is to develop a stronger “emotional connection” with our people. Around our core markets, South Africa loses consumers between awareness and likeability on the consumer journey conversion curve. Our Big Idea (“Come and Experience Heartfelt Connections”) is aimed at emotionally charging our target market to engage deeper with brand South Africa.

Our key initiative was the phase-three rollout of our “20 Experiences in 10 Days” campaign. Phase two of the campaign featured couples and friends from Angola, Brazil, China and Germany. Phase three of the campaign featured couples from the United States and the Netherlands, and was launched globally in May 2012.

To boost awareness and positivity, we communicated our brand message on National Geographic, CNN and SuperSport Africa.

The campaign was driven online with a 360° integrated portal on www.southafrica.net, where consumers could learn more about the different experiences and benefits of a journey through South Africa.

To boost awareness and positivity, we communicated our brand message on National Geographic, CNN and SuperSport Africa, which enabled us to reach just over one billion consumers. Our media reach gaps in the United Kingdom, Germany, India, China and Australia markets were complemented by global cinema buys, train wraps and outdoor activations, supplemented by in-country marketing activities.

To enhance our global media campaign, we leveraged the power and reach of the internet to achieve full integration. These included search-engine optimisation (SEO), social media, online media, websites, mobi sites and online applications. Public relations and communications formed an integral part of the campaign as well. We ensured that traditional and new media were seamlessly interwoven as part of our consumer-centric philosophy.

We have, since 2004, partnered with the National Geographic Channel, sharing highly relevant content with an actively engaged travel audience. Our “Through the Lens” series creates a unique platform that uses the world’s best photographers to capture and share our landscapes, people and culture in South Africa. The National Geographic Channel offers us a prestigious brand environment that adds a credible dimension to our brand communication.

In 2012/13 we launched three new destination vignettes in our “Through the Lens” series. Award-winning photographers Stephen Alvarez, Heather Perry and Lola Akinmade Åkerström visited Cape Town, Durban and the uKhahlamba-Drakensberg sharing their inspiring experiences through rich on-air and online content.

In line with the new vignette launch, a new co-branded website (www.throughthelens.tv) was launched to showcase the content, inspiring viewers to learn more about the wonders of South Africa and also importantly nudging them to book their trip.

The unequivocal objective for all our consumer communication is to bring about visits to South Africa.

The 2012/13 National Geographic Channel campaign delivered 2 281 brand, vignettes and an incredible 25 million online impressions! The online campaign highlights the success of this content, with a click-through rate across top-performing units of an unprecedented 4.86%.

Our successful brand relationship with CNN continued to make the most of CNN’s varied international platforms capitalising on both digital and broadcast. Alongside our commercial partnership, CNN continued to report stories from South Africa. In 2012/13, our brand TVCs ran across CNN International’s four global feeds, as well as the two US feeds, reaching more than 465 million households and hotel

rooms. They also ran on CNN’s US Airport Network, adding a further 254 million viewers.

With presence across CNN’s sites, CNNMobile.com, iPad applications and the use of roadblock strategies, we delivered more than 37 million impressions to users globally.

Our partnership with BBC Worldwide provided us with a fully integrated cross-media platform and creative solution in promoting our brand TVCs to 370 million households, 1.9 million hotel rooms, 168 cruise ships, 57 airlines and airport lounges.

From 1 April 2012 to 31 March 2013, we reached more than 1,19 billion households with 4 679 brand spots, 3 385 vignettes, programmes and 489 632 023 online impressions on our global media platforms.

The unequivocal objective for all our consumer communication is to bring about visits to South Africa. Our brand awareness is at 80%, and our brand positivity is 38%.

eMarketing

This has been a significant year for South African Tourism’s online performance, with the destination winning a number of digital destination marketing awards and achieving impressive growth. The global work that we are doing to position and present South Africa has also been far more engaging than in the past.

Our online marketing efforts continued to engage potential travellers in spaces where they make travel decisions, customising our information and advertising to increase the relevance of our message, making it more attractive and easier to book a trip online to South Africa.

Our partnerships with leading online travel players such as TripAdvisor, WAYN.com and Expedia continued to be the bedrock of our media placements. These were supplemented by platforms such as Google Adwords, Lastminute.com, YouTube, Opodo, E-bookers, CNN, NatGeo and a host of others. In all, we served more than a billion impressions for the first time.

TripAdvisor chose South Africa as its case study destination for the UNWTO *Handbook on eMarketing for Tourism Destinations*. In addition, South Africa was named top of the TripAdvisor TripIndex Rooms Service Survey, which compares the cost of hotel items and services in key cities around the world.

WAYN.com users had, at the time of writing, placed South Africa top of the Top Seven Dream Destinations of the World. This after South Africa ended the fiscal year with the largest friendship base on WAYN.com of 415 717 as at 31 March 2013. This represents a 78% growth year on year.

Part B: Performance information continued

Chief Marketing Officer's overview continued

The number of persons booking a South African holiday with our partner online travel agents breached the 200 000 mark for the first time. This marks growth of more than 16%.

Expedia remains our most significant booking partner in volume, value and return on investment, with a 23% growth in passengers, from 150 835 to 185 682, from January to December 2012.

Our "Pay Per Click" search campaign using Google Adwords was another one of our performance highlights. We served 122 million more impressions this year than last, achieving a 0.7% greater click-through rate and therefore growing our clicks by more than 79%, from 963 189 in the previous year to 1 724 287 in the period under review.

South African Tourism's website migration project was successfully completed in November 2012, and the site is now able to deliver much more to our users via the chosen content management system.

Customised country sites support local campaign efforts in local dialects and present users with negotiated trade deals specific to their market. These online deals have been providing additional support online to the joint marketing agreements and other local conversion activities done by the country offices.

After seeing steady growth in South African Tourism's global Twitter following, where retweets and comments are key, and in our Facebook fans, likes and interactions, continued work goes into making sure the Flickr and YouTube activities yield good results. We now boast more than 167 322 fans on Facebook, 94 800 followers on Twitter, more than 285 848 views on Flickr and a massive 25 308 800 views on YouTube.

South African Tourism has also successfully integrated traditional call centre operations into its head office structure to better engage with the more socially driven consumer and trade, who prefer to tweet, post and comment on our social networks in order to engage more immediately.

This past fiscal year, the FUNDI online learning programme, previously found to be in the top 10 destination specialist learning programmes in a study conducted by the University of Lugano, Switzerland, was further enhanced. The migration to a new content management system has allowed for an online training tool in keeping with global advances in technology to keep abreast of the expectations of the global travel trade.

The eMarketing/digital landscape continues to be shaped by rapidly changing consumer habits driven by the proliferation of ever smarter mobile devices. The African continent is the perfect example of emerging markets where mobile channels are the drivers of exploding internet use. In our most significant source market of Africa, and more generally in our high-growth emerging markets, the social media revolution and most transactional growth is mostly driven from a mobile device. Fortunately, a mobile device is intrinsically suited to the inherently mobile activities of travel and therefore presents rich pre-, during and post-trip opportunities for our destination eMarketing/digital efforts which we will continue to exploit.

Global communications

Showcasing South Africa as a fun, spontaneous and colourful destination, with its people at the heart of ensuring a memorable holiday experience, was a major focus for the global communications unit in 2012/13.

More than R4.5 billion worth of editorial coverage was achieved this year through the media and public relations efforts of South African Tourism's communications team at head office and across all its key global markets.

Responding to the company's business objectives of improving conversion ratios by increasing the brand positivity targets in our core and investment markets, through connecting with consumers across our target segments on the most appropriate platforms, was a critical driver.

This was done by ensuring hosted media itineraries took journalists beyond the beauty of the destination, encouraging them to interact with our people as well as dynamic influencers in the fields of music, art, design and lifestyle.

Some of the highlights during the year included a gritty Johannesburg lifestyle feature in the reputable *W* magazine; a Drakensberg gourmet traveller feature in the prestigious *Food and Travel* magazine; *Ebony* magazine's coverage of Cape Town Fashion Week; and an ongoing partnership with Africa's top lifestyle glossy, *Arise*, which covered events such as the Design Indaba.

Behind-the-scenes coverage of South Africa's hosting of the 2013 Africa Cup of Nations in the United Kingdom's *Mirror* and Brazil's *O Globo* newspapers also showcased South Africa's event-hosting capabilities and lifestyle.

Managing the organisation's reputation is a very important part of our deliverable, to this end strategic media platforms were used to profile the Chief Executive Officer of South African Tourism to communicate key messages to media

and stakeholders. Specific interviews with the CEO included CNN, CCTV, *Business Day*, *Finweek*, SuperSport, CNBC Africa and *City Press*, among others.

Providing support for the media-hosting projects of South African Tourism's in-country offices was equally important this year. A major highlight was Spain-based *Hercules* magazine's dedicated South African edition showcasing location shoots in the Kruger National Park, Johannesburg and Cape Town that featured the latest collections from major design houses such as Luis Vuitton, Prada and Armani. Other highlights were a 108-page lifestyle and design special in the Netherlands' leading design publication, and prime-time coverage on Argentinean national television of Africa Fashion Week, held in Johannesburg.

Pairing powerful local influencers talking about their South African experiences, with media-hosting trips proved very popular, with the likes of musicians Lira and AKA, designers Gavin Rajah and Thula Sindi, curator Monna Mokoena, and artists such as Paul du Toit among 50 influencers who proved to be powerful destination ambassadors. A total number of 171 media were hosted during this period.

Internationally, we also worked with the likes of tennis stars Venus and Serena Williams and musician John Legend to showcase South Africa's lifestyle qualities to a global audience during their visits to the country.

The Williams sisters experienced South Africa's shopping district in Parkhurst and raved about the offerings as they filled their shopping bags with South African designs. During their shopping trip they also met South African Tourism Fashion Designer of the Year Thula Sindi. This initiative generated media coverage worth more than R600 000 in editorial value. The sisters also took to social media to express their love for South Africa to their more than 3 million Twitter followers.

Product

The global product business unit works with trade and product in South Africa to assist them in gaining better value extraction and length of stay from tourists, and also to demonstrate the variety of experiences that South Africa offers.

Key activities to achieve these objectives are hosting, product workshops and speed marketing. The "Welcome" campaign and ETEYA programme are also two flagship projects of the global product unit.

Hosting showcases South Africa as an easy-to-do destination that offers a range of experiences, linked to products that offer value for money. The purpose of hosting is to get trade and media to see the South African brand

experience "brought to life" by leveraging our understanding of market-specific consumer needs to produce creative (and easy-to-do) itineraries in a proactive way. To this effect, this business unit is the experiential marketing arm of the Centre Of Excellence (COE) team in the marketing unit.

Product workshops are designed to give South African products and inbounds insight into our core and investment markets in order to understand how South Africa is perceived as a leisure tourism destination. Over and above this, these workshops communicate how "experiences" drive the choice of South Africa as a tourism destination and demonstrate how trade can gain a competitive advantage by adding value to packages.

The purpose of the national speed-marketing workshops is to encourage packaging of the lesser-visited regions in South Africa. Tour operators are introduced to pockets of excellence in these areas, highlighting the business opportunity available in packaging these regions.

The "Welcome" campaign was re-launched in the 2012/13 financial year. The campaign focused on the softer issues around excellent service, to demonstrate to the tourism trade that it is the little things that make a big difference. It aims to inspire and educate tourism roleplayers and everyday South Africans on ways to exceed tourists' expectations of service delivery. Awareness was driven on both print and online platforms that target the tourism trade.

After 11 years of success, the Emerging Tourism Entrepreneur of the Year Awards (ETEYA) programme, in partnership with the Tourism Enterprise Partnership (TEP) and provincial tourism authorities, was re-launched in the 2012/13 financial year, following a revised strategy. The programme aims to transform the South African tourism industry by identifying and accelerating the market-readiness of emerging tourism entrepreneurs who demonstrate the potential to meet consumer demand and create jobs through innovative, sustainable and responsible growth.

Twenty-seven semi-finalists are selected, three per province, and are taken through a mentorship programme that is run by TEP. The mentorship programme aims to address areas of development and also prepares entrepreneurs for their presentations to a panel of judges at INDABA. Based on the presentations, nine finalists are selected and taken through further training before the announcement of the three winners.

Part B: Performance information continued

Regional directors' reports: **AFRICA**



Phumi Dhlomo
Regional Director: Africa

We can confidently say that the regional hub strategy is yielding the desired results, as demonstrated by the impressive growth experienced in the Africa air markets.

Annual report for Africa air markets

Tourist arrivals from the Africa markets, which started escalating over the previous two years, have continued their upward trend, demonstrating a healthy 8.5% growth.

Tanzania has grown by 25.4%, Ghana by 23.8% and Angola by 21.7%. Nigeria grew by 13.8%, reaching an all-time high of 73 282 tourist arrivals, while Uganda achieved 7.4% growth.

We have also managed to maintain growth in Kenya and the Democratic Republic of Congo (DRC). Kenya achieved a growth of 9% and the DRC a growth of 1.1%, despite this market experiencing a number of challenges during the year under review.

We can confidently say that the regional hub strategy is yielding the desired results, as demonstrated by the impressive growth experienced in the Africa air markets.

Even though our communications message was directed mainly at the consumer, we have continued to solidify our relationship with trade partners. In Nigeria, our relationship with the National Association of Nigerian Travel Agencies (NANTA) has been leveraged further, resulting in a stronger partnership that gives us access to more than 500 travel agents. We also continued our relationship with the Kenya Association of Travel Agents, giving us similarly desired benefits.

We signed a joint marketing agreement with the Angolan travel agents' association, enabling us to collaborate on a number of activities aimed at positioning South Africa as a leisure destination for Angolans.

We also hosted trade workshops with these travel agents' associations and, in line with our hub strategy, we were able to bring trade partners from Uganda and Tanzania to the Kenyan workshops, while Ghana travel agents attended the Nigerians workshops.

Solidifying relationships

We are also pleased to announce that we have made great progress in establishing and solidifying relationships with the various tourism authorities in some of the countries in which we operate.

Through NANTA in Nigeria we have been able to establish a relationship with the country's Ministry of Tourism and Culture. In Angola we have managed to establish a relationship with the Ministry of Tourism and Hospitality, and have been given written permission to open an office in Luanda.

It must be noted that due to certain challenges in operating in some of these markets, an endorsement by the government and the tourism authority is imperative to ensuring the effective implementation of campaigns.

Maintaining and increasing spend from the Africa air markets remains a critical job in these markets. With the growth of electronic payment systems on the continent, the Africa team took the opportunity to identify partners able to assist us in executing this job.

We signed a joint marketing agreement with Visa that enabled us to communicate the benefits of using electronic payments in South Africa. Our message was simple: Visa is widely accepted in South Africa and thus travellers do not have to carry excessive amounts of cash.

Our relationship with the various embassies is also yielding the desired results. We worked with the respective embassies to resolve the visa-issuing process in Angola and the DRC.

The use of digital marketing is also proving very effective in Africa markets. Even though we received additional budget to extend our marketing campaigns, we found that digital marketing is one of the most efficient and cost-effective ways of reaching consumers. We also introduced an application that consumers are able to download in their markets before travelling to South Africa, giving them information on leisure-related activities.

TOP: Deputy Tourism Minister, Tokozile Xasa, Tourism Minister Marthinus van Schalkwyk and Nigeria's Minister of Tourism Chief Edem Duke officially open the Getaway Show as part of the launch of Tourism Month 2012.

BOTTOM: AFCON was a great tournament to market South Africa to the millions of Nigeria.



Part B: Performance information continued

Regional directors' reports: **AFRICA** continued

Hosting the Orange Africa Cup of Nations provided a great platform to position South Africa as not only a world-class leisure destination, but also a capable host of major sporting events.

In 2013, we intend finalising route-to-market research in Tanzania, Uganda and Ghana. This will allow us to better understand the travelling patterns in these countries, thus allowing us to design relevant communication messages that will eventually ensure increases in tourism arrivals.

Our relationship with trade will continue to be nurtured through the travel agents' associations. We will also continue making use of effective digital and mobile communication tactics in support of traditional communication channels.

Tourist arrivals:

- Total tourists 2012: 6 634 933
- Total tourists 2011: 6 117 105
- Difference: +8.5%

Angola



Carolina Guerra
Trade Relations Manager: Angola

The investment in the Angolan market has started yielding the desired results, with a remarkable 21.7% increase in tourist arrivals achieved during the 2012/13 fiscal year.

Bring your weekend to life in South Africa

The investment in the Angolan market has started yielding the desired results, with a remarkable 21.7% increase in tourist arrivals achieved during the 2012/13 fiscal year. This achievement is the result of a number of interventions that we are confident will continue to provide a good return on investment.

In 2012, the South African Embassy in Luanda announced a streamlining of the visa process by outsourcing administration to VFS. This immediately increased interest in travellers to South Africa, and also improved the relationship with the travel trade, which started selling the destination, thus resulting in a number of other trade partners packaging the destination.

This process also coincided with the implementation of our integrated marketing communication, which acknowledges that Angolans perceive South Africa as a weekend leisure destination.

The first six months of 2012 saw campaigns distinctly focused on creating excitement within our Angolan trade partners – we hosted our top-five selling Angola trade partners at INDABA, offering them an opportunity to interact with various product owners. We also hosted our top media at INDABA.

For the second year, we participated in FILDA, an Angolan international trade fair. We used this opportunity to host South African trade partners and introduced them to various Angolan partners, thus enabling the creation of partnerships aimed at profiling the destination more effectively. The fair was also supported by the South African Embassy in Angola, working with the Department of Trade and Industry.

The Angolan Ministry of Hotels and Tourism also requested us to partner with them in the first edition of the BITUR (ie the International Tourism Exchange of Angola). This was a success, considering that it was the first of its kind; it allowed us to profile South Africa as a leisure destination and assisted us in creating a stronger relationship with the Ministry of Hotels and Tourism.

We are also pleased to announce that we have formalised our relationship with AAVOTA, the travel agency association of Angola. We embarked on a number of joint activities that included the production of a trade booklet containing useful information on the destination, trade contacts, as well as visa requirements.

The Orange Africa Cup of Nations 2013 gave us an opportunity to launch our integrated marketing campaign, utilising television, print, and digital and social media platforms. It achieved 15 327 973 page impressions, 90 628 visits to our web and mobi sites, and PR valued at more than R14 million.

We are also pleased to announce that the Angolan government has accepted our application to open an office in Luanda. We are in the process of finalising these details for the coming fiscal period. The coming fiscal period will also be characterised by an effective strategy aimed at encouraging more trade partners to sell South Africa as a leisure destination.

We also aim to intensify our consumer campaign and ensure visibility of the destination, pursue partnerships with the Angolan tourism authority and AAVOTA, and leverage our relationship with the South African Embassy, TAAG and SAA to profile the destination.

Tourist arrivals:

- Total tourists 2012: 47 714
- Total tourists 2011: 39 217
- Difference: +21.7%

Democratic Republic of Congo



Phumi Dhlomo
Regional Director: Africa

In the face of these challenges, we are pleased to have maintained our position in this market and haven't seen negative growth.

Let's get together and start a conversation about South Africa

South African Tourism is in its third year of operation in the Democratic Republic of the Congo (DRC). Although we experienced significant growth in the past two years, this growth slowed to 1.1% in the fiscal period under review, due to various reasons, which include difficulties in processing South African visas; increased competition from airlines to other destinations entering the market; and political instability in the country.

In the face of these challenges, we are pleased to have maintained our position in this market and haven't seen negative growth. We anticipate that with improvement in some of the above conditions, we will be in a position to achieve stronger results.

We are delighted to report that with the completion of our route-to-market strategy, we were able to design an integrated communications campaign that specifically caters for the travel needs of the Congolese market. The aim was to inspire Congolese leisure travellers to make South Africa their foreign holiday destination of choice.

We commenced our in-market activities by hosting top DRC travel agencies at INDABA. We followed this with the launch of a media campaign that included the promotion of deals to South Africa. These campaigns were supported by television, radio, digital and print, marking the first time ever to have introduced an integrated consumer communications campaign in this market.

Our French mobi site, which was launched in the previous fiscal period, also proved effective as a mechanism for providing information to Congolese intending to travel to South Africa – it assisted us in ensuring that leisure information was properly distributed.

We also continued our partnership with the Miss Vodacom pageant in the DRC. This allowed us to drive the destination message through ambassadors who visited South Africa as part of the competition. They could then tweet and post photographs on Facebook, showing friends and relatives the various places they were visiting. The partnership also afforded us the opportunity to feature our brand communication on television, radio and various other digital and social media platforms.

With South Africa hosting the Orange Africa Cup of Nations 2013 (AFCON) football tournament in which the DRC competed, we seized the opportunity to promote South Africa as a leisure destination. We identified leisure activities in and around the areas where the matches were to be held, and communicated these to the Congolese.

Part B: Performance information continued

Regional directors' reports: **AFRICA** continued

As part of the campaign to encourage the Congolese to support their team in South Africa, we launched a Facebook competition.

We also used hosting to familiarise our trade partners with the destination. The Congolese trade, together with winners of the AFCON Facebook competition, were hosted on a familiarisation trip to Johannesburg and Cape Town.

We intend to intensify our communication campaign in the coming fiscal period, focusing on creating interest in various leisure activities relevant to this market. We also intend creating a closer relationship with trade, focusing on establishing a relationship with the travel agent association in the DRC.

Tourist arrivals:

► Total tourists 2012: 32 956

► Total tourists 2011: 32 582

► Difference: +1.1%

East and West Africa



Hloni Pitso
Trade Relations Manager: East and West Africa

Implementing the new hub strategy proved to be the correct course of action, as we saw Nigeria close the year on 73 282 tourist arrivals, a 13.8% increase on the previous year, while Kenya closed the year at 32 992 tourist arrivals, a 9% increase.

New strategies

The new-found insights into the consumer, market research that was conducted in both Kenya and Nigeria, is exciting given our need to change direction and implement new strategies to address the travel needs of consumers in these markets.

Implementing the new hub strategy proved to be the correct course of action, as we saw Nigeria close the year on 73 282 tourist arrivals, a 13.8% increase on the previous year, while Kenya closed the year at 32 992 tourist arrivals, a 9% increase.

Some tactical work in new markets was successfully executed: Tanzania closed with 35 928 tourist arrivals, a 25.4% increase; Uganda closed with 15 522 tourist arrivals, a 7.4% increase; and Ghana closed the year at 22 953 arrivals, a 23.8% increase. Looking at the two West African countries, Ghana and Nigeria, the region produced 96 235 arrivals. These results show that the hub strategy is taking effect.

The markets still remain predominantly trade markets, and maintaining relationships with trade remains key – which is why trade training remains an important element in our marketing strategies.

We hosted our Annual East Africa Trade Workshop in Kenya, where 14 South African product owners exhibited and 95 travel agents attended from three countries (Kenya, Uganda and Tanzania). We also hosted the Annual West Africa Trade Workshop in Lagos, Nigeria, where 18 South African products exhibited and 125 trade members attended.

Further training was done through FUNDI, our online training platform – we received 459 registrations from these markets, of which 277 consultants successfully completed the course. Twenty consultants were selected through a lucky draw at the workshops and were hosted in South Africa to further enhance the knowledge gained through the course.

Relationships with trade associations proved to be effective as this gave us access to members of the associations. The National Association of Nigerian Travel Agencies has a membership of more than 300 travel agents nationally, while the Kenya Association of Travel Agents has a membership of 80 travel agents. Through these partnerships, we were able to sign 11 joint marketing agreements.

To further assist our trade partners in selling our destination, it is important to help them keep brand awareness levels high. Relationships with media partners also remain a key factor. We hosted 17 media partners who attended various events and also experienced our product offerings, while we undertook several media engagements during our market visits. This resulted in record-high PR values, where Nigeria achieved R39 137 616 worth of PR value and Kenya achieved R11 900 424.

We also used our digital platforms to keep consumers informed, and placed holiday packages compiled by our trade partners. Nigeria experienced 746 035 online visits and Kenya had 262 566 online visits.

We plan to keep growing tourist arrivals in the next fiscal period and look forward to fully implementing the hub strategy, through which the new additional countries (Tanzania, Uganda and Ghana) will receive more marketing attention.

Tourist arrivals:

Nigeria

- Total tourists 2012: 73 282
- Total tourists 2011: 64 402
- Difference: +13.8%

Ghana

- Total tourists 2012: 22 953
- Total tourists 2011: 18 538
- Difference: +23.8%

Kenya

- Total tourists 2012: 32 992
- Total tourists 2011: 30 279
- Difference: +9%

Tanzania


- Total tourists 2012: 35 928
- Total tourists 2011: 28 645
- Difference: +25.4%

Uganda

- Total tourists 2012: 15 522
- Total tourists 2011: 14 450
- Difference: +7.4%

Part B: Performance information continued

Regional directors' reports: **SOUTHERN AFRICA**



Debbie Damant
Country Manager: Southern Africa

During the fiscal year, six joint marketing agreements were secured in the domestic market with STA Travel, FlightSite Travel, Thompsons Tours, Flight Centre, Legend Tours and TollReach.

An Easter promotion targeted South African travellers using toll roads. Information booklets, produced in collaboration with Visa, used discount vouchers to entice travellers to explore Mzansi from 20 March to 5 April. Approximately 390 000 consumers were reached through this campaign.

During the Standard Bank Joy of Jazz Festival, which took place from 23 to 25 August 2012, 21 media representatives from the United States, France, the Democratic Republic of the Congo, Japan and Botswana were hosted. South African Tourism also hosted one of the artists, Lizz Wright, on a destination itinerary.

Domestic packages in partnership with Legend Tours were also put together for the domestic market.

During the fiscal year, six joint marketing agreements were secured in the domestic market with STA Travel, FlightSite Travel, Thompsons Tours, Flight Centre, Legend Tours and TollReach.

South Africa

Whatever you are looking for, it is here!

The highlight of this past year was 2 May 2012, when the Minister of Tourism Marthinus van Schalkwyk launched the new domestic campaign, called "It's Here", which later changed to "Vaya Mzansi". Stakeholders and media were shown the domestic campaign TV commercial and encouraged to use the mobile portal, www.vayamzansi.mobi.

Corporate activation was implemented through Siemens, whereby more than 1 500 Siemens staff were exposed to different tourist activities in South Africa – the aim was to encourage the staff of Siemens and their families to take a break during the Easter period. This was a first-of-its-kind activation through which domestic travel was communicated to a corporate environment.

The fiscal year also saw Vaya Mzansi partnering with the North West Tourism Authority and the Arrive Alive campaign to give motorists information about the province and encourage them to take part in tourist activities in the province. Vaya Mzansi also partnered with Stoneridge Spar to promote the Orange Africa Cup of Nations 2013 (AFCON) event in December 2012. The use of retired football legend Doctor Khumalo and football star Jimmy Tau as frontmen, encouraged shoppers/consumers to purchase their tickets for AFCON through Spar. A competition was also used to invite South Africans to participate and win tickets to matches.

Southern African Development Community (Mozambique and Botswana)

Mozambique

Every visit is a new experience

Trade in Mozambique was given considerably more attention this year, following South African Tourism partnering with South African Airways in this market for the first time.

We also partnered with InterCape, Greyhound, Citiliner, City to City and Translux bus services, distributing information about South Africa to more than 5 000 travellers.

We continued strengthening our partnership with the biggest travel agents association in Mozambique, Avitum. Two trade partners and three media representatives were hosted during INDABA.

In December, the best destination sellers were identified and equipped with information to assist them in selling South Africa better.

The Macufe and Maftown 60s music festivals were leveraged by the flighting of advertisements that encouraged Mozambicans to visit South Africa for the events. Media were taken on road trips and exposed to leisure activities.

TOP: Excited soccer fans during a mall activation in Botswana to promote the 2013 Orange AFCON Tournament.

BOTTOM: Hosted media at Maropeng Hotel during pre-Tourism Month 2012 Launch tour of the Cradle of Humankind.



Part B: Performance information continued

Regional directors' reports: **SOUTHERN AFRICA** continued

The 2013 Africa Cup of Nations (AFCON) was given a lot of attention, with various activations being implemented, such as dedicated ads being flighted during December, and focused tour packages compiled. Five media representatives were hosted for the AFCON final and a post-tournament tour. Mozambican travellers who used the Nkomazi toll gate in Mpumalanga from 9 to 24 December 2012 were given booklets containing discount vouchers; more than 70 000 consumers were reached through this campaign.

Tourist arrivals:

➤ Total tourists 2012: 1 104 404

➤ Total tourists 2011: 1 076 753

➤ Difference: +2.6%

Botswana

A new discovery at every turn

The strategy for Botswana for 2012/13 was consumer and trade specific.

During the year we undertook a bus activation campaign whereby we partnered with the Intercape bus service for two weeks where information about South Africa as a destination was distributed to more than 1 000 travellers who were on their way to South Africa for a holiday.

More than 60 000 consumers were reached during the summer toll-gate campaign, in which information about South Africa and discount vouchers were packaged and distributed to motorists at the Brits toll gate.

AFCON presented the opportunity to do promotions in Botswana: consumers were given information about South Africa and what to expect during AFCON; numerous radio promos were created; AFCON tour packages were flighted on radio; and our Botswana website and mobi site carried banners giving consumers more information about AFCON and ease of travel during the tournament.

We also hosted three media and two trade representatives during INDABA.

The Macufe and Maftown 60s events were leveraged by flighting ads that promoted the events and the destination. Four media representatives were hosted for Macufe, and four, for 60s Maftown. We also formed a new partnership in Botswana with Elan Botswana Travel.

Tourist arrivals:

➤ Total tourists 2012: 452 158

➤ Total tourists 2011: 477 937

➤ Difference: -5.4%

Regional directors' reports: **AMERICAS**



Monika Iuel
Regional Director: Americas

Our brand attributes have grown phenomenally among the 26- to 40-year-old target segment, which indicates that our marketing initiatives of the past two years have garnered considerable traction in-market.

Americas portfolio overview

North America maintained its position as South Africa's second-highest source market for the period under review, with United States tourist arrivals growing to 326 643, a 13.6% increase over last year, and Canada growing 15.6% to 66 802 arrivals.

We also increased the average net inbound tourist spend from R36 660 per trip for tourists from the United States to R46 291 in 2012, with the average net inbound tourist spend for Canadian tourists going from R37 250 in 2011 to R39 729 per trip in 2012.

Our brand attributes have grown phenomenally among the 26- to 40-year-old target segment, which indicates that our marketing initiatives of the past two years have garnered considerable traction in-market.

Travel trade continues to be important as the distribution and fulfilment channel for us, and engaging and partnering with it is central to our activities in the market. So to build our footprint in this regard, we have realigned our trade relations team by appointing two assistant relations managers – based in Los Angeles and Atlanta – to service the western and south-eastern regions of market.

This alignment also affords us the opportunity to increase our trade relations activities in Canada.

We continue to partner and leverage media and influencers through different marketing initiatives to promote our brand and highlight leisure and MICE experience offerings to

encourage tourist growth and arrivals. The 2012/13 campaign resulted in 533 159 people visiting our US website and a PR value of US\$63 270 186.

Brazil tourist arrivals growth increased to 78 376 tourists in 2012, a 44.7% increase on 2011 figures, as we exceeded our average net inbound tourist spend target from R28 947 per trip in 2011 to R53 315 in 2012.

We conducted Brazil segmentation research that highlighted the fact that while Brazilian travellers want to connect with South Africa, they lack sufficient information on the tourist offering available in the country to do so. To address this gap, we increased our joint marketing agreements (JMAs) with Brazilian tour operators from three to six deals in the 2012/13 financial year. These include online, high-end, mid-range and lifestyle tour operators with extensive distribution and reach throughout Brazil. The focus for these JMAs was information dissemination and building brand awareness for both trade and consumers.

Our partnership with South African Airways, which includes Explore South Africa, a trade platform that connects the South African tourism industry with Brazilian tourism trade and media, is a valuable asset that allows us to mutually achieve great results and stretch our resources.

Media hosting is an integral part of our 360° campaigns and the highlight was hosting Brazilian chef Alex Atala, who was a keynote speaker at Design Indaba. He is one of South America's most revered chefs and his DOM restaurant is rated number four in the world.

Our Brazilian Portuguese website visits increased to 100 951, as digital marketing grows in importance in achieving our objectives of information dissemination in Brazil.

In the last quarter of the fiscal year, we appointed a dedicated regional director for the Americas, Monika Iuel, which is a further commitment to increasing resources and capacity to realise our objectives in this region.

Tourist arrivals:

North America

- Total tourists 2012: 393 446
- Total tourists 2011: 345 384
- Difference: +13.9%

Central and South America

- Total tourists 2012: 119 913
- Total tourists 2011: 87 506
- Difference: +37%

Part B: Performance information continued

Regional directors' reports: **AMERICAS** continued

United States



Sthu Zungu
Country Manager: USA

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Among the highlights of our marketing programme was a partnership with quiz show *Jeopardy!* to create a six-episode destination showcase focused on the diversity of experiences in South Africa including safari, culture, adventure and lifestyle.

In 2012, United States news was dominated by the presidential election and continuing concern about the sluggish economic recovery.

Ultimately, President Barack Obama was re-elected and the Dow Jones index closed above 14 000 for the first time since 2007. The Global Business Travel Association predicted US business and travel spending would rise by nearly 5% by the end of the year.

This was good news for South Africa, as these positive signs, supported by South African Tourism's ongoing marketing and promotional efforts, resulted in 326 643 US arrivals in 2012, an increase of 13.6% on the previous year. To leverage this growth and intensify our efforts in key western and south-eastern source markets, the South African Tourism US team expanded to include two assistant trade-relations managers (based in Los Angeles and Atlanta).

Among the highlights of our marketing programme was a partnership with quiz show *Jeopardy!* to create a six-episode destination showcase focused on the diversity of experiences in South Africa including safari, culture, adventure and lifestyle.

More than 36 million people watched the South African-themed episodes, with a record 19 635 visitors to our website the day following the first episode.

A customised online competition featuring South African content presented in the *Jeopardy!* format reached 3 667 707 people, with 70 805 entries. This integrated campaign, with *Jeopardy!* at the centre, had a strong social media component, resulting in over 218 000 Facebook fans and over 20 000+ Twitter followers. Our trade partners created special *Jeopardy!* packages that were featured on the southafrica.net deals portal.

Media partnerships were a critical part of the US marketing plan, yielding combined impressions of 38.18 million and PR value of US\$45 267 516. Of special note, our partnership with AFAR magazine brought 43 of the magazine's most affluent readers to Johannesburg to immerse themselves in our history and culture. In addition, an investment in regional television advertising in the key markets of New York, Los Angeles, Dallas and Seattle resulted in 46 million impressions.

In 2012, South African Minister of Tourism, Marthinus van Schalkwyk returned to New York to host our annual Ubuntu Awards. Along with various trade partner awards, the Minister presented the Friend of South Africa Award to New York Mayor, David Dinkins in tribute to his advocacy in helping change perceptions about South Africa, specifically during the anti-apartheid movement.

Training remained the focus of our trade engagements this year, with 984 new agents completing our online FUNDI training course, and more than 200 agents participating in our "Have You Considered South Africa?" call centre campaign.

Our value-for-money proposition was promoted heavily throughout the year, with more than 3 000 leads sent directly to trade from the deals portal on southafrica.net.

Tourist arrivals:

➤ Total tourists 2012: 326 643

➤ Total tourists 2011: 287 614

➤ Difference: +13.6%

TOP: South Africa gets some major mileage thanks to a partnership with the popular show Jeopardy!
BOTTOM: The various winners of the annual Ubuntu awards with Sthu Zungu, Country Manager: USA.



Part B: Performance information continued

Regional directors' reports: **ASIA AND AUSTRALASIA**



Evelyn Mahlaba
Regional Director: Asia and Australasia

In the year under review, we continued to find innovative ways to increase our marketing and promotional efforts, to build our brand awareness, positivity, advertising presence and tourism frequency through partnering with trusted lifestyle brands.

In the year under review, we continued to find innovative ways to increase our marketing and promotional efforts, to build our brand awareness, positivity, advertising presence and tourism frequency through partnering with trusted lifestyle brands in-market.

These partnerships are localised to suit the market needs and targeted segments, ranging from joint marketing agreements to familiarisation tours with well-known personalities, retail stores, media houses, airlines, tour operators and travel agents.

Digital and social media platforms allow us to further engage with both consumers and trade in showcasing our holiday and business events experiences in a manner that appeals to them in order to increase travel and spend.

Our relationships with South African embassies and consulates enable us to assist in addressing barriers to travel and offer opportunities to leverage other business sectors in the market to activate business and business event travel.

For the 2013/14 fiscal year, we will be conducting segmentation research for China in order to fully understand the market and to ensure activations will contribute to the continued growth of tourist arrivals and spend.

Asia and Australasia portfolio overviews

Foreign tourist arrivals, average net inbound tourist spend and brand attributes continue to increase from the Asia and Australasia markets.

China, including Hong Kong, leads tourist arrivals growth, becoming the fourth-largest overseas tourist market for South Africa this financial year. China tourist arrivals reached a total of 132 334 in 2012, growing by 55.9%. Japan grew by 30.9% to 34 415 tourists, South Korea grew by 8.3%, albeit from a low base, to 19 817 tourists, while India grew by 18.2% to 106 774 tourists. Australia and New Zealand grew by 16.2% to 120 315 and 17.8% to 22 209 tourists respectively.

Australia leads the increase in average net inbound tourist spend within the region, from R38 748 in 2011 to R47 215 in 2012. China, including Hong Kong, increased from R37 007 to R41 409; India decreased slightly, from R25 536 to R24 972; and Japan also decreased, from R39 694 to R38 631.

Tourist arrivals:

Asia

- Total tourists 2012: 398 304
- Total tourists 2011: 297 882
- Difference: +33.7%

Australasia

- Total tourists 2012: 142 949
- Total tourists 2011: 122 784
- Difference: +16.4%

TOP: Excited participants at the successful JATA travel showcase in Japan.

BOTTOM: Renowned Australian chef, Neil Perry, on a seafood adventure in sunny Cape Town.



Part B: Performance information continued

Regional directors' reports: **ASIA AND AUSTRALASIA** continued

Australia and New Zealand



Lalie Ngozi
Country Manager: Australia and New Zealand

Interest in South Africa as a leisure and business tourism destination across the Australasian market has been reinvigorated.



Tick South Africa off your bucket list

More and more Australians are being enticed to tick South Africa off their bucket lists. Interest in South Africa as a leisure and business tourism destination across the Australasian market has been reinvigorated, with a 16.2% and 17.8% increase in arrival figures from Australia and New Zealand respectively, during the period January to December 2012.

The past 12 months have provided the perfect opportunity to showcase South Africa to Australians and New Zealanders like never before. Our partnerships with national Australian retailer Myer and world-renowned chef Neil Perry, and the development of a highly creative "Bucket List" campaign, allowed us to showcase South Africa's diversity and offerings. A direct dialogue with food, wine, fashion, adventure and lifestyle audiences was created.

For the first time ever Myer, who created its spring/summer 2012/13 campaign in South Africa – took its ambassadors and team to an overseas location. The Myer ambassadors were hosted following their gruelling shoot schedule, resulting in powerful media coverage across a number of platforms on major national media outlets.

Two consumer competitions were also run – one across Channel Seven's Sunrise, reaching over 3.7 million Australians, and the other via the Myer One loyalty programme, reaching a

database of over 1.2 million. These competitions profiled South Africa as a desirable and stylish destination. To date, the Myer partnership has generated an editorial value of R63.25 million, reaching an audience of 67 million.

Our focus on highlighting niche experiences continued with our partnership with renowned chef Neil Perry who, with a group of influential journalists and bloggers, embarked on our first production-led "Tastes of South Africa" adventure. Content generated from the trip has been widely promoted and has reached more than 3 653 650 Australians at a total editorial value of R23.39 million.

We kicked off our Roadshow series in October. From Auckland in New Zealand to the major cities of Australia, we treated travel agents to a unique and memorable South African showcase – over 800 travel agents attended the series.

Our integrated trade and consumer campaign for the year, "the Bucket List", was launched to over 100 consumer, travel and lifestyle media representatives in picturesque Bondi, and was hosted by much-loved TV personality Frankie J Holden, with the special guest being former Wallaby captain George Gregan.

The campaign has been phenomenal, with the Facebook application achieving more than 3.1 million impressions, increasing Facebook fans by 46% and resulting in over 300 000 organic Facebook shares.

Overall, our targeted campaigns featured across a variety of channels, generating huge media coverage and word-of-mouth marketing and leading to a significant return on investment, with a total PR value (from April 2012 to Feb 2013) of R182.6 million across print, online and broadcast media. The campaigns reached an accumulative consumer, trade and business tourism audience of more than 776 million people.

Tourist arrivals:

Australia

- Total tourists 2012: 120 315
- Total tourists 2011: 103 506
- Difference: +16.2%

New Zealand

- Total tourists 2012: 22 209
- Total tourists 2011: 18 859
- Difference: +17.8%

Australia and New Zealand:

- Total tourists 2012: 142 524
- Total tourists 2011: 122 365
- Average difference: +16.5%

China



Bradley Brouwer
Regional Manager: Asia Pacific

To further promote South Africa in the Chinese market, South African Tourism launched a series of events throughout China in 2012.

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Growing market

In 2012, China became the fourth-largest overseas tourist market for South Africa. From January to December, the total tourist arrivals from mainland China (Hong Kong included) to South Africa reached 132 334, an increase of 55.9% over the same period in 2011.

To further promote South Africa in the Chinese market, South African Tourism launched a series of events throughout China in 2012.

In January 2012, non-stop flights between Johannesburg and Beijing were launched by South African Airways, greatly shortening the flying time between the two countries and making the trip more convenient and appealing.

Also in January 2012, South African Tourism and African Panda signed a joint marketing agreement on a wildlife conservation tour, inviting university students from Hong Kong to game reserves in Zululand, thereby delivering a strong message about South African eco-tourism.

In June, we launched our annual trade workshops in Beijing, Shanghai and Hong Kong, providing a platform for product exhibition and communication. Forty trade companies from South Africa and more than 700 trade guests and media from China participated in the events.

In September, South African Tourism attended the China Incentive Business Travel and Meetings Exhibition (CIBTME) in Beijing. Five key trade partners and representatives from South African trade were invited to participate at the South African Tourism stand.

From August to October 2012, South African Tourism organised its FUNDI competition and received very positive responses. A total of 1 986 Chinese travel experts undertook the online FUNDI training course. Of these, 1 078 received their certificates and became South African FUNDI.

In September, co-operating with CYTS Tours, South African Tourism launched the CYTS South African Experience Hall, greatly enhancing the image and brand awareness of South Africa in China.

In November, Thabo Thage, Minister Plenipotentiary in the South African Embassy in China, and South African Tourism attended the China International Travel Mart, communicating with domestic and overseas tourism practitioners and sharing current and future promotion strategies.

From December 2012 to mid-January 2013, South African Tourism launched the “DIY Sunny Holiday in South Africa” online campaign on its official website and on Sina Weibo. More than 3 000 Sina Weibo users participated in the campaign, generating more than 4 000 posts on their ideal holiday in South Africa.

In January 2013, we held a four-stop media roadshow in Beijing, Shanghai, Chengdu and Guangzhou. More than 130 print, TV and online media attended the event. We also arranged a number of media and familiarisation trips in 2012.

South African Tourism’s official website and Facebook page, as well as Sina Weibo and Tencent Weibo, have been actively interacting with followers. The latest news and promotional programmes from South African Tourism have been updated and shared regularly.

We will keep actively promoting South Africa in China, closely co-operating with Chinese media and trade partners to launch more fascinating events and products, and look forward to attracting more Chinese travellers to experience the beauty of South Africa.

Tourist arrivals:

➤ Total tourists 2012: 134 334

➤ Total tourists 2011: 84 883

➤ Difference: +55.9%

Part B: Performance information continued

Regional directors' reports: **ASIA AND AUSTRALASIA** continued

Japan

As Japan faced the challenges of its continuous recovery efforts from the disastrous earthquake and tsunami of 2011, our attention during the course of the 2012/13 financial year remained focused on empowering the Japanese travel trade to sell South Africa with confidence.

The outcome was that Japanese visitor arrivals showed significant growth of 30.9% during 2012, exceeding the 34 000 mark for the first time.

At the beginning of the fiscal year, South African Minister of Tourism, Mr Marthinus van Schalkwyk, and South African Tourism Chief Executive Officer Mr Thulani Nzima, visited Tokyo for an important trade engagement. This was followed by hosting a group of key travel-trade representatives at INDABA, as well as our annual trade workshops. A series of FUNDI training schools was also conducted during the course of the year to equip the trade with better knowledge of South Africa, with 76 new FUNDIIs qualifying to market South Africa.

Our office also worked with key trade to organise a number of trade seminars with the Japan Association of Travel Agencies (JATA) working group, South African Tourism Promotions in Japan, and Southern African Development Community ambassadors in Japan, the aim being to promote South (and southern) Africa as a tourist destination. At the same time, we continually supported a number of consumer seminars by providing marketing collateral and marketing tools, preparing presentations, and offering South African wines and snacks at these seminars to raise visibility and awareness of the destination.

We have also taken a number of marketing initiatives that helped us in our efforts to bring South Africa closer to the hearts of Japanese consumers as a must-do destination. We achieved extensive coverage on a number of national television programmes, covering a variety of South Africa's tourism offerings. The total length of airtime for the destination between April 2012 and March 2013 was over 1 100 minutes, or 18.3 hours, with a PR value exceeding R2.3 billion.

With our primary focus on digital platforms, we have put various online communications in place to promote the charms of South Africa. These included a revamp of our local website; online promotion with a major travel-booking site, AB-Road; and an extensive consumer campaign on our local website, which was developed to help create a sense of affinity for South Africa among Japanese consumers.

These were supported by ongoing public relations activities such as media hostings and enhancing our local website content to raise awareness and create a buzz about the destination. As a result, the total number of visitors to the local website during the fiscal year under review grew by 40.1% over the previous fiscal year, while the number of likes on the local Facebook page and the number of followers on the local Twitter platforms recorded a year-on-year increase of 198% and 83.6% respectively.

In September, we participated in the annual JATA Travel Showcase, the largest trade/consumer travel show in Japan. Under the theme of "Meet South Africa", our presence at the show effectively positioned South Africa as a friendly and welcoming destination.

Tourist arrivals:

- Total tourists 2012: 34 415
- Total tourists 2011: 26 284
- Difference: +30.9%

India



Hanneli Slabber
Country Manager: India

“An outdoor advertising campaign, “The More You Do, The Closer You Get” was embarked on across 21 cities, highlighting the diversity of experiences offered in South Africa.

Steady growth trajectory

Foreign tourist arrival figures from India continued on a strong growth trajectory in 2012 – a total of 106 774 Indian tourists visited South Africa in 2012, an increase of 18.2% over 2011.

The objectives for the financial year were as follows:

- To build aspiration around South Africa as a “must-see” holiday destination by driving proactive, compelling and consistent conversations and engagements.
- To bring to the fore unexplored experiences of South Africa and at the same time sustain conversations on known destinations and experiences.
- To educate the travel trade on driving South Africa as the perfect value-for-money holiday destination, not only in metros, but also across smaller markets in the country.

A number of key marketing initiatives were undertaken.

An outdoor advertising campaign, “The More You Do, The Closer You Get” was embarked on across 21 cities, highlighting the diversity of experiences offered in South Africa. This campaign reached 20 million people.

The popularity of South Africa as the perfect shooting location for Hindi movies continues to grow. In 2012 an exclusive partnership with Illuminati Films was established and a 30-second television campaign coinciding with the release of the Hindi movie *Cocktail*, which was extensively shot in Cape Town was launched. This campaign reached 3.3 million people.

Partnerships with popular publications such as *Vogue*, *Outlook Traveller*, *Lonely Planet*, *India Today* and *DNA*, among others, were established, undertaking advertorials and highlighting various destination attractions.

A contract was signed with Fox Traveller India to shoot an 18-episode show in South Africa titled *Life Mein Ek Baar* (Once in a Lifetime). The show, broadcast in March 2013, showcased the varied experiences South Africa has to offer. The estimated PR value of this was R5 768 387.

49 Learn SA Module III training sessions were conducted across 30 cities from June 2012 to February 2013. The sessions were attended by 1 363 Indian trade partners.

In September 2012, South African Tourism organised a mini-roadshow that saw attendance of more than 900 Indian trade partners, who interacted with 31 South African products and suppliers across four cities. Another four-city roadshow took place during January 2013.

We also hosted seven familiarisation trips (attended by a total of 68 travel agents) in association with South African products and suppliers like Tsogo Sun, SST, Travel Corp Africa and Legacy Hotels. We hosted 13 travel agents at INDABA 2012, and 23 business events hosted buyers at Meetings Africa in February 2013. Joint marketing agreements were also signed with various travel companies to offer special packages to South Africa.

South African Tourism, along with the South African Chefs Association, successfully launched the *Guide to Vegetarian, and Vegan Dining in South Africa*, across key regional markets in India.

Tourist arrivals:

- Total tourists 2012: 106 774
- Total tourists 2011: 90 367
- Difference: +18.2%

Part B: Performance information continued

Regional directors' reports: **EUROPE**



Bashni Muthaya
Regional Director: Europe

We are confident that we will continue to strengthen our position as an attractive long-haul destination and continue to grow arrivals into 2013.

Europe portfolio overview

Europe remains the bedrock of long-haul arrivals to South Africa, accounting for 56% of all foreign arrivals in 2012. The year saw us achieve a 9.5% growth over 2011 to reach approximately 1.4 million tourist arrivals – a growth that far outpaced global growth of around 4%.

Overall, Europe is still gripped by the challenges of recurring economic pressures, but it remains encouraging that Europeans continue to travel, with outbound travel from the region growing by 1.9% in 2012. In this context, we have increased market share as growth to South Africa far outpaced total outbound travel growth from the region.

The economic slowdown has left tourists in key Western European markets cost-conscious and always on the lookout for deals. The internet has firmed up its role in the travel purchase process as tourists conduct extensive research on destinations and actively seek special offers. The booking period has shortened, in most cases to around three months, as tourists take up last-minute bookings in a bid to save on travel. Fluctuations in exchange rates now have a greater influence on the choice of destination.

Overall, tourists are now actively seeking destinations that offer them value for their hard-earned money. South Africa's recent performance shows that we offer a good value proposition for the region through factors like no jet lag, a favourable exchange rate and a wide range of authentic experiences.

Outstanding growth

We have seen outstanding growth from France, Germany and Italy in 2012, with a double-digit increase in these markets, which still have very fragile economies. The United Kingdom and the Netherlands recorded growth of 4.2% and 3.6% respectively in 2012, very impressive results, especially when compared with that of one of our key competitor destinations, Australia.

Innovative marketing campaigns in our core markets have helped raise the profile of South Africa as a destination that offers a wide variety of authentic experiences while delivering on the need for value for money.

The economic situation across Europe has left its mark on the trade landscape. A high turnover of staff, consolidation of operators and a diminishing number of operators have left survivors innovating their offering to meet the still-growing consumer demand.

Online bookings are growing fast and operators are diversifying their offerings, either in customer service, online product offerings or new products to meet customer demands. Our understanding of market trends has seen us hold our position in our core markets to ensure growth in arrivals.

Our investment markets of Sweden and Belgium have weathered the economic storm well, with Sweden growing by 5.4% and Belgium by 9%. Our efforts with trade in these markets through joint marketing agreements have helped drive awareness of South Africa.

While the economic outlook for Western Europe remains tenuous, outbound travel forecasts remain optimistic. We are confident that we will continue to strengthen our position as an attractive long-haul destination and continue to grow arrivals into 2013.

Tourist arrivals:

➤ Total tourists 2012: 1 396 978

➤ Total tourists 2011: 1 275 679

➤ Difference: +9.5%

TOP LEFT: The French website for South African Tourism features some famous local faces.

TOP RIGHT: Germany: South Africa's destination branded trains are reaching about 20 million consumers.

BOTTOM: The impressive new South African Tourism stand at the World Travel Market 2012 in the United Kingdom.



Part B: Performance information continued

Regional directors' reports: **EUROPE** continued

France



Linda Sangaret
Country Manager: France

We kicked off the year with an innovative 360° campaign, “Meet South Africa”, aimed at positioning South Africa as a culturally rich and diverse destination.

Meet South Africa

Despite the economic challenges in France, 2012 was a formidable year for South Africa in relation to the tourism sector. The number of French visitors to South Africa started to soar right from the beginning of the year, and by December 2012 cumulative growth had reached 16%. A figure of 122 224 French travellers visited South Africa in 2012, and the average spend was €3 506 per trip.

We kicked off the year with an innovative 360° campaign, “Meet South Africa”, aimed at positioning South Africa as a culturally rich and diverse destination.

After having spread the testimonies of French travellers via word of mouth, it was time to allow South Africans themselves to tell their stories to the French public.

This campaign began with the production of 15 short programmes for French TV. In these programmes, interesting South Africans from the cultural arena

presented their work, passion for what they do and the inspiration they get from South Africa. The programmes ran from May to July and again from October to November 2012, making a lasting impact on over 6 million viewers for each wave.

In between the two waves, we launched an online/social media component of the campaign using the programmes for games and quizzes. This garnered 50% growth in the number of Facebook fans.

From May to July, some of the artists who had been filmed travelled to France to participate in events such as the Paris Auto Exhibition, the Labo Ethnik Fashion Week and the 24 Heures du Mans race/exhibition. These events were a great way to bring the campaign to life and earn South African Tourism excellent coverage in the trade press.

Public relations was an integral part of the strategy, with journalists being hosted to experience the culturally rich and modern destination that South Africa is.

In February 2013 we hosted a mega-press trip, “The Second Info Cup”, for 30 French news anchors and editors-in-chief. This hosting significantly increased our influence and contacts with media generating a ROI of R636 294 859 by February 2013.

The second phase of the trade partnership, “My Afrique du Sud”, was launched at the French travel-trade exhibition, Top Resa. This partnership, with online operator promoagv.com enabled us to train 233 travel agents in a day and select the best of them for a FAM trips to South Africa. We managed to train a total of 1 283 travel agents through online efforts, and organised 13 roadshows and five FAM trips. In addition to the promoagv.com partnership, we also entered into seven joint marketing agreements.

Tourist arrivals:

➤ Total tourists 2012: 122 244

➤ Total tourists 2011: 105 420

➤ Difference: +16%

Germany



Theresa Bay-Müller
Country Manager: Germany

South Africa has been highly visible over the past year in Germany, through successful South African Tourism marketing campaigns like “Packendes Sudafrica”.

On the move in Germany!

The Germany outbound travel market grew considerably in 2012, with tourist arrivals from Germany to South Africa growing by 13%.

South Africa has been highly visible over the past year in Germany, through successful South African Tourism marketing campaigns like “Packendes Sudafrica”, which generated more than 300 000 web visits in the first phase of the campaign and featured on three popular German TV shows during prime time.

As a component of this campaign, South African Tourism hosted more than 100 German journalists, who personally experienced the heartfelt connections that South Africa offers and could communicate the charms of this unique and beautiful destination to the German public.

South Africa destination-branded trains have been on the Deutsche Bahn tracks for 12 months, reaching about 20 million consumers with a strong message about a destination that is warm, friendly, welcoming, and incredibly beautiful and exciting.

Six million German consumers also connected with South Africa during the eight-month “Be WILD. Be MINI. In South Africa!” campaign. This campaign ran on all the communication channels of MINI Germany and included 200 events with MINI retailers.

We also partnered with SportScheck, branding 17 SportScheck stores and reaching more than 7 million consumers. In addition, a three-month cinema campaign ran in 26 German cities, sweeping German audiences away for 60 seconds to a warm, faraway place – a break from the hectic city life in Germany.

For the entire campaign, a PR value of €110 million was generated, including 20 hours of broadcasting and 46 million page impressions served.

The brand campaign was promoted on three popular German TV shows aired at prime time: *The Bachelor*, *Beauty and the Nerd*, and *Perfect Dinner Models*. This is PR leveraging at its best, securing shows for South Africa on national TV that showcase the variety and beauty of the destination.

The German travel trade is a highly valued strategic partner of South African Tourism, and joint marketing agreements with 17 German tour operators ensured that demand was converted into bookings to South Africa.

Trade workshops and familiarisation visits ensured that partners in this market are easily able to sell South Africa as a tourism destination as they are kept fully informed of the immense variety of experiences and activities offered in South Africa.

In 2012, 3 200 German travel agents attended South African destination workshops or familiarisation visits. A mega-FAM with tour operator Gebeco was a highlight: 100 top-selling agents experienced six provinces through extensive trips, interacting with the locals and thereby creating their very own heartfelt connections with South Africa.

Tourist arrivals:

➤ Total tourists 2012: 266 333

➤ Total tourists 2011: 235 774

➤ Difference: +13%

Part B: Performance information continued

Regional directors' reports: **EUROPE** continued

Italy



Lance Littlefield
Country Manager: Italy

Our presence on social networks also continues to have positive results. To date we have more than 36 000 fans on the Facebook page.



Steady growth

There were excellent results for the Italian market in 2012. Despite the economic crisis, the number of Italians arriving in South Africa showed steady growth, with an increase of 12% being achieved over the course of the year with a total of 61 318 tourists.

On the consumer front, the main initiative of the year was the presentation of a new website, sudafricaperte.it, a single platform that brings together the great variety of travel packages offered by Italian tour operators specialising in this destination. The site, which is being presented as a new tool to support consumers' search for their personal South Africa trip, has resulted in the media talking of our initiative as an example to be followed in collaborations between relevant agencies and tour operators.

From December 2012 to March 2013, sudafricaperte.it featured a special-price campaign, made possible through the collaboration of nine tour operators and South African Airways. Promoting the site on various radio, TV and online platforms, we presented to the public numerous holiday deals of seven nights, fly and drive, at the special price

of €1 590 (including tax), achieving great success in terms of visibility and requests for information (13.6% return visits to the site and an average time on site of more than three minutes).

Our presence on social networks also continues to have positive results. To date we have more than 36 000 fans on the Facebook page which is an increase of more than 10 000 fans since the previous year, while the Sudafrica YouTube channel has more than 20 video accounts of tours in our country.

In October 2012 we organised the South African Tourism Trade Awards, an opportunity to reward the players who have increased the tourism market in South Africa. The event, attended by Minister of Tourism Mr Marthinus van Schalkwyk, represented a further consolidation of relations with the tour operators.

Also in October, during the TTG exhibition, we launched a new site dedicated to travel agents, sudafricainagenzia.it, while the Big 5 + 1 Roadshow was held from 9 to 16 November in six Italian cities. A total of 380 travel agents attended the roadshow, meeting with 17 trade partners, including hotel and lodge chains, operators of incoming DMCs, Italian tour operators, tourist boards and local airlines.

During the roadshow we picked 34 travel agents who travelled to South Africa in March to conclude their training with an educational programme, which included an itinerary of innovative locations and activities.

We also received excellent feedback from communications with the media. The data currently available shows a total PR value of more than €26 million generated by the activities of our press office and from the 11 guests on eight press trips made throughout the year that were dedicated to various topics, from sports to food and wine, and from travel itineraries for women to motorbike tours.

Tourist arrivals:

➤ Total tourists 2012: 61 318

➤ Total tourists 2011: 54 628

➤ Difference: +12.2%

Netherlands



Bangu Masisi
Country Manager: Netherlands

Media remain our key partner for showcasing diversity and value-for-money offerings and we hosted 34 journalists who generated enormous PR value.

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Discover adventurous South Africa and meet the locals

The Netherlands generated 117 935 tourist arrivals from January to December 2012, a 3.6% increase over the same period in 2011.

Awareness is very high among the consumer market, but the Dutch are still not sure what South Africa has to offer other than wildlife. However, they are keen to explore South Africa and meet the locals.

“Meeting the locals” has been key in our 360° marketing approach. The heart of meeting South Africa is the community platform, www.mijnzuidafrika.nl, which has grown to more than 8 000 members since October 2011. Dutch travellers, South African locals and the travel trade share travel stories, and trade is discovering the kind of holidays consumers are looking for.

The community on www.mijnzuidafrika.nl inspired the launch of our iPad application, *MijnZuidAfrika*, which includes not-to-be-missed South African highlights, trendy hot spots and clips, as well as a handy travel planner.

“Are you ready for South Africa?” was our Wanderluster campaign that appealed to the adventurous spirit of the Dutch. Three South African locals shared stories about water, land and air adventures in South Africa and challenged the Dutch to come experience them. The campaign was promoted through radio, online, print and outdoor activation, and reached almost

100 000 consumers. The three daredevils who went to South Africa shared their diverse adventure experiences on www.mijnzuidafrika.nl to inspire other travellers.

“Local Heroes Meet Local Heroes” was our NSSA (Next Stop South Africa) campaign and was based on locals who contribute to their communities, both in South Africa and the Netherlands. All heroes were nominated by someone from their community. A partnership with the TV programme *Koffietijd* kick-started the campaign, which was supported by a renowned Dutch ambassador, online channels and a trade partner.

Media remain our key partner for showcasing diversity and value-for-money offerings and we hosted 34 journalists who generated enormous PR value. We also launched our first Media Awards, recognising the contribution of those travel and mainstream journalists who supported us in our destination marketing efforts during the course of the year.

We partnered with three national TV programmes, which not only created great brand exposure, but also garnered trade partner support.

In total, TV programme PR value is €6 162 800. Total PR value for all published material and broadcasts was €94 691 368.

The first South African Tourism roadshow in the Netherlands kicked off in November 2012, a week before World Trade Market (WTM). Twenty-six South African partners attended to showcase their products to 400 Dutch travel-trade members. Both South African and Dutch trade gave very positive feedback, and the next roadshow will be held this year.

A total of 13 joint marketing agreements were signed in the Netherlands and one for Belgium. Partnering with trade in our consumer campaigns has seen a positive shift to convert the desire to travel into booking the trip.

Through our various platforms, more than 2 000 trade members were educated to sell the destination with confidence and to highlight the destination’s value for money. To enhance this, nearly 40 travel agents were hosted on a FAM trip to South Africa in March 2013.

The focus on meeting and interacting with the locals will be carried forward into the new financial year.

Tourist arrivals:

➤ Total tourists 2012: 117 935

➤ Total tourists 2011: 113 846

➤ Difference: +3.6%

Part B: Performance information continued

Regional directors' reports: **EUROPE** continued

United Kingdom



Bashni Muthaya
Regional Director: Europe

Efforts this year were focused on consolidating new knowledge gained and organising the team to gear up for positioning South Africa clearly in the minds of Britons.

United Kingdom

The year was one of great excitement as tourist arrivals increased by 4.2% in 2012 over 2011, a growth that tracked the global average growth of 4% for the same period.

Efforts this year were focused on consolidating new knowledge gained and organising the team to gear up for positioning South Africa clearly in the minds of Britons. Consumer insights gathered early in 2012 were actively and thoroughly mined to ensure we effectively developed a marketing strategy to unlock the great potential that our largest overseas source market holds.

The market insights revealed opportunities within our Wanderluster (under 40s) segment, as well as the need to expand product awareness beyond safaris by highlighting wider urban lifestyle attractions. Additionally, Britons are enticed by authentic representations of exclusive destinations and experiences.

This led us to identify five pillars on which to communicate and market the variety of experiences South Africa has to offer: adventure; nature; food and wine; fashion and design; and music and arts.

The key project for 2012/13 was the partnership with *Charley Boorman's South African Adventure*. This four-part TV programme featured actor and adventurer Charley

Boorman undertaking an epic 6 000-mile (nearly 10 000 km) motorbike journey through South Africa. Throughout the trip, Charley experienced the thrills, wonders, history and people of South Africa, presenting a great platform to communicate South Africa as an adventure destination.

The TV launch was complemented by an interactive microsite developed on the South African Tourism UK home page to enhance Charley's content and drive a social media campaign in partnership with South African Airways.

The TV programme aired on Channel 5, a major national broadcaster, in January and received an average of 900 000 viewers and PR coverage of £9 000 000.

Other marketing activities included digital, print and cinema media placements in lifestyle and travel publications and on websites. Our Facebook page saw an increase in relevant likes of 35% in three months, from 44 000 in December 2012 to 60 000 by the end of March 2013.

There was a focus on press trips to communicate the variety of South African experiences key to our strategy. Based mostly on the themes of adventure, food and wine, and fashion and design, a total of 112 media were engaged through events, press trips and one-on-one meetings. All our media and PR engagements have resulted in a total of approximately R245 million in PR coverage for the year.

Trade activities were reinvigorated with the bolstering of the trade team and renewing our focus on relationships with trade. A total of 18 joint marketing agreements were entered into and delivered in the 2012/13 fiscal period, and more than 800 trade trained on a combination of South African Tourism and trade partner platforms.

We also embarked on a trade media campaign with one of the leading travel-trade media houses, TTG. The multi-channel campaign, "South African Experience: A Lifetime in One Trip", launched in November 2012. It includes features on South Africa across both digital and print channels on the TTG platform.

Tourist arrivals:

➤ Total tourists 2012: 438 023

➤ Total tourists 2011: 420 483

➤ Difference: +4.2%

TOP LEFT: Winners of the Local Heroes meet Local Heroes campaign celebrate their win.

TOP RIGHT: A French advert promoting our beautiful country.

BOTTOM: An Italian familiarisation trip takes in the Hector Pieterse Memorial in Soweto.



Part B: Performance information continued

Watch-list markets



Dinky Malikane Global Watch-list Manager

Watch-list countries comprise Argentina, Austria, Denmark, Malawi, Namibia, Portugal, Republic of Korea, Spain, Switzerland, Zambia and Zimbabwe.

Watch-list markets are countries where South African Tourism does not have a presence but does tourism marketing if a good opportunity results. We follow a structured market-penetration strategy to build these markets.

Watch-list countries comprise Argentina, Austria, Denmark, Malawi, Namibia, Portugal, Republic of Korea, Spain, Switzerland, Zambia and Zimbabwe.

The total arrivals from these 11 markets was 2 577 507 tourists, which contributed about 28% to the total tourism arrivals in the 2012/13 financial year.

One of the most important functions in our watch-list markets is education – equipping trade and embassies with the tools to sell the destination confidently.

To this end our stakeholder relations with the Department of International Relations and Co-operation (DIRCO) remain core to the function. South African Tourism realises the importance of creating partnerships for marketing in areas that sit outside our core focus, as every arrival to South Africa will have an impact on the economy.

One of the most important functions in our watch-list markets is education.

To achieve this, South African Tourism continues to strengthen stakeholder relationships broadly, and in particular the important marketing collaborations with DIRCO missions in 130 missions abroad.

South African Tourism has been involved in the DIRCO economic diplomacy workshops as an integral part of delivering its mandate.

We also continue to look for opportunities to raise the profile of South Africa through media partnerships that amplify our lifestyle offerings. The extensive coverage received on the

C5N TV channel in Argentina is but one example of the great PR opportunities realised across various disciplines, including new media.

On the watch-list markets, the Swiss market was the best performing with a 29% increase in arrivals year on year. Six major projects were undertaken in this market through a collaboration between South African Tourism, Gretz Communications and the South African Embassy in Berne.

The objective for the year was to generate nation-wide awareness of South Africa and to build an image for the destination to convert consumers. The tactical work done in the previous three years in the Swiss market has seen it being migrated into investment category from 2014.

The projects included a high-profile media trip; a winter destinations roadshow; a trade FAM trip; destination branding and tourism promotion; and a South African travel guide for Switzerland.

Tourist arrivals:

Argentina

- Total tourists 2012: 17 514
- Total tourists 2011: 13 817
- Difference: +26.8%

Austria

- Total tourists 2012: 25 179
- Total tourists 2011: 21 841
- Difference: +15.3%

Denmark

- Total tourists 2012: 25 149
- Total tourists 2011: 22 970
- Difference: +9.5%

Malawi

- Total tourists 2012: 142 063
- Total tourists 2011: 135 577
- Difference: +4.8%

Namibia

- Total tourists 2012: 200 841
- Total tourists 2011: 197 835
- Difference: +1.5%

Portugal

- Total tourists 2012: 48 210
- Total tourists 2011: 40 301
- Difference: +19.6%

Republic of Korea

- Total tourists 2012: 19 817
- Total tourists 2011: 18 290
- Difference: +8.3%

Spain

- Total tourists 2012: 29 398
- Total tourists 2011: 27 209
- Difference: +8%

Switzerland

- Total tourists 2012: 51 807
- Total tourists 2011: 40 728
- Difference: +27.2%

Zambia

- Total tourists 2012: 169 555
- Total tourists 2011: 160 302
- Difference: +5.8%

Zimbabwe

- Total tourists 2012: 1 847 974
- Total tourists 2011: 1 553 008
- Difference: +19%

Part B: Performance information continued

Tourism Grading Council of South Africa (TGCSA)



Thembi Kunene, Chief Quality Assurance Officer

During this year, the TGCSA entered into three Memorandums of Understanding (MOUs) with Gauteng Tourism Authority, North West Provincial Government (within the Integrated Economic Development Services Department – IEDS) and the Western Cape Provincial Department (Department of Economic Development and Tourism – DEDAT).

Graded establishments

The TGCSA fell short of meeting its stated target of 6 172 properties by 150 properties, making the actual performance of 6 022 graded establishments by end March 2013. The transition period into the new membership model implemented effective October 2012, together with the slow conversion rate, contributed to this shortfall. As at the end of the year, grading assessors were hard at work trying to convert 172 renewal properties into paid members, largely from the guest house, self-catering and bed and breakfast categories.

Key contributors to the 172 “hot leads” were the various marketing and communications activities implemented during the year, as well as the strict management of our accredited grading assessors through their service provider agreements. Graded remains a voluntary system and establishments have to be constantly reminded about the benefits of being quality graded and to remain graded.

A record 1 719 new establishments joined the system while 4 303 establishments renewed their star grading. The 4 303 renewals also includes properties which had cancelled their star grading in the 2011/12 fiscal period but have now chosen to rejoin the system.

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The MOUs enabled the departments to provide funded grading for SMME establishments in their provinces that could not afford the grading fees. The agreement with the DEDAT saw the Western Cape Province collapsing its quality assurance system and aligning the province to the national quality assurance system – the TGCSA star grading system.

TOP LEFT: Frank Kilbourn, SA Tourism Chairperson, Thembi Kunene, Chief Quality Assurance Officer at the Tourism Grading Council of South Africa and Graham Wood, Tsogo Sun Managing Director and TGCSA Awards Committee Chairperson, at Indaba 2013.

BOTTOM: Winners at the Power of One Roadshow at the Sandton Convention Centre.



Part B: Performance information continued

Tourism Grading Council of South Africa (TGCSA) continued

Number of graded establishments as at end March 2013

Non-hotel accommodation	EC	FS	GP	KZN	LP	MP	NW	NC	WC	Grand total
Backpacker and hostelling	15	3	8	9	1	4	2	1	39	82
Bed and breakfast	209	21	174	257	25	35	33	35	358	1 147
Caravan and camping	18	5	1	9	7	6	10	4	27	87
Country house	30	3	21	16	8	8	4	2	72	164
Guest house	231	57	425	150	54	112	105	77	618	1 829
Lodge	53	10	42	57	79	47	13	40	29	370
Self-catering	115	26	86	187	77	65	35	26	896	1 513
Non-hotel accommodation total	671	125	757	685	251	277	202	185	2 036	5 192
Hotel total	56	23	172	107	31	34	24	21	183	651
Accommodation grand total	727	148	929	792	282	311	226	206	2 222	5 843
MESE total (business tourism)	5	20	76	6	14	17	12	12	17	179
Grand total graded properties	732	168	1 005	798	296	328	238	218	2 239	6 022

This table does not include cancellations. The annual target was 6 172.

Number of graded rooms as at end March 2013

Non-hotel accommodation	EC	FS	GP	KZN	LP	MP	NW	NC	WC	Grand total
Backpacker and hostelling	702	122	480	724	75	137	380	32	1 115	3 767
Bed and breakfast	1 487	151	1 083	1 719	266	283	207	284	1 835	7 315
Caravan and camping	759	101	50	790	351	344	193	660	1 538	4 786
Country house	332	31	277	173	111	91	24	25	786	1 850
Guest house	2 416	643	4 407	1 527	827	1 360	948	926	4 597	17 651
Lodge	508	285	1 246	1 122	1 264	925	316	958	442	7 066
Self-catering	1 008	299	791	1 675	1 555	1 466	519	846	4 134	12 293
Non-hotel accommodation total	7 212	1 632	8 334	7 730	4 449	4 606	2 587	3 731	14 447	54 728
Hotel total	4 140	1 364	19 343	8 985	1 818	2 382	1 060	2 191	13 543	58 826
Accommodation grand total	11 352	2 996	27 677	16 715	6 267	6 988	3 647	5 922	27 990	109 554
MESE total (business tourism)	24	57	584	32	49	48	33	53	75	955
Grand total graded properties	11 376	3 053	28 261	16 747	6 316	7 036	3 680	5 975	28 065	110 509

This table does not include cancellations.

Highlights of the year

New Awards Committee members

The Minister of Tourism, Marthinus van Schalkwyk, appointed 12 new Awards Committee Members on 1 June 2012. This new committee, whose three-year term ends on 31 May 2015, is chaired by Mr Graham Wood, managing director of the Tsogo Sun group. Mr Wood, a chartered accountant, has 17 years' experience in the hospitality industry. He is joined on the new committee by 11 highly experienced individuals, who bring with them an enormous wealth of knowledge of the tourism sector in South Africa.

Provincial roadshows

The annual country-wide road shows remain a key platform for the TGCSA to engage with key stakeholders, sign up ungraded establishments as well to re-emphasise the benefits of remaining graded to those that are currently graded.

Feedback received from previous roadshows indicated that all stakeholders want to see more diversity on the roadshows. To meet this expectation, three SAT business units (the Grading Council, the National Conventions Bureau and Global Product) partnered with the National Department of Tourism (NDT), Tourism Enterprise Partnership (TEP), and the Tourism Business Council of SA (TBCSA) to embark on the inaugural "Power of One" roadshow across the country.

The "Power of One" roadshows were very well attended across all nine provinces, with over 1 000 establishments engaging the "Power of One" partners over a five-month period. Over 80% of the attendees to these sessions were accommodation establishments.

The annual assessors conference

Once again, the assessor annual refresher training took place during November 2012 and this year, the conference was held in Gauteng. The highlight of the conference was the inaugural address by the new chairman of the Awards Committee – Mr Graham Wood who shared the strategic focus of the TGCSA for the next three years with the assessors. It was encouraging to note the chairman's affirmation that the industry had welcomed and committed itself to the TGCSA star grading system since noticing the drastic improvements to the system.

Three-year review of the grading criteria

Following on the promise made to the industry, the TGCSA embarked on its three-year review of the grading criteria and minimum requirements. Using learnings from the first ever review conducted in 2010, the TGCSA embraced technology and adopted an online approach to the consultation process incorporating an online survey.

Out of 6 393 respondents, 2 319 took the time to make their comments, making the response an impressive 37%. The revised grading criteria and minimum requirements were approved by the Awards Committee at the end of March 2013 and will be implemented in the new fiscal period.

Part B: Performance information continued

South Africa National Convention Bureau



Amanda Kotze-Nhlapo, *Executive Manager:*
South Africa National Convention Bureau

The SANCB, in conjunction with its industry partners and convention bureaus, participated in 10 delegate-boosting activations, reaching 43 600 association professionals to promote conferences and meetings secured for South Africa over the next five years. These activations are aimed at promoting South Africa to potential delegates.

To consolidate and grow South Africa's burgeoning business events industry, South African Tourism established the South Africa National Convention Bureau (SANCB), which commenced its operations in April 2012.

The SANCB embarked on extensive market research to support its business planning processes for the next five years. It conducted stakeholder engagements with more than 150 industry professionals before its strategy was approved by the South African Tourism board in May 2012.

The SANCB's strategy was launched at the Southern African Association for the Conference Industry annual conference, through its "Win As One" concept. By signing the "Win As One" pledge, members of the South African business events industry committed to contributing to the growth targets set for the destination.

The SANCB set out three high-level goals in its strategy:

1. To increase the size of South Africa's business events industry by 57%.
2. To double the impact of business events on tourism yield and geographic distribution.

3. To achieve broad recognition in South Africa of the business events industry as a major driver of job creation, skills development and transformation of the nation's knowledge and creative economy.

The unit's staff recruitment process was concluded in August 2012, confirming the operational status for the unit. Key appointments have been made in the following positions: executive manager, senior sales manager, marketing manager, and sales managers in the United Kingdom and the United States.

The SANCB formed a Business Events Co-ordinating Council (BECC) in September 2012, which consists of the heads of all the city and provincial convention bureaus and business events units in provincial and city tourism authorities. The main objective of the BECC is to improve the co-ordination of business events activities among city and provincial convention bureaus, including minimising costly bidoffs.

The SANCB, in conjunction with the provincial and city convention bureaus, submitted 46 bids for the 2012/13 financial year. The economic value of these 46 submissions is R1 043 193 200 and has the potential to attract 76 589 delegates to South Africa.

South Africa secured 87 international association meetings (to be staged between 2013 and 2017) with an estimated economic impact of R2.6 billion and an estimated 195 900 delegates.

The SANCB, in conjunction with its industry partners and convention bureaus, participated in 10 delegate-boosting activations, reaching 43 600 association professionals to promote conferences and meetings secured for South Africa over the next five years. These activations are aimed at promoting South Africa to potential delegates.

Meetings Africa took a bold step in 2013 by launching its new theme “Advancing Africa Together”. This was the first shift in a series of steps to include other destinations on the continent to ensure the show is the single most influential and biggest pan-African business event trade exhibition of the continent.

A total of 2 884 delegates went through the Meetings Africa 2013 turnstiles. A total of 300 international, regional and local buyers were in attendance, 30% more than attended in 2012. Of the international hosted buyers in attendance, 78% were visiting South Africa for the first time.

An international buyers’ qualification process was implemented for the first time to ensure that only buyers who were serious about doing business with the destination were hosted. The hosted buyers represented at Meetings Africa had the potential to attract 62 000 delegates to business events in South Africa in the next 18 to 24 months.

BELOW: Morning Live anchor Leanne Manas, South African Tourism CEO Thulani Nzima and South Africa National Convention Bureau Executive Manager Amanda Kotze-Nhlapo during a live broadcast of the show at Meetings Africa 2013.



Part B: Performance information continued

Operations report



Timothy Scholtz, Chief Operating Officer

As part of creating a greener environment within the building, the department oversaw the conversion of all lighting to energy-saving light bulbs and LED lighting, approved by Eskom.

Administration

The administration department's core functions are to ensure that assets are managed and safeguarded, and that electrical and security services operate efficiently, reliably, safely and legally. Managing insurance and vehicles, and monitoring the performance of contractors for landscaping, cleaning and security also fall within the functions of this department.

As part of creating a greener environment within the building, the department oversaw the conversion of all lighting to energy-saving light bulbs and LED lighting, approved by Eskom. The department will continue to find ways of creating a greener environment in 2013/14.

During 2013/14 there will also be an extension of the head office basement parking, as well as a continuance of the space planning exercise.

Business Information Systems

Business Information Systems (BIS) has commenced strategies that will move South African Tourism towards becoming a technology-driven business. This is necessary for South African Tourism to compete in the global tourism industry.

The 2012/13 period was challenging and interesting for BIS. It involved the resignation of the BIS general manager, which created a vacuum for a short period in driving strategy. A consultant was appointed to assist with key BIS project operations for three months, and a new BIS general manager started on 1 January 2013.

The following are some key projects implemented during the year:

- Phase one of the BIS information security project commenced.
- An IT infrastructure delivery project was undertaken to ensure effective user support and maintenance of activities.
- New HP-branded server and storage hardware was procured to support the successfully implemented virtual server environment.
- A disaster recovery environment was created for this virtual server environment, while key systems uptime was maintained and improved to over 98.99%.

BIS also successfully implemented the 2010 upgraded Microsoft SharePoint platform to start streamlining the current manual business processes. This led to the successful implementation of a new-look South African Tourism intranet site.

South African Tourism is a global organisation with offices worldwide. To effectively support these international operations, BIS began implementing a global consolidation project to improve regional offices' access to South African Tourism data centre systems. A virtual private network (VPN) was established to give remote users access to the South African Tourism network.

However, significant VPN usage by South African Tourism remote users led to a negative network performance. To improve the VPN performance, a network infrastructure assessment was done, which led to a drive to improve and standardise regional offices IT operations.

The BIS, in partnership with the Chief Executive Officer's office, has also begun the process of recruiting a business process analyst.

The 2013/14 financial year will see these projects fully implemented and the streamlining of business processes within South African Tourism.

Legal

The legal department, headed by the contracts attorney, forms a critical pillar in the legitimate and accountable functioning and operation of South African Tourism when executing its mandate both locally and internationally.

This department functions as fundamental support to good corporate governance and regulatory compliance.

The job responsibilities of the contracts attorney broadly include, among others:

- Revisionary and advisory services to business unit managers negotiating, entering and executing agreements.
- The management and administration of South African Tourism's intellectual property portfolio in consultation with preferred professional service providers.
- The management and administration of South African Tourism's litigation caseload in consultation with preferred professional service providers.
- The provision of sound legal advice to business unit managers, regional directors, country managers and the Executive Committee.

The execution of these functions is constituted through sound instruction from relevant stakeholders and the professionally skilled and knowledgeable advice provided by the contracts attorney to these relevant stakeholders.

These functions are mostly executed in-house in order to avoid unnecessary legal expenditure. When necessary and on advice or in consultation with the contracts attorney, these functions may be outsourced, but to a limited extent and with a specific mandate.

The function and skill of in-house legal counsel is not only valuable in risk mitigation but is also informative to the decision-making process of the various business units of South African Tourism.

The legal department is currently strategically and executively managed by the office of the Chief Operations Officer (COO). The office of the COO, in close conjunction with the contracts attorney, is currently working on a number of exciting strategies and projects to reinforce the role and value of a more robust and diversified legal services office.

Part B: Performance information continued

Internal audit report



Freddie Mitchell, Internal Audit Manager

The internal audit unit is an integral part of South African Tourism's good governance structure. The unit continually strives to assist those charged with governance to discharge their mandate.

During the 2012/13 financial year, the internal audit unit successfully conducted internal audit assignments based on a "risk-based audit approach", which is outlined in the approved internal audit plan.

A number of ad-hoc audit assignments were requested by those charged with governance. The success of these is evident through a notable improvement in the effectiveness of internal controls, good governance and improved compliance within South African Tourism.

The improvement is mainly due to the commitment to good governance by South African Tourism's leadership.

Our risk-based audit plan focused mainly on the following points, which are fundamental to South African Tourism, as required by Treasury Regulation 27.2:

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

The internal audit unit is an integral part of South African Tourism's good governance structure. The unit continually strives to assist those charged with governance to discharge their mandate. Our success is informed by the following key strategies adopted by the unit:

- Ensuring quality control on all South African Tourism's internal audit reports.
- Adherence to the professional code of conduct and international internal audit standards.
- Ensuring a comprehensive risk assessment that is accurate and complete, focusing on those risks that will negatively affect the sustainability of South African Tourism in the long term.
- Effective stakeholder relationship management.
- Ensuring continuous professional development of the audit team that is benchmarked by national and international institutions.

Our relationship and effective engagement with the Auditor-General, management and the Audit Committee ensure efficiencies and circumvent duplications of assurance between South African Tourism and the Auditor-General.

Research report



Mathabo Phomane, General Manager Strategic Research

The role of the strategic research unit has become a very important component of South African Tourism as larger numbers of roleplayers within the tourism sector rely on its research-driven strategic focus; this helps the sector monitor the market and provide insights in a dynamic and competitive global tourism market.

Research studies conducted during 2012

Led by our research into tourist growth trends across the globe and to consolidate our knowledge, we conducted consumer insights studies for the following markets: France, the Netherlands and Brazil. We also conducted route-to-market studies in West Africa (Ghana and Nigeria) and East Africa (Kenya, Tanzania and Uganda).

The insights derived from these studies are now shaping our new strategies going into the next three-year planned cycle.

We also continue to obtain better insights into our domestic market – insights derived from our domestic survey indicate that even though the number of travellers has slightly decreased, an increase in tourist length of stay and increase in spend was recorded.

A high VFR (visiting friends and relatives) incidence is still experienced with the domestic traveller. This is an indicator that an opportunity is available for exploring

further the needs of this segment, as well as the lower end of the market for accommodation and products suited to the needs and tastes of domestic market segments.

Our monthly departure survey, which measures tourist arrivals and domestic activity at South Africa's major airports and ports of entry, continues to be a performance barometer of the tourism industry used by the private sector, government agencies and the tourism trade to gather greater insights.

Our research strategy going forward

The role of the strategic research unit has become a very important component of South African Tourism as larger numbers of roleplayers within the tourism sector rely on its research-driven strategic focus; this helps the sector monitor the market and provide insights in a dynamic and competitive global tourism market.

Part B: Performance information continued

Research report continued

Our vision for the strategic research unit is for it to become a one-stop shop not only for research data, but also a knowledge hub and market insights provider for all tourism stakeholders that rely on our data for their daily operations.

As a unit, we are building consultancy competency and capabilities to improve the understanding of new demands on the business. This year, we will be building our capabilities to adequately service the growth opportunities that are developing within the Meetings, Incentives, Conferences and Exhibition (MICE) sector.

We will also be launching a new tracking study for the National Convention Bureau that will monitor performance and provide insights to better enable and equip the unit in marketing South Africa as the best global MICE destination.

Research is also embarking on a new measurement for the Tourism Grading Council of South Africa (TGCSA). We are developing a model that translates the demand for total paid tourist accommodation required into the number of rooms and graded establishments required to satisfy the demand for paid accommodation, for both domestic and foreign tourists. This will go far in informing the hospitality sector and the TGCSA on the complete universe to service the tourist with quality products.

During the 2012/13 financial year we conducted our fifth portfolio review, which identified the most lucrative markets with regard to potential to invest in and extract the best returns. The analysis resulted in the identification of 51 countries as the most lucrative to form part of our four global market segments.

We also clustered our markets into 15 strategic hubs to link and combine markets of strategic importance to realise a greater return on investment. Factors considered in combining markets include combined outbound travel, proximity, air links, language and culture.

We are well placed to continue providing more insightful research to all our stakeholders and to better equip South African Tourism to be agile and to respond to changing consumer demands.

Finance report



Johan van der Walt, Chief Financial Officer

During the financial year under review, the financial management sub-business unit continued to assist all business units and country offices in ensuring that all their day-to-day transactions complied with legislation and the organisation's policies and procedures.

The finance business unit, under the control of the Chief Financial Officer, consists of the following sub-business units:

- Financial management (reporting to the Manager: Finance – Head Office)
- Financial compliance (reporting to the Manager: Financial Compliance)
- Supply chain management (reporting to the Supply Chain Manager)
- Payroll management (reporting to the Manager: Payroll)

Finance and Administration Managers in country offices directly report to their relevant Country Managers, but have a dotted reporting line to the Manager: Finance in Head Office.

Financial management

The financial management sub-business unit supports the operational activities of the organisation and is responsible for the accounting, consolidation and reporting of all transactions within the organisation. Reporting takes

place to both internal business units and external stakeholders including the National Department of Tourism, National Treasury and the Tourism Business Council of South Africa.

The financial management sub-business unit is also responsible for the enhancement of systems of internal control, recording of fixed-asset related transactions and treasury management.

During the financial year under review, the financial management sub-business unit continued to assist all business units and country offices in ensuring that all their day-to-day transactions complied with legislation and the organisation's policies and procedures.

We also work closely with other support units of the organisation, including internal audit, management committees and office of the Auditor-General to improve on any internal control shortcomings that may expose the organisation to unacceptable risk that may lead to financial loss.

Part B: Performance information continued

Finance report continued

Some of the important developments within the unit of which to take note:

- Opening of a separate set of management books in Oracle finance system for Nigeria and Angola. Finances for these units are currently managed from head office until the offices are formally established in the new financial year.
- Effective 1 April 2013, we will also have a separate set of books for Kenya and Brazil where new offices will be opened. Finances will initially also be managed from head office until formal offices are established.
- Training of South African Tourism employees on all key South African Tourism policies with particular focus on the revised Delegation of Authority document, the revised corporate governance policy, the revised supply chain policy and other finance-related policies and procedures.
- We are also in the process of implementing the TM1 reporting tool. The main aim is to provide real-time reports based on information extracted from a number of SA Tourism's databases and which can be refreshed on request to provide management with daily real-time data needed for decision-making. The tool will also be used to automate some of the manual processes currently being followed in the organisation, an example being budget reallocation requests.

Financial compliance

This sub-business unit, in addition to assisting the organisation with the recording of transactions in an IFRS-compliant way, is also responsible for compiling consolidated annual financial statements that meet all IFRS criteria and to assist with the management of the performance information management system in the organisation in such a way that unqualified performance information external audit reports can be obtained.

South African Tourism's commitment and vigorous compliance with all applicable financial legislations including SA GRAP (and in the absence of an SA GRAP statement,

IFRS), PFMA and National Treasury Regulations, has ensured that we have achieved exceptional internal and external audit results. With the ever-changing challenges and complexity of accounting standards, South African Tourism has achieved its 12th unqualified no-matter-of-emphasis audit report from the Auditor-General for the 2012/13 financial year. This is the record amongst 800-plus government entities in South Africa.

Supply chain management

Unlike other government entities, South African Tourism has a decentralised supply chain function where country offices and business units are empowered to do their own procurement within the supply chain management policy of the organisation. There is therefore no centralised buying function and the Manager: Supply Chain at Head Office focuses on the overall co-ordination and administration of tenders, the administration of travel procurement within the organisation and the management of the database of preferred suppliers. In compliance with Treasury Regulations, the Manager: Supply Chain reports to the Chief Financial Officer.

The primary objectives of the supply chain management business unit are to ensure:

- that tenders within the organisation are properly compiled, issued, evaluated and awarded;
- that the organisation only does business with entities that have been added to its preferred suppliers database and have provided valid tax clearance and BEE certificates;
- that travel-related supporting documentation is properly received, duly approved and processed for payment;
- that challenges related to logistics and procurement in operational business units have appropriate and practical solutions. It also ensures that everything moves as smoothly as possible by co-ordinating and collaborating with stakeholders, partners, service providers, and customers to integrate supply and demand within and across the organisation.

Partnering with leading logistics and transportation solutions companies, locally and abroad, contributed immensely to our key successes in the logistics and transportation areas.

South African Tourism also has four strategic warehouses across the globe. These are in Phoenix, Arizona (United States), Frankfurt (Germany), Mumbai (India) and Sydney (Australia). The Mumbai warehouse was set up to accommodate the immense Indian market and is currently managed by the India office. The logistics solutions in the US and Germany are managed by Infox, while Australia is managed by Tiffs.

Logistic solutions are in place to support the call centre in South Africa as well as events rolled out globally by South African Tourism.

When a consumer call is logged at the call centre in South Africa, appropriate collateral is determined according to the consumer's needs. The order is sent electronically to a suitable warehouse where it is then picked, packed and distributed to the consumer, arriving at their convenience. The system has proved highly successful, and continues to grow in relation to the marketing strategies implemented by South African Tourism.

One of the aims of the logistics division is to offer the kind of exceptional support that ensures that all South African Tourism's marketing campaigns are successful. This means all the relevant collateral must be picked, packed and dispatched on time. Customs clearance must be managed in accordance with country-specific laws and it is imperative that we have full control over shipments at any given time.

South African Tourism makes use of a reputable travel management agency to meet the need for consistent, reliable, highly organised and cost-effective travel arrangements locally and abroad. Quarterly travel plans have been introduced to bring greater buying power to the organisation, support cost-cutting measures and increase control over spending.

The procurement module of Oracle (Release 12) financial solution is being used to track South African Tourism's total obligations and commitments at any given time. This makes budgetary control "real-time" and accurate and also reduces the turnaround period between the time of sourcing quotations and getting purchase orders approved.

Payroll management

SA Tourism payroll makes use of the Softline VIP Premier system, which is upgraded on a regular basis to be up to date with and comply with any regulatory changes, including tax laws. Staff using the system are trained on a regular basis when these changes occur.

Together with payroll, we are using the Genesis Employee Self Service system. The ESS system allows our staff to apply for leave online as well as other online services such as reports, payslips, IRP5s and personal information can be updated. This ESS system is available in all our offices world-wide. With this payroll and leave system we offer our staff a professional service that is available anywhere, anytime.

Due to payroll differences between countries, the overseas offices use payroll agencies where necessary as it is important to comply with overseas legislation.

Part B: Performance information continued

Performance information by programme

Consolidated South African Tourism performance information report for the March 2013 quarter

Strategic objective	Measure/indicator	Previous year achievements 2011/2012
Programme 1: International portfolios: Invest only in applicable marketing projects in selected markets to deliver volume and value	GOAL 1 Number of annual arrivals to South Africa for the 2012 calendar year	12 255 155
	Number of domestic travellers per year	13.9 million
	GOAL 2 Average spend per arrival	R8 600 (TFDS)
	GOAL 3 Average brand awareness percentage	79%
Programme 2: Head office marketing: Convince trade, through appropriate engagement with stakeholders, using appropriate media platforms, amplifying South Africa's unique features as a venue for meetings, incentives, conferences and exhibitions and delivering on the tourists' expectations when visiting and therefore re-affirm the brand promise, that SA can be trusted to deliver memorable quality experiences	GOAL 3 Average brand awareness percentage	79%
Programme 3: Tourism Grading Council of South Africa Convince consumers, through the application of implemented world-class grading criteria, grading software, the execution of world-class grading, appropriate engagement with prospective clients via assessors and appropriate media platforms, that they should grade their tourism products	GOAL 4 Total number of properties graded during the 2012/13 financial year	4 886
Programme 4: Head office finance Continuously improve internal policies, procedures and business processes and ensure vigorous compliance with it by its employees on a continuous basis	Compliance with policies and procedures	Achieved an unqualified audit report for the year ending March 2011
	GOAL 5 Budget spend	
	SAT annual staff turnover rate	Actual average resignation rate of 2.5%

* For the period January to December 2012.

Annual target 2012/2013	Actual achievements 2012/2013	Deviation from annual target to actual achievement for 2012/2013	Reasons for deviation
11 922 201	13 451 565*	1 529 364 (increase 12.8%)	Strategic investment done in emerging markets has yielded results Arrivals from Regional Africa have remained buoyant Our increased focus on BRICS countries has resulted in phenomenal growth
14 440 000	12.5 million	(1.94 million)	Reduced trips attributed to affordability and higher fuel costs Increase in CPIX impacting on disposal income
R12 536 (NITS)	R12 800* (NITS) R8 200* (TFDS less capex)	264	Spend by visitors from the Americas, Asia and Australia as well as Europe have all increased and were driven mainly by the increase in arrivals as well as the weaker Rand
79%	81%	2%	Positive impact of our global media mix has driven awareness in UK (94%), Netherlands (89%), USA (84%), Australia (83%) and Nigeria (81%) (Source: SRU Brand 2012 Actual)
6 172	6 022	150	The assessors were in the process of persuading the 150 properties to get graded as they were in the records as "hot leads" during the transition into the new membership system
Unqualified annual external audit report	Achieved an unqualified audit report for the year ending March 2012		Target achieved
Spend no less than 98% or no more than 102% of consolidated annual approved budget for 2012/2013	99.95% budget spent		Target achieved
No more than 10%	Staff turnover 12.5% average	25%	Redundancy due to closure of business events business unit Staff dismissal Staff are also seeking other opportunities

Part B: Performance information continued

Strategic objective	Measure/indicator	Previous year achievements 2011/2012
Programme 5: Head Office Support Continuously improve internal communication and promote a culture of staff members living the values of the organisation. Ensure that the activities of the National Conventions Bureau prioritise the supporting of innovative bids to attract meetings, incentives, conference and exhibitions to South Africa	SAT average total score in the small organisation section of Annual Deloitte Best Company to Work for Survey (which measures living SAT values to some extent)	Achieved an average score of 3.55
	Activate all Convention Bureau Business Unit services including bid support site-inspections, delegate boosting activities and on-site event support	Not applicable because National Convention Bureau was not in existence
GOAL 6		

**For the period January to December 2012*

Summary of financial information

Strategy to overcome areas of underperformance

A new domestic campaign is in the process of being adopted to assist in improving the interest in domestic tourism. We are working hard to ensure that travel and tourism becomes attainable for ordinary South Africans. A new remuneration policy has been implemented which should improve staff retention. South African Tourism will participate in the Deloitte Best Company to Work for Survey in the 2013/14 financial year.

Linking performance with budgets

Programme name	2012/2013			2011/2012		
	Budget R'000	Actual expenditure R'000	(Over)/under-expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/under-expenditure R'000
International portfolios	439 661	388 664	50 997	366 358	351 527	14 831
Head office marketing*	275 193	371 080	(95 887)	267 042	420 978	(153 936)
Tourism Grading Council of South Africa	42 165	41 111	1 054	39 779	25 059	14 720
Head office finance	39 786	20 492	19 294	37 534	28 538	8 996
Head office support	115 274	157 749	(42 475)	109 834	37 193	72 641
Total	912 079	979 096	(67 017)	820 547	863 295	(42 748)

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

Annual target 2012/2013	Actual achievements 2012/2013	Deviation from annual target to actual achievement for 2012/2013	Reasons for deviation
3.3	Not applicable		Board decision not to participate in 2012/13 but focus on implementation of 2011/12 findings
Activate all Convention Bureau Business Unit services including bid support site inspections, delegate boosting activities and on-site event support so that the following can be achieved during the 2012/2013 financial year: (ii)(a) Source and submit 30 bids with total number of 18 000 delegates and a total financial (value) impact of R162 million (in conjunction with other convention bureaus in South Africa) by 31 March 2013; and (ii)(b) Complete the development of a database of leads within the CRM system by 31 March 2013	52 587 delegates 46 bids submitted Financial impact of bids submitted – R1 043 193 200 Simple view appointed as CRM service provider	34 587 delegates 16 bids R881 193 200	Success achieved due to: Increase in association meetings Increased number of bids and leads





Part C: Governance report

Introduction

Good corporate governance is essentially about accountability and effective leadership. It requires leadership that is able to own up to responsibilities and integrate decision-making, strategy setting and striving for organisational sustainability. It also calls for an inclusive and collaborative approach with stakeholders that are founded on the need for effective dialogue and engagement.

South African Tourism considers sound and good corporate governance practice as integral to good performance. We at South African Tourism are committed to promoting sustainable confidence in our conduct as an organisation and as a corporate citizen.

While the board oversees the overall process and structure of corporate governance, each business unit and every employee worldwide within the organisation is responsible for promoting good corporate governance practices.

In formulating our governance framework, we apply leading corporate governance practices pragmatically, so as to:

- Prioritise the achievement of the strategic objectives of South African Tourism in accordance with its statutory mandate.
- Exercise effective review and monitoring of our activities.
- Enhance the world market's perception of us.
- Identify and mitigate significant risks, including reputational risk.
- Promote informed and sound decision-making.
- Protect our brand.
- Secure the trust and confidence of all stakeholders.
- Lead to effectiveness, efficiency, responsibility and accountability.
- Ensure legal and regulatory compliance.
- Ensure sustainable business practices, including social and environmental activities.
- Disclose the necessary information to enable all stakeholders to make a meaningful analysis of our actions.

Our values and philosophies are the framework against which we measure behaviour, practices and activities, to assess the characteristics of good governance. Our corporate values require directors and employees to behave with integrity, consistently and uncompromisingly displaying moral strength and conduct which promotes trust.

South African Tourism is guided in its commitment to the principles of good corporate governance by the King Code and Report on Corporate Governance in SA 2009. South African Tourism's international business units operate in accordance with the corporate governance recommendations of their jurisdictions, but with clear reference at all times to the organisation's values and culture.

South African Tourism constantly reviews and adapts its governance structures and processes to ensure that cognisance is taken of local and international standards of best practice and developments within the entity. In supporting the code, the board members recognise the need to conduct the enterprise with integrity and in accordance with generally accepted corporate practices.

South African Tourism is a Schedule 3A Public Entity, and therefore adheres to the rules and regulations as set out in the Public Finance Management Act, Act 1 of 1999 and applicable Treasury Regulations.

Board and directors

South African Tourism is governed by a unitary board of directors, comprised a majority of non-executive directors and chaired by a non-executive director. The role of the Chair of the board and the Chief Executive Officer (CEO) are separate and are currently filled by non-executive director Frank Kilbourn and executive director, Thulani Nzima, respectively.

The board is appointed by the Minister of Tourism for a period of three years. In order to ensure continuity, the Minister endeavours to reappoint at least 50% of non-executive members who have previously served on the board, to every new board. A procedure for appointment to the board is formal and transparent and includes criteria such as racial and gender diversity. The current board was established from 1 June 2012 for three years ending 31 March 2015.

The South African Tourism board comprises 13 members, two of whom are executive and 11 non-executive members. The names and credentials of the directors are detailed on pages 6 and 7 of the annual report.

The board is assisted by six board committees, duly established according to the principles of King Report to Corporate Governance and the Public Finance Management Act. These six board committees are the Chairpersons' Committee (Chairco), Marketing Committee, Remuneration Committee, Audit and Risk Committee (ARCO), TGCSA Awards Committee and the National Convention Bureau Marketing Sub Committee (which reports to the Marketing Committee). The board, in its capacity as the Accounting Authority of South African Tourism, is charged with the responsibility for the oversight of governance. The board has the authority to lead, control, manage and conduct the business of South African Tourism.

The directors are individuals of high calibre with diverse backgrounds and expertise, facilitating independent judgement and effective deliberations in the decision-making process. Directors are appointed on the basis of skill, acumen, experience and level of contribution to and impact on the activities of the entity. On appointment, all directors are provided with guidance as to their duties, responsibilities and liabilities as a director of the organisation and also have the opportunity to discuss organisational, operational and administrative matters with the Chairman, the CEO and the Senior Management. It is also to the discretion of the board to summon anyone within the organisation to either question or request specific information.

Board Charter roles and responsibilities

The role of South African Tourism's board is to ensure the proper and efficient performance of South African Tourism's functions within an environment of sound corporate governance. The board accordingly ensures that appropriate structures for those authorities delegated to management and board committees are in place, accompanied by monitoring and reporting systems. Each standing board committee has specific terms of reference approved by the board and are adopted by the committee. All committee chairpersons report verbally on the proceedings of their committees at the next meeting of the board.

The Board's primary responsibilities, based on predetermined assessment of materiality, include:

- Ensuring good corporate governance is applied within South African Tourism at all times. The criteria for this should be guided by the recommendations of the prevailing good corporate governance provisions for South Africa.
- Assisting and providing high-level input to executive management with the setting of strategic objectives for the organisation and the determination of high-level marketing strategy, taking into consideration the latest market intelligence, research and appropriate risk parameters. South African Tourism's budgets and resources are limited, and demand creative and intelligent strategies for success.
- Determining, delegating and reviewing from time to time, certain levels of authority and responsibility to 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, Tourism Act, and other relevant legislation and regulations that are applicable to business in general, in South Africa.
- Approval of a Performance Bonus System including performance criteria for all employees of South African Tourism.
- Ensuring that a model for succession planning is introduced for all executive management, all 13 business unit and sub business unit managers, and all country managers.
- Approving the remuneration associated with the statutory external audit.
- Ensuring that South African Tourism has sound operational and financial systems in place and manages risk appropriately at all times.
- Ensuring the preparation of annual financial statements which fairly present the results of South African Tourism.
- Annually measuring its performance as a whole and also its committees and the executive(s).
- Monitoring compliance with the Delegation of Authority and other ethical guidelines underpinned in the organisation's policies.
- Ensuring that every South African Tourism board member or staff member who sits on a South African Tourism tender committee (evaluation or adjudication committee) completes and signs a Declaration of Interest prior to the commencement of any South African Tourism board meeting, South African Tourism board Sub Committee meeting or Tender meeting.
- Ensuring that South African Tourism manages its business risks appropriately at all times.
- Ensuring that suitably qualified and experienced individuals are appointed as executive management of South African Tourism at all times.

Part C: Governance report continued

Board meetings

In order to effectively carry out its responsibilities, the board and its established Sub Committees meet at least three times per annum, and have met during the following months where the main agenda points are as detailed below:

Meeting	Main agenda items
May 2012 board meeting:	<ol style="list-style-type: none"> 1. Approval of annual financial statements and annual report. 2. Approval of remuneration increases and annual performance bonuses. 3. Any changes requested to the Delegation of Authority, Remuneration and Supply Chain Management Policies Review CEO report.
August 2012 board meeting:	<ol style="list-style-type: none"> 1. Approval of the first draft of the updated strategic plan for the next five years including budget parameters. 2. Approval of the first draft consolidated South African Tourism Annual Performance Plan (previously known as the Business Plan and Budget) including the Materiality Framework. 3. Approval of the first draft high-level South African Tourism consolidated KPAs and targets for the next financial year (for performance information audit and performance bonus purposes). 4. Review of effectiveness of the board, its committees, every individual board member, the CEO and EXCO and the internal audit division. 5. Review of the global marketing strategy of South African Tourism based on latest market intelligence. 6. Any changes requested to the Delegation of Authority, Remuneration and Supply Chain Management Policies. 7. Review CEO's report (distributed in board pack prior to board meetings, and include the following information: (1) the key challenges in growing tourism arrivals with less funds (budget) available; and (2) any changes to the risks that appear in the organisation's risk register.
November 2012 board meeting:	<ol style="list-style-type: none"> 1. Approval of the second draft of the updated strategic plan for the next five years including budget parameters. 2. Approval of the second draft consolidated South African Tourism annual performance plan (previously known as the business plan and budget) including the materiality framework. 3. Approval of the second draft high-level South African Tourism consolidated KPAs and targets for the next financial year (for performance information audit and performance bonus purposes).
February 2013 board meeting:	<ol style="list-style-type: none"> 1. Approval of internal and external audit reports. 2. Approval of reviewed and updated risk registers (top ten strategic risks). 3. Approval of updated three-year rolling internal audit plan. 4. Approval of updated Delegation of Authority.

The board and its committees are provided with full and timely information, including detailed financial information, at least one week before every meeting. The current Chairperson of the board is Mr Frank Kilbourn.

The names of the board members and attendance at board meetings are set out below:

Board member	Sub committee	May 2012	August 2012	November 2012	February 2013	Attendance
Mr Jabu Mabuza	+^E1	√				1/1
Ms Yvonne Johnston	*E1	√				1/1
Mr Michael Lutzeyer	*^E1	√				1/1
Ms Amor Malan	^*E1	√				1/1
Mr Iraj Abedian	^E1	√				1/1
Mr Brett Dungan	*~E1	√				1/1
Mr Peter Bacon	~E1	–				0/1
Mr Frank Kilbourn	+^	√	√	√	√	4/4
Mr Zwelibanzi Mntambo	+^	√	√	√	√	4/4
Mr Thulani Nzima	*+^	√	√	√	√	4/4
Mr Johan van der Walt	*+^	√	√	√	√	4/4
Ms Sizakele Mzimela	^	√	√	√	√	4/4
Mr Dirk van Schalkwyk	+^	√	√	√	–	3/4
Ms Tumi Makgabo	*	–	√	√	√	4/4
Mr Allan Moore	*N1		√	–	√	1/3
Dr Ayanda Ntsaluba	^N1		√	√	√	3/3
Mr Graham Wood	^N1		√	√	√	3/3
Mr Kananelo Makhetha	*N1		√	√	√	3/3
Ms Nomaxabiso Majokweni	*N1		√	√	–	2/3
Mr Thebe Ikalafeng	*N1		√	√	–	2/3

+ Member of the Remuneration Committee

^ Member of the Audit Committee

* Member of the Marketing Committee

~ Member of the Quality Assurance Committee

– Apology received from board member

√ Meeting was attended

^{E1} Board member's terms of office ended 31 May 2012

^{N1} Board member appointed 1 June 2012

Evaluation of performance

A formal evaluation of the board's performance and effectiveness is carried out every year during the annual two-day board Lekgotla in August. The board assessment questionnaire is based on the requirements of King Report and template issued by the Institute of Directors. This process is led by the Chairperson of the board, supported by the respective board committee chairpersons.

All outputs from the evaluation process are reviewed by the Chairperson and other respective board committee chairpersons, who then makes a conclusion on whether the board and its committees are operating effectively and efficiently and determine areas and actions to be taken to improve inefficiencies.

Conflicts of interest

Members of the board are required to disclose to the board timeously of conflicts or potential conflicts of interest that they are aware of or that may arise in the course of discharging of their fiduciary responsibilities. Directors are obliged to withdraw themselves from discussions or decisions on matters in which they have a conflicting interest, unless resolved otherwise by the remaining members of the board. Directors are required to disclose their shareholdings in the company, their other directorships, and their interests in contracts that South African Tourism may conclude or may already have concluded, at least annually and as and when changes occur. Declarations of interest are tabled at each board meeting, updated as and when necessary.

Part C: Governance report continued

Board committees

South African Tourism is governed by a unitary board of members directors assisted by the following committees:

- Chairpersons' Committee
- Marketing Committee
- Remuneration Committee
- Audit and Risk Committee
- TGCSA Awards Committee
- National Convention Bureau Marketing Sub Committee (that reports to the Marketing Committee)

Chairpersons' Committee

The Chairpersons' Committee consists of the Chairpersons of the board, Marketing Committee, Audit and Risk Committee, TGCSA Awards Committee and the National Convention Bureau Marketing Sub Committee (that reports into the Marketing Committee). This committee meets as and when required.

Marketing Committee

The committee comprises six non-executive directors, all members of the Executive Committee and is chaired by Ms Tumi Makgabo. Membership of this committee and attendance at these meetings are as follows:

Marketing Committee meetings 2012/13

Name	28 May 2012	22 August 2012	20 February 2013	Attendance
Yvonne Johnston	√	E1	E1	1/1
Amor Malan	√	E1	E1	1/1
Peter Bacon	–	E1	E1	0/1
Michael Lutzeyer	–	E1	E1	0/1
Janine Hutton	N1	N1	√	1/1
Roshene Singh	√	√	N1	2/2
Frank Kilbourn	N2	√	√	2/2
Kananelo Makhetha	N2	√	√	2/2
Allan Moore	N2	√	√	2/2
Thebe Ikalafeng	N2	√	–	1/2
Nomaxabiso Majokweni	N2	√	–	1/2
Tumi Makgabo	–	√	√	2/3
Thulani Nzima	–	√	√	2/3
Johan van der Walt	–	√	√	2/3
Timothy Scholtz	–	√	√	2/3
Thembi Kunene	√	√	–	2/3
Amanda Kotze-Nhlapo	√	√	–	2/3

– Committee member was absent from the meeting

√ Meeting was attended

^{N1} Ms Roshene Singh resigned 30 November 2012 and Ms Janine Hutton took over as Chief Marketing Officer

^{N2} Committee members appointed 22 August 2012

^{E1} Board members term of office ended 31 May 2012

The following people are permanent invitees to all Marketing Committee meetings:

- Chief Operating Officer of South African Tourism
- Chief Marketing Officer of South African Tourism

The Marketing Committee reports on its activities and makes recommendations to the board.

The Marketing Committee has adopted the following terms of reference:

- Review the revised five-year Strategic Plan of South African Tourism, which includes South African Tourism's strategies, high-level action plans and targets, covering the next financial year plus another four financial years and make appropriate recommendations to the board.
- Review and recommend the approval to the board of all primarily marketing policies, including branding, in South African Tourism that will have no financial implication or a financial implication covered by the approved budget.
- Review all primarily marketing policies in South African Tourism, including branding, which will have a financial implication if not covered by the approved budget.

- In terms of the Annual Performance Plan and Budget of South African Tourism, review significant changes to mainline expense items as approved by the CEO.
- Review and discuss South African Tourism Business Plans and Budgets for new financial years and make applicable recommendations to the board.
- Review proposed parameters for the next MTEF period's Business Plan and Budget of South African Tourism, and make applicable recommendations to the board.

Remuneration Committee

The committee comprises four non-executive directors, the Chief Executive Officer and is chaired by Mr Frank Kilbourn. King Report stipulates that the Chairman of the board may not be the Chairman of the Remuneration Committee. South African Tourism does not comply with this requirement as the board of South African Tourism are of the opinion that it would be in the best interest of the organisation if the Chairman of the board is also the Chairman of the Remuneration Committee. Membership of this committee and attendance at these meetings is disclosed below:

RemCo meetings 2012/2013

Name	28 May 2012	22 August 2012	20 February 2013	Attendance
Jabu Mabuza	√	N1	N1	1/1
Sizakele Mzimela	√	N1	N1	1/1
Frank Kilbourn	√	√	√	3/3
Zwelibanzi Mntambo	√	√	√	3/3
Dirk van Schalkwyk	√	√	–	2/3
Thulani Nzima	√	√	√	3/3
Timothy Scholtz	√	√	√	3/3
Johan van der Walt	√	√	√	3/3

– Committee member was absent from the meeting

√ Meeting was attended

^{N1} Committee member term of office ended 31 May 2012

Part C: Governance report continued

The following people are permanent invitees to all Remuneration Committee meetings:

- Chief Operating Officer of South African Tourism
- Chief Financial Officer of South African Tourism

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

The committee is responsible for the assessment and approval of a broad remuneration strategy for South African Tourism, the determination of performance bonuses, the positioning of pay levels relative to local and international benchmarks, and the assessment and authorisation of specific remuneration-related proposals made by the CEO.

The Remuneration Committee's overall strategy is to ensure that employees are rewarded for their contribution to South African Tourism's operating and financial performance, at levels which take account of industry, market and country benchmarks, and that value-adding employees with specific skills and experience are kept within the organisation.

The Remuneration Committee has adopted the following terms of reference:

- Review proposed changes to the approved organogram of South African Tourism and make applicable recommendations to the board.
- Review all primarily HR policies in South African Tourism that will have no financial implication or a financial implication covered by the approved budget.

- Review all primarily HR policies in South African Tourism that will have a financial implication not covered by the approved budget.
- Approve proposed remuneration changes within budget (annual inflation increases, designation increments and any other changes to total-cost-to-company packages).
- Recommend 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) after having reviewed such changes.
- Review, discuss and approve all proposals from the CEO concerning the payment of performance bonuses.
- Review proposed parameters for the next MTEF period's Annual Performance Plan and Budget of South African Tourism and make applicable recommendations to the board (at the August meeting).

Audit and Risk Committee

The committee comprises six non-executive directors and is chaired by Mr Zweli Mntambo. King Report stipulates that the Chairperson of the board may not be a member of the Audit and Risk Committee. South African Tourism did not comply with this requirement until 31 May 2012 (when Mr Frank Kilbourn was still the Audit and Risk Committee Chairman) as the board of South African Tourism was of the opinion that it would be in the best interest of the organisation if the Chairman of the board was also a member of the Audit and Risk Committee. Membership and attendance of this committee and attendance at these meetings is set out below:

Audit and Risk Committee meeting 2012/13

Name	28 May 2012	Special meeting 26 July 2012	22 August 2012	21 February 2013	Attendance
Jabu Mabuza	√	N1	N1	N1	1/1
Iraj Abedian	√	N1	N1	N1	1/1
Sizakele Mzimela	√	-	√	√	3/4
Zwelibanzi Mntambo	√	-	√	√	3/4
Dirk van Schalkwyk	√	√	√	-	3/4
Thulani Nzima	√	√	√	√	4/4
Johan van der Walt	√	√	√	√	4/4
Frank Kilbourn	√	√	√	√	4/4
Graham Wood	N2	√	√	√	3/3
Ayanda Ntsaluba	N2	√	√	√	3/3

– Board member was absent from the meeting

√ Meeting was attended

^{N1} Committee member term of office ended 31 May 2012

^{N2} Committee member appointed 1 June 2012

The following people are permanent invitees to all Audit and Risk Committee meetings:

- Chief Operating Officer of South African Tourism
- Internal Audit Manager of South African Tourism
- Senior Representative from the Auditor-General's Office

This committee will primarily assist the board by providing assurance of the adequacy and efficiency of South African Tourism's internal control systems in respect of both the organisations' direct affairs in South Africa and at its offices abroad.

The committee has the power to examine any financial, operating and strategic matters relating to the operations of South African Tourism. This includes reviewing and approving the annual financial statements and accounting policies, compliance and regulatory matters, internal audit unit reports and other related issues. Internal audit structures in South African Tourism include all internal auditors who report directly to the Audit Sub Committee. Administrative matters concerning internal audit are managed by the Chief Operating Officer.

The Audit and Risk Committee has adopted the following terms of reference:

- To establish formal and transparent arrangements for considering how it should apply financial reporting and internal control principles, and to maintain an appropriate relationship with the company's auditors.
- To review, and challenge where necessary, the annual financial statements before their submission to the board for approval.
- To examine and review the internal control environment within the organisation, and review 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 system in respect of both the organisation's direct affairs in South Africa and at its offices abroad.
- To approve the remuneration and terms of engagement of the external auditors.
- To review 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.
- To review the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

- To review its terms of reference from time to time and make appropriate recommendations to the board.
- To engage in ensuring that appropriate standards of governance, reporting and compliance are being met.
- To advise 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, IFRS.
- To review proposed changes to the Delegation of Authority and make applicable recommendations to the board.
- To review all primarily non-HR and non-marketing policies in South African Tourism that will have a financial implication not covered by the approved budget.
- To review and discuss all internal audit reports, which should include management responses.
- To review and discuss the internal audit business plan and budget, which should include all planned audits to be undertaken during the next financial year.
- To review and discuss the internal audit framework, which should include the internal audit approach.
- To review and discuss the final management letter of the external auditors, including management responses, following the statutory annual audit of South African Tourism's financial records (at the May meeting).
- To review new proposed accounting policies and approve them.

The Internal Audit Manager has direct access to the chairperson of the Audit and Risk Committee.

The effective and efficient functioning Audit and Risk Committee provides the following significant advantages to South African Tourism:

- The improvement of the quality and enhancement of the credibility of the financial reporting process of the entity.
- The improvement of control in the entity.
- The promotion of communication between the directors, auditors and management.
- The strengthening of visible independence of the external auditors, through the credibility of the annual financial statements.
- The improvement of the performance of the external auditors and the quality of the audit process.

Based on its deliberations during the reporting period, the committee is satisfied with the level of independent assurance that it has received, and believes that South African Tourism's risk management and internal control processes are adequate and are functioning effectively.

Part C: Governance report continued

TGCSA Awards Committee

The TGCSA Awards Committee has a maximum of 10 non-executive members and is chaired by Mr Graham Wood who is an independent non-executive member. Membership of this committee and attendance at these meetings is set out below:

Name	15 March 2012	17 April 2012	18 May 2012	14 June 2012	15 August 2012	07 March 2013	Attendance
Peter Bacon	–	√	√	N1	N1	N1	2/3
Brett Dungan	√	√	√	N1	N1	N1	3/3
Mzi Gcanga	√	–	√	N1	N1	N1	2/3
Julian Smith	√	–	√	N1	N1	N1	2/3
Smangele Nhlapo	√	√	√	N1	N1	N1	3/3
Ahmed Chothia	√	√	√	N1	N1	N1	3/3
Phillip Thompson	√	√	√	N1	N1	N1	3/3
Thembi Kunene	√	√	√	√	√	√	7/7
Tony Hazel	–	√	√	√	√	√	6/7
Jegie Padmanathan	√	–	–	√	√	√	5/7
Alan Romburgh	√	√	√	√	√	√	7/7
Graham Wood	N2	N2	N2	√	√	√	4/4
Nina Freysen-Pretorius	N2	N2	N2	√	√	√	4/4
Mark Goveia	N2	N2	N2	√	√	√	4/4
Julie Joe Ndlovu	N2	N2	N2	√	√	√	4/4
Caroline Ungersbock	N2	N2	N2	√	√	√	4/4
Yusuf Patel	N2	N2	N2	√	√	√	3/4
Nyeleti Mushwana	N2	N2	N2	√	√	√	4/4
Amor Malan	N2	N2	N2	√	√	√	4/4
Nonhlanhla Tshabalala	N2	N2	N2	√	√	√	4/4

– Apology received from committee member

√ Meeting was attended

^{N1} Committee member term of office ended 30 April 2012

^{N2} Committee member appointed 1 June 2012

The Tourism Act allows the Minister to delegate authority to establish a grading system for tourism establishments. The authority is delegated by the board to the TGCSA Awards Committee in terms of section 18(5) of the Tourism Act, ie to grant authority to the person conducting the establishment to use and display in respect of that establishment the prescribed insignia, which shall include a depiction or depictions of a star or a number of stars which indicate the grading awarded in respect of that establishment in terms of the scheme. This will be the only function of the committee.

The TGCSA Awards Committee has adopted the following terms of reference:

- To closely monitor the relevance, effectiveness and efficiency of the grading system and to make recommendations to the Chief Quality Assurance Officer, the CEO and when necessary the board of South African Tourism, 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.

- To review and update the grading minimum requirements for the TGCSA star grading system for each category and star grading level of graded establishment.
- To review and update the grading criteria for the TGCSA star grading system for each category and star grading level of graded establishment.
- To oversee a tri-annual formal review process of the minimum requirements and grading criteria referred to above and ensure that there is appropriate stakeholder consultation and involvement in the process.
- To receive and decide upon appeals received from establishments appealing against the grading awarded to them.

- To ensure 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.
- To review and advise on the five-year strategic plan, annual performance plan as well as the marketing plan for the TGCSA through the Awards Committee's participation in the annual strategic meeting and/or any other interventions.

National Convention Bureau Marketing Sub Committee

On 1 November 2012, the board approved the terms of reference for this new committee, of which the board of South African Tourism will appoint the members from the players in the business events industry, taking into consideration nominations received from industry. The tenure of the SANCB Marketing Sub Committee will be in line with the South African Tourism board.

The objective of the SANCB Marketing Sub Committee will be to ensure an enhanced industry presence and credibility with all stakeholders. It will also create a platform for the SA business events industry to advise and ensure collaboration concerning programmes for sales, lead development and marketing activities of the SANCB.

The Chairperson of the SANCB Marketing Sub Committee will be an appointed member of the board of South African Tourism and report to the Marketing Committee on the activities of the SANCB Sub Committee.

Terms of reference

The key objective of the SANCB Marketing Sub Committee will be to establish a strong collaborative industry approach which will be required to market South Africa as a preferred destination for business events and to reach its full potential through industry participation.

The SANCB Marketing Sub Committee will provide stakeholders with advice and input from the South African business events Industry which will include all aspects of organising business events in South Africa.

The SANCB Marketing Sub Committee will provide participation from the industry in terms of corporate programmes that will maximise the positioning of South Africa as preferred business events destination.

The SANCB Marketing Sub Committee will also provide 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.

The SANCB Marketing Sub Committee will also be responsible to co-ordinate input and industry support for SA business events development activities. These inputs will

focus on factors which the SA business events industry regards as important to grow the sector.

- Provide industry input into the organisation/operation of Meetings Africa.
- Advise and review SANCB brand essence and development of collateral.
- Advise and review the SANCB policies on lead distribution bidding.

The SANCB Marketing Sub Committee will also advise and review the strategic direction of business events team SA to support its aim of establishing South Africa as a preferred international business events destination.

The SANCB Marketing Sub Committee will advise and review the five-year strategic plan, annual performance plan as well as the marketing plan for the SANCB through the participation in the annual strategic meeting and/or other interventions.

In terms of key focus areas, the SANCB Marketing Sub Committee will be a collaborative forum of industry stakeholders that will advise the SANCB on the positioning of South Africa as an international business events destination.

The key recommended focus areas for the SANCB Marketing Sub Committee is accessing the activity levels of the South Africa business events industry, providing programme support for the industry and to provide guidance and input in terms of the positioning of South Africa in the global business events market.

The SANCB Marketing Committee focus will cover all elements related to the business events value chain in order to contribute to the development of the complete industry.

Composition of the SANCB Marketing Sub Committee

The composition of the NCB Sub Committee will consist of industry leaders from various segments of the business events supplier community and be a member of at least one of the industry organisations, namely SAACI, SITE or EXSA. The Chairperson will be a South African Tourism board member. The Sub Committee members should dispose of areas of knowledge, experience and expertise of the business events industry and should represent the various value chain elements of the business events industry:

- Attractions and social event establishments
- Airlines and all transportation services
- Venues
- Professional Conference Organisers (PCO)
- Destination Management Companies (DMC)
- Hotels
- All other service providers and suppliers to the business events industry

Part C: Governance report continued

The SANCB Marketing Sub Committee comprises a maximum of nine members:

- Seven (7) members possessing the skill and expertise outlined above
- The Executive Manager of the SANCB (1), being the ex officio senior manager at South African Tourism.

Following the approval by the board of the terms of reference for this new Sub Committee on 1 November 2012, the board resolved on 21 February 2013 to approve the appointment of the following members to this nine-member Sub Committee:

Name	Title
1. Mr Kananelo Makhetha	Chairperson and member of the South African Tourism board
2. Ms Amanda Kotze-Nhlapo	Ex officio – Executive manager Convention Bureau
3. Ms Mati Nyazema	Executive director at Sandton Convention Centre
4. Mr Clifford Ngakane	General manager at the Boardwalk Casino and Entertainment World
5. Ms Denise Kemp	Owner of Eastern Sun Events, accredited international professional conference organiser
6. Mr Eleanor Bloem	Managing director at Travel Motives and ThunderMark (Pty) Limited, Destination Management Company
7. Mr Sean Bradley	Manager, global trade and product support (Global MICE Desk) at South African Airways
8. Mr Dirk Elzinga	Managing director of Convention Industry Consultants (Pty) Limited
9. Mr Ravi Nadasen	Director of operations at Tsogo Sun, Gauteng East

Application of the code and approach to corporate governance

All business units of South African Tourism are required to subscribe to the spirit and principles of the code. In addition, the code is applied to all operating entities of the nature and size as identified in King Report.

Whereas the board of South African Tourism reviews overall organisational compliance with the code and is the focal point of the organisation's corporate governance system, the business unit managers in the organisation are responsible for ensuring compliance.

The organisation facilitates a comprehensive process to review compliance with the code by all relevant offices each year. This includes:

- A full and effective review by the board of South African Tourism of all aspects relating to ongoing corporate governance during the year; the inclusion of statements in this regard in the annual report and consideration of the PFMA; Treasury Regulations and the Tourism Act (in terms of which the board is required to report annually on the extent to which the process of corporate governance implemented by the organisation successfully achieves the objectives determined by the Board).
- A review of current and emerging trends in corporate governance, and the organisation's systems of governance and their benchmarking against international best practice.
- An evaluation of the board, its committees and directors (including the evaluation of the Chairperson, Chief Executive Officer and other executive directors) as per the requirements of King Report.

The board also seeks to ensure that good governance prevails at all levels in the organisation and is an integral part of its operations.

Remuneration of the board

Non-executive members serving on the Board of South African Tourism do not receive remuneration or payment. The board members are serving on a voluntary basis. We have incurred the following costs in line with the fiduciary responsibilities carried out by the following Board members:

Names of board Members	Remuneration (i)	Other allowance R	Other re-imbursements R	Total R
A Malan	–	15 833.40	14 544.52	30 377.92
B Dungan	–	3 745.90	4 775.00	8 520.90
F Kilbourn	–	7 717.29	286 750.87	294 468.16
J A Mabuza	–	11 716.10	63 793.00	75 509.10
K Makhetha	–	5 544.04	52 625.00	58 169.04
M Lutzeyer	–	972.51	4 339.26	5 311.77
P Bacon	–	–	5 683.52	5 683.52
T Ikalafeng	–	3 133.51	55 122.00	58 255.51
T Makgabo	–	1 318.63	1 365.00	2 683.63
Z Mntambo	–	6 890.57	66 368.00	73 258.57
				612 238.12

The costs incurred are in relation to air fares (costs for flight tickets), car hire, refunds of private use of motor vehicle for business purposes, subsistence and travel allowances in accordance with the 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.

Internal control

South African Tourism's systems of internal control are designed and operated to support the identification and management of risks affecting the organisation, and the business environment in which it operates. As such, they are subject to continuous review as circumstances change and new risks emerge.

Key features of the systems of internal control are:

- Written policies and procedures within each business, which are detailed in policy manuals, clearly defined lines of accountability and delegation of authority, and comprehensive reporting and analysis against approved standards and budgets; minimisation of operating risk by ensuring that the appropriate infrastructure, controls, systems and people are in place throughout the businesses. Key policies employed in managing operating risk involve segregation of duties, transaction authorisation, monitoring, financial and managerial reporting.
- Business resumption planning, including preventative and contingency measures, back-up capabilities and the purchase of catastrophe insurance to ensure ongoing service delivery under adverse conditions.
- Measures to ensure the safeguarding of assets and reducing the risk of loss, error, fraud and other irregularities.
- Measures to ensure the accuracy and completeness of accounting records.
- Measures to ensure the timely preparation of reliable financial statements and information, in compliance with relevant legislation and generally accepted accounting policies and practices.

Financial reporting control system

The entity's operating procedures include a comprehensive system for reporting financial information. The principal elements of this include the formal review by senior management of:

- Detailed budgets prepared by management and reviewed by the executive directors and management before formal adoption by the board.
- Forecasts, revised on a quarterly basis, compared against budget.
- Monthly management accounts with a comparison of actual results against the latest forecast and budget.

- An update, at least annually, of the five-year strategic plan, including key assumptions and indicators.

Compliance with laws and regulations

Assurance on compliance with systems of internal control and on their effectiveness is obtained through regular management reviews, control self-assessment, internal audit reviews and testing of certain aspects of the internal financial control systems by the external auditors during the course of their statutory examinations.

The members of the South African Tourism board are responsible for the organisation's systems of internal control 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 and compliance controls and risk management systems. The systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can 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.

The board is 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 in particular, 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 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.

Risk management

The Public Finance Management Act of 1999, supported by the Treasury Regulations, has legislated some key governance requirements that must be adhered to and also be implemented. The compliance requirements in accordance with the PFMA section 51(1)(a)(i) stipulate that:

"An accounting authority for a public entity must ensure that the public entity has and maintains: effective, efficient and transparent systems of financial and risk management and internal control."

The King Report on corporate governance also emphasises the importance of corporate governance within the private

Part C: Governance report continued

and public sector. The King Report on corporate governance has Chapter 4 which is dedicated to risk management. The South African Tourism has adopted a principle of implementing an enterprise-wide risk management approach to manage all its business risks. Risk management methodologies are applied in strategy setting, planning, projects, decision-making and all other business processes. South African Tourism strives to be a sustainable and performance-driven entity. Managing business risks is embedded in the approved South African Tourism's governance policy.

Our aim in implementing risk management initiatives is to ensure that South African Tourism strategic objectives are met as well as effectively protecting the company and its brands against reputational and financial damage.

Risk management and internal control system

The risk management and internal control system within South African Tourism is designed such that risks are identified and managed effectively and efficiently. South African Tourism strives to comply with laws and regulations to ensure that operational and financial efficiency and objectivity is at a reasonable and acceptable level. It is also our governance responsibility that we implement systems of internal control that guarantee the safeguarding of South African Tourism assets. As part of our initiatives to protect our assets and equipment, we are complying with the compliance requirements of the Occupational Health and Safety Act, which is also aimed at safeguarding and protecting South African Tourism employees. Our internal control system is also based on guidelines and requirements of ISO 31000 standards and COSO framework.

Our risk management approach is integrated in processes that include project management, business planning, performance monitoring, systems implementation, acquisitions and business integration activities/operations.

There is an internal audit unit established within South African Tourism. The internal audit performs risk-based audits, providing assurance to management and the board on the effectiveness and efficiency of the internal control systems.

Risk management process

South African Tourism differentiates between strategic and operational risks. Strategic risks are identified by the South African Tourism board as being those risks which threaten the achievement of South African Tourism's strategic goals and objectives, while operational risks are identified within each business unit as being those risks which are operational in nature and potentially threaten the achievement of business unit objectives.

The Audit and Risk Committee of the board is kept abreast of developments within South African Tourism through formal scheduled meetings held in accordance with the corporate calendar approved by the board. The respective risk reports are tabled by the COO as the custodian of implementing risk management initiatives.

An annual risk assessment is conducted for both strategic and operational risks, and is aligned with the strategic planning process of South African Tourism. The risks are captured and documented in a risk register, and monitored on an ongoing basis in relation to risk mitigation strategies,

The board of South African Tourism has approved and prioritised ten strategic risks. The management of South African Tourism identified and assessed top ten strategic risks. These top ten strategic risks are significant and proactively managed. Financial risks are highlighted more in detail in the audited financial statements as this is:

- Funding (ie budget constraints and business continuity).
- Non-compliance with laws and regulations.
- Failure to deliver on South African Tourism's mandate (ie execution of the strategic plan).
- Grading of establishments.
- SA's appeal as a tourist destination (brand awareness).
- Operational risks (Human resources and IT risks).
- Contractual risks.
- Safeguarding of company assets.
- Fraud risks.
- Lack of shared vision (ie strategic alignment with provincial tourism authorities).

Prioritisation of the above South African Tourism's top ten strategic risks is based on the potential and impact level assessed in relation to South African Tourism's statutory mandate, reputation, image, brand and integrity. The management of these risks also covers the mitigation of reputational risks. The management of reputational risks ensures that South African Tourism's mandate is not compromised and will not have an impact on the achievement of the determined strategic objectives.

Policies and procedures are continuously reviewed and updated on an ongoing basis to ensure that the control environment is strengthened/enhanced. The review process also includes the proactive approach in developing and implementing key policies and procedures to address control weaknesses assessed or identified.

Internal audit and Audit and Risk Committee

The scope of internal audit unit is to review the reliability and integrity of financial and operating information; risk management process; systems of internal control; as well as compliance, the means of safeguarding assets; the efficient management of the organisation's resources; effective quality assurance; and the effective conduct of its operations.

The internal audit function conducted their audit based on integrated internal audit three-year rolling plan approved by the Audit and Risk Committee. The integrated internal audit three-year rolling plan incorporates South African Tourism's approved integrated risk assessment report which is in line with the guidelines and requirements of the COSO framework and ISO 31000 standards. A broad internal audit methodology has been developed and rolled out across South African Tourism. Regular reports to the Audit and Risk Committee are one of the primary outputs that arise from this methodology.

A formal review of the effectiveness and efficiency of the internal audit function is conducted by the Audit and Risk Committee on an annual basis. The performance evaluation of the internal audit unit is done through questionnaires that are completed independently by the committee members on an annual basis. Based on the Audit Committee's evaluation the internal audit function is performing effectively, efficiently and in accordance with the professional standards (ie the Internal Audit Standards issued by the Institute of Internal Auditors).

For the year under review, the Audit and Risk Committee has satisfied itself that adequate, objective internal audit assurance standards and procedures exist within South African Tourism, and that formal initiatives are under way to provide for continuous improvements to the quality and objectivity of the internal audit function.

Fraud and corruption

Through the business operations of South African Tourism, the Prevention and Combating of Corrupt Activities Act of 2003 together with all other legislated laws and regulations forms a pillar to assist in the management of fraud and corruption. To further enhance governance practice and to ensure compliance with the necessary statutory requirements, South African Tourism has policies and procedures developed and implemented to promote good governance. A whistle blowing policy (ie a fraud prevention and corruption strategy) is being developed. Our enterprise-wide risk management approach also focuses at addressing fraud risks.

Information technology (IT) governance

To further embed risk management within the business, an IT Steering Committee has been established within South African Tourism. The IT Steering Committee helps at advisory capacity in the management of business risks that relate to the information technology area or environment. This IT Steering Committee is chaired by the COO.

The King Report highlights the importance of governance in relation to information technology as it is an integral part of every business as it ideally affects all business processes. An Information Technology Steering Committee has been established in South African Tourism to make recommendations on the day to day business of information systems.

The board has ensured that the management of IT risks is firmly embedded in its risk management culture by identifying and prioritising IT business risks as one of the key focus areas for improvement.

Integrated sustainability reporting

The King Report prescribes that entities should report on non-financial matters, known as triple bottom-line reporting. That means reporting on the social, economic and environmental performance of the entity. South African Tourism endeavours to continuously refine and improve the quality of its sustainability report.

Stakeholder management

South African Tourism understands the needs of its stakeholders and considers this during the formulation of strategies. The principles of balanced reporting, clarity, openness and substance over form, with the positive and negative aspects of both financial and non-financial information being provided, are applied when dealing with stakeholders.

Stakeholder management is responsible for sharing the benefits of the tourism boom, since everyone in South Africa is a stakeholder. From hotel staff to arts and craft hawkers, from tour guides to traditional dancers, everybody has a role to play in developing the tourism industry, even if our personal contribution is nothing more than a warm smile that makes a visitor feel at home. South African Tourism has made great strides in bridging the gap with the Department of International Relations and Co-operation (DIRCO), by running workshops and hosting staff and ambassadors at the INDABA travel trade exhibition. The organisation has also been working with the National Department of Tourism to unblock barriers to growth, and with the assistance of the International Marketing Council (IMC) to promote innovative ways to market the country. South African Tourism will continue to explore synergies and build meaningful

Part C: Governance report continued

partnerships with government, provincial tourism bodies, and the private sector in order to unleash the benefits of tourism for all 49 million stakeholders.

Minimising conflict of interest

Conflicts of interest in South African Tourism are minimised by the declaration of interest by all the employees. The board members also declare their interest during the meetings held. Declaration of interests is also disclosed in committees such as the bid evaluation committee, bid adjudication committee, and recruitment and selection panels/committee. South African Tourism strives to uphold the code of conduct and takes disciplinary actions against employees who violate the latter.

Code of conduct

Board members and employees are required to understand and maintain the highest standard of ethics ensuring that business practices are conducted in a manner which, in all reasonable circumstances, is beyond reproach. Ethical conduct must be an integral part of the organisation, a deeply ingrained tradition that is passed from one generation of employees to the next. The entity has adopted a code of ethics which complies with the highest standards of integrity, honesty and ethics in dealing with all its stakeholders, including the organisation's directors, managers, employees, customers, suppliers, competitors, stakeholders and society at large. The code also spells out policies and guidelines regarding the personal conduct of directors and employees.

All South African Tourism employees 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 will be taken against individuals who contravene the code.

Health and safety

The board of South African Tourism acknowledges their responsibility to all South African Tourism employees and the public, to comply with occupational health and safety standards as prescribed in the Occupational Health and Safety Act. South African Tourism has developed a health and safety policy, which aims to achieve the following goals:

- To establish and maintain a healthy and safe workplace for all employees, and to conduct its activities in an environmentally responsible manner to ensure the health and safety of people in the vicinity of its operations.
- To prevent personal injury or damage to the health of its employees and others on the premises.
- To identify, document and maintain processes within specified safety criteria, and to document the methods of

control for those processes that have been identified to conform to the Act.

- To ensure 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.
- To ensure that employees who advise on occupational health, safety and environmental matters are appropriately trained.
- To demonstrate South African Tourism's active involvement in, and commitment to, occupational health and safety within its scope of services.
- South African Tourism has a health and safety representative as required by the Occupational Health and Safety Act. Employees from different business units in South African Tourism have completed emergency fire training courses as well as an emergency first aid course. These employees have relevant certifications thus enabling them to perform emergency procedures if and when necessary.

The organisation has a comprehensive HIV/Aids policy for staff members, and continually evaluates the current and prospective impact of HIV/Aids on its employee base. South African Tourism offers support to employees who are HIV positive, and does not discriminate against these employees in any way.

Employee wellness

South African Tourism places great importance on employee wellness and in order to promote employee wellness, South African Tourism in partnership with Careways have provided their employees with initiatives such as wellness day, counselling services, as well as health and fitness assessments. Careways also provides staff of South African Tourism with e-mails on health awareness on a weekly basis.

Environmental sustainability

Environmental objectives are to:

- Conserve environmental resources.
- Prevent or minimise adverse impacts arising from our operations.
- Demonstrate active stewardship of land and bio-diversity.
- Promote good relationships with and enhance capacities of, the local communities of which we are a part.
- Respect all people's culture and heritage,

Paper recycling

The organisation has a satisfactory recycling programme which is, as appropriate and relevant, followed by its operations. For each batch of paper shredded and recycled South African Tourism receives an environmental certificate. For every two bins of paper recycled one tree is saved. The waste paper is disposed of in an environmentally friendly manner.

South African Tourism has undertaken to use only 100% recycled paper from Mondi Rotatrim which is a Green Range product. The recycled paper is Totally Chlorine Free (TCF) which ensures that waste water is not impurified with any harmful chlorine compounds and that no pollutants enter the food chain.

Water consumption

Water consumption is not formally measured as in most cases water costs form part of the monthly usage charge. The nature of South African Tourism's operations is generally such that water consumption and usage are limited to drinking purposes and ablution facilities. No groundwater is drawn from or by any way of the organisation's operations.

Energy management

Energy and emission management is an integral component of responsible environmental management. Energy, as electricity utilisation, is viewed within the context of the hazardous waste products (carbon dioxide) derived from the generation of energy. South African Tourism has installed an Electro Sense Proactive Energy Management System. This system has resulted in energy savings of approximately R5 000 per month. The system automatically switches off lights and the air-conditioning when there is nobody in a particular room. The conversion of all lighting has been made to energy-saving light bulbs and LED lighting, audited and approved by Eskom.

The reduction of the energy consumption will result in the reduction of carbon dioxide emissions attributable to South African Tourism.

South African Tourism employees are committed to electricity saving and consuming electricity wisely. Initiatives to assist in the development of knowledge, attitudes and skills of employees will be deployed to further motivate the concept of responsible, energy-efficient usage. South African Tourism is driven by the need to save on energy consumption.

Social transformation and human capital development BEE charter

South African Tourism is fully committed to equity and growth in the tourism industry, through the setting of tangible and measurable targets and strategies for transformation. With this in mind, the Black Economic Empowerment (BEE) Charter Council for tourism receives our unequivocal support.

The Tourism BEE Charter constitutes a framework and establishes the principles upon which BEE is based.

The main objectives of the charter are therefore to:

- Empower black South Africans within the tourism industry.
- Make the Tourism Sector more accessible, relevant and beneficial to black South Africans.
- Contribute to the sector's growth and sustainability.
- Introduce innovation into the sector through new players entering the sector, which will, in turn, attract new markets and stimulate new product development.
- Provide international tourists with an integrated, authentic South African experience, which includes the management and ownership of products by the broader South African community.
- Realise the potential of the tourism sector to grow significantly beyond its current size, which would facilitate the transition and entry of new black operators.
- Ensure that tourism income penetrates both urban and rural areas, so that the distribution of wealth occurs across the nation.
- Use transformation as an instrument of nation building and the breaking down of barriers between communities.

FUNDI Programme

The FUNDI Tourism Expert Course (destination specialist training) has been specifically designed to enable the travel provider to sell South Africa more effectively. The FUNDI course is free to all travel agents and tour operators in South Africa.

The FUNDI course has been specifically designed for individuals that are actively involved in the travel and tourism industry. The course is very comprehensively put together and will equip individuals with all the tools needed to successfully sell South Africa as a destination.

The course brings benefits and hence expands an individual's professional repertoire and personal marketability as follows:

- Certified travel counsellors and certified travel associates can earn eight continuing education units from the Travel Institute. This applies specifically to the United States.
- The Australian Federation of Travel Agents has endorsed the FUNDI programme and upon completion one can earn a maximum of 40 credits.

During the 2012/13 financial year, South African Tourism received an additional 1 306 new FUNDI registrations and 1 484 FUNDI graduations took place. This resulted in South African Tourism having a total of 133 437 FUNDI registrations (31 March 2012: 132 131) and 18 164 FUNDI graduations on 31 March 2013 (31 March 2012: 16 680). South African Tourism is in the process of ensuring accreditation to other professional bodies as well.

Part C: Governance report continued

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 and ensure that all directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as financial statements, strategic plans, business plans, corporate calendar and activities of South African Tourism, interaction and communications with the office of the executive (ie Minister of Tourism), agenda items for board meetings and other developments which may affect the mandate and operations of the board. The board also has access to management when required. The Company Secretary proactively renders strategic support service to the board.

Social responsibility

The recently approved South Africa Tourism corporate social investment guidelines outline preferred areas of investment that are aligned to South African Tourism's mandate and a governance structure that will regulate South African Tourism's CSI programme. It is envisaged that South African Tourism's CSI programme will focus on three focus areas:

- Tourism education.
- Tourism enterprise development.
- Responsible tourism.

To give a tangible demonstration of its commitment to the future of the industry; to supporting young people choosing tourism as their career, and to investing in a skilled, professional industry, South African Tourism is investing in the future tertiary studies of 10 young people currently enrolled at institutions of higher education to study tourism. This group is inclusive of three males and seven females.

In order to achieve a more transparent student selection as well as improve regional distribution, South African Tourism partnered with the Tourism Educators South Africa (TESA) for selection of students in line with the South African Tourism CSI guidelines. A memorandum of understanding has been concluded between South African Tourism and TESA. Students that have benefited include two students from Western Cape, two from KwaZulu-Natal, four from Eastern Cape and two from Gauteng at 70% African, 10% coloured, 10% Indian and 10% white.

Furthermore, South African Tourism in partnership with IMEX have committed to supporting two winners of the IMEX-MPI-MCI Future Leaders Forum at Meetings Africa to attend the IMEX-MPI-MCI Future Leaders Forum in Frankfurt, Germany (21 to 23 May 2013).

Audit and Risk Committee report

In order to ensure the sustainability of South African Tourism's bursary system and to improve the impetus of the IMEX-MPI-MCI Future Leaders Forum for the participating students; SA Tourism bursaries will be supported by an internship or graduate programme for experiential learning for a period of 12 months. Universities with TESA will facilitate such partnerships by hosting employers.

We are pleased to present our report for the financial year ended 31 March 2013.

The Audit and Risk Committee is a statutory committee established by the board of South African Tourism. The board delegates certain duties, powers and responsibilities to the Audit and Risk Committee by the board. This report covers both these sets of duties and responsibilities.

Audit and Risk Committee members and attendance:

The Audit and Risk Committee consists of the members listed hereunder and should meet 3 (three) times per annum as per its approved terms of reference. During the year under review, the committee held 4 (four) meetings, including a special meeting with the Auditor-General.

Date: 28 May 2012

Name of member	Number of meetings attended
ZV Mntambo (Chairperson)	1
J Mabuza	1
S Mzimela	1
F Kilbourn	1
I Abedian	1
D van Schalkwyk	1
JN van der Walt	1
T Nzima	1

Date: 26 July 2012 (Special Audit and Risk Committee with AGSA), 22 August 2012 and 21 February 2013

Name of member	Number of meetings attended
ZV Mntambo (Chairperson)	2
F Kilbourn (Deputy Chairperson)	2
A Ntsaluba*	1
D van Schalkwyk	3
G Wood*	1
S Mzimela	2
JN van der Walt	3
T Nzima	3

*New Audit and Risk Committee members who were appointed effective 1 June 2012

Audit Committee responsibility

We report that we have 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 PFMA and Treasury Regulation 27.1. We further report that we have conducted our affairs in compliance with this charter.

The effectiveness of internal control

The system of internal control applied by South African Tourism over financial and risk management is effective, efficient and transparent.

In line with the PFMA and the King Report on Corporate Governance requirements, internal audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management processes, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

A formal risk assessment was conducted during the year under review and the board prioritised to effectively monitor and manage top ten strategic risks. South African Tourism has also appointed a dedicated manager to assist in the management of enterprise-wide risks of the organisation.

From the various reports of the internal auditors, the audit report on the annual financial statements and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

We have also ensured that South African Tourism complies with all the necessary legal and regulatory provisions under which it operates.

Evaluation of financial statements

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General South Africa and the Accounting Authority.
- Reviewed the Auditor-General South Africa's management report and management's response thereto.
- Reviewed changes in accounting policies and practices.
- Reviewed South African Tourism's compliance with legal and regulatory provisions.
- Reviewed all adjustments resulting from the audit.
- Ensured the adequacy, reliability and accuracy of financial information provided by management and other users of such information.

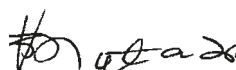
We concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted read together with the report of the Auditor-General South Africa.

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to South African Tourism in its audits. In line with the statutory requirements and the Audit Standards, we have assessed the independence of the internal audit unit.

Auditor-General South Africa

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



Mr ZV Mntambo

Chairperson of the Audit and Risk Committee
31 July 2013





Part D: Human resource management

Introduction

Strategic human capital planning

In today's technologically advanced age, where every competitor has access to the same technologies, networks and other resources, the only differentiator becomes people. South African Tourism recognises and acknowledges this by focusing on ensuring that South African Tourism recruits, trains and retains the necessary skills that will ensure its sustainability and growth. The organisation has an intern programme where approximately four interns were recruited from the University of Johannesburg. This programme enables these interns to obtain valuable work experience, skills and knowledge especially to secure employment with experience after completion of their studies.

Talent management

The overall objective of talent management is to ensure that South African Tourism has the human capital capacity and capability to meet organisational goals in a converged future by focusing on the following principles:

- Talent is a critical shared asset which necessitates continuous renewal through focused external recruitment and internal promotions.
- Realigning best talent against strategic priorities opportunities.
- Building strong top-talent bench strength for strategic positions.
- The development of top talent in line with South African Tourism strategic focus areas as role models to help facilitate culture change.

Succession planning

One of the organisation's most successful talent management initiatives is the implementation of a succession pool system that develops high-potential candidates for readiness at a higher level. The programme involves a blended approach to development including

assessment for development tools (such as 360-degree feedback), experiential interactions, direct teaching of practical content and coaching.

Succession planning processes will address:

- Ownership of management team.
- The value and contributions to the business' success (measurable – eg 80% internal appointments).
- Tracking multiple levels of successors and related data.
- Ability to search for and identify candidates.
- Locate and compare candidates based on competency based assessment.
- Organisation and successor charting.
- Define and tract competency-based development plans for leadership.
- Integrate performance and multiple rating assessments.

Employee engagement

South African Tourism's vision statement places employees at the core of our business. In line with this, we have been pursuing a number of initiatives that promote a culture of engagement among our employees. We recognise that a primary driver of employee engagement is effective internal communication.

During the year under review all employees of South African Tourism went through an induction process focusing on internal communication strategies, policies and procedures, as well as communication channels.

The board has unrestricted access to senior management in an effort to enhance communication and achieve the vision of South African Tourism. Further communication with South African Tourism staff is through board feedback sessions that are convened by the CEO for South African Tourism staff after each board meeting. The board feedback sessions afford employees an opportunity to raise matters that require attention.

Human resources oversight statistics

Personnel cost by programme

Programme	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total expenditure (%)	Number of employees	Average personnel cost per employee (R'000)
International portfolios ¹	388 664	50 991	13.1	58	879
Head office marketing ²	371 080	30 117	8.1	68	443
Tourism Grading Council of South Africa ³	41 111	6 971	16.9	44	158
Head office finance ⁴	20 492	10 587	51.7	23	460
Head office support ⁵	157 749	20 827	13.2	81	257
Total	979 096	119 493	12.2	274	436

¹ 44 overseas staff plus 14 SA seconded staff. Cost of living allowances included. Resigned staff included.

² All staff worked during the course of the year, including staff who have resigned.

³ All staff worked during the year including resigned staff plus Award Committee members, assessors and temps.

⁴ All staff worked during the course of the year, including staff who have resigned.

⁵ All staff worked during the year including resigned staff, temps and 31 pensioners received medical aid support.

Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee (R'000)
Top management	2 565	2.1	2	1 283
Senior management	6 126	5.1	5	1 225
Professional qualified	4 131	3.5	4	1 033
Skilled	42 978	36	60	716
Semi-skilled	60 908	51	126	483
Unskilled	2 784	2.3	77	36
Total	119 492	100	274	436

Includes all staff and other individuals paid through the payroll in 2012/13 (including assessors, TGCSA Awards Committee members, pensioners, temporary staff, employees that left that still received performance bonuses on 1 June 2012 and interns).

Part D: Human resource management continued

Performance rewards

Level	Performance rewards* (R)	Personnel expenditure (R'000)	% of performance rewards expenditure to total personnel cost (R'000)
Top management	0	2 565	0
Senior management	276 184	6 126	4.5
Professional qualified	212 677	4 131	5.1
Skilled	2 723 246	42 978	6.3
Semi-skilled	2 729 553	60 908	4.5
Unskilled	125 749	2 784	4.5
Total	6 067 409	119 492	5.1

* Paid on 1 June 2012.

Training costs

Directorate/ business unit	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost (%)	Number of employees trained	Average training cost per employee (R)
Admin	631 766.12	570.00	0.09	1	570.00
Africa	237 918.06	4 702.50	1.98	1	4 702.50
Communication	199 524.65	4 702.50	2.36	1	4 702.50
EXCO	10 715 706.26	75 915.00	0.71	7	10 845.00
Finance	907 909.73	11 502.50	1.27	2	5 751.25
IT	578 244.64	12 186.60	2.11	1	6 093.30
Marketing	555 999.33	9 405.00	1.69	2	4 702.50
NCB	404 516.97	5 643.00	1.39	1	5 643.00
Netherlands	2 645 875.90	44 533.08	1.68	3	14 844.36
Product	578 244.64	14 305.86	2.47	2	7 152.93
Research	722 517.75	16 272.20	2.25	2	8 136.10
TGCSA	237 886.26	4 702.50	1.98	1	4 702.50

Employment and vacancies

Programme	2011/2012 number of employees excluding interns	2012/2013 approved posts	2012/2013 number of employees excluding interns	2012/2013 vacancies	% of vacancies (as a percentage of approved posts)
Top management	1	1	1	–	
Senior management	5	5	5	–	
Professional qualified	4	4	4	–	
Skilled	121	162	131	31	19.1
Semi-skilled	19	19	17	2	10.5
Unskilled	2	2	2	–	
Total	152	193	160	33	17.1

South African Tourism has not had a problem in terms of attracting staff as the company is viewed as an employer of choice. In the year under review about 17% of staff who resigned returned to South African Tourism. The company is in the process of implementing a succession planning process to ensure retention and it is constantly reviewing and benchmarking its policies to ensure that they are world class.

Employment changes

Salary band	Employment at beginning of period (1 April 2012)	Appointments	Terminations	Employment at end of the period (31 March 2013)
Top management	1	0	0	1
Senior management	5	1	1	5
Professional qualified	4	0	0	4
Skilled	121	27	17	131
Semi-skilled	19	3	5	17
Unskilled	2	0	0	2
Total	152	31	23	160

Part D: Human resource management continued

Reasons for staff leaving

Reason	Number	% of total number of staff leaving
Death	–	–
Resignation	16	68
Dismissal	2	9
Retirement	1	4.5
Ill health	–	–
Expiry of contract	1	4.5
Other (business unit closure)	3	14.0
Total	23	100

The turnover for the period April 2012 to March 2013 was 14.4% which represents a 50% increase on last year's annual figure of 7%.

The increase in the turnover can be attributed to the following:

- A realignment process which resulted in the closure of some business units including the events business unit, resulting in the retrenchment of three staff members who could not be placed in any other part of the business.
- There were also two dismissals and an early retirement during this period which increased the turnover rate.

Labour relations: misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	2
Written warning	–
Final written warning	1
Dismissal	2

Equity target and employment equity status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	1	1	0	0	1	1
Senior management	1	1	0	0	0	1	1	0
Professional qualified	12	13	3	3	2	2	5	4
Skilled	11	10	0	2	0	2	5	2
Semi-skilled	5	5	1	1	2	1	0	1
Unskilled	0	0	0	0	0	0	0	0
Total	30	30	5	7	4	6	12	8

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	0	0	0	1	2	0
Senior management	3	2	0	1	1	1	1	1
Professional qualified	13	13	2	2	2	2	4	4
Skilled	17	17	4	4	1	1	4	4
Semi-skilled	8	3	0	2	0	1	0	2
Unskilled	2	2	0	0	0	0	0	0
Total	44	38	6	9	4	6	11	11

South African Tourism had no disabled staff during the 2012/13 financial year.

Human resources

Our objective is to be the best company for which to work. We aim to achieve this by creating an inspiring and learning environment in which employees are cared for and supported.

With the mandate of marketing South Africa as a leisure and business events destination, South African Tourism provides its employees with an opportunity to make a real difference to the people of South Africa through tourism gains.

The excellence we strive for in our people management is based on the following:

- Employee recognition
- People development and growth
- Employee engagement programmes
- Employee wellness
- Continuous measurement of our climate through the external Best Companies To Work For Survey

Employee recognition

We continue to develop and align our HR practices to respond to employee needs and concerns, as addressed in the Best Company To Work For Survey. This includes various retention initiatives aimed at recognising staff.

South African Tourism's "SAT Elite" programme was launched in 2011, the aim of which is to recognise and reward employees who live the values of South African Tourism: integrity, care, responsibility, accountability, teamwork and excellence.

People development

We believe that direct (training and bursary schemes) and indirect (coaching, counselling and mentoring) learning and development interventions assist our employees to improve their skills, resulting in increased job satisfaction, highly motivated staff and individual growth opportunities. For the period 2012/13, the company spent R263 560 on training interventions and R163 327 on educational support through bursaries.

Thirteen individuals were afforded a year's experiential learning opportunity through the internship programme, while four employees were promoted to various positions within the organisation.

Employee engagement programmes

In an effort to improve communication within the organisation, CEO-employee focus groups were established last year. The aim of these groups was for the organisation's CEO to engage employees on issues directly affecting them, and to design a plan to address these issues. Focus groups were held with 90% of head office employees and will be rolled out to international offices in the coming year.

Employee wellness

All staff members and their families have access to a full range of support and counselling services provided by an external service provider. The Employee Wellness Programme provides staff members with telephonic and face-to-face counselling, including advice on legal, financial and domestic matters.

We have launched an employee wellness drive that is focused on promoting a healthy lifestyle, while employees also have access to a financial counsellor, psychologist and optometrist.

Employee data

Employee numbers have increased marginally by 4.6% to 160 (excluding the 13 interns); the figure was 152 for the previous year.

South African Tourism employee demographics continue to reflect and represent South Africa's racial profile. For the period 2012/13, the racial profile was as follows:

(Please refer to the tables on page 98.)§

Looking ahead

Our priorities for the year ahead include:

- Enhancing leadership skills
- Integrating the HR strategy with the revised business strategy
- Focusing on employee value proposition to attract and retain key and critical talent within South African Tourism
- Developing skills that are specifically aimed at candidates eligible for succession
- Improving all levels of communication
- Performance development programmes that will concentrate efforts on training and empowering teams





Part E: Financial information

Statement of responsibility

Requirements of the Public Finance Management Act

The members are required by the Public Finance Management Act (Act 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 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. The external auditors are 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 South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent SA GAAP Statement (full details have been disclosed in the annual financial statements).

The Public Finance Management Act (Act 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 Accepted Accounting Practice (GAAP).

Objective of the statement of responsibility

The statement of responsibility is a summary of responsibilities which the Accounting Authority signs 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 SA Tourism board 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 SA 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 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 Rand.

Going concern

The board has reviewed the organisation’s budgets and cash flow forecasts for the year ended 31 March 2013. On the basis of this review, and in view of the current 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 38 of the Public Finance Management Act (1 of 1999 as amended by Act 29 of 1999) in the period under review to provide assurance regarding:

- the safeguarding of assets against unauthorised use or disposition; and
- 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 2012 to 31 March 2013. 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 Notes 24, 25 and 29 no material losses, irregular expenditure, fruitless or wasteful expenditure occurred in the period under review; and
- the annual financial statements fairly present the financial position of the South African Tourism board at 31 March 2013 and the results of its operations and cash flow information for the year ended 31 March 2013.

Approval of annual financial statements

The annual financial statements for the year ended 31 March 2013 were submitted for auditing on 31 May 2013 and approved by the board in terms of section 51(1)(f) of the Public Finance Management Act (Act 1 of 1999), as amended and is signed on its behalf by:



Frank Kilbourn
Chairperson

26 July 2013

Part E: Financial information continued

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON SOUTH AFRICAN TOURISM

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of South African Tourism set out on pages 118 to 145, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

The accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) (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.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of South African Tourism as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 68 to 70 of the annual report.
9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (ie well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (ie whether it is valid, accurate and complete).

10. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Additional matter

11. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the following matter below.

Achievement of planned targets

12. Of the 10 targets planned for the year, three were not achieved during the year under review. This represents 30% of total planned targets that were not achieved during the year under review. The reasons for partial achievement and deferral of targets are disclosed in the annual performance report of South African Tourism.

Compliance with laws and regulations

13. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

Internal control

14. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with laws and regulations. I did not identify any deficiencies in internal control which I considered sufficiently significant for inclusion in this report.

Auditor-General

Pretoria
31 July 2013



Part E: Financial information continued

Report by the Accounting Authority to the Executive Authority

The members submit their report for the year ended 31 March 2013.

Corporate activity

South African Tourism board, hereinafter referred to as SA Tourism, was established in terms of section (2) of the Tourism Act, (Act 72 of 1993 as amended), with the aim of stimulating sustainable international and domestic demand for SA Tourism experiences as well as to institute measures aimed at the maintenance and enhancement of the standards of facilities and services hired out, or made available to tourists.

In terms of funding, SA Tourism is involved in a joint operation with one private sector partner, Tourism Business Council of South Africa. The objective of the joint operation is to market South Africa in certain markets identified by SA Tourism through research. Funds contributed into this operation are used solely for that purpose.

South African Tourism business units and markets

Given its limited resources, most notably financial, South African Tourism has adopted and rolled out a Tourism Marketing Growth Strategy based on an in-depth segmentation research and focus groups conducted around the world. This Tourism Marketing Growth Strategy was approved by the Cabinet and focuses its marketing activities on specific segments of tourists in particular markets:

- that are most likely to come to South Africa; and
- whose value for South Africa will be the highest taking into consideration the size of the segment (value is calculated as the days spent in South Africa multiplied by the amount spent per day).

For South African Tourism's purposes, markets have been classified as follows:

- Core markets: These markets are very attractive and have easier access from a tourism-marketing point of view, deliver the "bread and butter" in terms of tourism for South Africa and approximately 60% of the organisation's effort (in terms of human capital and budget) is deployed to these markets.
- Investment markets: These markets are also very attractive, but more difficult to access from a tourism-marketing point of view. Given the potential of these markets, it is of great importance for South African Tourism to invest to these markets, ahead of the future returns. Approximately 20% of the organisation's effort (in terms of human capital and budget) is deployed to these markets.
- Tactical markets: These markets are less attractive, but very easy to access from a tourism-marketing point of view. Approximately 15% of the organisation's effort (in terms of human capital and budget) is deployed to these markets.
- Watch-list markets: These markets are less attractive and more difficult to do from a tourism-marketing point of view. However, limited exploratory marketing, largely in conjunction with South Africa's overseas missions and tour operators, is to be undertaken by South African Tourism in these markets as they might grow into future, more prominent markets for South Africa from a tourism point of view. Approximately 5% of the organisation's effort (in terms of human capital and budget) is deployed against these markets.
- South African Tourism promotes South Africa generically in terms of its unique selling points as an all-season, year-round preferred tourist destination, utilising marketing initiatives that are guided by the Tourism Growth Strategy. The strategy incorporates five key market portfolios namely:
 - Africa.
 - Domestic.
 - Americas.
 - Asia and Australasia.
 - Europe and UK.

Markets on which South African Tourism will focus during the period 1 April 2011 to 31 March 2014

Following the conclusion of South African Tourism's fourth Portfolio Review, which has been done based on the latest marketing intelligence, the board approved the following markets for SA Tourism effective 1 April 2011:

The 4th Portfolio review process that took place during July/August 2009 and the outcome was implemented in full during April 2011



		2002 – 2004	2005 – 2007	2008 – 2010	2011 – 2014
4th portfolio		South Africa and Middle East	UK and Americas	Asia and Australasia	Europe
Responsibility	Regional Director				
	Country Manager				
	Core Markets	Angola Botswana Kenya Nigeria South Africa*	USA*	Australia* India	France Germany Netherlands UK*
	Investment Markets	DRC Mozambique	Brazil Canada	China (incl Hong Kong) Japan	Belgium Italy Sweden
	Tactical Markets	Lesotho Swaziland		New Zealand	Ireland
	Stakeholder Manager				
	Watch-list Markets	Malawi Namibia Zambia Zimbabwe	Argentina	Republic of Korea	Austria Denmark Portugal Spain Switzerland
	Strategic importance	Bahrain, Oman Qatar, Saudi Arabia			
	Global Channel Manager				
	Strategic Air Links/Hubs	Egypt, Ethiopia, Ghana, Mauritius, Tanzania Senegal, UAE		Malaysia Singapore	

*Indicated Business Tourism Hubs

The above mentioned markets were reviewed during the latter part of 2012 based on latest research whereafter a final portfolio of focus markets was determined for the next three years effective 1 April 2014 (and included in the 2014/15 Business Planning and Budgeting process for all business units and country offices which commenced during April 2013).

In line with its Tourism Marketing Growth Strategy, South African Tourism has executed a broad spectrum of segment-specific marketing activities and support activities through 17 business units, each with its own business plan and budget, reporting to a Business Unit Manager.

On 31 March 2013, these 17 business units were as follows:

- Office of the CEO/COO (headed by both the Chief Executive Officer and Chief Operating Officer)
- Finance (headed by the Chief Financial Officer)
- Research (headed by the General Manager: Research)
- Human Resources (headed by the General Manager: Human Resources)
- Business Systems (headed by the General Manager: Business Information Systems)
- National Convention Bureau (headed by the Executive Manager: Convention Bureau)
- Central Marketing (headed by the Chief Marketing Officer)
- PR and Communication (headed by the Global Manager: Communication)
- E-marketing (headed by the Global Manager: E-marketing)
- Product (headed by Global Manager: Product)

Part E: Financial information continued

Report by the Accounting Authority to the Executive Authority continued

- Watchlist Markets (headed by the Global Manager: Watch-list Markets)
- Europe and UK Portfolio (headed by the Regional Director: Europe and UK)
- Americas Portfolio (headed by the Regional Director: Americas)
- Asia and Australasia Portfolio (headed by the Regional Director: Asia and Australasia)
- Africa Portfolio (headed by the Regional Director: Africa)
- Domestic (including events) and SADC (headed by the Country Manager: Southern Africa)
- Tourism Grading Council of South Africa (headed by their Chief Quality Assurance Officer (CQAO) reports to South African Tourism CEO (within South African Tourism accounting system)

South African Tourism has four categories of employees:

Senior management

This includes the following senior manager positions:

- Chief Executive Officer
- Chief Operating Officer
- Chief Marketing Officer
- Chief Quality Assurance Officer
- Chief Financial Officer
- Executive Manager: National Convention Bureau

Middle management

- All Business Unit Managers excluding Business Unit Managers on the senior management level provided that they are at least on Paterson Grading levels D3 – E level;
- The Global Manager of Marketing and Advertising, the Manager: Finance and the Manager Administration;
- All Country Managers; and
- The Manager of the Office of the CEO junior management.

Junior management

Employees with the word “manager” in their job title as per the approved organogram within the corporate governance policy of South African Tourism as well as the Contracts Attorney and all Country Managers in South African Tourism’s overseas offices except those in the biggest three offices namely the UK, USA and Germany.

General staff

All other employees not included in the above categories.

Components of South African Tourism business units

The above mentioned business units had the following sub business units:

Office of the CEO/COO consists of five sub units:

- Board
- Internal audit
- Administration
- Legal
- Organisational planning, risk management and performance information.

Finance has four sub units:

- Finance
- Supply chain management
- Payroll
- Financial compliance

Research has no sub units.

Human resources has no sub units.

Business information systems has no sub units.

Public relations and communications has two sub units and assumes the responsibility for project management of the annual report:

- Public relations
- Stakeholder management

E-marketing has no sub units and assumes the responsibility for the management of the outsourced national call centre in South Africa as well as the FUNDI programme.

Central marketing consists of three sub units:

- Central marketing, advertising and marketing management, includes the responsibility of brand management and corporate identity compliance throughout the company, as well as responsibility for the management of all agencies excluding public relations (PR) agencies
- Global projects
- Global trade relations

Domestic tourism has two sub units:

- Domestic marketing including events
- SADC

Product management has two sub units:

- Guest relations
- Welcome awards and Eteya

National convention bureau has no sub units.

Europe and United Kingdom Portfolio consists of six sub units: Germany, Italy, France, Netherlands, United Kingdom and the regional head office.

Americas Portfolio consists of three sub units: USA, Brazil and regional head office.

Asia and Australasia Portfolio consists of five sub units: India, Japan, Australia, China and regional head office.

Africa and Domestic Portfolio consists of five sub units namely East Africa hub (Kenya/Tanzania/Uganda), West Africa hub (Nigeria/Ghana), Angola, Democratic Republic of Congo and regional head office.

Tourism Grading Council has no sub units.

Watch-list markets has no sub units.

South African Tourism international offices

Included in South African Tourism's portfolio business units are its 11 overseas country offices namely Amsterdam (Netherlands), Beijing (China), Frankfurt (Germany), London (UK), Milan (Italy), Mumbai (India), New York (USA), Paris (France), Sydney (Australia), Luanda (Angola) and Tokyo (Japan). A further two offices, Brazil and Nigeria, are in the process of being opened.

Review of operations

Among other activities, South African Tourism has successfully executed during the 2012/13 financial year, which are reported on in detail earlier in the annual report, the following activities and results that deserve special mention:

South Africa exceeded its 2012 calendar year total arrivals target of 11 922 201 and recorded total actual arrivals of 13 451 565 during 2012 (2011: 12 255 155). South Africa's tourist growth rate in 2012 of 10.2% was more than double the rate of average global tourist growth of about 4% estimated by the United Nations World Tourism Organisation in 2012.

During the 2012/13 financial year, South African Tourism signed 147 (2011/12: 128) joint marketing agreements (JMAs) with a number of trade partners around the world. The actual number of JMAs signed exceeded the target of 117.

Part E: Financial information continued

Report by the Accounting Authority to the Executive Authority continued

South African Tourism continued to work closely with the South African Tourism Trade in the aggressive promotion of domestic tourism. During the 2012/13 financial year, South African Tourism's Domestic Tourism TV campaign reached 22 879 168 viewers.

According to Dow Jones Media Monitoring, South Africa obtained the following international media coverage globally:

Period	March 2013			March 2012		
	Negative %	Neutral %	Positive %	Negative %	Neutral %	Positive %
April 2012	0	100	0	5	55	40
May 2012	0	0	0	2	28	70
June 2012	0	0	0	10	55	35
July 2012	0	39	61	18	42	40
August 2012	0	32	68	10	60	30
September 2012	0	35	65	1	49	50
October 2012	0	43	57	10	60	30
November 2012	0	44	56	2	60	38
December 2012	0	52	48	0	70	30
January 2013	2	93	5	10	48	42
February 2013	0	97	3	2	16	82
March 2013	0	93	7	5	60	35
Average	0	63	37	6	50	44

South African Tourism 2012/13 target of obtaining at least 80% neutral or positive coverage was therefore exceeded. The average neutral or positive coverage achieved during 2012/13 was 100%.

South African Tourism had, despite the global recession, 10 790 and 3 452 registered attendees at Indaba 2012 and Meetings Africa 2013 respectively.

During 2012/13, South African Tourism continued with the re-induction of all its employees utilising the new induction programme that was developed.

South African Tourism continued with its global media campaign on Cable News Network (CNN), British Broadcasting Corporation World, National Geographic Channel, Lastminute.com, Yahoo, Facebook, TripAdvisor and Expedia aimed at, among others, substantially raising positive awareness of Brand South Africa after the 2010 World Cup. By 31 March 2013, our campaign had reached over 1.19 billion households through a combination of 1 860 brand spots, 1 110 vignettes/programmes, and an estimated 287 million online impressions.

South African Tourism received 267 entries for the annual Emerging Tourism Entrepreneur of the 2012/13 Year Award (ETEYA 2012/13: 253), one more than its target of 266.

In addition to 10 496 calls received at South African Tourism's international call centre in Johannesburg during the 2012/13 financial year (2011/12: 14 742), the call centre also received 14 fax and 22 956 e-mail enquiries (2011/12: a total of 24 949 fax and e-mail enquiries).

South African Tourism continued to meet its employment equity targets in 2012/13:

Details	Situation as at 31 March 2013	Situation as at 31 March 2012	Situation as at 31 March 2011
Total number of permanent South African Tourism employees and interns including those locally recruited overseas, but excluding temporary staff*	162	158	158
Total number of permanent South African Tourism head office employees** excluding interns and those locally recruited overseas and temporary staffs (A)	119	116	116
Total number of interns included in (A)	2	12	4
Total number of permanent HDI employees*** (excluding white females in line with legislation) included in A above (referred to as B below)	93	93	82
Employment equity % (B as a % of A)	78.15%	80.1%	70.7%

Notes:

* 170 individuals on our VIP payroll (which excludes head office short-term temporary staff) less two head office temporary staff (> one year) less five overseas temporary staff (Italy, France, two USA and India), but including the two interns.

** 123 as per payroll which includes 10 South Africans seconded overseas and four permanent provincial master assessors less two head office temporary staff (> one year) less than two interns.

*** Excluding 11 white females, 13 white males and two interns.

Taking into consideration the two interns that South African Tourism had in its service on 31 March 2013 (included in the 162 above) as well as South African Tourism's approved headcount of 193 as at 31 March 2013, South African Tourism's vacancy rate on 31 March 2013 was therefore 20,6% (calculated as 33/160). The 33 vacancies on 31 March 2013 were:

- Executive Liaison Officer in the office of the CEO business unit
- Senior Internal Auditor in the Office of the CEO business unit
- Travel and Supplier Database Administrator in the finance business unit
- Manager: Meeting and Convention sales (Europe) in the national convention bureau business unit
- Manager: Meeting and Convention sales (Asia) in the national convention bureau business unit
- Manager: Meeting and Convention sales (USA and Canada) in the national convention bureau business unit
- Manager: Meeting and Convention sales (UK) in the national convention bureau business unit
- Manager: PR and Comms in the national convention bureau business unit
- Provincial Master Assessor: Mpumalanga and Limpopo in the TGCSA business unit
- Legal Assistant in the Office of the CEO business unit
- Business Process Analyst in the office of the CEO business unit
- Communications Manager in the PR business unit
- Trade Relations Manager in the domestic and SADC business unit
- Marketing Assistant in the domestic and SADC business unit
- Country Manager Angola
- Finance and Admin Officer in Angola
- Regional Manager West Africa hub
- Trade Relations Manager West Africa hub
- Finance and Admin Manager West Africa hub
- Regional Manager East Africa hub
- Trade Relations Manager East Africa hub
- Finance and Admin Manager East Africa hub
- Trade Relations Manager USA West Coast
- Country Manager Brazil
- Trade Relations Manager Brazil
- Finance and Admin Manager Brazil
- Trade Relations Manager UK
- Admin Assistant UK

Part E: Financial information continued

Report by the Accounting Authority to the Executive Authority continued

- HR Practitioner in the HR business unit
- HR Co-ordinator in the HR business unit
- Brand Manager Eteya in the product business unit
- Executive Project Manager in the central marketing business unit
- AP Clerk in the finance business unit

South African Tourism had a staff turnover of 14.4% for 2012/13 (calculation: 31 employees left during the 2012/13 financial year less eight interns included in the 31)/((158 employees on 1 April 2012 + 162 employees on 31 March 2013)/2 to get average for the year). The staff turnover during the previous financial year was 13.7% (13 employees left).

South African Tourism did not participate in the Best Company to Work for survey during the financial year under review.

Results of activities

The successful hands-on execution of the above assisted South Africa:

- to outperform the average 2012 global growth rate in international tourist arrivals and grow international tourist arrivals to South Africa by 10.2% from 8 339 354 in the 2011 calendar year to 9 188 368 in the 2012 calendar year;
- to achieve an average foreign direct spend per air market arrival of R38 906 per person (2011: R29 601), which was higher than the R12 536 per person target set for 2012;
- to achieve a respectable 25.4 million domestic trips inside South Africa during 2012 (2011: 26.3 million) despite the tough economic climate in the country;
- to receive R76.4 billion in foreign direct spend from foreign arrivals in the 2011 calendar year (2010: R71.6 billion); domestic tourism spending for the 2012 calendar year was R21.8 billion, slightly above the 2011 total domestic tourism spend figure of R20.2 billion;
- to maintain its global awareness levels of South Africa as a tourist destination for all overseas markets at 81% (2011: 79%);
- to largely maintain the bulk of total number of unique visitors to its website, www.southafrica.net, during the 2012/13 financial year (3 280 761 in the 2011/12 financial year compared to 3 173 116 in the 2012/13 financial year);
- to reach, for the eighth consecutive year, the target of spending 40% of its available spend on HDI organisations; and
- to completely rebuild its South African expert online training course known as "FUNDI". A lot of new content has been created and this new course will be formally launched shortly and a campaign is planned to get previously qualified FUNDI experts to go through the new version (all translations). During the 2012/13 financial year, South African Tourism received an additional 1 306 new FUNDI registrations and 1 484 FUNDI graduations took place. This resulted in South African Tourism having a total of 133 437 FUNDI registrations (31/3/2012: 132 131) and 18 164 FUNDI graduations on 31 March 2013 (31/3/2012: 16 680).

General review of the state of financial affairs

South African Tourism incurred total operating expenses of R978.8 million during the 2012/13 financial year (2011/12: R813.3 million), leaving a deficit R9.14 million (2011/12: R34.3 million deficit) for the year under review.

A total of R754.95 million (2011/12: R668.61 million) of South African Tourism's funding, representing 78% (2011/12: 81%) of total income of R970.51 million (2011/12: R828.98 million), came from government. Other income of R103.58 million (2011/12: R62.19 million), which has been included in total revenue, was earned from, among others, interest received, exhibitions, grading activities, sale of marketing items, sale of advertisement space in publications and raising sponsorships.

Key performance areas for the 2013/14 financial year and onwards

The board approved the following official targets and projections for South African Tourism against which management will be measured for performance information management purposes. It will also be subjected to a performance information audit by the Auditor-General in 2013/14:

Strategic objective	Key performance Indicator	Actual audited performance 2011/12	Actual audited performance 2012/13	Medium-term KPAs		
				2013/14	2014/15	2015/16
Increase foreign visitor arrivals coming to South Africa	Number of foreign visitor arrivals	12 255 155 annual foreign visitor arrivals	13 451 565 annual foreign visitor arrivals (9.8% increase over 2011 actual)	13 021 979 annual foreign visitor arrivals (4.0% increase over 2012 target) Land: 9 648 864 Air: 3 373 115 Tourist arrival estimate = 8 749 370	13 300 535 annual foreign visitor arrivals (2.2% increase over 2013 target) Land: 10 048 643 Air: 3 251 892 Tourist arrival estimate = 8 987 279	13 579 999 annual foreign visitor arrivals (2,1% increase over 2014 target) Land: 10 257 533 Air: 3 322 466 Tourist arrival estimate = 9 256 597
Increase domestic tourism in South Africa	Number of domestic travellers	13.9 million domestic travellers (in 2011)	12.5 million domestic travellers	15 million domestic travellers (3.4% increase over 2012 target) and provide four reports	15.6 million domestic travellers (4.0% increase over 2013 target)	16.2 million domestic travellers (3.8% increase over 2014 target)
	Reports actual data on number of domestic trips, number of holiday trips and seasonality	Four reports	Four reports	Four quarterly reports which must include actual data on number of domestic trips, number of holiday trips and seasonality	Four quarterly reports which must include actual data on number of domestic trips, number of holiday trips and seasonality	Four quarterly reports which must include actual data on number of domestic trips, number of holiday trips and seasonality
Increase tourism trended revenue contribution to the economy (<i>*Average total foreign direct spend (excluding prepaid)</i>)	Amount of trended revenue	R8 600* (in 2011)	R12 800 (in 2012) NITS	R115.4 billion TFDS revenue, excluding capital expenditure	R119.6 billion TFDS revenue (3.6% increase over 2013 target)	R124.0 billion TFDS revenue (3.6% increase over 2014 target)
Increase SA brand awareness	Brand awareness percentage	77% (in February 2012)	81% (in February 2013)	79% (in February 2013 and November 2013 – use average)	80% (in February 2014 and November 2014 – use average)	80% (in February 2015 and November 2015 – use average)
Provide quality assurance for tourism products	Number of graded establishments	4 886 (as at 31/3/2012)	6 022 (as at 31/3/2013)	6 789 (as at 31/3/2014) 1 086 new 5 703 renewals	7 468 (as at 31/3/2015) 1 195 new 6 273 renewals	8 215 (as at 31/3/2016) 1 314 new 6 901 renewals
Increase business events	Number of delegates	N/A	52 587 delegates at international conventions	56 000 delegates at international conventions	58 500 delegates at international conventions	61 500 delegates at international conventions

It serves mentioning that South African Tourism will, once it has five years of data, set annual arrival and spend targets per tourist (and not arrivals which include a component of same-day visitors).

Part E: Financial information continued

Report by the Accounting Authority to the Executive Authority continued

The board of South African Tourism, Executive Management and other matters to report

The board of South African Tourism

The board, which served during the 2012/13 financial period, was appointed by the Minister of Tourism for a period of three years effective 1 June 2012. It consists of 13 members including two executive board members.

Non-executive members of the board complement the skills and experience of the Executive Committee, contributing to the formulation of policy, strategy and high-level decision-making through their knowledge and experience of other businesses and sectors. All members of the board bring an independent judgement to the issues of strategy, performance, and resources, including key appointments and standards of conduct.

No remuneration was paid to any board member during the current financial year. However, the following amounts were paid to members of the Grading Council Awards Sub Committee during 2012/13:

Name	Designation	Remuneration	Company contribution	Total cost
PD Bacon	Awards Committee member	R11 682	R117	R11 799
A Chothia	Awards Committee member	R17 247	R172	R17 419
B Dungan	Awards Committee member	R17 247	R172	R17 419
M Gcanga	Awards Committee member	R5 565	R56	R5 621
MD Goveia	Awards Committee member	R23 364	R234	R23 598
AR Hazel	Awards Committee member	R29 205	R292	R29 497
A Malan	Awards Committee member	R17 523	R175	R17 698
NN Mushwana	Awards Committee member	R17 523	R175	R17 698
JJM Ndhlovu	Awards Committee member	R23 364	R234	R23 598
SS Nhlapo	Awards Committee member	R17 247	R172	R17 419
J Padmanathan	Awards Committee member	R28 929	R289	R29 218
YV Patel	Awards Committee member	R17 523	R175	R17 698
N Pretorius	Awards Committee member	R23 364	R234	R23 598
A Romburgh	Awards Committee member	R34 770	R348	R35 118
JD Smith	Awards Committee member	R11 406	R114	R11 520
PA Thompson	Awards Committee member	R17 247	R172	R17 419
N Tshabalala	Awards Committee member	R23 364	R234	R23 598
CA Ungersbock	Awards Committee member	R23 364	R234	R23 598
GI Wood	Awards Committee member	R23 364	R234	R23 598
Total		R383 298	R3 833	R387 131

Executive Management (EXCO)

The EXCO generally has the responsibility of proposing strategy and for making and implementing operational decisions on running South African Tourism.

The following employees served on EXCO as at 31 March 2013:

➤ T Nzima	Chief Executive Officer
➤ T Scholtz	Chief Operating Officer
➤ R Singh	Chief Marketing Officer (resigned 20 December 2012)
➤ J Hutton	Chief Marketing Officer (effective 14 January 2013)
➤ T Kunene	Chief Quality Assurance Officer
➤ JN van der Walt	Chief Financial Officer

Remuneration of South African Tourism's EXCO and Manco (Management Committee) members

During the 2012/13 financial year, South African Tourism paid total remuneration of R27 177 604 to senior management and Manco members, details of which are as follows:

Name	Designation	Date employed	A Basic salary R	B 13th cheque bonuses R	C Performance bonus R	D Other earnings R	E Total Company contributions R	A+B+C+D+E Total cost R
TJ Nzima	Chief Executive Officer	01 Jan 12	1 318 280	0	0	665 241	118 577	1 983 521
TS Profit-Mclean	Chief Executive Officer	18 Jan 10	283 710	0	0	149 049	30 347	432 759
T Scholtz	Chief Operating Officer	01 Nov 10	904 360	0	85 615	465 448	83 248	1 455 422
R Singh	Chief Marketing Officer	01 Jan 03	852 114	149 474	82 438	200 561	173 241	1 284 587
J Hutton	Chief Marketing Officer	15 Jan 13	162 500	0	0	143 564	15 424	306 063
JN van der Walt	Chief Financial Officer	01 Feb 02	1 425 760	0	134 227	286 474	268 096	1 846 451
T Kunene	Chief Quality Assurance Officer – TGCSA	01 Aug 07	1 218 280	99 563	96 306	79 225	114 570	1 493 374
A Kotza-Nhlapo	Executive Manager: Conventions Bureau	01 Nov 11	1 019 720	0	11 825	35 021	133 908	1 066 566
M Beutter	Manager: Administration	01 Mar 05	371 960	30 403	49 170	203 882	56 075	655 416
A Bidesi	General Manager: Business Information Systems	12 Oct 09	151 650	0	41 515.16	124 205	15 017	317 370
AT Maduna	General Manager: Business Information Systems	01 Jan 13	141 870	0	0	65 294	13 052	207 164
FG Buchner	Regional Director: Europe/UK	01 Sep 04	0	0	65 244	0	652	68 244
B Muthaya	Regional Director: Europe/UK	14 Jan 02	774 4000	59 000	86 319	230 752	159 207	1 150 471
BNO Chauke	General Manager: Human Resources	07 Sep 09	711 050	30 245	82 618	362 036	70 623	1 185 949
BJ Clifford	Senior Manager: Meetings and Convention Sales	13 Aug 12	284 143	0	0	122 583	26 606	406 725
J Craig	Global Manager: Communications	12 Jan 11	628 240	51 347	65 689	332 898	62 957	1 141 131
PE Dhlomo	Regional Director: Africa and Domestic	01 Aug 08	762 800	0	88 568	386 618	70 659	1 237 985
MG Gwele	Manager: Organisational Planning and Evaluation	01 Dec 12	180 000	0	0	89 780	17 771	269 780
N Govender	Operation Manager – SATGC	01 Jan 07	532 370	42 733	48 448	29 020	50 989	652 571
M Iuel	Regional Director: Americas	01 Dec 12	184 200	0	0	93 475	17 001	277 674
EM Mahlaba	Regional Director: Americas, Asia and Australasia	11 Aug 04	940 000	77 083	98 046	303 501	101 622	1 418 631
M Malikane	Global Manager: Watch-list Markets	01 Jul 02	465 400	37 663	55 928	270 150	47 368	829 141
MP Maloma	Manager: Finance	11 Jun 02	951 040	0	83 637	124 863	126 575	1 159 540
MBB Phomane	Manager: Strategic Research	01 Jan 13	162 510	0	0	74 856	14 886	237 356
NC Ndlovu	Global Manager: Business Tourism	06 Oct 08	0	0	37 412	0	374	37 412
N Padayachee	Global Manager: Product	07 Mar 05	665 200	54 633	67 180.95	26 447	127 994	813 461
S Pillay	Global Manager: Events	01 Jun 07	0	0	55 191	0	552	56 191
WAF Price	Global Manager: E-marketing	01 Jun 08	849 600	69 400	66 560	87 796	89 703	1 073 356
TF Rakolojane	Marketing and Communications Manager: TGCSA	01 Nov 09	415 400	0	49 171	215 830	39 289	680 400
IR Utermohlen	Global Manager: Marketing and Advertising	01 Apr 07	1 052 320	0	96 369	164 798	139 964	1 313 487
Totals:			17 408 876	701 546	1 547 477	5 333 364	2 186 342	24 991 253

Part E: Financial information continued

Report by the Accounting Authority to the Executive Authority continued

South African Tourism's Retirement Fund and Board of Trustees

The following employees served on the SA Tourism Retirement Fund Board of Trustees during the 2013 financial year:

- Mr J van der Walt (Chairperson and employer representative)
- Mr F van der Spuy (Employee representative)
- Ms O Chauke (Employer representative)
- Mr M Maloma (Employee representative)
- Mr F Shawe (Employee representative)
- Ms I Utermohlen (Employee representative)

On 22 February 2013, the following members were elected by South African Tourism staff members to serve on the South African Tourism Fund Board of Trustees:

- Mr F van der Spuy (Employee representative)
- Mr M Maloma (Employee representative)
- Mr M Gumede (Employee representative)
- Ms N Guliwe (Employee representative)

During the 2012/13 financial year, South African Tourism's Retirement Fund continued with its stellar performance over the past nine years and the average return earned on its investments in Satrix, Old Mutual Pinnacle, Allan Gray and Coronation during the 2012/13 financial year, as confirmed by Absa Consultants and Actuaries, was 15.5%. The average annual return earned on its investments in Satrix, Old Mutual Pinnacle and Allan Gray investments over the past nine years was 20.67% while the average annual return on its Coronation investment over the past three years was 14.4%.

South African Tourism's Retirement Fund has grown from less than R9 million on 1 April 2004 to R74.6 million on 31 March 2013. The average age of members of the SA Tourism Fund on 31 March 2013 was 38 years.

Events subsequent to 31 March 2013

On 7 May 2013, Statistics SA reported that South Africa's unemployment rate rose to 25.2% in the March 2013 quarter following a decline in the fourth quarter of 2012. Unemployment increased by 100 000 to 4.6 million resulting in an increase in the unemployment rate to 25.2%. The number of discouraged work seekers, people who were not employed during the reference period and who wanted to work but did not take active steps to find work due to no jobs being available, increased by 73 000 to 2.3 million people between the fourth quarter of 2012 and the first quarter of 2013. The expanded unemployment rate of South Africa as at 31 March 2013 therefore stood at 36.7% on 31 March 2013, the highest it has been since 2008 and there is no doubt that this will continue to negatively impact South African Tourism's objective of growing domestic tourism.

On 6 May 2013, it was reported in the *Guardian* newspaper in the UK that the Eurozone's private sector shrank for the 15th consecutive month in April 2013 suggesting that the single currency area will fall deeper into recession in the June 2013 quarter. Germany, the powerhouse of the Eurozone, also suffered a contraction in business activity during April 2013 as a result of the slowdown in China and the prospects for Germany's service sector were increasingly gloomy.

Increased unemployment and limited economic growth in Europe will adversely impact South Africa's ability to attract tourists from Europe and put pressure on length of stay of European tourists.

The rapid devaluation of the Rand against major currencies will limit South African Tourism's buying power and cause an increase in travel costs locally, which will further inhibit domestic travel. Since 14 February 2013, the Rand depreciated by almost 10% against the USD and to a lesser extent against other major foreign currencies. This will undoubtedly lead to an increase in travel costs for tourists as well as further pressure on the discretionary expenditure of potential domestic tourists.



Frank Kilbourn

Chairperson

26 July 2013

Part E: Financial information continued

Statement of financial position

as at 31 March 2013

	Notes	2013 R	2012 R
Assets			
Current assets			
Trade and other receivables	2	22 140 297	8 422 781
Staff advances – Current	6	116 562	105 734
Cash and cash equivalents	3	212 844 723	170 298 420
		235 101 582	178 826 935
Non-current assets			
Property, plant and equipment	4	63 923 025	70 119 548
Intangibles	5	6 185 414	7 929 503
		70 108 439	78 049 051
Non-current assets		70 108 439	78 049 051
Current assets		235 101 582	178 826 935
Total assets		305 210 021	256 875 986
Net assets and liabilities			
Current liabilities			
Finance lease liability	8	1 030 394	990 364
Trade and other payables	7	233 088 263	154 120 780
Income received in advance	10	–	39 965 955
Provisions	9	11 239 665	9 771 546
		245 358 322	204 848 645
Non-current liabilities			
Provisions	9	29 952 901	20 686 929
Other financial liabilities	8	1 242 407	1 578 185
		31 195 308	22 265 114
Non-current liabilities		31 195 308	22 265 114
Current liabilities		245 358 322	204 848 645
Total liabilities		276 553 630	227 113 759
Assets		305 210 021	256 875 986
Net assets and liabilities		(276 553 630)	(227 113 759)
Net assets		28 656 390	29 762 229
Net assets			
Reserves			
Accumulated surplus		3 273 927	12 413 285
Revaluation reserve		25 382 463	17 349 144
Total net assets and liabilities		28 656 390	29 762 429

Statement of financial performance

as at 31 March 2013

	Notes	2013 R	2012 R
Revenue			
Government grants		754 953 695	668 613 000
Voluntary Tomsa levies		111 970 494	98 169 485
	11	866 924 189	766 782 485
Other income			
Grading income	12	3 251 863	5 284 180
Interest received		7 955 264	8 721 120
Foreign currency gains/(losses)		11 469 609	(48 987 258)
Sundry income		80 905 541	48 190 930
		103 582 277	13 208 972
Operating expenses			
Marketing expenses	14	(755 844 922)	(629 760 135)
Employee costs		(149 315 088)	(121 990 139)
Auditors' remuneration	13	(3 168 017)	(3 470 022)
Other operating expenses	15	(49 352 045)	(43 763 538)
Depreciation, amortisation and impairments		(15 805 253)	(13 240 621)
Loss on disposal of assets		(5 409 479)	(1 135 741)
		(978 894 804)	(813 360 196)
Finance costs		(751 021)	(947 312)
Surplus/(loss) for the period		(9 139 358)	(34 316 052)

Part E: Financial information continued

Statement of changes in net assets

for the year ended 31 March 2013

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Balance at 1 April 2011	17 289 640	46 729 335	64 018 975
Transfer from general reserve	59 504	–	59 504
Deficit for the year	–	(34 316 050)	(34 316 050)
Balance at 1 April 2012	17 349 144	12 413 285	29 762 429
Changes in net assets			
Revaluation of assets	8 033 319	–	8 033 319
Net income/(expenses) recognised directly in net assets	8 033 319	–	8 033 319
Deficit for the year	–	(9 139 358)	(9 139 358)
Total recognised income and expenses for the year	8 033 319	(9 139 358)	(1 106 039)
Total changes	8 033 319	(9 139 358)	(1 106 039)
Balance at 31 March 2013	25 382 463	3 273 927	28 656 390

Cash flow statement

for the year ended 31 March 2013

	Notes	2013 R	2012 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		13 178 514	53 475 110
Grants		754 953 695	766 782 485
Interest income		7 955 264	8 721 120
		776 087 473	828 978 715
Payments			
Employee costs		(149 315 088)	(121 990 139)
Suppliers		(578 217 772)	(780 524 127)
Finance costs		(751 021)	(947 312)
		(728 283 881)	(903 461 578)
Total receipts		776 087 473	828 978 715
Total payments		(728 283 881)	(903 461 578)
Net cash flows from operating activities	16	47 803 592	(74 482 863)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(4 019 630)	(17 655 391)
Proceeds from sale of property, plant and equipment	4	(47 622)	(950 435)
Purchase of other intangible assets	5	(894 489)	(5 590 269)
Net cash flows from investing activities		(4 961 741)	(24 196 095)
Cash flows from financing activities			
Finance lease liability		(295 748)	(1 021 476)
Net increase/(decrease) in cash and cash equivalents		42 546 103	(99 700 434)
Cash and cash equivalents at the beginning of the year		170 298 620	269 999 054
Cash and cash equivalents at the end of the year	3	212 844 723	170 298 620

Part E: Financial information continued

Accounting policies

for the year ended 31 March 2013

1. Basis of 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 1 of 1999). These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.1 Significant judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

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 were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in Note 9 – Provisions.

Contingent liabilities

Contingent liabilities are disclosed when there is possible obligation or a present obligation that may, but probably will not, require an outflow of resources that may only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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 the carrying amount of post-retirement obligations.

The consultant to South African Tourism 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 consultant 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.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

The entity used the rate applicable to the different overseas offices to discount future cash flows and an interest rate of 10% to discount finance leases. Additional information is disclosed in Note 8.

1.2 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and, where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.3 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is

not in accordance with a requirement of any applicable legislation, including:

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government and National Treasury Practice Note No 4 of 2008/2009.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and, where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.4 Employee benefits

Retirement fund

The South African Tourism Retirement Fund is classified as a defined contribution pension fund. A defined contribution plan is a pension plan under which the organisation pays fixed contributions into a separate entity. The organisation has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Retirement benefits are based on the growth of each member's investment done by the trustees through the funds administrators.

Payments to defined contribution retirement benefits plans are expensed to the income statement under salaries and employee benefits in the period in which service was rendered by employees.

Post-retirement healthcare benefit

The liability recognised in the balance sheet in respect of a defined pension plan is the present value of the defined benefit obligation at the

balance sheet date less the value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care) is recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.5

Revenue including transfer payments

Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) 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.

Revenue from sale of goods

Revenue from the sales of goods is recognised when the risk and rewards of ownership is passed to the consumer.

Part E: Financial information continued

Accounting policies continued for the year ended 31 March 2013

Revenue from services rendered

Revenue from services rendered is recognised with reference to the stage of completion of the service being rendered when the outcome of the transaction can be reliably estimated. 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.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue recognition model for grading revenue was changed to a membership basis at the end October 2012, under this model revenue will be recognised on a monthly basis over the membership period while the associated expense is recognised when incurred. The amount not yet accrued by South African Tourism is recognised as unearned revenue.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Revenue from non-exchange transactions

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Revenue from non-exchange transaction arises when the 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.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

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.

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.

1.6

Interest income

Interest is recognised on a time proportion basis, which takes into account the effective yield on the asset) unless recoverability is uncertain.

1.7

Translation of foreign currencies

Foreign currency transactions

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

At each statement of financial position date:

- foreign currency monetary items are translated into Rand using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.8 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.

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 at no cost, or for a nominal cost, 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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, buildings and artwork. Land is stated at fair value and not depreciated. Buildings and artwork are carried at the revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. All other categories of property, plant and equipment are stated at historical cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. South African Tourism revalues land, buildings and artwork once every three years. The latest revaluation was conducted in the current financial year. The revaluation was conducted by an independent property evaluator. The next valuation will be performed in the next three years.

The revaluation surplus in equity related to land, buildings and artwork is transferred directly to retained earnings when the assets are derecognised.

The revaluation surplus in equity related to buildings and artwork 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.

Part E: Financial information continued

Accounting policies continued for the year ended 31 March 2013

Property, plant and equipment items are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Average useful life
Buildings	50 years
Furniture and fixtures	3 – 40 years
Motor vehicles	4 – 8 years
IT equipment	3 – 8 years
Leasehold improvements	Period of the lease or shorter as may be appropriate
Air conditioning	5 – 20 years
Lift	5 – 50 years
Electrical installation	15 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.

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.

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.

1.9

Leases

Classification of leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases. Classification is made at the inception of the lease.

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form. Situations that would normally lead to a lease being classified as a finance lease include the following:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised.
- 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.
- The lease assets are of such a specialised nature that only the lessee can use them without major modifications being made.

Finance leases

Assets subject to finance leases are capitalised at the lower of the fair value of the asset, and the present value of the minimum lease payments, with the related lease obligation recognised at the same value.

Capitalised leased assets are depreciated over the shorter of the lease term and the estimated useful life if South African Tourism does not obtain ownership thereof. Finance lease payments are allocated, using the effective interest rate method, between the finance cost of the lease, which is included in the financing costs, and the capital repayment, which reduces the liability to the lessor. The corresponding rental obligations, net of finance charges, are included in short-term and long-term

payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant period rate of interest on the remaining balance of the liability for each period.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

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.

1.10 Provisions

Provisions are recognised when present obligation exists as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

1.11 Financial risk management

Financial assets

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in 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 (more than 180 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the 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 to bad debts recovered in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Effective interest rate method

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

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Derecognition of financial assets

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Part E: Financial information continued

Accounting policies continued for the year ended 31 March 2013

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit – held for trading.

Financial liabilities

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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

Impairment losses are recognised in surplus or deficit.

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

Reversals of impairment losses are recognised in surplus or deficit.

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

1.12 Intangible assets

An asset is identified as an intangible asset when it:

- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably. South African Tourism recognises intangible assets using the cost model method.

Research and development

Research costs are expensed when incurred.

Development costs are capitalised, provided that the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable, and the entity intends to and has sufficient resources to complete the development and to use or sell the asset. Capitalised development costs are carried at cost less accumulated amortisation and accumulated impairment losses. Development costs have a finite useful life and are amortised based on the relevant number of years depending on the nature of the development costs capitalised.

Patents and trademarks

Patents and trademarks acquired are initially recognised at cost. Patents and trademarks have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate cost and estimated useful life.

Marketing rights

Marketing rights acquired are initially recognised at cost. Marketing rights have a finite useful life and are carried at cost less accumulated amortisation and accumulated 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. Amortisation is not provided for these property, plant and equipment. For all other property, plant and equipment items amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period end.

Internally generated intangible assets are not capitalised.

Amortisation on the different classes of intangible assets is calculated as follows:

Website costs	2 – 4 years
Marketing rights	10 years
Computer software	2 – 4 years

1.13 Related parties

All related party transactions were at fair value. Related party transactions are disclosed separately in the notes to the annual financial statements (refer to Note 20). Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operational decisions. A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

1.14 Budget information

South African Tourism does not make its approved budgets publicly available, thus GRAP 24 is not applicable to the entity. Management deems the reconciliation between the actual deficit recorded and our budget as this is sufficient for the users of our annual financial statements. Reconciliation of budget deficit or surplus as per the approved Estimates of National Expenditure (ENE) database with the deficit in the statement of financial performance is detailed in Note 26.

Part E: Financial information continued

Notes to the annual financial statements for the year ended 31 March 2013

	2013 R	2012 R
2. Trade and other receivables		
Trade and other debtors	12 021 686	5 861 202
Impairment of trade receivables	(5 101 013)	(3 238 939)
Deposits	9 896 264	3 605 543
Prepaid expenses	5 323 360	2 194 975
	22 140 297	8 422 781
<p>Total trade receivables (net of impairment) held by the entity at 31 March 2013 amounted to R6.9 million (2012: R2.6 million). Accounts receivable discounting procedures were performed and the results showed that the effect of discounting is immaterial.</p> <p>South African Tourism's debtors consist mainly of staff debtors and funders, ie provincial tourism authorities and government departments. South African Tourism does not impair these debtors because settlements of monies owed take longer than usual. Recovery of these monies is not regarded as high risk because contracts are in place between the parties. The human resources department performs credit checks on all staff, hence loans are granted to them based on this information.</p> <p>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 additional cash. The entity does not hold any collateral as security.</p> <p>The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.</p>		
Movement in the allowance for debtors		
Opening balance	3 238 939	9 282 824
Increase/decrease in the provision	1 862 074	(6 043 885)
Closing balance	5 101 013	3 238 939
Ageing of impairment		
91 – 180 days	321 647	387 645
181 – 360 days	3 005 784	1 253 086
361+ days	1 478 561	1 598 208
	4 805 992	3 238 939
<p>The ageing of head office impairment is detailed above. South African Tourism believes that there is no further credit provision required in excess of the current allowance for doubtful debts.</p>		
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	212 844 723	170 298 420

R	2013			2012		
	Cost/ valuation	Accumulated depreciation	Carrying value	Cost/ valuation	Accumulated depreciation	Carrying value
4. Property, plant and equipment						
Land	7 520 584	–	7 520 584	8 131 482	–	8 131 482
Buildings	36 354 938	(16 071)	36 338 867	30 101 293	(2 224 228)	27 877 065
Furniture and fixtures	22 936 657	(11 817 613)	11 119 044	37 981 747	(14 395 687)	23 586 060
Motor vehicles	1 699 634	(1 350 918)	348 716	1 699 634	(1 052 763)	646 871
Computer equipment	11 949 401	(7 367 908)	4 581 493	9 706 588	(5 513 049)	4 193 539
Leasehold improvements	4 775 436	(2 724 997)	2 050 439	5 220 077	(2 177 803)	3 042 274
Leased assets	8 988 441	(7 024 560)	1 963 881	9 928 924	(7 286 667)	2 642 257
Total	94 225 090	(30 302 067)	63 923 025	102 769 745	(32 650 197)	70 119 548

R	Opening balance	Additions	Adjustments	Disposals	Depreciation	Revaluations	Total
Reconciliation of property, plant and equipment – 2013							
Land	8 131 482	–	–	–	–	(610 898)	7 520 584
Buildings	27 877 065	61 257	–	–	376 858	8 023 687	36 338 867
Furniture and fixtures	23 586 060	340 794	–	(5 030 699)	(7 777 111)	–	11 119 044
Motor vehicles	646 871	–	11 192	–	(309 347)	–	348 716
Computer equipment	4 193 539	3 206 615	–	(326 059)	(2 492 602)	–	4 581 493
Leasehold improvements	3 042 274	–	(137 464)	–	(854 371)	–	2 050 439
Leased assets	2 642 257	410 964	–	–	(1 089 340)	–	1 963 881
Total	70 119 548	4 019 630	(126 272)	(5 356 758)	(12 145 913)	7 412 789	63 923 025

R	Opening balance	Additions	Disposals	Depreciation	Total
Reconciliation of property, plant and equipment – 2012					
Land	8 131 482	–	–	–	8 131 482
Buildings	29 077 546	–	(185 306)	(1 015 172)	27 877 065
Furniture and fixtures	14 697 846	12 905 779	–	(4 017 565)	23 586 060
Motor vehicles	918 077	–	–	(271 207)	646 871
Computer equipment	2 941 847	4 064 882	–	(2 813 191)	4 193 539
Leasehold improvements	3 291 550	203 031	–	(452 307)	3 042 274
Leased assets	3 121 902	481 699	–	(961 344)	2 642 527
	62 180 250	17 655 391	(185 306)	(9 530 786)	70 119 548

Revaluations

The effective date of the revaluations was 31 March 2013. Revaluations were performed by independent valuer, Mr Shawn Cross (AIQS), of Cunningham Lindsey. Mr Shawn Cross is not connected to South African Tourism.

Land and buildings are revalued independently every three years. These assumptions used for valuation purposes were based on current market conditions.

Part E: Financial information continued

Notes to the annual financial statements continued for the year ended 31 March 2013

R	2013			2012		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
5. Intangible assets						
Marketing rights	2 500 000	(1 375 000)	1 125 000	2 500 000	(1 900 000)	600 000
Computer software	13 431 015	(8 741 087)	4 689 928	11 643 308	(4 727 524)	6 915 784
Website costs	882 815	(512 329)	370 486	754 938	(341 219)	413 719
Total	16 813 830	(10 628 416)	6 185 414	14 898 246	(6 968 743)	7 929 503

Reconciliation of intangible assets – 2013	Opening balance	Additions	Adjustments	Amortisation	Total
Marketing rights	600 000	–	–	525 000	1 125 000
Computer software	6 915 784	766 612	1 020 764	(4 013 232)	4 689 928
Website costs	413 719	127 877	–	(171 110)	370 486
	7 929 503	894 489	1 020 764	(3 659 342)	6 185 414

Reconciliation of intangible assets – 2012	Opening balance	Additions	Amortisation	Total
Marketing rights	750 000	–	(150 000)	600 000
Computer software	4 539 617	5 590 269	(3 216 333)	6 915 784
Website costs	759 410	–	(343 460)	413 719
	6 049 027	5 590 269	(3 709 793)	7 929 503

Extension of useful life of marketing rights

South African Tourism management extended the useful life of marketing rights during the financial year under review. The cumulative catch up method was used to account for the change in carrying amount of the intangible asset as at 31 March 2013.

	2013 R	2012 R
6. Staff advances		
Staff advances – Current	116 562	105 734
In order to manage credit risk, South African Tourism has a policy of ensuring that any advance made to South African Tourism employees is deducted in full in the month subsequent to the date which the advance was made. The carrying amount of R116 562 best represents the maximum exposure to credit risk.		
7. Trade and other payables		
Trade payables and other payables	96 205 832	46 069 135
Accrued liabilities	136 843 376	105 848 752
Deposits received	39 055	2 202 893
	233 088 263	154 120 780

	2013 R	2012 R
8. Other financial liabilities		
Minimum lease payments due		
– within one year	1 529 531	1 224 580
– in second to fifth year inclusive	1 400 405	2 652 102
	2 929 936	3 876 682
Less: Future finance charges	(657 135)	(1 308 133)
Present value of minimum lease payments	2 272 801	2 568 549
Non-current liabilities	1 242 407	1 578 185
Current liabilities	1 030 394	990 364
	2 272 801	2 568 549

Finance leases relate to office premises, office equipment and motor vehicles. Legal title does not transfer for any of these leases with the exception of the photocopier machine lease at head office. 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 regard to staff housing loans during the current and previous financial years.

Part E: Financial information continued

Notes to the annual financial statements continued for the year ended 31 March 2013

R	Opening balance	Increase in provision	Total
9. Provisions			
Reconciliation of provisions – 2013			
Legal proceedings	8 031 544	2 993 357	11 024 901
Provision – Input VAT credits	9 771 546	1 468 119	11 239 665
Post-retirement healthcare benefits	12 655 385	6 272 615	18 928 000
	30 458 475	10 734 091	41 192 566

R	Opening balance	Additions	Total
Reconciliation of provisions – 2012			
Legal proceedings	–	8 031 544	8 031 544
Provision – Input VAT credits	8 790 691	980 855	9 771 546
Post-retirement healthcare benefits	12 352 000	303 385	12 655 385
	21 142 691	9 315 784	30 458 475
Non-current liabilities		29 952 901	20 686 929
Current liabilities		11 239 665	9 771 546
		41 192 566	30 458 475

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 Courts.

The legal proceedings liability mainly relates to a provision for the China tax liability accrued as a result of the current registration status of the South Africa Tourism China office.

The movements in provision for post-retirement healthcare benefits and input VAT credits are included in the statement of financial performance.

	2013 R	2012 R
10. Income received in advance		
Movement during the year		
Balance at the beginning of the year	39 965 955	50 241 437
Additions during the year	–	39 965 955
Income recognition during the year	(39 965 955)	(50 241 437)
Deferred revenue	–	39 965 955
11. Revenue		
Government grants	754 953 695	668 613 000
Other grants	111 970 494	98 169 485
	866 924 189	766 782 485
12. Grading income		
Total grading revenue	13 178 514	12 988 533
Assessors' fees	(9 926 651)	(7 704 353)
Grading income	3 251 863	5 284 180
The revenue recognition model for grading revenue was changed to a membership basis at the end of October 2012, under this model revenue will be recognised on a monthly basis over the membership period while the associated expense is recognised when incurred.		

	2013 R	2012 R
13. Auditors' remuneration		
Fees	3 168 017	3 470 022
14. Marketing		
Consultants' fees	82 429 350	64 960 934
Other marketing expenditure	673 415 572	560 469 289
15. Other operating expenses		
Administration and management fees	35 704 265	32 702 268
Bad debts	1 989 882	465 000
Lease rentals on operating lease	11 657 898	10 596 268
	49 352 045	43 763 538
16. Cash generated from/(used in) operations		
Deficit	(9 139 358)	(34 316 052)
Depreciation and amortisation	15 805 253	13 240 572
Loss on disposal assets	5 409 479	1 135 741
Gain/(loss) on unrealised foreign exchange	(999 859)	175 719
Finance costs – finance leases	751 021	947 312
Movements in provisions	10 703 872	9 315 784
Other non-cash items	–	–
Changes in working capital:		
Trade and other receivables	(13 717 516)	21 422 445
Staff advances – Current	(10 828)	105 734
Trade and other payables	78 967 483	(76 234 636)
Income received in advance	(39 965 955)	(10 275 482)
	47 803 592	(74 482 863)
17. Commitments		
Authorised capital expenditure		
Approved but not yet contracted for:		
Property, plant and equipment	17 748 447	6 158 000
Operating leases – as lessee (expense)		
Contracted for minimum lease payments due		
– within one year	6 617 459	6 366 676
– in second to fifth year inclusive	4 165 265	5 336 829
	10 782 724	11 703 505

Operating leases relate to rental of premises and rental of office equipment. The entity does not have an option to purchase the leased asset at maturity of the lease period.

In assessing operating lease commitments, the following economic factors were taken into account:

- (i) the term of the lease and the related cashflows;
- (ii) the exchange rates applicable at balance sheet date; and
- (iii) any taxes affecting the value of the commitment.

Part E: Financial information continued

Notes to the annual financial statements continued for the year ended 31 March 2013

	2013 R	2012 R
18. Employee benefits		
Post-retirement contribution plan		
South African Tourism has a defined contribution pension fund plan covering substantially all of its employees. Retirement benefits are based on the growth of each member's investment done by the trustees through the funds administrators. South African Tourism retirement fund asset value as at 31 March 2013 was valued at R74 628 427 (2012: R69 204 366) and has been allocated to the following investment portfolios:		
Allan Gray Equity	18 370 775	6 687 912
Coronation Absolute	22 427 169	31 760 495
Old Mutual Profile Pinnacle	5 531 686	8 389 835
Satrix 40	28 298 797	20 182 447
Current account	–	2 183 677
Total fund value	74 628 427	69 204 366
South African Tourism also offers post-retirement healthcare benefits to all eligible domestic retired employees. Retirees share in the cost of their healthcare benefits through service-related contributions. Post-retirement healthcare benefits are unfunded.		
Accounting provision for healthcare liabilities		
Liability at 1 April	12 656	12 352
Expenses:		
Service cost	780	780
Contribution paid	(1 059)	(960)
Interest cost	309	309
Actuarial loss	6 242	175
Liability at 31 March	18 928	12 656
The movement in provision for post-retirement healthcare benefits is included in the statement of financial performance.		
Assumptions:		
Assumed medical aid inflation	5.5%	10%
Net discount rate	7.5%	8.9%
Actuarial method:	Projected unit credit	Projected unit credit

19. Risk management

Financial risk management objectives and policies

South African Tourism is exposed to market risk, including primarily changes to currency exchange rates.

Interest rate risk

South African Tourism has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Finance leases (referred to as other financial liabilities on the statement of financial position) refers to leases which have been classified as finance leases. None of these leases are with a financial institution resulting in no interest risk associated with these finance leases.

South African Tourism's management has decided that it would be impractical and inappropriate to have a weighted average interest rate for all markets because each market 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

South African Tourism operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Euro and the UK Pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities in foreign operations.

South African Tourism does not hedge foreign exchange fluctuations.

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.

During the financial period ended 31 March 2013, there were no significant changes to the risk exposure and the way that the foreign currency risk is managed.

Exchange rates used for conversion of foreign items were:

	2013 R	2012 R
USD	9.2364	7.62085
GBP	14.0339	12.2008
JPY	0.098	0.09331
EUR	11.8347	10.2437
INR	0.1701	0.14742
AUD	9.6131	7.97366
CNY	1.4686	1.20155

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. The entity has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss.

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. Refer to Notes 2 and 6 for detailed disclosure on accounts receivable. No debt terms were negotiated during the period ended 31 March 2013.

Part E: Financial information continued

Notes to the annual financial statements continued for the year ended 31 March 2013

	2013 R	2012 R
19. Risk management (continued)		
Liquidity risk		
South African Tourism's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments.		
The entity manages liquidity risk by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows. There has not been any changes to South African Tourism's risk exposure and how liquidity risk is managed.		
Financial assets		
Loans and receivables (amortised cost)		
Trade and other receivables	22 140 297	8 422 781
Financial assets (fair value)		
Cash and cash equivalents	212 844 723	170 298 420
Financial liabilities (amortised cost)		
Carrying amount of financial liabilities	233 088 263	156 689 150
Other financial liabilities (amortised cost)		
Finance lease obligation – non-current portion	1 242 407	1 578 185
Finance lease obligation – current portion	1 030 394	990 185
Trade and other payables	230 815 462	154 420 780
The amount of cash and cash equivalents approximates the fair value of the financial asset. The ageing of accounts receivable has been disclosed under Note 2: Trade and other receivables. The total risk exposure of the entity has been disclosed under Note 2 and Note 6.		

	2013 R	2012 R
20. Related parties		
Related party relationships exist within the entity. During the year all purchasing and selling transactions were concluded at arm's length, ie transactions occurred within normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted when dealing with third parties. 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 R754 953 695 (2012: R668 613 000). No amounts were due to NDT by South African Tourism as at 31 March 2013 (2012: Nil).		
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	353 690	308 836
South African Airways	1 771 247	534 313
SA National Parks Board	11 873	263 560
SARS	18 565 296	19 256 446
	20 702 106	20 363 155
Key management personnel compensation		
Short-term employee benefits	11 054 703	8 677 181
Post-employment benefits	1 008 029	1 187 639
Equity compensation benefits	–	–
Other long-term benefits	–	35 277
	12 062 732	9 900 097
21. Taxation		
South African Tourism is exempt from income tax in terms of section 10(1)(CA)(1) of the Income Tax Act.		
22. Contingent liability		
GRAP 19.105 allows the entity to (i) only disclose the general nature of the contingent liability and the reason for non-disclosure of full details of the contingent liability. The entity has decided not to disclose the full details of its current labour disputes as the matter is currently sub-judice.		
A contractual arrangement with Global Gold for closed tender invitation has been disregarded and consequently South African Tourism is already in process of awarding the tender. The estimated loss as at 31 March 2013 is R3 million.		
23. Events after the reporting date		
There were no material non-adjusting events after the reporting date.		

Part E: Financial information continued

Notes to the annual financial statements continued for the year ended 31 March 2013

	2013 R	2012 R
24. Fruitless and wasteful expenditure		
Penalties and fines due to non-compliance with Italian Labour Laws	1 045 596	–
	1 045 596	–

When the current Milan country manager started working in January 2008 he was only paying his social contributions and taxes in South Africa. Italy and South Africa have no bilateral agreement in order to avoid the double social security contributions. Therefore according to Italian national law the social security of the country manager should have been paid in Italy since he started working in the country. This was brought to the attention of the Milan country office by the authorities and because of the outstanding social contributions a fine and interest was charged for non-payment.

The fine has been estimated at 88 350 Euros (R1 045 595.75), which may however change. The payment will be made once a final invoice has been received from the local authorities.

Fruitless and wasteful expenditure of 88 350 Euros (R1 045 595.75) due to non-compliance with the country's laws.

	2013 R	2012 R
25. Irregular expenditure		
Opening balance	–	6 898
Add: Irregular expenditure – current year	17 820	–
Less: Amounts condoned	(17 820)	(6 898)
	–	–
Details of irregular expenditure: refer to Note 29 for details		
Non-compliance with SCM: three quotes not obtained (Mumbai office)		31 985
Non-compliance with SCM: three quotes not obtained (Paris office)		29 183
Non-compliance with SCM: three quotes not obtained (Amsterdam)		330 103
Non-compliance with SCM: no valid tax certificate		17 428 304
26. Reconciliation between budget and statement of financial performance		
Paragraph .03 of GRAP 24 states that, the standard applies to entities that are required or elect to make publicly available their approved budget(s). Paragraph .04 further states that for the purpose of GRAP 24, budgets are made available when they have been approved and made available to the public at large by tabling in Parliament, legislatures or municipal councils. This standard does not require approved budgets to be made publicly available nor does it require that the financial statements disclose information about or make comparisons with approved budgets that are not made publicly available. South African Tourism does not make its approved budgets publicly available. Based on that fact, management deems the reconciliation between the actual deficit recorded and our budget as this is sufficient for the users of our annual financial statements. Reconciliation of budget surplus as per the approved Estimates of National Expenditure (ENE) database with the deficit in the statement of financial performance is detailed below:		
Net deficit per the statement of financial performance	(9 139 358)	(34 316 052)
Adjusted for:		
Depreciation and amortisation	15 805 253	13 240 621
Impairments recognised/(reversed)	–	–
Gain/(loss) on disposal of assets	5 409 479	1 135 741
Increases in provisions	10 703 872	9 012 399
Unrealised foreign exchange gain	(16 400 285)	(438 692)
Over/(under) expenditure	(6 378 961)	11 365 983
	–	–

Part E: Financial information continued

Notes to the annual financial statements continued for the year ended 31 March 2013

27. Standards and amendments to standards issued but not effective

The following standards and amendments to standards, applicable to South African Tourism, have been issued but are not effective:

Standard	Summary and impact	Effective date
GRAP 20 – Related party	This standard establishes principles for disclosing related party transactions. The impact on the financial results and disclosure is considered minimal.	Issued by the ASB – June 2011. The effective date is yet to be determined by the Minister of Finance.
GRAP 25 – Employee benefits	This standard establishes principles for disclosing employee benefits. The impact on the financial results and disclosure is considered minimal.	Issued by the ASB – November 2009. The effective date is 1 April 2013.

The following standards and amendments to standards have been issued but are not effective. In terms of GRAP 3, SA Tourism has considered the effect of the new standards below and has determined that the standards listed below are not applicable to SA Tourism.

Standard	Summary and impact	Effective date
GRAP 106 – Transfer of functions between entities not under common control	This standard establishes the principle of disclosing transactions relating to transfer of functions between entities not under common control. The impact on the financial results and disclosure is considered minimal.	Issued by the ASB – November 2010. The effective date is yet to be determined by the Minister of Finance.
GRAP 107 – Mergers	This standard establishes the accounting principles for combined entities in a merger.	Issued by the ASB – November 2010. The effective date is yet to be determined by the Minister of Finance.
GRAP 105 – Transfer of functions between entities under common control	This standard establishes the principle of disclosing transactions relating to transfer of functions between entities under common control. The impact on the financial results and disclosure is considered minimal.	Issued by the ASB – November 2010. The effective date is yet to be determined by the Minister of Finance.
GRAP 18 – Segment reporting	This standard establishes principles for reporting financial information by segments. The impact on the financial results and disclosure is considered minimal.	Issued by the ASB – February 2011. The effective date is yet to be determined by the Minister of Finance.

The following standards became effective during the current year and are applicable to South African Tourism.

GRAP 23 – Revenue from non-exchange transactions

This standard prescribes the requirements for the financial reporting of revenue from non-exchange (grants and transfer payments) transactions. Transfer payments are adequately disclosed in Note 11 of the annual financial statements. This standard became effective on 1 April 2012.

GRAP 104 – Financial instruments

This standard became effective on 1 April 2012. The standard establishes principles for recognising, measuring, presenting and disclosing financial instruments. The impact on the financial results and disclosure is considered to be minimal for South African Tourism. The entity has adopted the standard for the first time in the 2013 financial statements.

Financial instruments are defined as those contracts that result in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an entity considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where an entity subsequently measures financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an entity can however designate such an instrument to be measured at fair value. South African Tourism has elected to designate such instrument to be measured at fair value. Refer to Note 19 for detailed disclosure.

	2013 R	2012 R
28. Sundry income		
Indaba	42 512 744	28 003 243
Meetings Africa	7 500 000	9 865 000
Miscellaneous income	30 892 797	10 322 687
	80 905 541	48 190 930

Part E: Financial information continued

29. South African Tourism incurred irregular expenditure to date, as detailed below, during the 2012/13 financial period. The breakdown of the irregular expenditure is:

Incident 1

South African Tourism awarded a tender to New World exhibition even though the entity did not have a valid tax certificate at the time of evaluating a contract. The company was new at the time of evaluating bid and was in the process of obtaining a SARS clearance certificate.

The impact is non-compliance with the PFMA, Treasury Regulation 16A and the Supply Chain Management Policy. This constitutes irregular expenditure of R17 428 304.

Corrective action:

Condoned by the Accounting Authority.

Incident 2

The Mumbai office entered into a lease contract with Essjay Copier Pvt Limited for a three-year period from 8 July 2011 to 7 July 2014. The monthly lease payment in Indian Rupees is INR5 775 and thus totalling INR207 900 for the contract period. This converts into a total lease amount of R31 985 at an exchange rate of 6,5 Rupees to the Rand.

Three quotations were not obtained per Treasury Regulations. The impact is non-compliance with the PFMA, Treasury Regulation 16A and the Supply Chain Management Policy. This constitutes irregular expenditure of R31 985.

Corrective action:

Condoned by the Accounting Authority.

Incident 3

The Angola office obtained services for accommodation without adhering to section 2(1)(e) of the PPPFA.

Non-compliance with the PPPFA section 2(1)(e), PPR 7 and 17(2) and (4) requirement regarding notifying the suppliers of the evaluation process for procurement process of over R30 000. This resulted in irregular expenditure of R322 498.

Corrective action:

Condoned by the Accounting Authority.

Incident 4

South African Tourism entered into a lease contract with Mailfinance, PO Box number 4531, 1 039.32 Euros (R10 999.33) for a Franking Machine in 2006. The contract was for a period of five years until May 2011.

The lease contract only allowed the Paris office to use Neopost-SATAS (PO Box number 4532 for 1 069.30 Euros) (R11 602.36) to maintain the machine. Therefore the office entered into five-year contract with SATA running simultaneously with the aforementioned Mailfinance contract.

29. South African Tourism incurred irregular expenditure to date, as detailed below, during the 2012/13 financial period. The breakdown of the irregular expenditure is: (continued)

The following non-compliance concerns were identified:

- No quotes were sourced before entering into the contract in 2006.
- When the contract came to an end in May 2011 proper processes were not followed to ensure that the procurement process is adhered to i.e:
 - quotes were not sourced to ensure that the prices charged are economical; and
 - there was no motivation approved by the correct authorities to deviate from sourcing quotes or to continue with the service provider.

The impact will be non-compliance with the regulations and will result in irregular expenditure of 2 470 Euros (R29 183) for the 2012/13 year. The total irregular amount needs to be calculated and confirmed by the country office.

Corrective action:

Condoned by the Accounting Authority.

Incident 5

The Netherlands office entered into lease agreements without adhering to procurement regulations.

No factual proof could be provided that three written quotations were obtained to enter into these agreements. There was also no formal motivation justifying the reasons for deviating from the process although it was possible to comply with the requirements.

Goods with a transaction value below R500 000 were therefore procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

The impact is non-compliance with the Supply Chain Management Policy and National Treasury Practice Note 8 of 2007/08 paragraph 3.3 and will constitute irregular expenditure of 27 893 Euros (R330 103) for both the contracts in total.

Corrective action:

Condoned by the Accounting Authority.

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South African Tourism Presence in Angola

South African Tourism
33 R/C Predio da Simples Oil
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carolina@southafrica.net



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)*
 Head Office Location: *Bojonala House, 90 Protea Road, Chilsehurst, Sandton, Gauteng*
 Postal address: *Private Bag x 10012, Sandton, Pretoria, 2146*
 Verification standard applied: *Dti Codes of Good Practise on Black Economic Empowerment*
 Scorecard applied: *Adjusted Generic Scorecard Validation*

Element	Target Score	Actual Score
Management Control	15	12.62
Employment Equity	15	11.48
Skills Development	20	0.00
Preferential Procurement	20	16.01
Enterprise Development	15	4.44
Socio-Economic Development	15	13.68
Total Score:	100	58.23

Broad Based BEE status level: *LEVEL FIVE CONTRIBUTOR*
 BEE procurement recognition level: *80.00%*
 Value Adding Supplier: *No*
 Date of Issue: *06 August 2013*
 Expiry Date: *05 August 2014*

Technical Signatory: *Dijon De Jager*

SOU001735/1

Certificate Number:

No 1 Seventh Street (C/o Glenhove Road), Melrose Estate, Johannesburg.
 P.O. Box 87471, Houghton, 2041
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BVA 117

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SOUTH AFRICAN TOURISM

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