

South African Tourism Annual Report 2009/10



It's Possible



Loftus Versfeld Stadium

Location: Pretoria (City of Tshwane Municipality), Gauteng province

Photo: Graeme Williams, MediaClubSouthAfrica.com

Contents

Vision, Mission and Values	3	Strategic Research	111
01 About South African Tourism	4	Operations Report	113
Highlights of the Financial Year	7	Finance Report	116
02 Tourism in South Africa at a Glance	8	Tourism Grading Council of South Africa	120
Tourism Growth Scorecard	15	05 Annual Financial Statements	122
03 Management Review	18	Statement of Responsibility	124
Chairperson's Report	20	Report of the Audit Committee	126
South African Tourism Members of the Board	22	Report of the Auditor-General	128
South African Tourism High-level Organogram	24	Report by the Accounting Authority to the Executive Authority	130
Chief Executive Officer's Report	26	Statement of Financial Position	141
Corporate Governance Report	28	Statement of Financial Performance	142
Performance Information Report	50	Statement of Changes in Net Assets	143
04 Unit Reports	58	Cash Flow Statement	144
Chief Marketing Officer's Report	60	Accounting Policies	145
Africa – Portfolio Overview	68	Notes to the Annual Financial Statements	154
Domestic	70	06 Glossary	175
Kenya	73	07 South African Tourism Offices	177
Nigeria	76		
SADC	78		
Asia and Australasia – Portfolio Overview	80		
Australia and New Zealand	82		
China	86		
India	88		
Japan	90		
Europe – Portfolio Overview	92		
France	94		
Germany	97		
Italy	99		
Netherlands	101		
United Kingdom and North America – Portfolio Overview	104		
United Kingdom	106		
United States of America	109		



Ellis Park

Location: Johannesburg, Gauteng province

Photo: Emily Visser, MediaClubSouthAfrica.com



Mission, Vision and Values

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.

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 all obstacles to tourism growth;*
- *build a tourist-friendly nation; and*
- *ensure that tourism benefits all South Africans.*

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.



Mbombela Stadium

Location: Nelspruit, Mpumalanga province

Photo: Graeme Williams, MediaClubSouthAfrica.com

01

About South African Tourism

South African Tourism is the national tourism agency responsible for marketing South Africa as a destination internationally and domestically. We aim to make tourism the leading economic sector in South Africa, and so promote the sustainable economic and social empowerment of all South Africans. Simultaneously, we endeavour to market South Africa as an integral part of Africa and particularly of the subcontinent of southern Africa.

To accomplish these goals, South African Tourism is committed to contributing meaningfully to the government's objectives of increased GDP growth, sustainable job creation and redistribution, and transformation through:

- increasing tourist volume;
- increasing the geographic spread, length of stay and tourist spend of all visitors;
- improving seasonality arrivals patterns; and
- working to transform the industry so that historically disadvantaged South Africans may benefit from the sector.

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, adopted by the South African Cabinet in 2001. The strategy incorporates four key market portfolios: Africa and the Middle East (including the domestic market), Europe, the Americas and the United Kingdom, and Asia and Australasia. Another two portfolios, Business Tourism and Events Tourism, are also included.

Each portfolio is headed by a regional director tasked with developing and implementing marketing strategies, an approach which serves to optimise the efficiency

of 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 amongst South Africans and to develop South Africa's potential as a big event 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, amongst 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, a CRM unit and call centre 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 Tourism through its Business Tourism unit that works closely with sector representatives both abroad and in South Africa.

South African Tourism is governed by a Board of 13 members appointed by the Minister of Tourism, Marthinus van Schalkwyk, and headed by the Chairperson, Jabu Mabuza. The organisation is led by Chief Executive Officer, Thandiwe January-McLean and Chief Operating Officer, Didi Moyle. Roshene Singh is

the organisation's Chief Marketing Officer and Johan van der Walt is the Chief Finance Officer.

With our head office based in Sandton, Johannesburg, South African Tourism also has country offices located in London, Frankfurt, New York, Amsterdam, Paris, Milan, Mumbai, Tokyo and Sydney. South African Tourism also works with South Africa's embassies and consulates all over the world to encourage tourism to South Africa.

Highlights of the Financial Year

- 9,933,966 arrivals in South Africa in 2009 (2008: 9,699,365), a 3.6% increase year-on-year.
- Growth driven by visitors from Africa, Asia and Central and South America, however North America, Europe, Middle East and Australasia saw arrivals decrease through the period.
- Lingering effects of the global financial crisis reduced target markets' spending power and resources; particularly in the northern hemisphere.
- Total direct spend generated from both local and foreign arrivals in the period was R101.3 billion (2008: R100.1 billion); 79% of which comes from foreign arrivals despite local tourists accounting for 75% of trips made across South Africa.
- Tourism's contribution to the South African economy grew by 2.7% during the period, contributing 7.9% to South Africa's GDP.
- Leisure travel remained the key earner across the various travel sectors, with sport tourism also performing well.
- Strong emphasis on build-up to the 2010 FIFA World Cup across all target markets; solid awareness base on which to continue campaigns.
- Appointment of Thandiwe January-Mclean as Chief Executive Officer in January 2010.



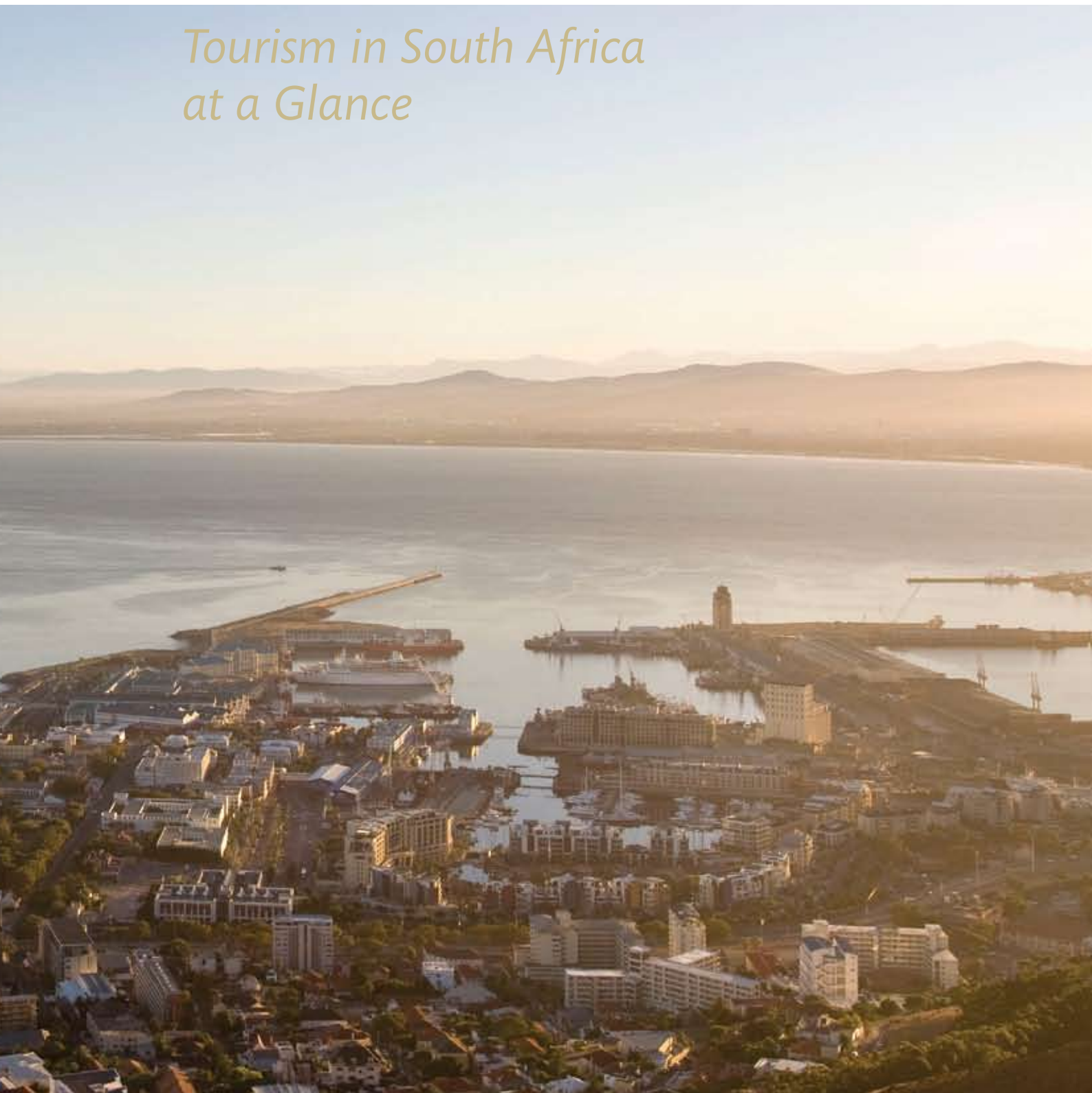
Cape Town Stadium

Location: Cape Town, Western Cape province

Photo: Rodger Bosch, MediaClubSouthAfrica.com

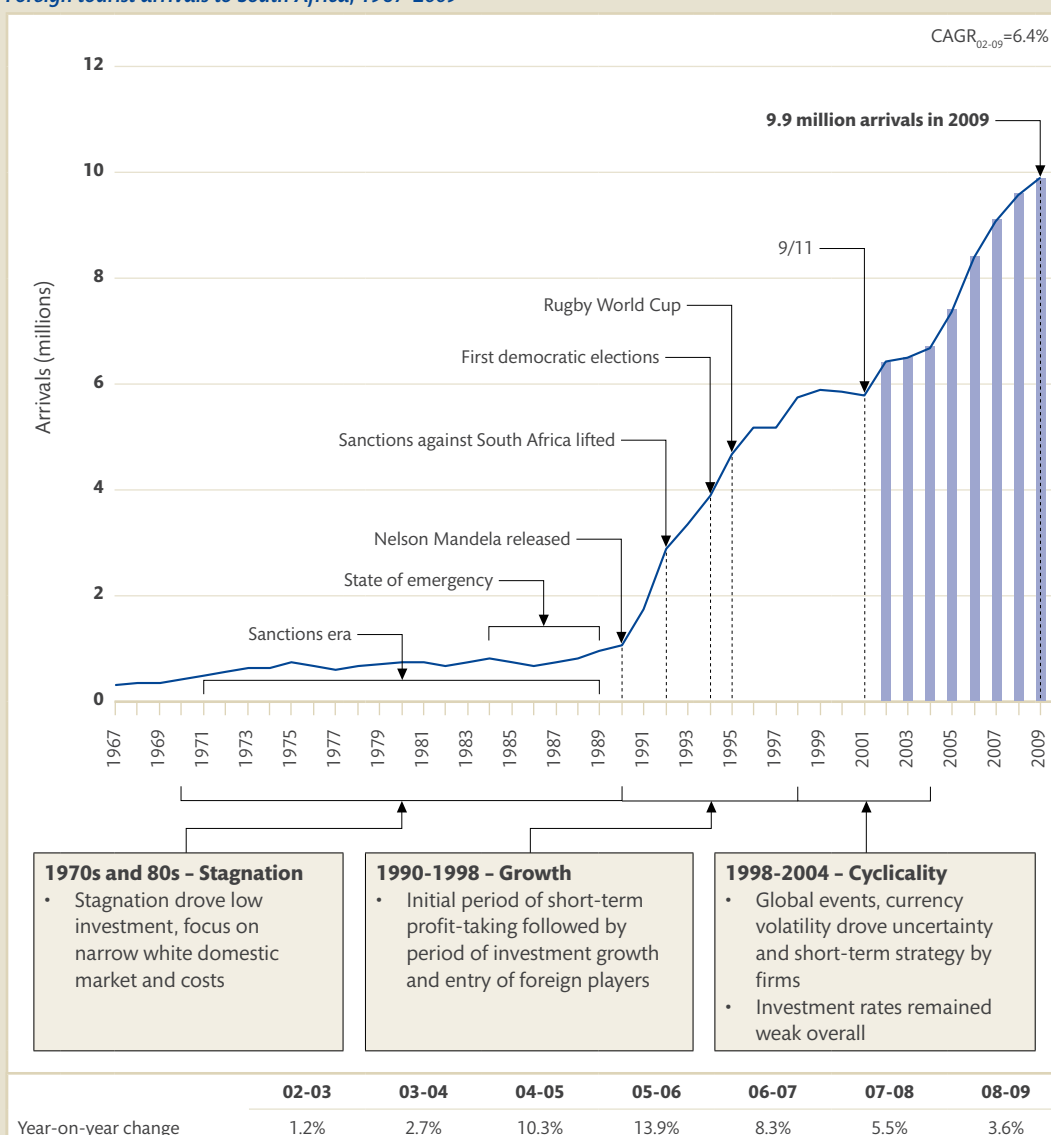
02

Tourism in South Africa at a Glance



Arrivals to South Africa continued its upward climb reaching 9.9 million arrivals in 2009. There were over 63 million foreign arrivals to South Africa over the period 2002 and 2009.

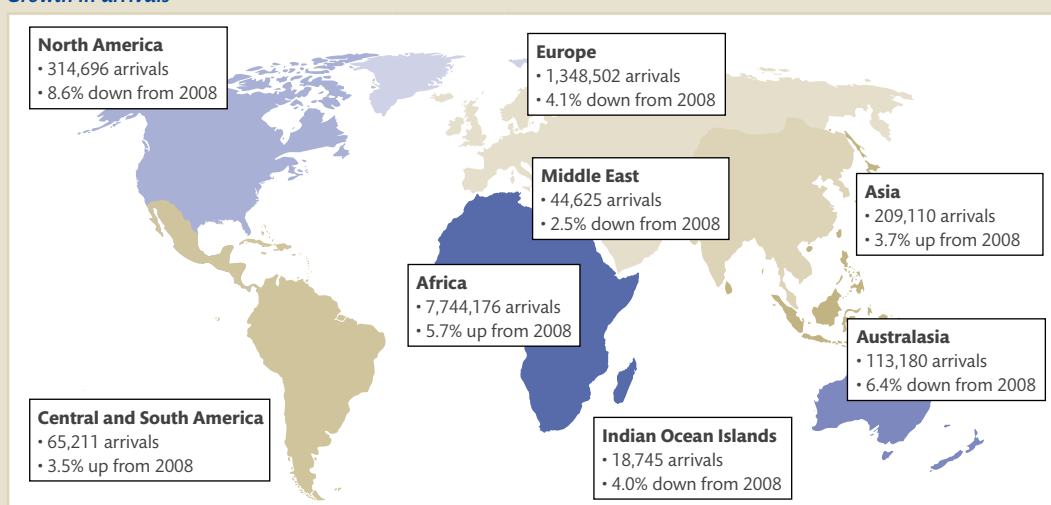
Foreign tourist arrivals to South Africa, 1967-2009



* Comments captured above based on opinion of participants interviewed and anecdotal evidence
Source: StatsSA, Tourism & Migration release

Arrivals to South Africa grew to 9,933,966 in 2009. This growth was driven by growth in the Africa, Asia and Central & South America regions.

Growth in arrivals



Source: SAT Table A December 2009

Foreign arrivals increase was driven by leisure travel. Average length of stay dropped while the average number of provinces visited remained constant.

The growth in foreign arrivals in 2009

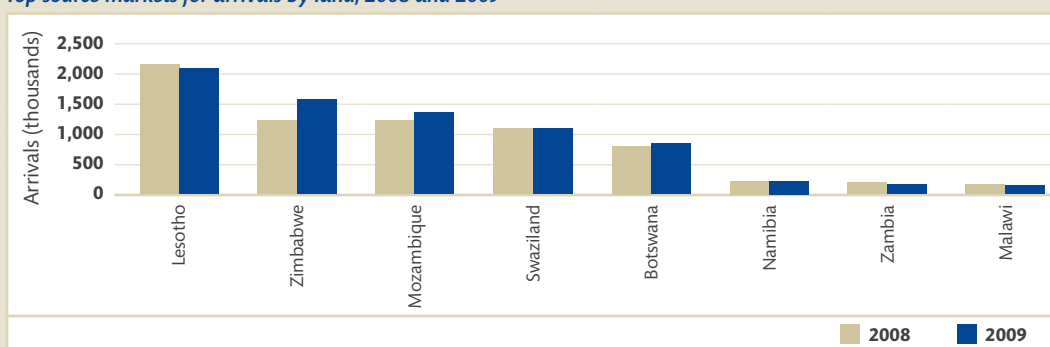
All Markets	Leisure	Business travel	Business	Tourism other	All arrivals
Total volume (2008) (Millions)	5.5	2.5	0.6	1.0	9.6
Total volume (2009) (Millions)	5.8	2.5	0.5	1.1	9.9
Volume growth (08-09 % change)	5.1%	2.1%	-15.7%	9.7%	3.6%
Average length of stay (2008) (Nights)	8.6	5.1	4.6	15.5	8.2
Average length of stay (2009) (Nights)	8.0	4.7	4.8	12.8	7.5
Average number of provinces visited (2008)	1.3	1.1	1.1	1.1	1.2
Average number of provinces visited (2009)	1.3	1.1	1.2	1.1	1.2

"Leisure" includes General holiday, VFR, and Personal shopping; "Business travel" includes Business professional and Business shopping; "Business tourism" includes Business meetings, conferences and events; "Other" includes Health purposes, Education, Religious purposes, etc.

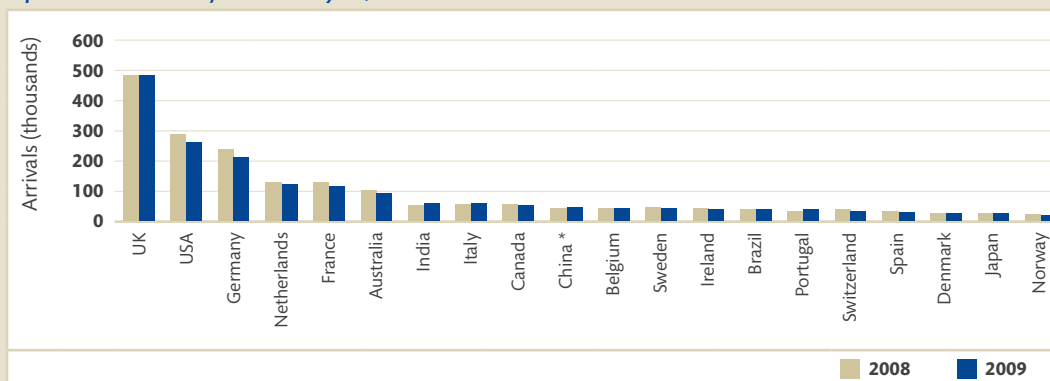
Source: SAT Departure Surveys, 2008 and 2009

Neighbouring countries remain the most significant source markets, with the UK, USA and Germany as the top long haul markets.

Top source markets for arrivals by land, 2008 and 2009



Top 20 source markets for arrivals by air, 2008 and 2009



* Including Hong Kong

Source: Table A December 2009

In 2009, average number of trips per traveller decreased to 2.1 trips as more people took fewer trips.

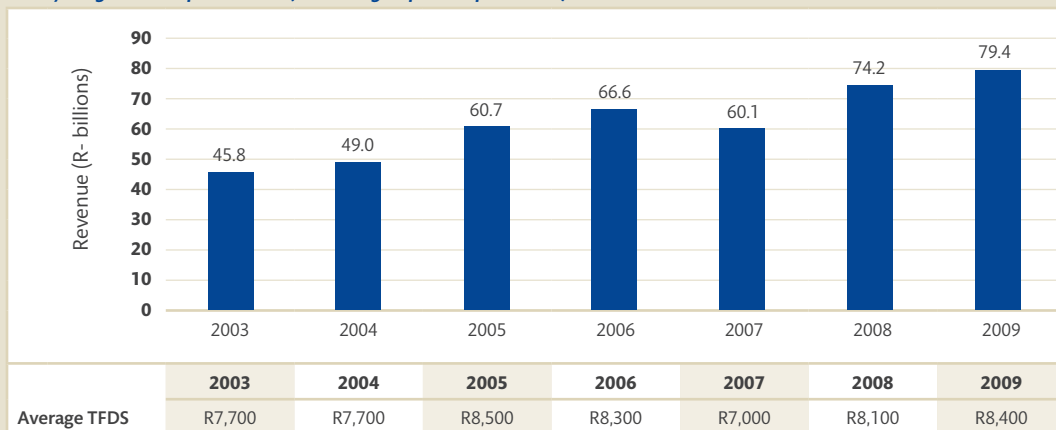


Note: ¹ Based on the question "How many domestic trips have you yourself taken in the past 12 months?" asked in each of the monthly surveys; therefore, incidence does not correspond to an exact Jan.-Dec. time frame, but rather is an average for any point in time over the course of the year

Source: SAT Domestic Surveys 2009

Total foreign direct spend generated from foreign arrivals increased by 7.0% between 2008 and 2009. Foreign arrivals contributed an estimated R436 billion to the economy between 2003 and 2009.

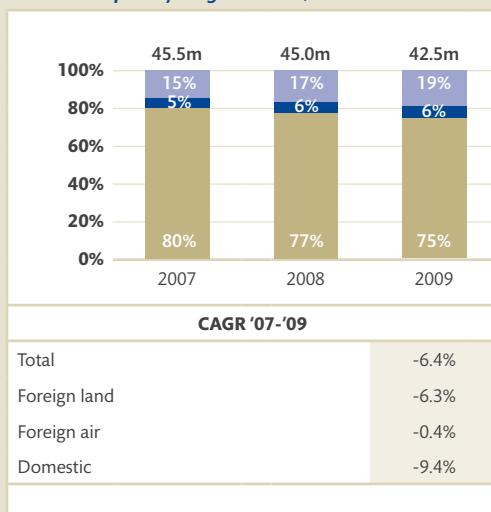
Total foreign direct spend in SA (excluding capital expenditure), 2003 to 2009



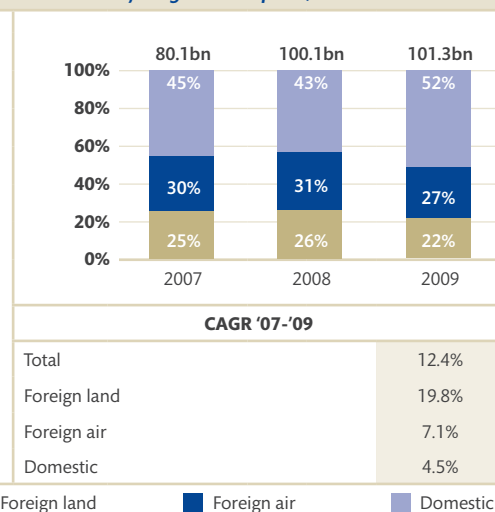
Source: SAT Departure Surveys

While the domestic market accounts for 75% of total tourism volume to SA, foreign markets contribute the most to total tourism revenue.

Domestic trips vs. foreign arrivals, 2007-2009



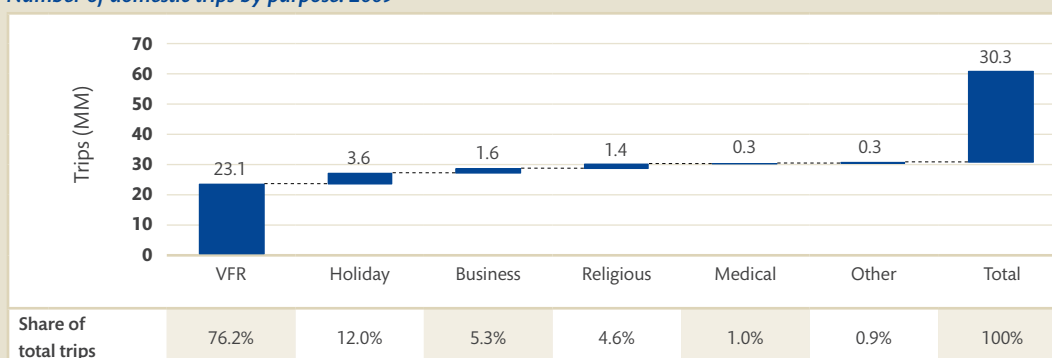
Domestic vs. foreign direct spend, 2007-2009



Source: SAT Departure Surveys

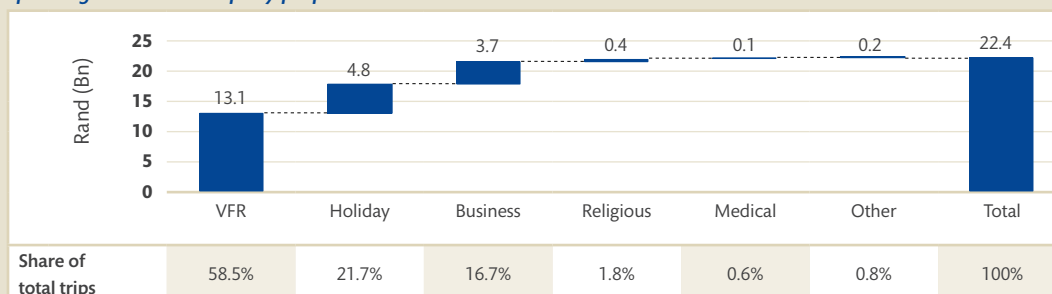
23 million trips were taken for the purpose of visiting friends and relatives, while those for holiday and business travel remain low.

Number of domestic trips by purpose: 2009



In total, spending on domestic tourism amounted to an estimated R22.4 billion in 2009.

Spending on domestic trips by purpose: 2009



According to the WTTC, tourism's contribution to the economy grew by an estimated 2.7% resulting in an overall contribution of 7.9% to the GDP of SA.

Measure	2008	2009 Estimate	% change
Tourism's contribution to GDP (direct & indirect)	R184.4bn	R189.4bn	2.7%
	8.1%	7.9%	
Tourism's contribution to GDP (direct impact only)	R70.0bn	R71.4bn	2.0%
Direct employment in tourism	421,800	389,100	-7.8%
Indirect employment in tourism	571,600	530,700	-7.2%
Total employment in economy	993,400	919,800	-7.4%

Note: 2008 data has been revised in the WTTC's latest publication "Travel and Tourism economic impact, South Africa 2010"

Source: WTTC – Travel and Tourism economic impact, South Africa 2010

Tourism Growth Scorecard

Key focus areas	Key objectives	Measures	Target	Feedback method	Frequency of measurement
Finance	Financial planning	Submitted cost zero-based budgets compared to MTEF allocation & strategic plan (growth strategy)	1 st week of June	Complete business plan	Annual
		Submitted final business plan, budget & cash flow to EXCO	15 July (preparation); end July ((EXCO) & Board); end October (Minister)	Complete business plan	Annual
		Submitted quarterly cash flow forecasts	2 weeks before start of new quarter	Cash flow forecast	Quarterly
	Financial reporting	Submitted monthly business unit; country basis & executives summary flash reports	2 weeks after end of month	Flash report	Monthly
		Submitted quarterly funders financial reports including business unit managers' feedback on variances	4 weeks after end of quarter	Funders quarterly report	Quarterly
		Submitted annual financial report	By 20 th May annually	Annual report/ financial statements	Annual
	Risk management	Updated delegation of authority twice per year	Mid June & mid February	Delegation of authority	Bi-annually
		Managed procurement	100% contracts signed in terms of delegation	Contract audit report	Monthly
			Submitted contracts within 5 working days after final signature	Contract audit report	Monthly
		Compliance to order process	100% compliance to policy and procedure	Contract audit report	Monthly
		Forex cover for all overseas budgeted overheads	75% of approved budget transferred within 14 weeks of approval by Minister	Funders quarterly (1 st or 2 nd) report	Annual

Key focus areas	Key objectives	Measures	Target	Feedback method	Frequency of measurement
Internal Processes	Improve business processes	Documented processes	100% of all internal processes, P&Ps	ISO audit report	Annual/once off
		Updated/reviewed processes	100% to business requirements	ISO audit report	Quarterly
		Complied with documented processes	100% compliance with P&Ps	ISO audit report & certificate	Annual
	Adhere to BEE policy	% Compliance with BEE policy	100% compliance with BEE policy and targets	Quarterly funders report	Quarterly
Marketing	Increase arrivals	% increase in arrivals	6.7% overall national (specific target for portfolios and countries and segments)	Arrivals stats report	Quarterly
	Reduce seasonality	% decrease in variance (peak-valley)	Any peak/valley ratio decline	Arrivals stats report	Quarterly
	Promote provincial distribution	% change in distribution patterns of arrivals by province	10% increase to 6 less visited provinces	Departure survey report	Quarterly
	Increase spend	% increase in total foreign direct spend	10% nominal increase in ZAR	Departure survey report	Quarterly
	Increase length of stay (LOS)	No. of days spent in SA	"Modal shift" per market segment	Departure survey	
		Average LOS	Maintain LOS per market segment	Departure survey report	Quarterly
People	Attract core competencies	Time taken to secure external candidates	Max. 60 days to letter of offer	Quarterly HR report	Quarterly
		% growth in applications that meet/exceed the criteria	40% increase over bench-mark (base year)	Quarterly HR report	Quarterly
		% Increase in rating as preferred employer	50% increase/improvement in rating	"Best-Company-to-Work-for" survey	Annual
	Develop and retain core competencies	% increase in numbers of people trained	100% compliance with skills development plan targets	HR training report	Annual
		% retention rate of high performance employees in marketing job categories	80% retention rate	Quarterly HR report	Quarterly

Key focus areas	Key objectives	Measures	Target	Feedback method	Frequency of measurement
People (continued)	Establish a performance culture to manage core competencies transformation and diversity	No. of performance contracts in place	100% by end April 2004	HR audit report	Annual
		% achievement against performance contract measures	100% achievement against employment equity plan	HR audit report	Annual
		% achievement against employment equity plan	100% achievement against employment equity plan	Quarterly HR report	Quarterly
		% vacancies filled by previously disadvantaged candidates	100% achievement against employment equity plan	Quarterly HR report	Quarterly
	Ensure labour peace and compliance with legislation	% compliance with policies	100% compliance with P&Ps	Quarterly HR report	Quarterly
Creativity & innovation (CI)	Enhance creative & innovative practices	No. of new ways of doing things/efficiency and effectiveness improvements	1 major breakthrough per year	Annual report	Annual
			2 refinements of process	Annual report	Annual
			Any productivity improvements (input/output)	Annual report	Annual
	Create CI forums	No. of stimulation activities/CI forums	1 event per quarter	Quarterly HR report	Quarterly



Soccer City

Location: Johannesburg, Gauteng province

Photo: Ndaba Dlamini, MediaClubSouthAfrica.com

03

Management Review





Chairperson's Report

There can be little doubt that South African Tourism's impressive successes during the 2009/10 financial year are ever more acute in light of the continuation of the global financial crisis, a phenomenon whose effects are sure to impact the international tourism industry for several years to come.

Nevertheless, the year under review was a year of growth and consolidation for the organisation, and we remain positive that we have paved the way for a productive and fruitful future, secure in our ability to weather economic hardships.

South African Tourism witnessed the highest number of foreign arrivals on record during 2009/10: a total of 9,933,366 and a 3.6% increase year-on-year. This was despite arrivals in the global tourism industry declining by 4% to 880 million during the year. Though this was significantly better than the estimated 12% decline in global exports during 2008/09, it still meant that South Africa's major source markets, Europe and the United States, suffered severely and experienced massive expenditure cuts, affecting important tourism segments South African Tourism is targeting. While the domestic tourism market fell similarly, aggressive marketing activities in both the Asian and Australasian markets helped us to maintain 2008/09 arrivals figures in these sectors.

Within these fluctuating markets, South African Tourism has developed a reputation for being fast-footed, and we swiftly amended our strategies to deal pro-actively and effectively within such unpredictable environments. Our strategies included increasing our international marketing efforts in Brazil, India and China; continuing to lobby the domestic tourism product platform to increase value proposition and provide added value; and focusing more keenly on

online marketing platforms, including social media and networking sites.

Subsequent to the much-anticipated 2010 FIFA World Cup, the biggest job South African Tourism will undertake will be to convert the World Cup awareness and enthusiasm into a continuing growth in arrivals. 'Welcome!' will continue to be a chief component of our message content, striving to entrench in global consciousness South Africa's reputation as a friendly and welcoming destination, and we believe the success of the event will position us better to bid for major events in the future.

The Tourism Grading Council of South Africa (TGCSA) has progressed during the year under review, and is currently in the process of implementing new grading criteria, based on international current best practice regarding the quality of tourism products. The TGCSA will also implement a new grading fee structure on 1 October 2010 that takes into account the star rating being awarded, the size of the establishment, as well as the peak room rate. In order to improve the competence and integrity of the assessors, TGCSA has appointed four provincial master assessors in Johannesburg, Nelspruit, Cape Town and Durban in order to ensure TGCSA presence, effective management of assessors, and accurate pre-screening of properties.

The South African Tourism Board experienced an important change during the 2009/10 financial year.

Following the departure of the previous Chief Executive Officer, Moeketsi Mosola, the Board approved the appointment of a new Chief Executive Officer, Thandiwe January-McLean, during January 2010. On behalf of the Board, I would like to welcome Ms January-McLean and wish her well for her future in South African Tourism.

I would also like to thank the executive, management and staff of South African Tourism for their commitment and perseverance in what has been a turbulent, eventful and exciting year. And, as always, our appreciation goes to the Minister, the Department of Environmental Affairs and Tourism, and the Tourism Business Council of South Africa for their ongoing support.

Our 2010/11 strategy is focused on leveraging even further on the diversity and vibrancy of South Africa's people, its fauna and its flora. We aim to expand on our Chinese, Indian and African markets, with plans to open offices in Beijing and Luanda, Angola, during the forthcoming year, the latter a result of the remarkable growth in tourism we have experienced from Angola over the past three years.

We look forward to a future defined by the continued success of South Africa's resilient tourism industry, not to mention the rapturous applause of the imminent FIFA World Cup. We at South African Tourism have our vuvuzelas in hand.

Jabu Mabuza

Chairperson



South African Tourism Members of the Board



Jabu Mabuza
Tsogo Sun



Frank Kilbourn
Bright Equity Pty Ltd



Yvonne Johnston
Marketer-at-Large



Peter Bacon
Former Chief Executive,
Sun International (Retired)



Iraj Abedian
Pan African Capital Holdings
(Pty) Ltd



Brett Dungan
Federated Hospitality
Association of Southern Africa



Michael Lutzeyer
Grootbos Nature Reserve



Amor Malan
QuadPara Association of
Gauteng



Zwelibanzi Mntambo
ASG Consulting



Dirk van Schalkwyk
Department of Environmental
Affairs and Tourism



Thandiwe January-McLean
South African Tourism



Sizakele Mzimela
South African Airways

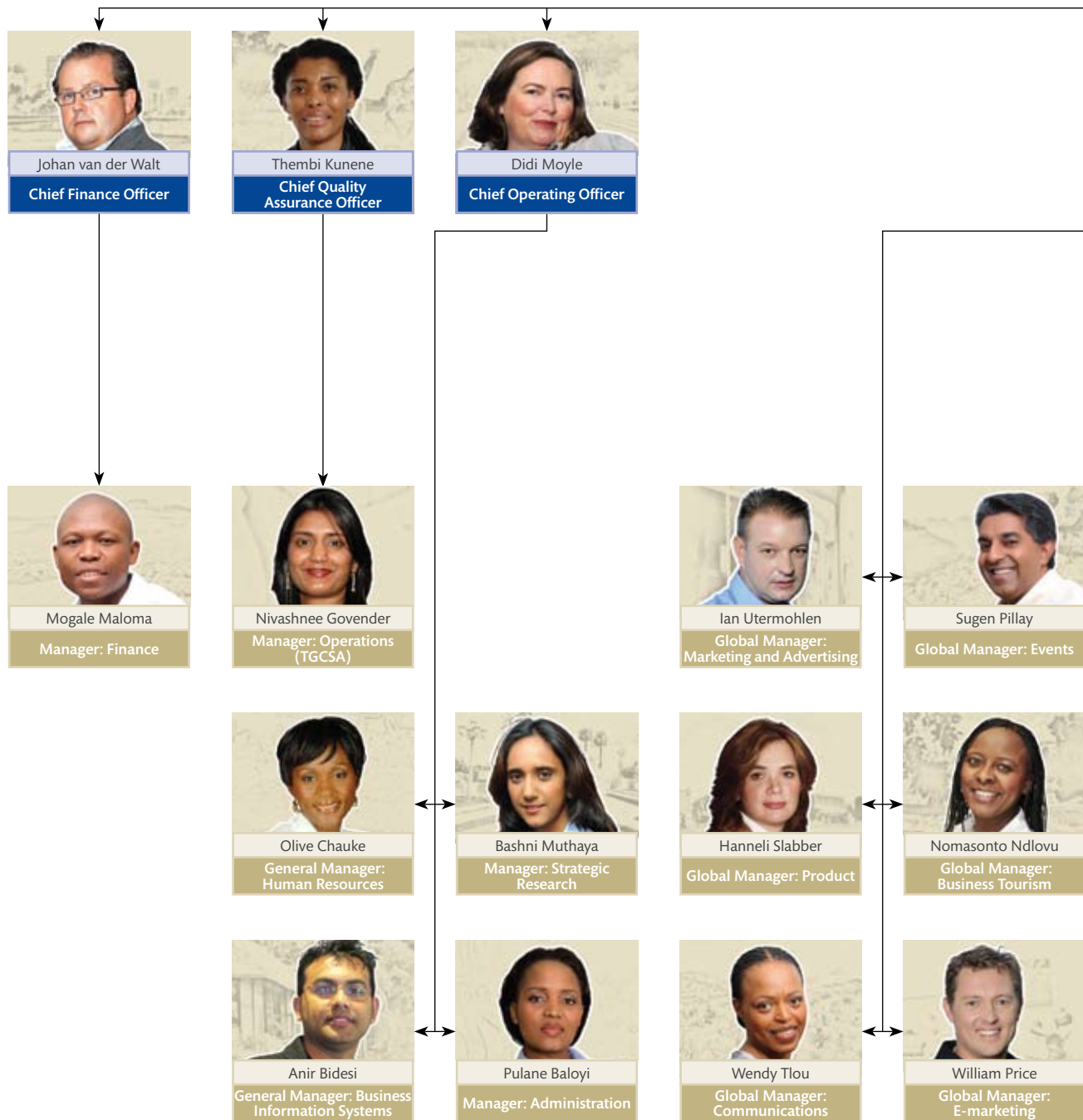


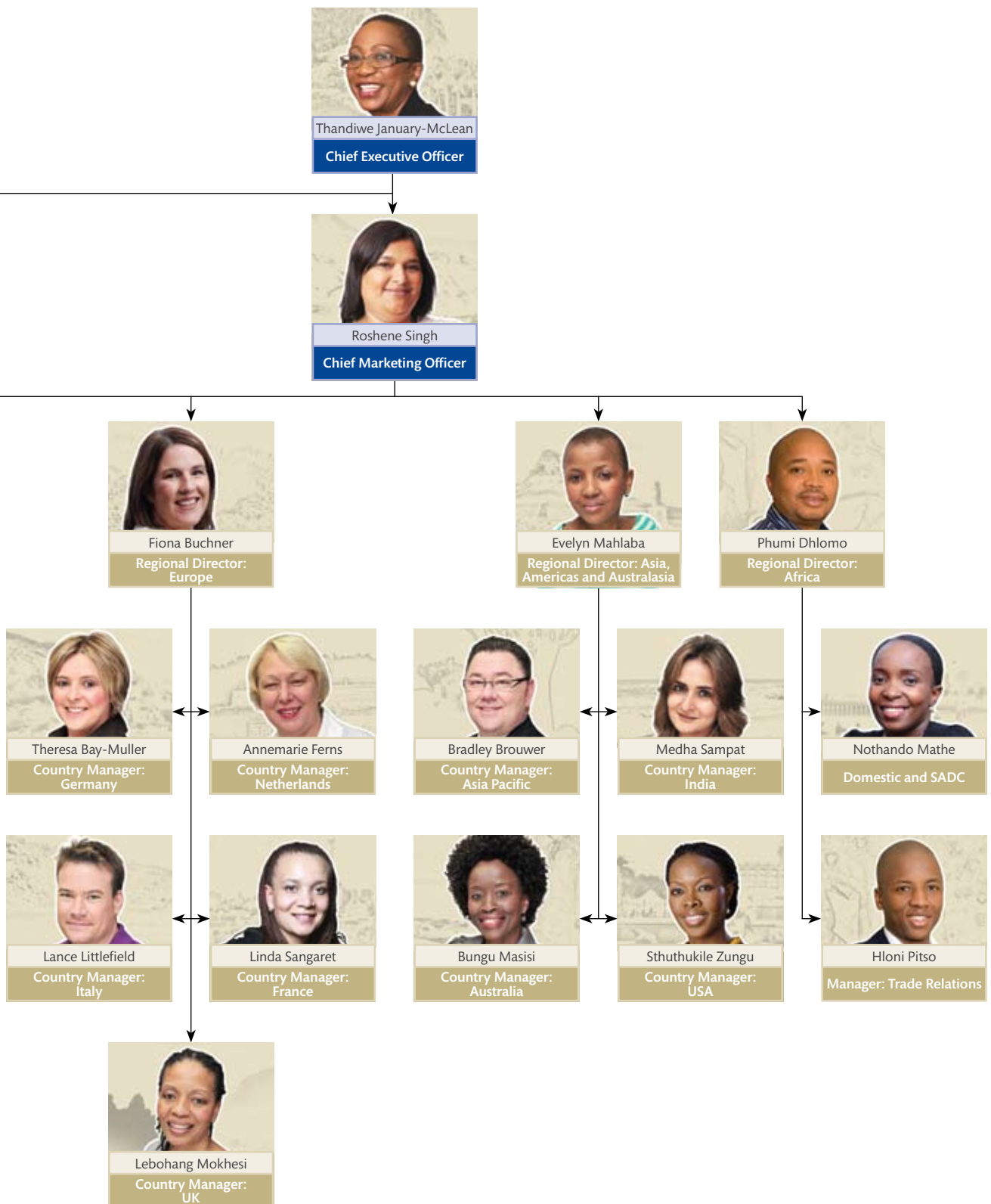
Johan van der Walt
South African Tourism



Tumi Makgabo
Design Quarter

South African Tourism High-level Organogram







Chief Executive Officer's Report

The 2009/10 financial year was a year of significant achievement for South African Tourism, defined by the highest number of foreign arrivals ever recorded, a total of 9,933,366 and a 3.6% increase year-on-year.

Arrivals from African land markets in particular remained very strong, with a 5.7% growth (402,973 arrivals) over 2008, and revenue generated by foreign arrivals also increased, this time by 7.0% (R5.2 billion) when compared to the previous year. Arrivals to South Africa were boosted by the sports events that South Africa hosted in 2009, namely the FIFA Confederations Cup, the British and Irish Lions tour and the Indian Premier League. This resulted in South Africa's global tourism destination ranking moving from 29th position in 2008 to 26th position in 2009, a marvellous accomplishment.

Of our four high-level objectives for 2009/10, I am pleased to report that all were achieved. Not only did arrivals increase beyond the 9,824,858 target, but statistics show that our aim of an average spend per tourist inside South Africa of R9,900 was also attained. We will continue with our marketing initiatives for which specific targets have been set in terms of generating and maintaining awareness in all markets and increasing consideration levels, with the ultimate goal of making South African Tourism the best international tourism organisation by 2010, and making South Africa the preferred tourism brand by 2014. We believe we are well on track to achieve the latter two targets.

In addition, South African Tourism's aim of the country obtaining at least 80% neutral coverage in the international media was similarly exceeded, with

February 2010 recording an impressive 95% neutral and positive coverage, and 5% negative coverage, according to Dow Jones Media Monitoring.

The year, however, was not without its challenges. As the global financial crisis continued to affect tourism spending globally, South Africa's own recession resulted in an 8% decline in domestic tourism trips to 30 million trips. Domestic tourists also tightened their spending while on such trips with total spend declining by 14% to R22 billion, from R26 billion in 2008/09. This decline left tourism products with no option but to reduce overheads, including headcount, and increase value proposition in order to entice more international and domestic tourists. In an effort to counteract this, South Africa Tourism spent more of its resources on the domestic 'Sho't Left' campaign and in developing markets in both Asia and Australasia.

South African Tourism's established media relationships continued to raise positive awareness about the 2010 FIFA World Cup, an event which is expected to contribute greatly to the South African tourism industry, not only with regards to the expected number of arrivals (between 300,000 and 500,000), but also in a number of other areas. The event has necessitated that additional capacity be added to our accommodation stock and that new road and other infrastructure developments/projects be undertaken, undoubtedly appealing to potential tourists, both global and local. The positive word-of-mouth that will surely develop as a result of

first-time travellers to South Africa during the event will further act in our favour.

The 2009/10 financial year also saw the democratic election of President Jacob Zuma, demonstrating to the world that South Africa is a stable democracy. President Zuma's international visits to South Africa's tourism source markets during the course of the year further served to promote the country positively, drawing tourism, trade and investment interest.

I am pleased to report that South African Tourism, our country offices and various South African tourism products won a number of awards during the year under review. Significant awards include: Pellegrino 100 World's Best Restaurant Awards, Chinese Tourists Welcoming Award 2009, and Luxury Tourism Awards 2009. Travel and Leisure also voted Cape Town the second top city in the world and Bushman's Kloof in the Cederberg the world's best hotel. South African Tourism was further voted the best national tourism marketing agency in Africa, the International Convention Centre in Durban the leading conferencing centre in Africa, and Sun City Resort the leading resort in Africa.

South African Tourism's Board underwent several changes during the year under review and I was flattered to be offered the opportunity to lead an organisation as astute and internationally-respected as this one. It was only when I began my duties during January 2010, however, that I fully appreciated the depth of the organisation, the science and research behind its ground-breaking international marketing activities, the phenomenal pool of talent contributing towards it, and its leadership in terms of corporate governance compliance within the public sector, as is evident in its record of eight consecutive unqualified no-emphasis-of-matter external audit reports. As nine

months of the 2009/10 financial year had already passed by the time I joined, I used the opportunity to learn more about the organisation, its people, processes and the global tourism industry in which it competes for potential tourists. I continue to learn and be astounded by the quality and passion of the work within this industry and am grateful for the warm welcome I have received.

We believe that the 2010/11 financial year will be a positive year for South Africa despite the struggling world economy, primarily as a result of the 2010 FIFA World Cup. South African Tourism will, during the forthcoming year, strategically focus at protecting our leadership in wildlife and adventure and will endeavour to build a nation of welcoming and hospitable hosts.

Together, we look forward to showing our exquisite destination to the world as never before.

Thandiwe January-McLean

Chief Executive Officer



Corporate Governance Report

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.

South African Tourism views good corporate governance practice as integral to good performance. We at South African Tourism are committed to promoting sustainable confidence in our conduct, both 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:

- 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;
- facilitate legal and regulatory compliance;
- ensure sustainable business practices, including social and environmental activities; and
- 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 our behaviour, practices and activities. Our values require directors and employees to behave with integrity, consistently and uncompromisingly displaying moral strength and conduct which promotes trust.

Sound corporate governance is implicit in our values, culture, processes, functions and organisational structures and is designed to formalise oversight thereof, and ensure the values remain embedded within all our operations and processes. We continue to refine these structures, with a written statement of values.

South African Tourism is guided in its commitment to the principles of good corporate governance by the King III Code and Report on Corporate Governance in South Africa 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 subscribes to values of good corporate governance, and to the requirements of the Public Finance Management Act. It also has sufficient finance systems in place to provide real-time and relevant information to business units, allowing them to make informed decisions.

The Board of Directors

South African Tourism is governed by a unitary Board of Directors, comprising a majority of non-executive directors and chaired by a non-executive director. The Board is assisted by Board Committees, duly formed according to the King III Report on Corporate Governance and the Public Finance Management Act. 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 decision-making processes. 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 have the opportunity to discuss organisational, operational and administrative matters with the chairman, the CEO and senior management.

Non-executive directors bring with them a diversity of experience, insight, business acumen, skills and independent judgment on issues of strategy, performance, resources and standards of conduct. Non-executive Board members are individuals of calibre and credibility, with the necessary skill and experience to bring independent judgment to bear on issues of importance to the entity.

The non-executive members of the Board are appointed by the Minister of Tourism for a period of three years. In order to ensure continuity, the Minister endeavours to re-appoint at least 50% of the 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 Board consists of two executive members (Chief Executive Officer and Chief Financial Officer) and 12 non-executive members. The names and credentials of the directors are detailed on page 22 of the annual report.

Board Charter roles and responsibilities

The role of South African Tourism's Board is to ensure the proper and efficient performance of the organisation'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 and are accompanied by monitoring and reporting systems. Each standing Board Committee has specific written terms of reference issued by the Board, which are adopted by the Committee. All Committee Chairpersons report verbally on the proceedings of their Committees at Board meetings.

The Board's primary responsibilities, based on pre-determined assessments 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 the executive management by setting strategic objectives for the organisation, and determining high-level marketing strategies, while 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, particularly with regards to the negotiation 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 South African business in general.
- Ensuring that a model for succession planning is introduced for all executive management, all 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 the organisation's performance as a whole, as well as that of its Committees and executives.
- Agreeing on performance criteria for all employees of South African Tourism.
- Monitoring compliance with the Delegation of Authority and other ethical guidelines underpinned in the organisation's policies.
- Ensuring that suitably qualified and experienced individuals are appointed as the executive management of South African Tourism at all times.

Board meetings

In order to carry out its responsibilities effectively, the Board and its appointed Sub-committees meet at least three times per annum.

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 Jabu Mabuza.

During the year there was a change in the membership of the Board. The names of the Board members and attendance at Board meetings are set out below:

Board member	Note	26 May 09	27 Jul 09	23 Nov 09	25 Feb 10	Attendance
Jabu Mabuza	+^	✓	✓	✓	✓	4/4
Frank Kilbourn	+^	✓	✓	✓	✓	4/4
Yvonne Johnston	*	✓	✓	✓	✓	4/4
Johan van der Walt	*+^	✓	✓	✓	✓	4/4
Nosipho Ncaba	+	✓	1	1	1	1/1
Manana Moroka	*	✓	1	1	1	1/1
Zwelibanzi Mntambo	+3 ^1,3	-	✓	✓	✓	3/4
Bheki Khumalo	*	-	1	1	1	0/1
Michael Lutzeyer	*^	✓	✓	✓	✓	4/4
Amor Malan	^*2	✓	✓	✓	✓	4/4
Eddy Khosa	*	✓	1	1	1	1/1
Bridgette Radebe	^	-	1	1	1	0/1
Sizakele Mzimela	^	✓	✓	✓	✓	4/4
Dirk van Schalkwyk	+^	3	✓	✓	✓	3/3
Tumi Makgabo	*	3	✓	✓	✓	3/3
Iraj Abedian	^	3	✓	✓	✓	3/3
Alan Romburgh	~	3	✓	4	4	1/1
Brett Dungan	*~	3	✓	✓	✓	3/3
Peter Bacon	~	5	5	✓	✓	2/3
Thandiwe January-McLean	*+^	6	6	6	✓	1/1

Note:

- ✓ Meeting was attended
- Board member was absent from the meeting with an apology
- + Member of the Remuneration Committee
- ^ Member of the Audit Committee
- * Member of the Marketing Committee
- ~ Member of the Quality Assurance Committee

¹ Board term: 1 June 2006 – 31 May 2009

² After the change in the Board members, Ms Amor Malan moved from the Audit Committee to the Marketing Committee

³ Board term: 1 June 2009 – 31 May 2012

⁴ Member resigned from Board

⁵ Member appointed 1 November 2009

⁶ CEO was appointed with an effective date of 18 January 2010

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 October/November. The Board assessment questionnaires were based on the latest requirements of King III. This process is led by the Chairperson of the Board, with input from one of the senior independent Board members and in consultation with Board members.

All outputs from the evaluation process are reviewed by the Chairperson, the senior independent Board member and the executive Board member, who then draw conclusions on whether the Board and its Committees are operating effectively and what needs to be done to improve efficiencies.

Conflicts of interest

Directors are required to inform the Board timeously of conflicts or potential conflicts of interest they may have in relation to particular items of business. 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 as and when changes occur. Declarations of interest are tabled at each Board meeting, and are updated as and when necessary.

Board Committees

South African Tourism is governed by a unitary Board of members assisted by the following Sub-committees:

- Chairpersons' Committee
- Marketing Sub-committee
- Remuneration Sub-committee
- Audit Sub-committee
- Executive Committee and Management Committee
- Quality Assurance Sub-committee (also referred to as the Awards Sub-committee)

Chairperson's Committee

The Chairpersons' Committee consists of the Chairpersons of the Board, Marketing Sub-committee, Audit Sub-committee, Quality Assurance Sub-committee and Executive Committee. This Committee meets as and when required, the quorum for meetings is four members, and all members will have full voting rights.

Marketing Sub-committee

The Committee comprises five non-executive directors and two executive members and is chaired by Ms Yvonne Johnston. Membership of this Committee and attendance at meetings were as follows:

Marketing Sub-committee Meetings 2009/10

Date	26 May 09	23 Nov 09	25 Feb 10	Attendance
Yvonne Johnston	✓	✓	✓	3/3
Manana Moroka**	-	#	#	1/1
Bheki Khumalo**	-	#	#	0/1
Eddy Khosa**	✓	#	#	1/1
Michael Lutzeyer	✓	✓	✓	3/3
Tumi Makgabo	*	✓	✓	2/2
Brett Dungan	*	✓	✓	2/2
Amor Malan	✓	✓	✓	3/3
Thandiwe January-McLean	***	***	✓	1/1
Johan van der Walt	✓	✓	✓	3/3

*** CEO was appointed with an effective date of 18 January 2010

* Member was appointed with the new Board term

- Member was absent from the meeting with an apology

** Member was in the previous Board member cycle

Member ceased to be a member of the Sub-committee

✓ Meeting was attended

The following people are permanent invitees to all Marketing Sub-committee meetings:

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

The Marketing Sub-committee reports on its activities and makes recommendations to the Board. The Marketing Sub-committee has adopted the following terms of reference:

- To 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 as well as another four financial years, and make appropriate recommendations to the Board.
- To review and recommend the approval to the Board of all primarily marketing policies, including branding, that will either have no financial implication or the implication will be covered by the approved budget.
- To review all primarily marketing policies for South African Tourism, including branding, which will have a financial implication if not covered by the approved budget.
- To review significant changes to mainline expense items as approved by the Executive Committee in terms of the business plan and budget of South African Tourism.

- To review and discuss South African Tourism business plans and budgets for new financial years and make applicable recommendations to the Board.
- To 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 Sub-committee

The Committee comprises four non-executive directors and one executive member and is chaired by Mr Jabu Mabuza. King III 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 is of the opinion that it would be in the best interest of the organisation if the chairman of the Board were also the chairman of the Remuneration Committee. Membership of this Committee and attendance at these meetings are disclosed below:

Remuneration Sub-committee Meetings 2009/10

Date	26 May 09	23 Nov 09	25 Feb 10	Attendance
Jabu Mabuza	✓	✓	✓	3/3
Frank Kilbourn	✓	✓	✓	3/3
Nosipho Ncqaba**	-	#	#	1/1
Sizakele Mzimela*	✓	-	✓	2/3
Zwelibanzi Mntambo	✓	✓	✓	3/3
Dirk van Schalkwyk****	****	-	✓	1/3
Thandiwe January-McLean (CEO**)	***	***	✓	1/1

**** Member selected as a member of this Committee effective 24 November 2009

*** CEO was appointed with an effective date of 18 January 2010

* Member was appointed with the new Board term

- Member was absent from the meeting with an apology

** Member was in the previous Board member cycle

Member ceased to be a member of the Sub-committee

✓ Meeting was attended

The following people are permanent invitees to all Remuneration Sub-committee meetings:

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

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

The Remuneration Sub-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:

- To review proposed changes to the approved organogram of South African Tourism and make applicable recommendations to the Board.
- To review all primarily human resources policies in South African Tourism that will either have no financial implication or the implication will be covered by the approved budget.
- To review all primarily human resources policies in South African Tourism that will have a financial implication not covered by the approved budget.
- To approve proposed remuneration changes within the budget (annual inflation increases, designation increments and any other changes to total cost-to-company packages).
- To recommend for approval to the Board proposed remuneration changes outside the budget (annual inflation increases, designation increments and any other changes to total cost-to-company packages) after having reviewed such changes.
- To review, discuss and approve all proposals from the Executive Committee concerning the payment of performance bonuses.
- To review proposed parameters for the next MTEF period's business plan and budget of South African Tourism and make applicable recommendations to the Board (at the October meeting).

Audit Sub-committee

The Committee comprises six non-executive directors and is chaired by Mr Frank Kilbourn. King III stipulates that the chairman of the Board may not be a member of the Audit Committee. South African Tourism does not comply with this requirement as the Board of South African Tourism is of the opinion that it would be in the best interest of the organisation if the chairman of the Board were also a member of the Audit Sub-committee. Membership of this Committee and attendance at these meetings is set out on the top of the next page:

Audit Committee Meeting 2009/10

Date	26 May 09	23 Nov 09	25 Feb 10	Attendance
Frank Kilbourn	✓	✓	✓	3/3
Jabu Mabuza	✓	✓	✓	3/3
Bridgette Radebe	-	#	#	0/1
Sizakele Mzimela	✓	✓	✓	3/3
Zwelibanzi Mntambo	-	✓	✓	2/3
Iraj Abedian	*	✓	✓	2/2
Dirk van Schalkwyk	*	✓	✓	2/2
Amor Malan	✓	#	#	1/1
Thandiwe January-McLean	***	***	✓	1/1
Johan van der Walt	✓	✓	✓	3/3

*** CEO was appointed with an effective date of 18 January 2010

Member ceased to be a member of the sub-committee

✓ Meeting was attended

* Member was appointed with the new Board term

- Member was absent from the meeting with an apology

The following people are permanent invitees to all Audit Sub-committee meetings:

- Chief Operating Officer of South African Tourism
- Senior Internal Auditor of South African Tourism
- Senior representative from the Auditor-General

This Committee will primarily assist the Board by providing assurance of the adequacy and efficiency of South African Tourism's internal controls systems in respect of both the organisation's 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 the annual accounts, accounting policies, compliance and regulatory matters, internal audit 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 handled by the Chief Operating Officer.

The Audit Committee has adopted the following terms of reference:

- To establish formal and transparent arrangements for considering how its financial reporting and internal control principles should be applied, 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 Sub-committee provides the Board with assurance of the adequacy and efficiency of South African Tourism's internal controls systems 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, SA GAAP.
- To review proposed changes to the Delegation of Authority and make applicable recommendations to the Board.
- To review all primarily non-human resources 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's 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 senior internal auditor has direct access to the Chairperson of the Audit Sub-committee.

An effectively functioning Audit Sub-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 both adequate and functioning effectively.

Executive Committee and Management Committee

The Executive Committee assisted by the Management Committee is responsible for the execution of the Board-approved strategic plan and consolidated business plan and budget of South African Tourism. The Executive Committee consists of six full-time executive employees: the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Chief Marketing Officer, the Chief Research Officer and the Chief Quality Assurance Officer. The position of the Chief Research Officer is currently frozen and the Board will review the quorum of the Executive Committee should a decision be taken in future to fill the position of Chief Research Officer again. The Executive Committee meets weekly.

The Management Committee consists of all business unit managers within South African Tourism. This Committee has been established to make recommendations on the day to day business of South African Tourism to the Executive Committee. The Executive Committee is chaired by the Chief Executive Officer while the Management Committee is chaired by the Chairperson elected by this Committee. These Committees are responsible for the day-to-day management of the organisation's businesses and it also reviews strategic plans, capital expenditure projects, company operating and financial performance and the central and administrative functions of the organisation.

Quality Assurance Sub-committee

The Quality Assurance Sub-committee has a maximum of 10 non-executive members and is chaired by Mr Peter Bacon. Membership of this Committee and attendance at these meetings is set out on the top of the next page.

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 Quality Assurance Sub-committee in terms of Section 18(5) of the Tourism Act; that is, 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 Quality Assurance Sub-committee has adopted the following terms of reference:

- To ensure that grading criteria is relevant and up to date.
- To make recommendations to the Board on the strategic direction for TGCSA after consultation with TGCSA management and the Executive Committee.
- To act as quality control by exception in confirming the awarding of stars based on the grading scores.
- To act as the Appeals Committee for aggrieved establishments.

Quality Assurance Sub-committee Meeting 2009/10

Date	5 Aug 09	18 Nov 09	14 Dec 09	15 Jan 10	18 Feb 10	15 Mar 10	Attendance
Peter Bacon	*	*	✓	✓	✓	✓	4/4
Brett Dungan	*	✓	✓	✓	✓	✓	5/5
Thembi Kunene	✓	✓	✓	✓	✓	✓	6/6
Mzi Gcanga	*	✓	✓	✓	✓	✓	5/5
Julian Smith	*	✓	✓	-	✓	✓	4/5
Smangele Nhlapo	*	✓	✓	✓	✓	✓	5/5
Tony Hazel	*	✓	✓	✓	✓	✓	5/5
Jegje Padmanathan	*	✓	✓	✓	✓	✓	5/5
Alan Romburgh	✓	✓	✓	✓	✓	✓	6/6
Ahmed Chothia	*	✓	✓	✓	✓	✓	5/5
Phillip Thompson	-	-	✓	✓	✓	✓	4/6
Martin Wiest	✓	#	#	#	#	#	1/6
Miller Motala	✓	#	#	#	#	#	1/1
Jennifer Seif	✓	#	#	#	#	#	1/1
Sheila Sekhitla	-	#	#	#	#	#	0/1
Roshene Singh	-	#	#	#	#	#	0/1
Abe Makoloi	-	#	#	#	#	#	0/1
Bill Gallagher	-	#	#	#	#	#	0/1
Terry Tselane	-	#	#	#	#	#	0/1
Bill Ford	-	#	#	#	#	#	0/1
Nokhuphiwe Moshweunyane	-	#	#	#	#	#	0/1
Glen Phillips	-	#	#	#	#	#	0/1
Thami Bolani	-	#	#	#	#	#	0/1
Sindiswa Nhlumayo	-	#	#	#	#	#	0/1
Salifou Siddo	-	#	#	#	#	#	0/1

* Member appointed with the new Board term
 - Member was absent from the meeting

Member ceased to be a member of the sub-committee
 ✓ Meeting was attended

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 III.

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 III; and
- in its governance approach, the Board believes that, whereas compliance with the form of governance is important, greater emphasis is placed on ensuring compliance with the substance of governance. The Board also seeks to ensure that good governance prevails at all levels in the organisation and is an integral part of its operations.

Internal control

South African Tourism's systems of internal control are designed and operate 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;
- comprehensive reporting and analysis against approved standards and budgets; and
- 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:

- the segregation of duties, transaction authorisation, monitoring, and 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; and
- 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 system

The entity's operating procedures include a comprehensive system for the reporting of 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 the budget;
- monthly management accounts with a comparison of actual results against the latest forecast and budget; and
- an update, at least annually, of the five year strategic plan, including key assumptions and indicators.

Compliance with internal control

Assurance on compliance with systems of internal control and on their effectiveness is obtained through regular management reviews, controlled 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 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.

Internal audit

The scope of the internal audit is to review the reliability and integrity of financial and operating information, the risk management process, the systems of internal control, 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 in South African Tourism operated in all business units throughout the organisation for the period under review. An internal audit plan was prepared and approved by the Audit Sub-committee.

A global internal audit methodology has been developed and rolled out across South African Tourism. Regular reports to the Audit Sub-committee are one of the primary outputs that arise from this methodology.

A formal review of the effectiveness of internal audit is conducted by the senior internal auditor on an annual basis. The Audit Sub-committee members and the other attendees at Committee meetings complete questionnaires on an annual basis to evaluate the effectiveness of the internal audit division. The most recent evaluation showed that internal audit is performing effectively.

The Audit Sub-committee has satisfied itself that adequate, objective internal audit assurance standards and procedures exist within the organisation, and that formal initiatives are underway to provide for continuous improvements to the quality and objectivity of the global internal audit function.

Risk management

The focus of risk management in the organisation is to support the delivery of business objectives by identifying, assessing, managing and monitoring risk across the organisation. Management is involved in a continuous process of developing and enhancing its comprehensive risk and control procedures to improve the mechanisms for identifying and monitoring risks. A risk assessment is performed at least annually and addresses South African Tourism's exposure to the following risks:

- physical and operational risks;
- human resources risks;
- technology risks;
- business continuity and disaster recovery risks;
- credit and market risks; and
- compliance risks.

Key features of the organisation's system of risk management are:

- clear business objectives and business principles;
- an established risk policy;
- a continuing process for identification and evaluation of significant risks to the achievement of business objectives;
- management processes in place to mitigate the significant risks to an acceptable level;
- continued monitoring of significant risks and internal/external environmental factors that may change the organisation's risk profile; and
- an internal audit process review of the risk management system.

The operations of the risk management system support South African Tourism in the areas of premises and dispatch services, records management, printing, reception, occupational health and safety, equipment supplies and maintenance.

All procurement activities undertaken by South African Tourism during the year under review were consistent with the South African Government's Supply Chain policies and guidelines.

The operations of the risk management area are designed to minimise risk to South African Tourism in a cost-effective manner and to an acceptable level. Risk management principles and practices have been incorporated further into the organisation's decision-making and operational activity.

The major operations of risk management are to:

- provide education and awareness of risk management;
- develop and manage systems of risk identification and effective control; and
- co-ordinate and manage insurance, contracts, legal, audit and lease issues.

The Chief Executive Officer reports to the Board on key risks at every Board meeting, including the status of the risk management process and internal control systems, and any evolving risk issues or internal control breakdowns that may have occurred.

Key reports include those that identify, rank, monitor and measure strategic, operational and financial risks in the organisation. These are supplemented by reports on internal control processes and breakdowns, along with reviews of the structure and effectiveness of internal audit functions.

The Board adopts practices designed to identify significant areas of business risk and to manage effectively those risks in accordance with the organisation's risk profile.

South African Tourism has a comprehensive insurance programme that covers all identified areas of risk.

Integrated sustainability reporting

King III prescribes that entities should report on non-financial matters, known as triple bottom line reporting. This 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 crafts hawkers, from tour guides to traditional dancers, every individual has a role to play in developing the tourism industry. 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 International Marketing Council (IMC) to promote innovative ways to market the country. South African Tourism will continue to explore synergies and build meaningful partnerships with Government, provincial tourism bodies, and the private sector in order to unleash the benefits of tourism for all 49 million stakeholders.

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 company's Chief Executive Officer after each Board meeting. The Board feedback sessions afford employees an opportunity to raise matters that require attention.

Ethical conduct

Directors 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 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 its 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; and
- 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. During the year employees from the different business units in South African Tourism attended emergency fire training courses as well as an emergency first aid courses. These employees were provided with 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. In order to promote employee wellness, the organisation, in partnership with Careways, has provided our employees with initiatives such as wellness day, counselling services and 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 biodiversity;
- promote good relationships with and enhance capacities of the local communities of which we are part; and
- respect all people's culture and heritage.

Paper recycling

The organisation has a satisfactory recycling programme in place 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 and, 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 ground water 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 its generation. South African Tourism has installed an Electro Sense Proactive Energy Management System, which 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 reduction in 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 reduce 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; and
- 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 to 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.
- South African Tourism is in the process of ensuring accreditation to other professional bodies as well.

Strategic human capital planning

In today's technologically advanced age, where every competitor has access to the same 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 internship programme in which approximately 13 interns are 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 and direct teaching of practical content and coaching.

Succession planning processes will address:

- the ownership of the management team;
- the value and contributions to the business;
- the tracking of multiple levels of successors and related data;
- the ability to search for and identify candidates;
- the location and comparison of candidates based on competency based assessment;
- organisation and successor charting;
- define and tract competency-based development plans for leadership; and
- integrate performance and multiple rating assessments.

Social responsibility project: Indukebandla Junior Primary School and Noah's Orphanage

At the 2010 Annual Finance Lekgotla, South African Tourism successfully executed its first-ever social responsibility project at the Indukebandla Junior Primary School and Noah's Orphanage at Mtubatuba in northern KwaZulu-Natal.

The school and orphanage had never previously had running water. Water had to be fetched in buckets from the river some distance from the school and the orphanage used to collect rain water in tanks to water its vegetable garden. A company donated two new tanks to the orphanage which were erected some distance from the building, so although the orphanage now had new tanks, they could unfortunately not catch enough water as they were not connected to the gutters of the orphanage building.

South African Tourism decided to drill a borehole at the school as part of the project, despite the contractor warning us that there was a chance of not finding any water and that even if water was found, there was a 50:50 chance of it being brackish.

Fortunately strong, good quality water at the school was found, not only enough for the children at Indukebandla Junior Primary School and Noah's Orphanage, but also for the neighbouring school.

South African Tourism employees were part of a group who painted the school, repaired broken windows and cupboards in the classrooms, fitted new black boards, built new toilets, drilled a borehole for the school and handed 600 school bags with stationery to the learners. Four sewing machines and one overlocker were also provided to Noah's Orphanage. South African Tourism generously contributed R300,000 to this project and in addition, every employee attending the Lekgotla donated one day's remuneration to this project.

South African Tourism certainly made a huge difference in the lives of these children, who were also energised with the 2010 spirit and taught, during the handing-over ceremony, how to be welcoming and tourist-friendly South Africans.



Diski Dance

In order to promote the historic 2010 FIFA World Cup event, South African Tourism approached K-CAP Dance School at Ekhaya Multi Arts Centre, Kwa Mashu to prepare and audition diskie dancers ahead of the World Cup activations.

In the process of auditions, eight dancers were identified for the Diski Dance. Subsequent to this, K-CAP was then involved in many Diski Dance activations in KwaZulu-Natal which among others included: Durban Tourism Indaba, Sho't Left, Beach Festivals, a BMX Competition, the opening of Moses Mabhida Stadium and many others. K-CAP was also invited by various Durban businesses to teach their staff members the Diski Dance – these included Pavilion Mall, Eskom and Hulett's.

The Diski dancers have benefitted immensely through this involvement – not only financially, but also through experience, meeting high profile people during events, learning professionalism and personal growth. The programme has also taken these dancers through the media limelight, assisting them in the growth of both their personal and professional profiles.

Johan van der Walt

Chief Financial Officer

Performance Information Report

Consolidated				
Goal	Key performance indicator	Target	Performance results	Reasons for variance
Achieve total arrival target	Arrivals	Achieve 9 824 858 arrivals (+3.6%)	Total arrivals for Jan-Dec 2009 is at 9,933,966	Growth driven by arrivals from Africa. Global travel has declined by 4% according to UNWTO
	Joint marketing agreements with key trade	Sign 101 JMAs with trade partners as per country trade strategy	JMAs signed in 2009/10 = 122	Exceeded target
	Trade contacts of key operators and travel agents that sell South Africa in all countries	Obtain 13,000 trade contacts on trade database	Trade contracts 2009/10 = 31,367	Exceeded target
	Closure ratio	Obtain an average 1 in 2.9 closure ratio	Average 1 in 2.88	Target met
	Increase positive/neutral coverage value over 08/09 fiscal	5% more PR value from 08/09 (2008/09: 46,100,334)	Total 2009/10 = R60,455,440.80 Source: FD Beachhead Analysis, Dow Jones/Ornico analysis	Exceeded target
		Obtain 80% neutral coverage of South Africa as a tourism destination	Jan 2010: 70% neutral and positive; 20% negative 10% very negative Feb 2010: 95% neutral and positive; 5% negative Mar 2010: 90% neutral and positive; 10% negative Source: Dow Jones Media Monitoring	Exceeded target
	Increase in number of media hosted over 08/08	5% increase in number of media hosted over 08/09 (2008/09: 58)	219 media hosted	Exceeded target

Goal	Key performance indicator	Target	Performance results	Reasons for variance
	Use Indaba to showcase our diversity on offer in SA	Increase total visitors at Indaba by 3%	Total registered attendees declined by 2%	The impact of global economic recession had a negative effect on international visitors to Indaba and businesses have closed down in core markets
	Create a conducive business environment at Indaba	Maintain current exhibitor numbers at Indaba	Exhibitor numbers dropped by 8.5%	We configured space allocations to accommodate bigger space requests from existing Indaba exhibitors
	Create awareness about SA as a global meetings destination by using Meetings Africa to showcase SA to international trade	Host 120 international buyers at Meetings Africa	115 international buyers were hosted at Meetings Africa 2010	119 international buyers registered of which only 115 were confirmed
		Grow number of exhibitors by 10% over the previous year 2008/09: 163)	272 exhibitors	Exceeded target
	Network with relevant trade marketing tools to equip trade to secure more meetings and incentives to SA	Ensure at least 20 business tourism leads per annum from all countries are escalated to relevant bodies	247 active leads and 93 escalated to relevant bodies	Exceeded target
	Support 3 international events aimed at attracting visitors to SA	Host 5 foreign journalists for each of the international events	55 foreign journalists held for the year	Exceeded target

Goal	Key performance indicator	Target	Performance results	Reasons for variance
Achieve total arrival target (continued)	Spend per person per day	Spend broken down per country office: France R10,800 Germany R14,000 Italy R11,800 Netherlands R16,400 United States R17,200 United Kingdom R13,100 India R17,400 Australia R13,700 Japan R12,400 China R17,900 Kenya R11,400 Nigeria R16,400	Spend broken down per country office: France R10,204 Germany R12,522 Italy R11,431 Netherlands R13,879 United States R13,428 United Kingdom R11,518 India R14,860 Australia R11,961 Japan R13,788 China R20,836 Kenya R8,755 Nigeria R14,869	The results portray the different impacts of the financial crisis. While 2 countries have exceeded targets, 10 have not due to the financial crisis and people travelling with reduced budgets, which was exacerbated by the volatile Rand exchange rate
	Number of travel agents and tour operators trained to better sell SA	Train at least 10 000 trade across all markets	19,474 trade trained	Exceeded target
	Educate and equip the trade to sell us better and address perceptions by training workshops for product and provincial hosting	90 products to be trained per annum	500 products trained	Exceeded target
		2 provincial hosting conferences per annum	2 provincial hosting conferences held	Target met
South Africa to be a most preferred Tourism Brand by 2014	Website visits to southafrica.net and campaign sites	Achieve 10% more visits over 2008/09 (1,468,474)	3,227,480 website visits for the year (+119.78%)	Exceeded target
	Improve global awareness	Achieve 77% global awareness by Dec 2010	Brand awareness at 79% (2009 Actual, Source: SRU)	Exceeded target
	Improve global positivity scores	Achieve 40% global positivity by Dec 2010	Global positivity at 38% (2009 Actual, Source: SRU)	On track
	Improve global reach on television, cinema and online global marketing	1 billion consumers to be reached on TV and online on global platforms by Mar 31, 2010	1,272 billion consumers with 6,194 brand spots, 3,743 vignettes/programmes and 88 million online impressions	Exceeded target

Goal	Key performance indicator	Target	Performance results	Reasons for variance
	Local product incentives for the development of new products (ETEYA)	ETEYA 2009/10: 159 entries (5% increase)	ETEYA 2009/10: 206 entries (increase of 36)	Exceeded target
	Service levels incentives (Welcome Awards)	Welcome Awards 2009/10: 1,094 entries (5% increase)	Welcome Awards 2009/10: 1,406 entries (increase of 41%)	Exceeded target
	Secure 1 major international sport/lifestyle event post 2010 e.g. rugby world cup; cricket world cup	Secure event by March 2010	Bidding strategy 50% completed. Requested extension from EXCO until May 2010	Bidding for events dependent on completion of bidding strategy. Service provider appointed in Dec 2009
	Support 5 domestic events to leverage awareness of SA	Host 10 foreign journalists for all 5 events by March 2010	136 journalists hosted	Exceeded target
	Drive an increase in online traffic to the key websites southafrica.net and /2010	10% growth in online traffic quarterly	Q4 = 860,335; Q3 = 748,997; Q2 = 59,544; Q1 = 27,374; Total 2009/10 = 1,696,250	Exceeded target
	PR value from published media work	5% more PR value from 2008/09 (2008/09: 46,100,334)	Q4 2008/09 = R5,848,328.97; Q4 2009/10 = R13,911,400.14; Total 2009/10 = R60,455,440.80 Source: FD Beachhead analysis, Dow Jones/Ornico analysis	Exceeded target

Goal	Key performance indicator	Target	Performance results	Reasons for variance
South Africa to be a most preferred Tourism Brand by 2014 (continued)	Increase positivity/neutral coverage of SA as tourism destination	5% increase in positive/neutral coverage over 2008/09	<p>Jan 2010: 70% neutral and positive; 20% negative; 10% very negative</p> <p>Feb 2010: 95% neutral and positive; 5% negative</p> <p>Mar 2010: 90% neutral and positive; 10% negative</p> <p>Source: Dow Jones Media Monitoring</p>	Exceeded target
South African Tourism to be Best Tourism Organisation by 2010	Execute projects within approved budgets or do timely budget reallocation requests	100% of budget spent as per business plan by 31 March 2010	As at 31 March 2010 SAT has spent 93% of their annual budget	Target met
	Tourism competitiveness benchmark	Complete research study by 31 Jan 2010	Project in progress	Delays in the commencement of the project due to approval process internally. Project only commenced in Dec 2009 and will be completed in April 2010
	SAT climate survey	Report on results by 31 Aug 2009	Achieved	Target met
	Asset counts	Conducted bi-annually i.e. 31 Aug 2009 and 31 Mar 2010	Asset count was concluded 20 March 2010	Target met
	Monitoring service level agreements with third parties	100% compliance as per contract terms and conditions	Monitoring compliance – ongoing	Target met

Goal	Key performance indicator	Target	Performance results	Reasons for variance
	Integration of TECSA and TGCSA into SAT's system	To be completed by 31 Mar 2010	TGCSA has been integrated into SAT IT infrastructure, email, SAT branding, Telephony etc	Target met
	Unqualified Audit Reports	Audit reports received from the Auditor-General by 31 Jul 2010	Final results to be received by 31 July 2010	2008/09 audit results unqualified with no emphasis of matter. 2009/10 results will only be available after 31 March 2010 audit
	Oracle Upgrade to version 12	Oracle upgrade to be completed by 31 Mar 2010	Deliverables for period ending 31 March 2010 implemented as per plan. System is currently in use.	Target met
	Monthly business unit meetings	Two per month i.e 24 per annum	100 business unit meetings held	On track
	Reduced staff turnover	By 5% compared to 2008/09	5 resignations in Q4. Total 2009 = 14 resignations. Turnover in 2009 was 7.8% excluding unavoidable exits, compared to 13.5% in the previous period	Target met
	Participation in Delloite's "Best-Company-to-Work-for"	Reach a 70% participation rate	Reached 72.18% participation	Exceeded target
	Creation of a competency database	Job analysis and verifications done 100%	Compiled all competency profiles	On hold until the succession plan is in place
	Ensure the roll-out of the induction programme	100% of all staff inducted on the induction programme by 31 Mar 2010	All head-office staff inducted, covered 6 international offices (i.e. 60%) in Q4	4 offices (Japan, Germany, Australia, USA) could not be done in Q4 due to operational reasons, e.g. unavailability of countries due to business planning and other commitments. The 4 offices will be covered in the 1 st quarter of 2010/11

Goal	Key performance indicator	Target	Performance results	Reasons for variance
South African Tourism to be the best Tourism Organisation by 2010 (continued)	Optimise and improve Call Centre response and information handling capabilities	Decrease dropped call rates by 10% (2008/09: 6,757)	Q4 = 2,050; Q3 = 1,769; Q2 = 1,732; Q1 = 1,303; Total 2009/10 = 6,914	833 abandoned calls outside of the target amount (6,081) due to increased call volumes and software upgrade for 2010 and the Rooms4U calls
	Increase the National Tourism Product Database entries and engage in a new CRM strategy to communicate to Trade and Product Owners and grow these CRM segments	Increase CRM activity with Trade and Product Owners by 15% (2008/09: 52,082)	Q4 = +132; Q3 = +8,009; Q2 = +52,698; Q1 = +0; Total 2009/10 = 60,880	Exceeded target
	Number of new properties and number of renewals graded	1,635 new properties and 6,007 renewals	530 new properties and 1,708 renewal properties graded in Q4, 556 new properties and 1,776 renewal properties graded in Q3, 448 new properties and 1,326 renewal properties graded in Q2, 610 new properties and 1,242 renewal properties graded in Q1. 2009/10 Total properties graded = 8,196	Exceeded target
	Assist provinces/ municipalities in executing their tourism growth plans by ensuring that the properties identified by them are graded through signed MoUs	4 MoUs to be signed and executed	Q4 = Northern Cape Tourism, Department of Arts, Culture and Tourism in KZN; Q3 = Department of Economic Development and Tourism in KZN, Northern Cape Tourism; Q2 = Gauteng Tourism Authority; Q1 = 0. Total 2009/10 = 5	Eastern Cape Tourism (ECT) has gone ahead and implemented the project on its own and hence the MOU will not be signed

Goal	Key performance indicator	Target	Performance results	Reasons for variance
Transformation of the tourism sector*	Increase the number of private sector stakeholders that comply with the Tourism BEE charter and scorecard by holding workshops and renewing MOPUs with associates	10% response from the industry	Call put on hold	Accreditation of verification agencies by SANAS outstanding. BEE Advisory Council reporting to the presidency has been appointed and the DTI will be presenting the reporting framework in Feb 2010 for sector charters
		Host 12 workshops	8 workshops held	Due to the transitional period of incorporation into the Department and limited human resources, workshops were postponed to the 2010/11 financial year.
		Renew 10 MoUs with associates	TBCSA MoU signed. Association MoUs extended. Draft Open Africa MoU in place	With incorporation into NDT, some of the areas of the NGO MoU fall under the SRP programme and thus the draft MoU is under revision to incorporate the SRP requirements

* TECSA (Tourism Empowerment Council of South Africa) is temporarily being housed at South African Tourism before their function returns to the NTD on 1 April 2010. Their goal does not form part of South African Tourism and should be considered separately.



Durban Stadium

Location: Durban, KwaZulu-Natal province

Photo: Rodger Bosch, MediaClubSouthAfrica.com

04

Unit Reports





Chief Marketing Officer's Report

Marketing in our 14 core markets continues to focus on first-time visits, to make South Africa the preferred leisure and business destination of choice.

The 2010 financial year saw a continuation in the growth of arrivals to South Africa, with a total of 9.9 million domestic and international travellers visiting our shores. This growth was driven by a rise in the African, Asian, and Central and South American arrivals.

Statistically, neighbouring countries remain the most significant source markets, with the United Kingdom, the United States and Germany serving as the strongest long-haul markets. However, though the domestic market accounts for 75% of total tourism volume to South Africa, it is the foreign markets that contribute the most to total tourism revenue. According to the World Tourism and Travel Council (WTTC), tourism's contribution to the economy of South Africa grew by an estimated 2.7%, resulting in an overall contribution (direct and indirect) of 7.9% to the country's Gross Domestic Product (GDP).

Marketing and advertising

During 2009, South African Tourism's reach and frequency with our global partners, CNN, BBC World, Fox/News Corporation, Eurosport and National Geographic, were intensified in an endeavour to capitalise on the excitement, awareness and interest in the upcoming 2010 FIFA World Cup.

CNN's My South Africa campaign reached new heights during 2009. Vignettes featuring inspirational South African ambassadors such as Nkhensani Nkosi (founder and creative director, Stoned Cherrie), Reuben Riffel

(founder and head chef, Reuben's in Franschhoek), Andrew Desmet (conservation manager, Kruger National Park), Oscar Pistorius (Paralympic runner) and Lucas Radebe (former South African football player) were created, inspiring and motivating consumers to discover the South Africa of which these icons are a part. The My South Africa website has been upgraded to maintain relevancy and freshness and to leverage off the 2010 FIFA World Cup, to which a special section has been dedicated. Once again, the campaign won a gold medal at the Innovative Digital Marketing Solutions Awards in the United Kingdom in 2009.

The Journey campaign on BBC World featured eight South African experiences, and consumers were invited to interact and build an itinerary. During the year, four additional journeys were created which promoted South African culture, wildlife, adventuring and luxury accommodation.

With regards to National Geographic, we continued to implement new ways of reaching our strategic target market. The National Geographic campaign features their top photographers who capture authentic and groundbreaking South African experiences through the lens. Furthermore, we implemented an expansive and highly targeted online campaign, using the National Geographic online network, dotFox, to take video online formats to third party websites in all of South African Tourism's key markets.

Our News Corporation plan, which includes Sky News, Sky Sports and ESPN, focused on integrated editorial during the financial year. Signature spots appeared in top sporting events, supported by a comprehensive television branding campaign and key sponsorships.

Our partnership with Eurosport once again allowed us the opportunity to showcase the South African experience to a vast sports audience. Eurosport featured South Africa in business class, sports destination and golf destination programmes.

South African Tourism's brand alignment project originates from an acknowledgement that South Africa currently portrays an inconsistent image with regard to both its identity and messaging. There are currently over 60 different brand logos, with an equal number of messages, being communicated by South Africa's various governmental, private and civil entities. This scenario creates brand image fragmentation and leads to the transmission of mixed messages.

Brand South Africa was thus developed in May 2007 to align the country's branding and while phase one saw the development of a unified look and feel, phase two involved positioning South Africa as a country on the rise in the global arena. A new logo, a vibrant redesign of the South African flag, was approved by cabinet in November 2009 and is in the process of being rolled out globally.

Overall, global awareness of the country was increased from 76% in 2008 to 79% in 2009 and our positivity from 37% in 2008 to 38% in 2009, ensuring that Brand South Africa's awareness was at a premium ahead of the 2010 FIFA World Cup and that destination South Africa continues to be promoted.

Stakeholder relations

South African Tourism's policy towards stakeholder relations is one of transparency and integrity. We maintain valued relationships with all of our international missions and efforts to represent South Africa further abroad continue. All of South African Tourism's missions have been supplied with promotional material for the 2010 FIFA World Cup.

At our annual travel trade show in 2009, South African Tourism hosted 50 international delegates of the Departments of International Relations and Co-operation (DIRCO). The workshop focused on sharing our state of readiness for the 2010 FIFA World Cup with the DIRCO participants and providing them with information about the then forthcoming Confederations Cup in June 2009. Media from countries including Portugal, Argentina, Norway, Denmark and New Zealand were also taken on familiarisation trips across the country, and we were honoured to host Spain's most revered and prolific blogger, Paco Nadal of El Pais.

In January 2010, our Chairperson, Jabu Mabuza, and our Global Manager: Communications, Wendy Tlou held a press briefing and interview session in Portugal regarding South Africa's hosting of the FIFA 2010 World Cup.

Global product business unit

The global product business unit designs and executes tailor-made itineraries to assist regional directors, country managers and other business unit managers to fulfill their mandate by marketing South Africa as an international destination of choice. These executions are designed to create awareness of South Africa and to promote the country as a preferred, safe and affordable long-haul destination.



During the year under review, this unit upgraded South African Tourism's database to include accommodation establishments, product and service suppliers, and trade partners, in an effort to ensure efficiency during the 2010 FIFA World Cup. Furthermore, the Welcome campaign, which has been running for a number of years, was further developed with the aim of engaging both the tourism trade and the South African general public to become welcoming hosts during the international soccer event, thereby enhancing visitor experience.

The 2009 Welcome campaign culminated in the Welcome Awards, an initiative sponsored by First National Bank, which rewards and recognises individuals and organisations offering service excellence in the tourism industry value chain. The 2009 Welcome Awards saw a significant improvement, with 973 entries received compared to 499 for 2008 and the accommodation category alone growing by 67%.

The 2009 Welcome Award winners are:

- Accommodation: Karkloof Lodge and Spa
- Tour operator: Specialised African Tour Services
- Tourist attraction: SAB World of Beer
- Restaurant: Nyoni's Kraal Restaurant
- Parks: Mokala National Park
- Travel agencies: South African Travel Centre
- Tourist Guide: Linda Leung
- Business tourism (MICE): Van Ryn's Distillery
- Best website: City Lodge Group

The Emerging Tourism Entrepreneur of the Year (ETEYA) award was designed to encourage and sustain the development of small, micro and medium enterprises (SMMEs) within the tourism industry. Supported by SAB and TEP, the main objectives of ETEYA are to enhance job creation, financial sustainability, the development

of the SMME sector within the tourism industry, and to extend the wealth of authentically diverse South African tourism experiences. There was a 300% increase in the number of entries in 2009 compared to 2008, which is an exceptionally sound indication that more people are recognising the variety of opportunities available in the tourism industry to create a strong sustainable future in business for themselves. A KwaZulu-Natal tour operator, Brenda Roopai from City of Choice Tours, won the award and its accompanying R100,000 prize, plus training and mentorship.

Speed marketing sessions conducted during the financial year allowed product owners to learn about each other, and to find ways in which to package the products their regions have to offer in order to enhance the experience offering to visitors. The South African Tourism and SATSA initiative successfully introduced major inbound operators to product and experience offerings in lesser known areas, resulting in an increase in length of stay, spend and geographical spread. Coupled with the intensive country training workshop, this also ensures that every visitor's needs are addressed. During the five speed marketing sessions hosted in the first three quarters of the financial year, more than 300 product owners had the opportunity to introduce themselves and to make valuable contacts with more than 60 of South Africa's biggest inbound operators. The sessions were hosted in Nelspruit, Phalaborwa, Port Elizabeth, Bloemfontein and Oudtshoorn.

Additional workshops were held to ensure that consumer research is reaching the relevant commercial properties in a manner, tone and format that is accessible to them. More than 400 private product operators attended the half-day intensive training sessions, with a particular focus on long-haul travel and positive and negative factors affecting travel decisions.

Tourism is everyone's business and it is important that we ensure it benefits as many South Africans as possible. The hosting unit adheres to the strict BBBEE and SMME requirement as set out in the PFMA and exceeded both targets for this financial year. International media and trade were hosted from all our markets, including our stakeholders, namely Australia, China, France, Germany, Italy, India, Japan, Kenya, Netherlands, Nigeria, UK, USA, SADC, Malaysia, Spain and New Zealand. A total of 435 media and 532 trade guests were hosted between 1 April 2009 and 28 February 2010.

Global communications

The 2009/10 financial year was certainly an eventful one for our global communications unit. As soccer fever grew both in South Africa and around the world, we found ourselves inundated with media and stakeholder enquiries ranging from hosting assistance to information provision. The year also saw us announce soccer legend, Lucas Radebe, as South African Tourism's 2010 ambassador. Lucas's role has seen him form part of a panel briefing and 2010 promotional gatherings across the United States, the United Kingdom, Brazil and Argentina.

Our World Cup efforts intensified towards the end of the financial year. The final draw in Cape Town permitted us the opportunity to represent our destination in all its glory and a media centre containing touch-screen pods and information kiosks was set up to this end. South African Tourism also partnered with FIFA and the 2010 Organising Committee to host a further 33 journalists from international media agencies in the host cities where new stadia have been built.

In 2009/10, the global communications unit unveiled our tourism messaging brand book, a product which depicts South Africa's diversity, scenery and people

authentically, sophisticatedly and beautifully. The book has been provided to South African corporate giants, media, travel and tourism industry members and ambassadors, and our international officers.

Domestically, we have been involved with the Fly the Flag campaign, through which we are encouraging South Africans to be warm and welcoming hosts to the hundreds of thousands of visitors that we expect in the forthcoming financial year, as well as to support our national team by wearing soccer shirts on Football Fridays and learning the national anthem.

eMarketing

We have been hard at work making the digital investments necessary for South African Tourism to deliver better content, offer better user experiences, and communicate our information more effectively. International research shows the digital platform to be the preferred travel research method, regardless of language or location, and positioning South Africa online allows us to access this rich resource and drive travellers to our shores.

Consolidating our online efforts and stabilising our platforms has allowed the global and local marketing and content provision activities to deliver measurable results. Since the launch of southafrica.net at Indaba 2009, there has been more than 350% growth in the website traffic, an impressive statistic. We are serving more than 230 countries and territories online through southafrica.net, with top visits occurring from our core markets.

The efforts of the eMarketing team, however, have not been limited to the online and digital spaces. South African Tourism's call centre has also been undergoing a massive transformation as we prepare for the influx of tourists coming to enjoy the 2010 FIFA Soccer

World Cup. As part of the Welcome campaign, which is being run nationally, we have put in place a national telephone number that will be accessible locally and via roaming mobile phones, which will offer tourists and supporters all the travel and tourism related information they may need in seven languages all day, every day.

We are very fortunate to have such a wonderful product to offer online, and we will continue to find ways to draw attention to what we have available in South Africa for people to explore and experience.

Business tourism

In 2009 business tourism represented 4.7% of total arrivals to South Africa, representing approximately 500,000 visitors who came to South Africa for meetings, incentives, conferences and exhibitions. Business tourists, on average, spent approximately R5,300 during their period of stay in South Africa in 2009, a decrease of 5% year-on-year. This makes business tourists an important contributor to the South African economy, contributing as they do, more than R2,4 billion to tourism's total foreign direct spend in 2009.

South African Tourism continues to use industry association memberships to keep abreast of international trends, to gain insights and to maintain beneficial relationships. This includes industry events participation in the following organisations, ICCA, UIA, MPI, SAACI, SITE, EXSA, all of which are strategic industry associations for business tourism.

A key focus during the year under review was the leveraging of existing marketing platforms to increase awareness of Meetings Africa, the annual business tourism exhibition held this year at the Sandton Convention Centre in Johannesburg in February 2010. Meetings Africa 2010 was hailed as the best Meetings

Africa in its six year history and attracted 272 exhibitors – a 12.5% increase from 2009 – almost 2 000 visitors, including President Jacob Zuma, 81 media attendees and a record 119 international hosted buyers, who were hosted in conjunction with the Department of Trade and Industry. This event was held in parallel with the World Tourism Organization's (UNWTO) International Summit on Tourism Sport and Mega Events, a joint venture between South African Tourism's business tourism division and the National Department of Tourism.

South African Tourism's attendance and participation at international trade shows, such as IMEX in Frankfurt, EIBTM in Barcelona and the ICCA Congress in Florence, successfully promoted both Meetings Africa and South Africa as an ideal holiday and business destination. These trade shows were also used to recruit hosted buyers and international media to Meetings Africa, and to generate leads for large meetings with potential to be hosted in South Africa. In 2009, over 201 leads were generated and researched, 57 of which were put forward to the relevant bodies in South Africa, including convention bureaus, provincial tourism authorities and international convention centres.

South African Tourism continued to support various organisations with convention bidding processes, in addition to supporting those who had secured large-scale conventions. These endeavours included offering support to the World Critical Care Congress 2010, expected to attract over 10,000 delegates, supporting 15 new bids and helping 14 organisations with collateral support to promote bids already won in order to increase delegate attendance.

We also partnered with various foreign chambers of business to ensure that South Africa remains at

the forefront of global meetings destinations. These partnerships allowed us to access databases through which South African Tourism could communicate messages regarding its business tourism efforts in addition to spreading information regarding Meetings Africa 2010.

Events

The National Event Tourism Growth Strategy developed in 2008 by South African Tourism's event unit defined its objectives events as:

- leveraging media awareness of South Africa as a tourist destination through major events;
- positioning South Africa as a major events destination; and
- leveraging brand awareness of South Africa.

The unit supported numerous major national and international events to achieve these objectives, with the 2010 FIFA World Cup forming an obvious focus. The Diski Dance campaign, aimed at inviting the world to South Africa to experience the passion and rhythm of our people and to join us in experiencing the most successful World Cup, is expected to reach over one billion consumers globally through global media platforms such as CNN, BBC, Eurosport, News Corp Group and their online platforms. During this period we have brought this campaign to life in almost all of our core markets through media and trade-related events.

Furthermore, two major international sporting events were hosted in South Africa during the year under review: the British and Irish Lions Rugby Tour in June and July, and the ICC Cricket Champions Trophy in September. For both events we secured branding opportunities at the stadia where the matches were held, and 30 second vignettes about South Africa were aired on global media platforms at the time.

South African Tourism also partnered with the IMC, GCIS, LOC and other government departments to promote the Fly the Flag for South Africa campaign, aimed at mobilising South Africans to be hospitable hosts during the 2010 FIFA World Cup. The campaign was launched in August 2009 and requires the support of both corporate South Africa and government. Over 200 organisations have supported this campaign and have engaged their staff and clients to learn the disk dance.

Indaba

South African Tourism's annual tourism Indaba is one of the largest tourism marketing events on the African calendar and one of the top three 'must visit' events of its kind on the global calendar. It showcases the widest variety of Southern Africa's best tourism products, and attracts international visitors and media from around the world. Media attendance at Indaba 2009 increased by an impressive 21.6%, as global and local media interest in destination South Africa built ahead of the 2010 FIFA World Cup.

The number of registered exhibiting companies dropped from 1,725 in 2008 to 1,578 in 2009, a decrease of 8.5%. This decline was a result of demand for exhibition space outstripping supply due to limited space availability at Durban's International Convention Centre (ICC). South African Tourism examined ways to address this at Indaba 2010, which will be reported on in the next annual report.

Despite taking place in the midst of one of the most severe global recessions for decades, total registered visitor figures for Indaba 2009 fell by only 2% compared with 2008 – clear evidence that the show has retained its pulling power as Africa's largest and most prestigious travel showcase.



Africa

Portfolio Overview

The growth in arrivals to South Africa during the 2009/10 financial year was driven by healthy increases in arrivals from African air and land markets, a respective 3.3% and 5.7% growth year-on-year.

This is a significant contribution to the total arrivals to South Africa, with 7.7 million travellers arriving from Africa, a total increase of 5.5% compared to the previous financial year.

The core markets all grew steadily in spite of the global economic crisis, with South Africa's primary markets demonstrating the following results:

- Nigeria – 4.7% increase;
- Kenya – 4.7% increase;
- Mozambique – 10.9% increase; and
- Botswana – 3.9% increase.

The growth trend displayed above is impressive when considered in light of global international arrivals which decreased by 4.3% in 2009/10.

South African Tourism has also seen an impressive growth in Angolan arrivals, with an 8.9% increase shifting the country's market priority from investment to core. The Democratic Republic of the Congo, however, remains an investment market as the most recent brand review shows a steady growth of 1% during the financial year.

The domestic market, equally hard hit by the global economic crisis, nevertheless demonstrated an increase in travel incident from 46.5% in 2008/09 to 47.6% in 2009/10. The annual number of trips, however, decreased from 32.9 million to 30.3 million year-on-year. The total annual domestic spend was also affected

by the crisis showing a decrease from R25.8 billion in 2008/09 to R22.4 billion in 2009/10. It is worth mentioning here that our efforts in the domestic arena are more long-term; we are looking at creating the culture of travel within the domestic market, which might imply that the return on investment will only be realised at a later stage.

The 2010 FIFA World Cup presented South African Tourism's African division with a unique opportunity not only to undertake work focusing on individual core markets, but also to create campaigns with the ability to reach more than one market.

In addition, we entered into an agreement with Big Brother Africa and we were offered an opportunity to teach the housemates the Diski Dance as one of the activities. The housemates also completed a puzzle with the South African Tourism logo on it and the presence of this show across the continent has resulted in significant exposure for South Africa.

South African Tourism also signed a sponsorship deal with Woza 2010, a programme designed to showcase South Africa's readiness for the 2010 FIFA World Cup. Opening and closing billboards were created in addition to a Diski advert which reached most of the countries on the African continent.

Leading up to the World Cup, tactical campaigns were also undertaken in countries such as Ghana, where

support was shown for the national teams during their qualifying matches and fans were encouraged to visit South Africa during the event itself should their team qualify.

Finally, South African Tourism launched an Africa Facebook page and an Africa trade blog during the financial year. We are planning to pay a more attention to mobile and online spaces in the new financial year, having realised both the effectiveness and cost-effectiveness of these platforms in the distribution of travel information. There is little doubt that such platforms will ensure that we successfully achieve our objectives utilising minimal resources and will be a priorities in the future.





Domestic

Ready to welcome the world

The Sho't Left campaign has certainly been one of the most exciting and successful domestic campaigns undertaken by South African Tourism. This campaign encourages South Africans to explore their country and to nurture a culture of travelling amongst their compatriots.

The campaign continues to exceed all expectations by reaching out to its target market in effective and innovative ways.

Over the past year we have taken great strides to ensure that our domestic holiday message reaches our target market by making use of traditional media platforms, such as radio, television and print, as well as new platforms, including Soweto TV and Taxi TV. Promotional material was also placed on billboards and street poles in Gauteng in an attempt to secure further travellers from the country's primary source.

In line with new and continuously evolving communication trends, we aggressively adopted the online space as a communication platform. During the financial year, the Sho't Left website, accessible through the South African Tourism site at www.southafrica.net, grew in popularity, with a record 44,887 visits to date. The site saw 31,231 unique visitors, of which 34% were visitors to the travel deals page, suggesting that our provision of affordable journeys is enabling us to achieve our goal of creating a culture of travel within the country. We also successfully launched a mobile site during the year, a decision driven by the fact that the majority of our target audience accesses the internet through mobile phones. This initiative will greatly assist us in our ambition to make travel information easily accessible.

As a progression from the Sho't Left website, we developed our presence on social networking sites, such

as Facebook and Twitter. Within the financial year, Sho't Left acquired 2,285 Facebook fans, having begun the year with a mere 42 fans, as well as followers on Twitter. These platforms proved very effective in maintaining constant engagement with our target audience, providing them with fresh and new information as and when it became available. Going forward, we aim to persistently provide content that is engaging and informative, ensuring that the visitors we have gained are secured and new visitors encouraged. Providing affordable travel packages is an integral part of this content strategy.

We have carefully selected domestic trade partners with which to work in order to provide packages that will encourage domestic travellers to take a Sho't Left holiday. Our ongoing trade partnership with kulula.com and our new partners – the Peermont Hotel group, Flight Centre and Computicket Travel – have helped to make domestic travel exciting, accessible and affordable to more South Africans. Through 608 Computicket and Shoprite Checkers outlets, consumers can walk in and purchase their travel holiday over the counter and Flight Centre, offering all forms of travel assistance, has 128 agents nationwide. We also worked with these partners to design exciting packages linked to domestic events and ran competitions for these, during which winners would be accompanied by bloggers who provided online updates on the day's proceedings.



In our endeavours to be visible within the market, Sho't Left took to the streets of Johannesburg, Kimberley and Durban, designing wall murals depicting travelling within South Africa. The Johannesburg mural is located in Newtown, where thousands of people view it each day and the Durban mural is off a high-density road and within sight of the Moses Mabhida Stadium, making it perfectly visible during the 2010 FIFA World Cup. The Sho't Left mural in Kimberley was created during tourism month and is located in the Kealeshwe Stadium.

The 2009/10 annual tourism month, which focused on the Northern Cape in an attempt to promote travel to South Africa's less visited provinces, allowed for far-reaching and effective promotion of Sho't Left. We successfully cemented a media partnership with Ukhozi FM and Kaya FM, and also hosted a total of 10 regional and national journalists who journeyed around the province.

During the 2009/10 December and Easter holidays, Sho't Left also took to the country's national roads, partnering with TollReach to distribute information detailing alternative and interesting holiday activities to travellers at tollgates. While we intended to reach 350,000 people through this initiative, our final figures reflect that a total of 534,737 people received information at the following tollgates: 100,000 at Carousel, 244,626 at Mooi Plaza, 130,111 at Middleburg, and 60,000 at Kroonvaal Plaza.

Sho't Left also maintained an effective communications and public relations campaign during the 2009/10 financial year. On a weekly basis we ran travel features on Metro FM, where we spoke about the latest travel trends and offered our trade partners the opportunity to entice the market with a range of affordable packages specially designed with the Sho't Left consumer in mind

South African Tourism also hosted several radio DJs and South African celebrities on excursions around the country, enabling them to further our message of South Africa's numerous travelling opportunities by discussing their experiences through mainstream media. This has given Sho't Left unscripted, ongoing and credible communication channels about domestic breakaways and has contributed significantly to the Sho't Left website, Facebook and Twitter success.

The results of these public relations initiatives are evident in the R22.7 million obtained through positive editorial publicity from April 2009 to March 2010.

While South African Tourism, through its Sho't Left campaign, focused on promoting travelling within the domestic space during 2009/10, this is not to suggest that we neglected the opportunities presented by the 2010 FIFA World Cup. For us, it was important to encourage South Africans to be familiar with their own country as a means of ensuring that they are knowledgeable and inspired hosts during the event itself. It was also important that we teach our domestic audience the Diski Dance, a dance created to demonstrate our welcoming spirit as South Africans. The Diski Dance activation, held in collaboration with Kaya FM at Gandhi Square, was a resounding success, involving a demonstration of the dance as well as an explanation of its creation, rationale and successes.

These initiatives, enhanced by Sho't Left's 24 recently-held roadshows across the country, emphasise the campaign's determination to fly the South African flag high and proud and to prepare our domestic consumers to welcome the world to the 2010 FIFA World Cup.

Nothando Mathe

Country Manager – Domestic and SADC



Kenya

Offerings of leisure in a world of business

Refocusing our marketing initiatives was the order of the day in this market. Kenya is a trade market and to reach the market and improve conversion effectively we are required to work tirelessly to create sustainable relationships with trade partners who will assist in driving traffic to our shores.

A decision was therefore taken to focus on encouraging business travellers from this market to extend their trips by participating in leisure activities while on business in South Africa. This yielded great results as we experienced an increase in arrivals from 26,939 in 2008/09 to 28,196 in 2009/10, representing a 4.7% increase.

The year started with the hosting of major trade and media partners at Indaba. The Minister of Kenya Tourism also joined the team that attended and held meetings with the then acting Chief Executive Officer of South African Tourism to investigate ways in which Kenya and South Africa could work more closely on tourism initiatives. After Indaba, media were hosted on familiarisation trips around the country to showcase our destination.

When South Africa was awarded the opportunity to host the Indian Premier League (IPL), we identified this as a chance to drive more travel to South Africa. We partnered with two trade organisations and designed packages which were publicised through radio and print. Journalists were also hosted during the IPL in order to obtain first hand experience of the event, enabling them to return home and report on its success, thus positioning South Africa as a premier event destination as well.

The launch of our website in this market was a highlight during the financial year. We used the online platform to

upload relevant content pertaining to travelling to and in South Africa. The site was also used to upload current travelling deals, providing consumers with another source of information. We are currently investigating ways of launching our advertising on the mobile platform as we believe this will provide individuals who do not have access to a computer with the information necessary to travel to our country easily.

The annual trade workshop took place in Nairobi in July 2009. The format of this was changed slightly to ensure that we highlighted the 2010 FIFA World Cup. Trade workshops, linked to consumer activation, and a media round table were conducted. These events attracted 41 trade partners and 25 media partners. The introduction of the Diski Dance created a lot of excitement in the market and, as a result of this, significant coverage was received. Consumers also had the opportunity to ask questions about the World Cup and packages were distributed providing information on planning a trip to South Africa. During the trade workshops weekend, we also launched the second series of Golf, an initiative run in collaboration with the Kenya Golf Union, and aimed at developing golf talent in Kenya while highlighting the leisure aspects of tourism provided by South Africa, its premier golf courses included.

The Golf Series worked exceptionally well in targeting business travellers to South Africa. We want to change the perception that exists in this market that South Africa is only about business, and currently use all



available and effective platforms to communicate the leisure offerings of South Africa, making use of platforms where business travellers congregate. The series took place at 11 clubs and we reached a total of 1,700 golfers. The finals were held in November 2009 where six winners were selected, three of which won a holiday to South Africa with their spouses.

In line with our strategy to appeal to business travellers, South African Tourism signed a joint marketing agreement with Standard Chartered Bank. Under this agreement, a package was jointly designed allowing women to travel to South Africa through the Standard Chartered Bank's Diva saving scheme. Under this scheme, account holders were able to save specifically for a South African holiday and 75 successful participants were identified. As part of their itinerary, the women concerned visited Soweto and Orlando Children's Village where they were given the opportunity to spend time with the children and donate money for the upkeep of the orphanage. The success of this campaign has resulted in a drive to explore further ways of implementing similar initiatives in the future, with the intention to drive more leisure traffic to South Africa and to affirm relations between the country and Kenya.

In 2009/10, South African Tourism also partnered with South African Airways and Nakumatt, a national Kenyan retail chain, and ran a promotion of South Africa in eight outlets. The Kenyan trade partners were given the opportunity to distribute information about leisure offerings in South Africa and packages that were specifically designed for the campaign. Affiliated to this, South African Tourism gave Nakumatt consumers the chance to win a holiday to South Africa after buying groceries to a certain value. The feedback received from this was exceptionally positive and similar initiatives may be planned in the future.

To create excitement about the 2010 FIFA World Cup, we supported the Kenya national team during their qualifying matches for the World Cup. Print adverts wishing them well were designed and, when qualifying matches took place in Kenya, Diski Dancers were provided to entertain the soccer fans and vuvuzelas were given away. These actions went far in demonstrating South Africa's preparation in hosting the World Cup, as well as the warmth and welcoming hospitality of our nation. In addition, one of our major travel partners, CWT Bunson Travel, in partnership with Edusport and South African Tourism, has been appointed to sell 2010 FIFA World Cup packages to the Kenyan market.

The annual Africa Mega Familiarisation trip took place in March 2010. We hosted eight consultants and we used this opportunity to highlight the things to do for leisure when visiting South Africa. We want these consultants to be able to convince the current business travellers to take on a few leisure activities when they come to the country. What better way to do this than to give the consultants who sell our destination a taste of South African leisure offerings.

A huge opportunity exists in the forthcoming financial year to leverage off the World Cup and highlight the leisure activities to which Kenyans are not privy. We intend growing the leisure market steadily by encouraging current business travellers to take on leisure activities during their journeys to South Africa.

Hloni Pitso

Trade Relations Manager – East Africa



Nigeria

Affordable luxury at your disposal

This market has shown a tremendous amount of resilience, especially during the global economic crisis, boasting a 4.7% increase in arrivals from 43,489 in 2008/09 to 45,527 in 2009/10.

The Surprise and Delight campaign launched two years ago has been particularly effective in encouraging Nigerian business travellers to come to South Africa with open minds and hearts, and to be surprised and delighted by our leisure offerings, hospitality and the warmth of our nation.

The financial year under review began with the hosting of media and trade partners at Indaba in May 2009. This Indaba was of significance to the Nigerian media as it highlighted the state of readiness for South Africa to host the 2010 FIFA World Cup, a year ahead of the event.

The trade workshop, which was supported by 13 South African products, was attended by 41 in-country trade partners, 10 media partners and 19 corporates. A decision was taken to run these workshops differently in the run up to the World Cup. This time, we hosted a breakfast event with the trade partners and all in-country trade partners invited five of their top corporate clients. A presentation demonstrated the country's preparation to host the World Cup. Through these workshops we managed to create a platform to establish new relationships between South African products and Nigerian trade partners, simultaneously nurturing existing relationships.

A press conference was also held in which media were engaged on a number of issues relating to travelling to South Africa, in addition to the World Cup. The

consumer activation that took place during this time enabled us to create excitement and consumers learnt the Diski Dance. All these initiatives clearly demonstrated that South Africa is ready to welcome the nations of the world.

As part of our joint marketing agreement, we launched affordable luxury deals with four trade partners. The packages offered various deals between September 2009 and March 2010, and were advertised through corporate databases and our Nigerian website. Online advertising studies have revealed that there are significant marketing opportunities in the mobile arena, and we intend exploring these in the coming financial year as a way of making information on travelling to South Africa easily accessible.

The South Africa/Nigeria Binational Commission celebrated its 10 year anniversary in Abuja in November 2009. A South African delegation led by Deputy President Kgalema Motlante, travelled to Nigeria during this time. South African Tourism distributed relevant travel information, established firm relationships with our trade partners, and showcased the Diski Dance and our soccer mascot, Zakumi.

The Super Eagles (Nigerian Soccer team) were supported during their qualifying matches for the 2010 FIFA World Cup. We sent out print adverts wishing them well during this time, ran competitions where Nigerians stood a chance to see them play against Kenya, and

introduced Diski Dancers and vuvuzelas during the matches. All this was done to encourage Nigerians to come to South Africa to witness the spectacular event and also to create enthusiasm for South African tourism generally. We also ran a campaign congratulating the Super Eagles after they had qualified, welcoming them to South Africa and wishing them well during the tournament.

Two trade partners in Nigeria were officially appointed by FIFA in West Africa to design and promote 2010 FIFA World Cup packages in Nigeria. We worked together with these partners to design a marketing campaign aiming at marketing these packages, thus increasing the number of Nigerians who will have access to come to South Africa during the World Cup.

During the annual Africa Mega Familiarisation trip, we hosted eight consultants from Nigeria. A specific itinerary appealing to the Nigerian market was designed for these consultants to enable them to learn more about leisure opportunity and thus be able to provide relevant information to potential travellers to South Africa at the point of sale.

The continued excitement created in these markets coupled with the World Cup will be used as a launch pad for the campaign planned for the upcoming financial year. We want to highlight the successes of the World Cup and use these to position South Africa as a welcoming and thriving leisure destination for Nigerians.

Thuto Sethole

Trade Relations Manager – West Africa





SADC

Investing in Our Neighbours

During the year under review, arrivals to South Africa from Botswana and Mozambique increased year-on-year as a result of South African Tourism showcasing the country as affordable and welcoming, and marrying these attributes with appropriate holiday packages.

This growth was despite the global economic slowdown, as well as other socio-political crises, including mine closures in Botswana and job losses in both Botswana and Mozambique, having had a negative impact on the tourism industry. Botswana and Mozambique are particularly prominent in South African Tourism's initiatives within SADC as they comprise the core and investment markets respectively.

A total of 836,072 Botswana visited South Africa last year, translating to an increase of 3.7% when compared to 2008. Mozambique closed the year with a staggering 1,361,133 arrivals to South Africa, an increase of 10.9% on 2008, and the highest from all of South Africa's land markets. The land markets, as a result, will remain the key focus areas of South African Tourism's concerted marketing campaigns in the year ahead.

Southern African tourists to South Africa travel for multiple reasons, market research indicates. Transportation is usually by bus or private car and tourists, typically from major cities such as Gaborone or Maputo, often travel in groups. Attitudes towards South Africa are very positive, and shopping and nightlife form important motivations for travel.

While key business objectives during 2009/10 included driving volume and value, marketing objectives were amended slightly during the year to promote the accessible and inexpensive leisure destinations and offerings available to Botswana and Mozambican

travellers, as advertised through South African Tourism's continuation of the My South African Adventure initiative. We also continued, through our communication messaging, to position South Africa as a warm and welcoming destination by intensifying our efforts through the Welcome Border Campaign.

The Welcome Border Campaign helped us to welcome visitors to South Africa at the four borders. Over and above the bi-annual activations at the borders, the Minister of Tourism paid a special visit to the Lebombo border in Mozambique and addressed border officials, media and travellers.

Media engagement during the year remained a popular way to showcase the country and journalists were given the opportunity to experience and explore the destination, returning home to advertise South Africa to their readers and listeners. During the year, the SADC media were hosted at multiple events including the Cape Town International Jazz Festival (Botswana only), the Johannesburg Joy of Jazz Festival, the Confederations Cup and the Vodacom Cup Challenge, the Durban July, the John Legend concert, and the Soweto Wine Festival.

Media representatives from SADC were also hosted at South African Tourism's annual tourism Indaba. Through one-on-one interviews with the South African Tourism acting CEO and other stakeholders, we were able to generate coverage that cast South Africa's hosting of the

2010 FIFA World Cup in a positive light, presenting the destination as viable and capable.

Further research conducted in Botswana in 2009/10 resulted in an executive decision being taken to extend South Africa's Sho't Left campaign to Botswana. This was supported by the fact that Botswana has access to the majority of South Africa's media channels, rendering a separate communications plan unnecessary. This will be explored in further detail in the 2010/11 financial year.

In the forthcoming financial year, we aim to revitalise the My South African Adventure campaign, taking it to new heights. Plans are under way to present a fresh and

dynamic approach in line with updated insights recently obtained about the Mozambican market. We want to make South Africa the first option for leisure travel amongst Mozambicans.

The 2010 FIFA World Cup, we believe, will give us editorial ammunition to showcase the country as a welcoming, accessible and affordable destination, and we remain optimistic that we will see a positive shift in travel trends to the region.

Nothando Mathe

Country Manager – Domestic and SADC



Asia and Australasia

Portfolio Overview

South African Tourism continued to raise its profile in Asia and Australasia through the financial year and despite the lagging effects of the global recession, arrival numbers from across the region remained steady.

China and India increased year-on-year arrivals by some 12.4% and 17.5% respectively, however Australia had a disappointing year with a 6.4% drop in arrivals over the period.

Key to the success of South African Tourism in these markets is the ability to provide a variety of experiences as a destination. Various initiatives in the Chinese and Japanese markets have given increased visibility to the different options available to long-haul tourists and business travelers from the Far East in South Africa. The lack of direct flights from China and Japan to South Africa, when combined with the language barrier, has created challenges for the marketing campaigns. Much of the previous focus has been on natural environment tourism and substantial effort has been made in this financial year to provide potential arrivals with information on the diversity of South Africa's tourism offering. The Australia and New Zealand markets have been further opened up during the year with the growth in available flights to South Africa and the strength of the local currencies. Adventure tourism is a large portion of this market and the Kick off your adventure campaign launched in Australia presented South Africa as a sport and adventure destination.

A strong base for much of the marketing done across the region was the 2010 FIFA World Cup, with Australia, New Zealand and Japan all having qualified for the finals in South Africa. New Zealand also took part in the Confederations Cup in June 2009 and the Socceroos,

Australia's national soccer team, hosted Japan in a World Cup qualifier match in Melbourne in June 2009, a perfect opportunity for some guerilla marketing on behalf of South Africa!

Sporting events continue to be a successful avenue for South African Tourism and the hosting of the Indian Premier League tournament at short notice due to security concerns in the sub-continent further strengthened ties with India. India's annual outbound visitors are anticipated to grow at 13.3% per annum until 2012 and it is vital that South Africa is a viable choice as a destination for this growing market.





Australia and New Zealand Adventuring through South Africa

Despite a difficult financial year internationally, 2009/10 remained a positive year for South African Tourism in Australasia with 93,000 Australians and 18,000 New Zealanders choosing to visit the country during the year.

The key areas of growth in the Australasian market included opportunities for increased accessibility, with airlines from both countries introducing new services to South Africa.

Towards the last half of 2009/10, the state of South Africa's readiness to host the 2010 FIFA World Cup, coupled with the growth of consumer interest in South Africa as the Australian and New Zealand national teams qualified, increased demand for tourism to the country and saw an unprecedented number of arrivals. The first quarter of 2010 has seen increased consumer confidence and a strengthened Australian dollar, resulting in Australians rushing to the departure gates to leave for long-haul holidays.

South African Tourism's Celebrity Ambassador Programme continued in 2009/10, with the hosting of the high profile Perkins family, including Olympic Gold Medalist swimmer, Kieren Perkins, and his wife, media personality Symantha Perkins. Covering the Gauteng, Mpumalanga and North West provinces, the family became firm ambassadors for the country, resulting in numerous stories in Holidays with Kids and Woman's Day magazines, plus radio interviews. Kieren was also involved in the Kick off your adventure campaign, launched in August 2009.

From safaris to hot-air ballooning, Australian travellers are becoming more intrepid than ever, trading traditional holiday destinations for adventures in the far

reaches of the world. Based on bookings and enquiries, South Africa remains top of the list of adventure destinations. With this in mind, South African Tourism officially launched its Kick off your adventure in South Africa campaign at themed events in Sydney and Melbourne. Guests were treated to South African food and wine, played an interactive game of soccer, watched football freestyle tricksters body-painted as African animals, and joined in with the Drum Café.

This sport and adventure theme presented South Africa as a country that offers morning safaris, afternoon football matches, and world-class evening cuisine. The platform was launched to set South Africa apart from its competitors, and successfully highlighted the fact that the country holds activities for all.

In May, South African Tourism hosted seven travel trade media at its annual tourism Indaba which focused on the next steps for South Africa, the country's readiness to host the World Cup and the legacy this event would leave behind. Trade partners were also hosted at the show, developing their knowledge of South African products and therefore improving their closure ratio.

On 11 June 2009, exactly one year out from the World Cup, South African Tourism launched Chisa!, a monthly newsletter distributed to consumer and business tourism trade as well as media – providing the latest information on special deals and a variety of adventures

coming from South Africa for the Australian and New Zealand markets.

Football was also a focus in June, with the New Zealand team playing in the Confederations Cup in South Africa and the Socceroos hosting a World Cup qualifier on June 17. South African Tourism capitalised on this by hosting media and trade representatives at the Socceroos vs. Japan match in Melbourne and bringing a little bit of fun and excitement to the fans. Miniature footballs were printed with South African facts and were distributed prior to the match by South African Tourism branded players.

The October group trade familiarisation, held in conjunction with South African Airways, saw 24 hand-selected travel agents travel to the country. The group was divided into four separate itineraries covering all of South Africa's provinces.

October also saw the Socceroos host a popular friendly football match in Sydney, this time against Holland. South African Tourism again hosted key media as well as the business tourism industry at the match and South African branded players engaged in guerilla marketing, giving out South African fact footballs to fans before the game.



Freestyle tricksters at the Kick off your adventure launch



Diski dancers at the cinema activation

In February 2010, South African Tourism once again hosted buyers and business tourism media at Meetings Africa. The trip focused on presenting South Africa as the preferred destination of choice for professional conference organisers, incentive houses and association meeting planners, and showcased Meetings Africa and popular business tourism destinations and products, such as the urban hubs of Cape Town and Johannesburg as well as Kapama Game Reserve.

To mark 100 days to the World Cup, the beginning of March saw activations being carried out across Melbourne and Brisbane, the first in Melbourne where the popular Diski Dancers and Zakumi danced their way around the city's streets, igniting excitement in potential travellers and distributing postcards encouraging travellers to head to South Africa for the World Cup. The group then entertained hosted buyers and media at AIME for a cocktail event at a South African stand, where South African Tourism had sponsored the internet lounge to engage media, trade visitors and hosted buyers.



Bicycle tour of Soweto courtesy of Lebo's Soweto Backpackers

South African Tourism also partnered with V Australia for their anticipated Melbourne to Johannesburg service launch in March, assisting with activations at (and on) the inaugural flight, hosting VIPs while in South Africa, and assisting with the celebratory event in Melbourne.

Trade relationships throughout the year remained imperative as conversion tactics were taken to a different level within the Australasian market. Consumer deals were developed and showcased with partners such as Scenic Tours and Peregrine Adventures online and on TV, and V Australia both online and on cinema. The total value of South African Tourism generated articles in the 2009/10 financial year was AUS\$77,729,140.

Although arrival figures have levelled out through this financial year across the Australasian markets, South African Tourism remains positive that the interest in South Africa for the World Cup and beyond will result in rates of conversion that will surpass anything the country has seen before, both during and well beyond the event itself, in leisure and business tourism.

Bangu Masisi

Country Manager – Australia



China

A Fruitful Year

Promoting South Africa as the ultimate holiday destination formed the focus of South African Tourism China's 2009/10 objectives, with particular attention paid to both luxury and affordable safari experiences as a perfect complement to the country's rich historical and cultural heritage.

It is this heritage, third-party market research verifies, that is especially influential in drawing Chinese tourists to South Africa's shores, along with the country's scenic splendour, adventure tourism opportunities, unique cuisine, and established infrastructure. During the financial year, the arrival figure from China to South Africa reached 45,326, with a year-on-year growth of 12.4%.

As part of South African Tourism's standard practice, our Chinese office sent 12 journalists and photographers on a familiarisation trip to South Africa in order to promote the country's presence in the Chinese media. Chinese journalists also attended South African Tourism's 2009 Indaba, which assisted in providing information and evidence that safe and affordable travel in South Africa is possible.

In June 2009, a photographic exhibition entitled 'South Africa through the Chinese Lens' was held at

prime locations in both Beijing and Hong Kong. The gallery saw over 200 photographs taken by 10 Chinese photographers who were invited to South Africa in 2008. Nearly 20,000 consumers visited the galleries in both locations, during which time the South African Tourism Chinese website registered an impressive 44,551 hits, indicating the significant impact created by the exhibitions.

In September 2009, South African Tourism won Voyage Magazine's annual Best Destination for Varied Experiences award. This is the third time we have won this award which generates extensive exposure as a result of the distinguished tourism and media industry guests in attendance. This award was followed, in December 2009, by the Outstanding Contribution for Destinations award, presented by the China Travel Agents, China's most prominent travel trade magazine.



South African Tourism China Trade Show 2009

South African Tourism is also immensely proud to announce that our goal to publish and market the first ever South African travel book in Chinese has been achieved. The book provides tips regarding travelling to South Africa, as well as detailed and useful information on the 2010 FIFA World Cup. South African Tourism has collaborated with CITIC Press, a leading Chinese publisher, to promote the book.

Challenges encountered within the Chinese market during the financial year primarily concern the language barrier. In order to overcome this, South African Tourism has become rigorous and thorough in the information we provide on our Chinese website. Details on latest offerings, recent events and travel tips are abundant and easy to find and understand. South African Tourism is also encouraging positive media exposure that casts South Africa as a safe, affordable and, despite the great distance between the two countries, accessible destination. Our close relationships with travel agencies in China mean that South African itineraries and products, specially designed for Chinese tourists, are consistently promoted.

Looking ahead to the forthcoming year and the 2010 FIFA World Cup that will come to define it, South African Tourism has opened individual tourist visas for Chinese travellers and has co-operated with travel agencies to launch World Cup products, stimulating Chinese football fans to experience this landmark event in the country itself. The World Cup is bound to draw international attention to South Africa's scenery, culture and people, even from countries as distant as China.

Tracy Qi

Acting Country Manager – China



Taking part in the 2nd African Culture & Tourism Festival



India

Rising Above the Rest

South African Tourism has aligned our strategy to promote Indian travel to South Africa in every possible way: through events, workshops and familiarisation trips, each adopting exciting and innovative marketing tools to enable South Africa to stand out in a cluttered market.

With successful marketing and positioning strategies in India, we have seen a total tourist arrival of 61,007 in 2009/10, compared to 51,929 in 2008/09, an increase of 17.5% year-on-year. Encouraged by the growing market, efforts are being made to push these numbers even further. There are several factors contributing to this growth, and certainly the introduction of new flights has given added impetus. In addition, there has been growing presence of India Inc. in South Africa in recent times, prompted by India's sporting and cinematic activities, both of which have helped greatly towards riding the growth wave more aggressively.

India has emerged as one of the fastest leading travel, tourism, aviation and hospitality powers in the world, with these sectors serving as some of the most powerful and dynamic in the Indian economy. Relatively brief vacations planned at short notice are the latest trend among Indian nationals, while long-haul destinations are more prominent among the more affluent Indian travellers. With a wide variety of choices available at acceptable fares, the Indian wanderlust is expanding to include unique holidays and exotic destinations. As a result, Indian outbound tourist flow is expected to increase at a compound annual growth rate of 13.30% over the five-year period spanning 2008 to 2012.

With so many destinations to choose from, it was imperative that South African Tourism use its leverage within the Indian market to highlight the country's

unique attributes in order to distinguish South Africa from other holiday locations.

Our main aim was to showcase our diverse product portfolio by reaching out to the trade, consumer and corporate community through effective advertising, publicity, direct marketing, promotional activities and other strategic partnerships. An extensive outdoor billboard campaign was undertaken and relationships were established with different leading media houses. A number of trade events and activities were also organised to market the country. In the course of our various promotional endeavours, South African Tourism has indeed been successful in appealing to the target groups that are inclined to explore this wonderful country.

In conjunction with our marketing strategies, two travel guides focusing on soft adventure sports and luxury travel were launched during the year. These will serve as valuable tools for luxury and adventure seekers when on holiday in South Africa. Many new and improved products have been introduced this year and several options have been made available for the first-time visitor. South African Tourism is also working on customised itineraries for travel agents in order to ensure that travellers' needs are well addressed.

One of the biggest achievements for South African Tourism during the 2009/10 financial year was South Africa's award to host the second season of the Indian

Premier League, an event which had an immensely positive impact on the South African tourism industry and economy. And now, with all eyes on the 2010 FIFA World Cup, and a slew of unique marketing promotions in the pipeline, we are confident that South African Tourism's relationship with India will continue to develop and bear fruit in the forthcoming financial year.

Medha Sampat

Country Manager – India





Japan

Growing Interest and Partnerships

During the 2009/10 financial year, South African Tourism's Japanese office sought to position South Africa as a destination of continuous surprises, where the country's scenic beauty, both its flora and fauna, never cease to amaze.

The division's primary objective to equip and empower the Japanese trade to sell South Africa with confidence as a must-visit destination remains strong.

Japanese tourists to South Africa, market research indicates, are predominantly first-time visitors drawn by the country's natural environment. Historical and cultural icons are also a major attraction, and safety is of great importance. The challenges to the South African tourism industry in Japan consist primarily of the lack of a direct flight between the two countries and the fact that destination competition in Japan is exceptionally fierce. South African tourism is developing steps to counteract these challenges by establishing new relationships with travel trade, media and other joint marketing partners, and developing new itineraries that cater specifically to the Japanese market.

24,655 Japanese tourists visited South Africa during 2009 spending R426.5 million in South Africa (including capital).

The year under review saw our continued efforts to establish joint marketing activities with partners such as Sony, Coca-Cola, Adidas, Yucho Bank (Visa card licensee) and Warner Brothers. Links and banners of the travel blog website, 4travel, assisted in drawing traffic to our Japanese website – which witnessed a dramatic increase during the year, with over 50,000 unique visitors recorded – as excitement in the run up to 2010 FIFA World Cup grew.

In addition, the Japanese national soccer team's successful qualification into the 2010 FIFA World Cup in June 2009 greatly boosted South African exposure in the media and helped to increase the Japanese market's level of interest in the country.

In May 2009, one year since TICAD IV and one year ahead of the 2010 FIFA World Cup kick-off, Mainichi Shimbun organised the Africa Forum at the New Otani Hotel. The forum was attended by SADC ambassadors; the Ministry of Foreign Affairs; the Ministry of Economy, Trade and Industry; the Agency for Natural Resources and Energy, JETRO, JOGMEC and other related administrative bodies; organisations; private enterprises involved in the World Cup; and airlines and travel agencies.

In June 2009, South African Tourism's Japan office arranged travel trade workshops which served as valuable networking opportunities, allowing not only for the creation and consolidation of new business and trade opportunities, but also helped boost confidence in South Africa among outbound operators and travel agents in the Japanese market place. A total of 27 delegates from suppliers, operators, tourism organisations, airlines and FIFA partners participated in the event, which welcomed more than 440 guests from 150 travel agents in two days. The challenge is to grow these workshops so that they become bigger and better, and maintain industry interest.

South African Tourism Japan exhibited to travel trade and consumers at the JATA World Travel Fair 2009 held each year in Tokyo in September. The company was supported by the South African Embassy, South African Airways and Sun International, and FIFA sponsors showcased the best of South Africa's tourism offerings. The stand drew and delighted massive crowds with Diski Dance demonstrations, freestyle football performances, drumming, and a live musical performance by well known local Japanese/South African band, Funkist, recently returned from a tree and food garden planting tour of South Africa. Audiences were also thrilled by the sound of the vuvuzelas, which the Japanese delegates rushed to attempt themselves.

During the month of November 2009, South African Tourism collaborated with a prominent five-star

Japanese restaurant, Tsutsui, in Akasaka in the heart of Tokyo, to host a South African fair showcasing some of the country's greatest culinary delights. Boerewors, vetkoek, Amarula ice cream, malva pudding and South African wines were all on the menu, and the success of the event has resulted in plans to hold a second fair in June 2010.

By improving Japanese awareness of South Africa as a holiday destination and by making information on the country more accessible, South African Tourism hopes to ensure that those who intend to visit South Africa are able to do so easily and efficiently.

Bradley Brouwer

Country Manager – Japan



Europe

Portfolio Overview

The performance across the European markets has been disappointing this financial year, with a 4.1% decrease in arrivals across the period.

Various factors have been at play in the different markets, chief of which has been the tightening of belts seen across the target audience as the global recession continued to have an impact on households' disposable income and travel budgets.

The France agency struggled to maintain the momentum harnessed after the 2007 Rugby World Cup win and the decline in arrivals led to a period of campaign consolidation. The French national football team qualifying for the 2010 FIFA World Cup was an excellent platform from which to renew interest in South Africa as a cultural and environmental tourism destination. The various initiatives undertaken delivered in media return in investment and destination awareness and the outlook for the coming year is positive.

The 11.5% decline in arrivals from Germany represented a challenging year for the country agency. The global financial crisis aligned with negative local publicity about travelling to South Africa presented a testing operating environment for South African Tourism. A strong push was made to show South Africa as an affordable and beautiful travel destination. Value-for-money was a key factor in the various campaigns as many Germans chose to holiday either locally or within Europe due to budget constraints. The second Khaki fever campaign was launched in late 2009 to focus on South Africa's attractiveness as a wildlife-viewing destination, a key consideration for many German tourists.

Germany, Italy and the Netherlands all qualified for the 2010 FIFA World Cup and as interest in the event began to grow, so did awareness and understanding of South Africa as a destination. Previous international sporting events hosted in South Africa have not been in sports considered high-profile in these countries and the potential to sell South Africa as a destination to a new audience during the build-up and the event should not be underestimated.

Italy has been the surprise performer in the European market this financial year with a growth in arrivals. The Italian visitor has covered the economic spectrum, but particularly interesting has been the increase in the luxury holiday market, which is focused on providing a top-quality, indulgent experience. The success of online campaigns and interactive travel agent platforms will help this market continue to grow in the coming year.





France

Telling South Africa's stories

This has been a challenging year, with economic conditions negatively impacting the travel industry as a whole and contributing to a significant decrease in long-haul travel from the French market.

Our strategy has therefore been to consolidate our position, to implement a recovery plan, and to maintain strong market presence and visibility on both the consumer and trade fronts in order to ensure that those who do travel long-haul make South Africa their first choice.

French tourists to South Africa, research shows, are fundamentally drawn to the country's culture, safari experiences and scenic beauty. Interacting with local people is also a priority for them. South African Tourism has endeavoured to exploit these draw cards in its marketing initiatives and, during the year under review, the organisation spent R10 million on media space. Furthermore, our non-commercial media return on investment grew by 13% to R340 million and total destination awareness reached an impressive 80%, the latter a result of very pro-active public relations work that generated a high return on investment (R534,214,461).

116,517 French tourists visited South Africa during 2009 spending R1.06 billion inside South Africa (including capital).

The trade strategy has been completely integrated with the marketing actions and no less than 15 special offers were directly generated for our specific campaigns. A total of 10 joint marketing agreements were signed with key trade members and included training, joint promotions, familiarisation trips and road shows across France. Over 600 trade partners were trained this year

through workshops and seminars organised in major cities across France. Fundi graduates have more than doubled, and the average growth of our key trade partner sales to South Africa is in the positive despite the general decline in the rest of the industry. Our aim to consolidate our position, therefore, was largely successful and in 2009/10 South Africa was the best sold long-haul destination in Africa. With the gradual easing of the global financial crisis, forward bookings to South Africa for the first three months of 2010 were very promising.

Our Mon Histoire Sud-africaine website at www.sud-afrique.com provides a platform for French travellers to South Africa to speak of their experiences. The stories are told through text, photos and videos that bring both people and landscape to life. The stories have been rolled out through online, print, radio, and cinema media as well as public events in Paris, and when a competition was opened for individuals to become the next South African storytellers, over 18,000 people registered and the site received 170,000 unique visits.

A large number of public relations and marketing initiatives were carried out during the course of the financial year to promote the 2010 FIFA World Cup. In September 2009, Minister Van Schalkwyk addressed the top people in the French travel, trade and media industries, reassuring our partners that South Africa is ready and that opportunities from which the French can directly benefit are evident.



The first landing of Air France's Airbus 380 in South Africa

Working with sponsors for the 2010 FIFA World Cup has also been on the agenda and South African Tourism France branded an evening for 300 top clients of Visa France. Other actions around the World Cup have included metro and outdoor billboard campaigns inviting the French to come to the great celebration and, since January, a giant 200m² 2010 FIFA World Cup visual has covered the façade of the South Africa Embassy in Paris and will remain in place until the end of the World Cup. The banner has fast become an object of great admiration with tourist buses stopping in front of it to allow people to take photographs – a proud achievement for us all.

Sounder financial days appear to be imminent and, with a solid recovery plan, continued innovation in marketing and strong trade relations in place, we are confident that the forthcoming financial year will be a good one. We look forward to taking our brand to new heights in the French market in 2010/11.

Linda Sangaret

Country Manager – France



A welcoming service at one of the in-market trade shows



Germany

Voices for South Africa

Countering South Africa's negative publicity in the German market was of primary import to South African Tourism during the 2009/10 financial year. In an endeavour to reclaim a positive market image, multiple initiatives were undertaken, including the second Khaki Fever campaign and the Share Your Voice for South Africa initiative.

During the 2009 calendar year, a total of 210,917 German tourists visited our shores, a decline of 11.5% from the previous year which stood at 238,306 arrivals. The global financial crisis affected travel spending throughout 2009/10 with German consumers opting for fewer trips abroad and compensating by travelling more within Germany. With less money available for travel, competitive pricing became even more of a battle in this already price sensitive market.

The decline in arrivals was partly due to the impact of the financial crisis but also to increasingly negative publicity in the market over the past two years. The closure ratio (currently sitting at 1:2) is directly affected by negative publicity in the market as per trade feedback, and agents do not have the confidence to proactively sell South Africa as a tourism destination. South African Tourism has implemented several strategies to counteract this trend: importantly, a crisis management plan has been in place since May 2008 and relationships with our key stake holder base, the Foreign Ministry, Ministry of Economic Co-operation, SAFRI, and German African Foundation, were intensified. A strong focus on familiarisation trips and education programmes was also developed during the year, improving media relations and expanding the media base.

Campaigns reflecting South Africa in a positive light were developed and publicised during the financial year. These campaigns were focused within specific

communication channels preferred by the target segments and amplified by non-traditional partnerships, serving to underline the credibility of the South African brand in the market. Specific trade activations with key partners were also used to access the market and increase the visibility of South Africa as an affordable destination. Sales negotiations offering affordable packages to South Africa are continuously under way.

The second Khaki Fever campaign took place during November and December 2009 in South Africa's Eastern Cape. This destination awareness campaign for Germany's wanderlusters used specific communication channels to spread information on the country's wildlife opportunities as the starting point to drawing attention to other experiences South Africa has to offer. Wildlife podcasts and videocasts were posted on Germany's largest online portal, www.t-online.de, for a period of six months, always flanked by specific travel offers that underlined the affordability and value for money of holidaying in South Africa.

A million voices say more! Share your voice for South Africa! During the financial year, a testimonial endorsement campaign to push positively for South Africa in the market, boasted more than 90 well-known voices from German showbiz, politics, and the arts speaking encouragingly about the country. Descriptions of South Africa's breathtakingly beautiful scenery and unique travelling opportunities worked to present the country as an ideal holiday destination. The best

platform for this initiative was the ZDF Summer Media Event in Berlin, where South Africa was a major partner. This leading media networking event was attended by 3,000 invited guests from the media and politics, as well as potential corporate and business partners. The media advertising value generated through this campaign was a total of €6,264,227.

The joint advertorial campaign in leading German travel magazine, GEO Saison, ran for 10 months during 2009/10. Both South Africa and German storytellers shared their experiences of South Africa with the South Africa Story Route, guiding readers through the country's myths, legends and history. Educating readers on South Africa's heritage remained at the forefront.

Topics around the World Cup dominated the German press in the 2009/10 financial year. As former hosts of a very successful World Cup the Germans are following South Africa's developments closely. World Cup themes were therefore embedded in South African Tourism's public relations and marketing activities throughout the year. South African Tourism worked with the German Football Association during the friendly game in Leverkusen, for example, and various panel discussions and press forums took place.

Looking ahead, South African Tourism's German office intends to ensure that the country's brand infiltrates the German market through effective marketing and communicating strategies, cementing South Africa as an appealing and viable holiday destination.

Therease Bay-Muller

Country Manager – Germany





Italy

Nurturing the Italian passion for travelling

In the 2009/10 financial year, Italy performed ahead of expectations, delivering growth and brand improvement in a difficult year. The first four months of 2009/10 saw a downward trend in the arrivals of Italian tourists to South Africa, a symptom of the global financial crisis.

However, after this fairly poor start, there was impressive growth beginning in May (22.8%) and continuing with the Italian summer season: June (14.8%), July (10.7%), August (21.6%) and September 2009 (27.6%). For the period January – December 2009, a total 59,899 Italian tourists visited South Africa, spending R616 million in South Africa (including capital).

Approximately 70% of Italians visiting South Africa are aged between 25 and 45, and are attracted by the country's natural beauty, adventure holiday opportunities and luxury resorts. Contemporary South African architecture, interior design, fashion, crafts and cuisine also contribute to promoting South Africa as an ideal holiday destination for Italian travellers.

Early in the year, South African Tourism determined to focus aggressively on carrying South Africa through the global economic crisis as smoothly as possible. We worked to excite the interest and passions of consumers, positioning South Africa as a value-for-money, easy-to-do holiday experience, with options available to travellers of various spending powers. South African Tourism also endeavoured to align the brand with Italian sensibilities, and attempts at growing destination awareness are proving successful with our brand showing signs of good performance and improvement in most areas.

South African Tourism's Italian market was represented at the 2009 Travel Indaba, at which 14 Italian

Hotelplan agents and travel agencies had the chance to experience South Africa's landscape and culture first hand. A journalist from TTG Italia, a major Italian trade magazine, travelled with the travel agents, providing media coverage to the partnership project.

In line with South African Tourism's strategy to provide Italian travel agents with detailed information on South Africa as a tourist destination, we organised a three-day workshop at TTG Incontri 2009, the most important tourism fair in Italy. A series of interactive systems and installations gave travel agents at the South Africa pavilion the chance to experience fully what South Africa has to offer.

South African Tourism is continually striving to keep abreast of technological trends and thus created a South African Tourism Italy fan page on the social network Facebook. The page is dedicated to travel agents and tourism professionals and provides the latest information on the country's products and services. The page also allows for users to be constantly updated with information through South African Tourism's Italian office and for individuals to share knowledge and experiences between one another. At the close of the 2009/10 financial year, the page registered more than 700 fans.

During 2009/10, South African Tourism Italy continued to invest in its storytelling initiative, a campaign through which ordinary people who have visited South Africa

share their experiences. The website www.haisentitoche.com, launched in February 2009, includes photographs and videos of travellers who have visited the country and has registered more than 12,400 visits.

South African Tourism Italy invested in the promotion of South Africa as a honeymoon destination during 2009/10, partnering with Conde Nast for the production of a supplement included in the September issue of their bridal magazine, Vogue Sposa, in addition to a dedicated section on the bridal website www.iosposa.it. Partners of South African Tourism Italy, including several South African hotels and lodges, Italian tour operators and international airline companies, were provided with exceptional publicity both in the supplement and on the website.

In the forthcoming financial year, we will pursue our goal to develop a strong contact base with travel agents in key cities, and will continue to provide interactive and informative training sessions. Consumer interest will be managed through an aggressive online presence in classic, blog and social networking environments.

South African Tourism's focus is also to leverage off of the intense public interest generated by the 2010 FIFA World Cup by partnering with SKY, the official broadcaster, and creating a broad range of programme content on different SKY channels to be broadcasted both before and during the event. We are confident that the marketing effects of the 2010 FIFA World Cup will be felt beyond the closing ceremony, perhaps into both the 2010/11 and 2011/12 financial years.

Lance Littlefield

Country Manager – Italy





Netherlands

The Dutch do the Diski Dance

Generating South Africa's visibility on the Dutch tourism market and promoting the 2010 FIFA World Cup as the ideal opportunity to experience the country have been the primary focus areas in South African Tourism's relationship with the Netherlands.

As a result, the 2009/10 financial year saw, despite the significant decline in the Dutch economy as a result of the global financial crisis, a total of 122,604 Dutch travellers to South Africa, a decrease of 4,3% year-on-year, with young professionals and empty nesters forming the major travelling groups. Spending by this group in South Africa was R1,36 billion (including capital).

Objectives for the 2009/10 financial year included reducing the leakage from holiday consideration to holiday plan and finally to visit by 1.5% and to improve the closure ratio to 1 in 2. South African Tourism also endeavoured to empower the trade to sell South Africa with confidence through workshops, training and familiarisation trips.

From September 2009 until March 2010 the Musical Amandla!Mandela was performed in over 120 theatres throughout the Netherlands. Created by Dutch producer, Bos Producties, the musical is entirely dedicated to the life of Nelson Mandela. The première was attended by Minister Marthinus van Schalkwyk, Ambassador Goosen and other prominent people. At each performance, a small South African 'village', supported by Amarula and Oad Reizen, was created, where people could receive information about travelling to South Africa.

In August 2009 and January 2010, together with national airline partner KLM, South African Tourism ran a special

deals campaign for a period of three weeks, advertising South Africa as the prime long-haul destination. A special fare was offered by KLM to consumers and trade people travelling to both Johannesburg and Cape Town. The nationwide campaign consisted of primetime TV commercials, and print media, radio and online advertisements. With its significant reach, the campaign was immensely successful and sales to South Africa increased dramatically.

South African Tourism's Ride of Your Life campaign was a huge success during the 2009/10 financial year and the 2010 FIFA World Cup presented us with the opportunity to take this even further. The introduction of the Diski Dance to Dutch culture was warmly received and enthusiastically publicised. Participants demonstrated their Diski Dance moves in a South African Tourism-branded T-shirt on prime time national television. The best entry won a two-week holiday to South Africa for six people during the World Cup, including tickets to the most popular Dutch match: the Netherlands versus Denmark.

At the newly built South African Pavilion at the Vakantiebeurs, the most important and largest consumer travel show in the Netherlands, it was Minister Marthinus van Schalkwyk himself who opened the show with a special Diski Dance performance on stage. Other events occurring simultaneously with the show, including a media breakfast, soccer shoot-out, trade networking cocktail party and numerous



interviews for prime time television shows, ensured that extensive coverage around the 2010 FIFA World Cup was generated.

The impending World Cup also saw South African Tourism renew and strengthen relationships with Dutch journalists, both general and sports-related. Through South African Tourism, a total of 69 Dutch journalists undertook press trips to South Africa during the course of the financial year, showcasing the country as the ultimate holiday destination.

A total of eight joint marketing agreements were signed during the year to promote South Africa in the international tourism industry. Activities included radio and billboard campaigns as well as a significant increase in online advertising, online search campaigns, and print advertising.

Although consumer awareness of South Africa is exceptionally high in the Netherlands (approximately 91%), it is essential to maintain and further increase brand awareness. South African Tourism endeavours to make this a priority in the forthcoming financial year.

Annemarie Ferns

Country Manager – Netherlands



United Kingdom and North America Portfolio Overview

The UK and USA markets remained constant through the financial year, a pleasing performance amid a global recession particularly apparent in both markets.

The steady stream of arrivals from these two regions is in marked contrast to the decline in peer comparisons, some long-haul destinations saw their arrival figures decrease by up to 50% from these markets in the same period.

The qualification for the 2010 FIFA World Cup of both the English and USA national teams went a long way towards maintaining interest in South Africa as a destination. The traditional UK arrival has focused on wellness and lifestyle holidays, this financial year saw sport tourism reinforced with the British and Irish Lions rugby tour, the English cricket tour and the Indian Premier League tournament. These events have all helped to counteract negative perceptions in the UK market over tourist safety in South Africa and it is anticipated that the increase in positive media coverage and word-of-mouth marketing will have an encouraging impact on UK arrivals for the 2010 FIFA World Cup.

The USA market was heavily targeted with a four-city, countrywide tour designed to capitalise on the growing interest resulting from the upcoming 2010 FIFA World Cup. The success of this campaign was evidenced in the USA leading ticket sales for the event, despite the travel distance from the USA to South Africa. This city tour was supported by a national television campaign on CNN, which continued to raise awareness across the country and introduce new customers to South Africa's diverse offering.





United Kingdom

Breaking new ground in the United Kingdom

The 2009/10 financial year was a year of firsts for South African Tourism in the United Kingdom. For the first time we launched a separate campaign for Wanderlust with the National Geographic Channel called Adventurers Wanted, the World Travel Market focused on sports tourism as a key theme, and South Africa took centre stage at the Travel Trade Show.

Arrivals to South Africa from the United Kingdom were up from 485,166 in 2008/09 to 486,692 in 2009/10, a 0.3% increase. This is a significant considering the fact that competitor destinations were in decline during this period, a result, primarily, of the global financial crisis. These arrivals were predominantly driven by the Next Stop South Africans (NSSA), a group of travellers who are generally retired, have no children in the home and undertake at least one long-haul holiday per year. Wellness, lifestyle and health are important to them and quality food experiences are highly valued, all of which South Africa has to offer in abundance.

Our primary objective during the financial year was to increase the quality and quantity of positive coverage of the destination, an objective which we exceeded by obtaining coverage to the value of over R220 million. In working with the trade, our aim to sign 15 joint marketing agreements with large and small tour operators was also achieved and resulted in increased enquiries and bookings for holidays to South Africa. Furthermore, the numerous marketing campaigns undertaken during the year ensured traffic to our shores.

In one of the most successful campaigns for the UK market to date, South African Tourism worked with Condé Nast Traveller to run an ambassador campaign for the NSSA segment. The campaign comprised a double page spread in the magazine calling for entries. The winners were included in a supplement which

appeared in the October issue of the magazine and details on the familiarisation trips to South Africa taken by the winners were then published in the January issue. This maintained South Africa's presence in the magazine through the most critical decision-making period in the UK market and provided potential travellers with a useful tool.

The campaign was also supported with advertorials in key titles that reached the NSSA reader, such as Red, Good Housekeeping and the Sunday Times. In addition, the campaign was brought to life online through the Telegraph Hub. Journalists from this reputable entity visited South Africa and created compelling content, including articles, video clips and blog entries that resonated with the audience. The campaign continues to deliver record figures; to date the South African Tourism message has been received by a target audience of over 4.6 million people.

For the first time in this market, as indicated above, South African Tourism ran a separate Wanderlust campaign with National Geographic through the launch of the Adventurers Wanted campaign. The first stage of the campaign comprised an intense three-month, multi-media search for the UK's next great adventurer. The aim of the campaign was to highlight some of the more active pursuits that are available in South Africa to travellers looking for anything from gentle walking or cycling to some of the most challenging adventures in the world. Ten shortlisted finalists travelled to

London to face a panel with representatives from South African Tourism, the National Geographic editorial and production teams and independent adjudicators. The chosen winner won a 10-day, action-packed adventure holiday.

A £25,000 prize was offered to the most innovative marketing proposal for promoting South Africa as a leisure destination during January 2010 – the peak booking month. Eligible to enter were individuals, large and small businesses, and organisations within the travel and tourism industry. The recipient of the prize was Destinology, a South Africa specialist, which presented a campaign aimed at awakening the five senses in South Africa. The campaign comprised an online portal where consumers were driven to discover various aspects of the destination through their senses and offered a call-to-action feature through which consumers could book the activities on offer.

In line with our objective to get British meeting planners to choose South Africa as a meetings destination, the UK office partnered with the Conference and Incentive Travel (C&IT) magazine to develop an online destination guide, hosted on the C&IT website. The guide includes a focus on different provinces and the unique experiences on offer, as well as the latest news from South Africa's tourism industry. In the next financial year, we will work to expand the tool to include video content, a meetings planner guide and a discussion forum.

During his visit to the United Kingdom in 2009/10, the South African Minister of Tourism attended an intimate gathering with representatives from a select number of leading UK tour operators, including Somak Holidays, Wexas, Africa Travel Centre, STA Travel and Flight Centre. Discussions centred on the Minister's vision for unlocking the economic, social and environmental

benefits of the 'new gold' of tourism in South Africa and Africa as a whole. The event focused on the key areas of how tourism can benefit from the measures that drive economic recovery, and included a comprehensive overview of the country's readiness to host the 2010 FIFA World Cup.

One of the key focus areas of the South African Tourism office in 2009/10 was, as reported elsewhere, the generation of global interest in the World Cup. Every opportunity to maximise positive awareness of South Africa was taken and a core strategy to drive arrivals actively to the country was adopted.

Sport contributed greatly to South Africa's success in the United Kingdom, even beyond the parameters of the World Cup. In 2009, the country hosted three major sporting events: the British and Irish Lions Tour, the Indian Premier League and the England Cricket Squad Winter Tour. This, together with the unfailing support provided to the trade by the UK office ensured that the destination remained resilient.

South African Tourism continues to counteract the challenges present in this market. Negative coverage of South Africa remains an issue, as do perceptions of the country as expensive and unsafe. We will continue to encourage the media, consumers and our stakeholders to project a positive image of our destination, pushing the country's many unique travel opportunities.

Looking ahead, South African Tourism's primary objective for the 2010/11 financial year will involve harnessing the positive sentiment created with the travel trade during the World Travel Market and translating it into positive coverage in the mainstream media. Our opportunity lies in using the 2010 FIFA World Cup to reposition South Africa as an accessible and safe

destination in the minds of British consumers and make it easy for them to book their South African holiday. We aim to achieve this objective by training the trade through our online training portal, partnering with tour operators and airlines to deliver compelling prices at key booking times, and delivering experiences that appeal to travellers' specific needs.

Lebo Mokhesi

Country Manager – United Kingdom





United States of America

Striding Forward Despite Adversity

Despite the severity of the financial crisis in the United States, South African Tourism continued a sustained marketing campaign in the country, according to the changing needs of our consumers.

Close partnerships with the travel trade and media proved a successful model in a time when most long-haul destinations saw their arrival figures decrease by as much as 50%. At the height of the recession, South Africa was down only 13% with an encouraging upward month-on-month trend. Arrivals amounted to 262,826 by December 2009 and public relations value and website visits totalled R283,165,007 and 464,277 respectively – exceeding targets.

The global economic crisis had many ramifications in the United States, with the housing market, Wall Street, and consumer spending taking their worst knocks in decades. Travel is included in this list as many Americans opted for 'stay-cations' in lieu of long-haul vacations. Various economic indicators, with the exception of unemployment, are beginning to show glimmers of a recovery nearly one year since the first Government bail-out.

One year ahead of the World Cup, and with the steady increase in interest from the United States, South African Tourism capitalised on this growing excitement by conducting a consumer marketing and promotional tour in four of our major markets: Washington DC, Chicago, Los Angeles, and New York. The four-city tour included media launches, and performances by South African Diski Dancers and Zakumi, South Africa's World Cup mascot. Interest in South Africa as the host of the 2010 FIFA World Cup remained strong throughout the year, confirmed by the United States sustained lead in ticket sales.

The American Society of Travel Agents (ASTA) is the world's largest travel trade association and South African Tourism marked a major milestone in its investment in the American market when we successfully hosted the 2009 ASTA International Destination Expo at Sun City in South Africa. For the first time in its four-year history the trade show floor sold-out. A total of 130 supplier companies were on hand to meet one-on-one with more than 1,000 American travel professionals as they gathered to learn about South Africa's culture, attractions and travel business.

Other trade activities in the market included taking part in the APTA Discover Africa Series, the Virtuoso Luxury Travel Show, the ASTA Trade Show, the American Express National Retail Conference, and the USTOA Annual Conference and Marketplace and Signature Conference.

Always looking to expand our reach, South African Tourism initiated research on 100 North American-based international associations in New York, New Jersey, and Connecticut, and an additional 30 based in Pennsylvania, to determine opportunities for hosting international congresses. Research data was used to identify qualified hosted buyers for Meetings Africa, including the Baptist World Alliance, who are considering South Africa for their 2015 World Congress for 8,000 – 15,000 people, which could represent over \$32 million in revenue. We assisted with delegate boosting efforts for SITE (Society of Incentive Travel Executives), holding their international congress of

approximately 800 people in Cape Town in 2010 with an estimated spend of \$1.7 million, and for another medical congress with an estimated attendance of 1,000 people and an estimated spend of \$2.16 million.

The latter part of 2009/10 was spent promoting South Africa's friendliness and hospitality ahead of the 2010 FIFA World Cup. All the respective promotions, particularly the Diski Dance, were well received in the market.

South African Tourism's outlook for the forthcoming financial year remains positive. We will seek to retain the 2009/10 arrival figures with a slight increase of 1%. We must do this while continuing to grow awareness within our target segments, lowering the closure ratio to 1 in 5 for NSSA and 1 in 2 for Wanderluster. Continuing the momentum set by the 2010 FIFA World Cup remains a priority in order to make South Africa the premier long-haul destination for American travellers.

Our global marketing team secured a CNN deal for the USA market to ensure that we leveraged the awareness and excitement of the 2010 FIFA World Cup. We used our Global 2010 Diski TVC to welcome the American consumers to celebrate South Africa's passion, rhythm and uniqueness and to come and celebrate with us as a nation.

The campaign reached 420 million consumers across CNN Domestic, CNN Headline News and the CNN airport network.

Sthuthukile Zungu

Country Manager – United States of America





Strategic Research

The 2009 financial year was an exciting one for the South African Tourism's Strategic Research Unit (SRU) as we continued to build our existing body of knowledge in preparation for future endeavours.

Possibly the most important project during the year was the division's review of the Tourism Growth Strategy. As the tourism industry is vulnerable to global events, the Tourism Growth Strategy is intended, from the outset, to be a living document that sets out a vision for tourism and provides a framework for making the continuously difficult choices about marketing investments against the best return measured by our mandate in the Tourism Act. The fourth revised strategy (2011-2013) was conducted during the course of this financial year and saw the updating and consolidation of the strategy with the knowledge and experience we have developed over the past nine years. This was a particularly interesting year to review the marketing focus as a 'new normal' is expected to be created when the world emerges from the recession. As a result, the methodology was refined in light of new information and the process significantly streamlined.

Following on from the fourth portfolio review, the SRU conducted an analysis on the key markets that will deliver the targets for South African Tourism. This analysis looked at our market share over time, the travel patterns of tourists to the country and reviewed the key market's impact on the organisation's objectives.

Our strong strategic focus on understanding our target consumers was the driving force behind two projects in Botswana and Mozambique. Qualitative research techniques were used in an effort to understand the lives of these consumers, the role of travel in their

lives, and the key drivers and barriers to them taking domestic holidays. This information informed a focused marketing communication campaign targeting the focus segments in these markets.

Apart from the investments made in understanding our consumer markets, we have taken another step in our focus to improve South Africa's presence in the global market by reviewing the country's international competitiveness progress since 2003. The review of the Global Competitiveness Study focused on reviewing our performance relative to other economic sectors in South Africa as well as at levels of innovation in the industry.

As the only source of data on the foreign tourism market, the SRU continued to enhance the systems and methodologies on the departure survey. With 44,400 interviews conducted annually, the survey was improved during 2009 by shifting from a paper-based interview to an electronic-based interview, ensuring that we keep abreast of technological innovations in the research world. This data source remains the bedrock of our knowledge base and is constantly used to improve our understanding of the tourists who visit South Africa and to track their behaviour over time. The quarterly and annual reports of foreign tourism to South Africa are a key source of information for a number of stakeholders, including the public and private sectors, and the departure survey continues to be used in the development of the Tourism Satellite Account for South Africa.

This year was an important one for tourism research in South Africa as the country's first Tourism Satellite Account was launched at Indaba in May 2009. The SRU assisted in providing the platform at Indaba to ensure that years of work conducted by the team headed by Stats SA received extensive publicity and that the industry's importance to the South African economy was communicated. South African Tourism also completed its annual update of the role of tourism in the economy. Based on economic research, a model was developed that analyses tourism demand on each sector of the economy as a means of understanding the relationship between tourism and the relevant economic sector, thereby building our knowledge of the role of tourism in South Africa.

On the domestic front, we continued to focus on establishing robust systems and methodologies to measure the incidence of domestic tourism in South Africa as our Domestic Tourism Survey entered its fourth year as a routine SRU survey. We also consulted extensively with users of this data to improve the reporting of this domestic tourism data.

The Brand Tracking Survey, now firmly entrenched into routine operations of the SRU, continues to be an important cog in helping us understand the tourism marketing opportunities and challenges that we face in each of our focus markets. Deeper analysis was conducted to review our competitiveness in building our brand relative to other global destinations and also to understand in detail how the perceptions around safety and security are affecting tourism to South Africa.

Our commitment to the development of an information management system continued with the maintenance of MarketSource, a software tool available on the South African Tourism intranet to enable more effective,

data-driven decision-making within the company. The focus on information dissemination continued with the updating of the marketing reference booklets on key markets. The research website continues to be the primary point for access to the research reports of the SRU.

Bashni Muthaya

Research Manager



Operations Report

Administration

The administration department was involved in the renovation of the head office of South African Tourism to make space for new departments, such as the Events Department, as well as cater for future growth.

The first phase of the project involved the relocation of the server room from the first floor to the basement so that a new, state-of-the-art server room with added capacity could be built and space created in the marketing wing to house the events department as well as many of the support units in the other wing. The second phase moved the boardrooms and meeting rooms to the ground floor as the "public" area of the building which eliminates the security problems of controlled access to limited areas of the building.

The end result of the renovations process was that the space challenge was solved and colourful screens and wallpaper depicting the country's popular holiday resorts and tourism attractions were installed.

The day-to-day services the department provides are divided into "hard" and "soft" services.

Hard services include such things as assets management and safeguarding and also ensuring that services such as electrical services and security services are operating efficiently, reliably, safely and legally. Soft services include ensuring that the building is insured, safe, cleaned properly and regularly, and monitoring the performance of contractors (such as builders and electricians). The department also manages outside contractors for landscaping, the security system and the canteen.

Legal and intellectual property management

The legal department ensures that South African Tourism effectively complies with statutory and

regulatory requirements and conducts its affairs in line with legislation. It caters for any potential risks that may be associated with both local and cross-border transactions, and advises on ways to minimise or remove those risks. It ensures that in terms of all intellectual property matters, we comply with both the Intellectual Property Act and the Trade Mark Act so that we protect and are protected by intellectual property rights and recourse.

The department's legal responsibilities are:

- to provide legal advice and draft legal opinions;
- to review and draft local and international agreements;
- to manage the litigation process from start to finish by instructing outsourced attorneys on the way forward in specific matters;
- to liaise with attorneys and counsel on behalf of South African Tourism regarding litigation and intellectual property-related matters;
- to advise on new developments in the law applicable to South African Tourism's business; and
- to manage the registration process of South African Tourism's intellectual property by instructing outsourced attorneys and monitoring processes.

South African Tourism enters into commercial agreements with a multitude of service providers worldwide, so it is imperative that we have the legal acumen to negotiate agreements that will protect our interests and reduce our risk globally. We believe that, with the guidance of attorneys who have specialised in intellectual property globally, registration of our intellectual property within the relevant classes will be executed precisely.

Human Resources

Our vision of being the best tourism organisation by 2010

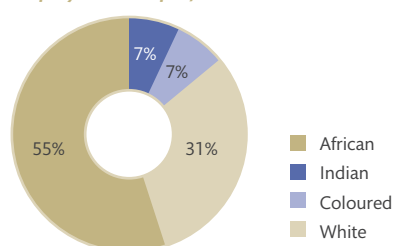
recognises that people are our competitive advantage. We believe in our people as individuals and that through growing and nurturing our staff, one of the six big focus areas for 2009/10, we can achieve this vision.

We actively strive to understand what our employees really want so we can realign our retention strategies, tactics, and priorities to match those goals hence we took a conscious decision to continue our participation in the Deloitte "Best-Company-to-Work-for" survey. We recognise that continuous improvement is required in our people management processes to ensure we attract and retain talent.

Our employee profile

Our culturally diverse staff reflects the richness and uniqueness of our country. Our staff complement, as at 31 March 2010, was 145 employees of which 46 are based at the various international offices and 99 are based at the head office in South Africa.

Employee racial profile



Employee statistics as at 31 March 2010

Category	April 2009 – March 2010	April 2008 – March 2009	April 2007 – March 2008
New appointments	17	15	22
Promotions and transfers	10	9	9
Terminations	15	18	19

We are making inroads in reducing staff turnover. The staff turnover for the financial year 2009/10 was 10.5% compared to 11.92% for 2008/09 financial year.

Training and development

A total of R1,769,098 was spent on training and development initiatives. This includes the learning programme "Marketing the South African Tourism way" which was attended by 21 employees.

The organisation continues to contribute to employee's personal development by awarding bursaries. In the financial year under review, R140,541 was spent on employee bursaries.

Learnership programme

The objective of the learnership programme is to equip learners with experiential knowledge of the tourism sector which will allow them to pursue careers in tourism. In 2009/10 five learners benefited from the learnership programme and two were subsequently appointed into fixed term contract positions, a contribution to SAT's mandate of "sustainable job creation".

Induction programme

In 2008/2009 we developed an induction programme based on the organisation's values. The programme was rolled out to our international offices with great success. The focus of the programme is on South African Tourism's values and the importance of living the values in our daily work lives. It gave participants practical examples on how they could display the SAT values at work. The values induction will be linked to the orientation programme and will form part of the organisation's on-boarding process.

Material issues to our people

We conducted employee focus groups, using the Deloitte's "Best-Company-to-Work-for" survey results to generate feedback from our employees on issues close to their hearts.

The following were identified as important issues to our employees:

- the need to address communication;
- recognition of staff;
- ensuring that performance management is understood by all staff;
- implementation of a robust training and development programme; and
- development of leadership capability.

A human resource strategy has been designed and will be implemented in the next period to ensure ongoing focus in addressing the above issues.

Business information systems

South African Tourism is one of the organisations where Information Technology (IT) is high on the list of business drivers. We have realised that IT enables us to deliver on our business strategies affording us excellence in our Marketing ventures.

IT has faced many challenges within the organisation, business need being the key driver. As a result we have adopted a cloud based computing environment which promises to deliver global systems access and high availability systems for the organisation. In taking on this new venture we have partnered with the best IT providers to deliver this successful solution.

In addition to this new venture we also have aligned ourselves with systems that provide the organisation

with granular management reporting enabling business to make informed decisions.

The realisation that IT is the back bone of South African Tourism's core business, namely marketing, has led to much debate on what we should and should not be focusing on. Without an informed IT department, SA Tourism will not be able to deliver its business strategy and it was this thinking that led the organisation to rethink its approach to IT and focus on the information management aspect.

IT enables our internal processes and management systems and is a means to communicate cost-effectively with millions of people across our key markets. But, the processes and platforms need to be in place and operating efficiently. The global trend is to bring in the best service providers to manage these and have stringent service level agreements in place to manage expectations, policies, procedures and performance properly.

We are going through a period of consolidation, analysis and stabilisation, while at the same time keeping operations functional. Our priority now is defining the needs, gaps and potential suppliers that can meet our stringent criteria.

We expect to have a set of carefully selected, focused and well-managed external service providers in place soon to manage and service our needs.

South African Tourism has adapted the cloud based computing environment to address our business needs were systems need global access and extremely high availability.

Didi Moyle

Chief Operating Officer



Finance Report

The Finance Business Unit falls under the Chief Financial Officer's control and consists of the following sub units:

- Financial Management (reporting to the Manager of Finance)
- Financial Compliance-, Performance Information- and Business Process Management (reporting to the Manager of Financial Compliance and Performance Management)
- Supply Chain Management (reporting to the Manager of Supply Chain)
- Payroll Management (reporting to the Manager of Payroll)
- Legal (reporting to the Contracts Attorney)

Given Internal Audit's involvement with Finance and External Audit and given the fact that they report directly to the Audit Sub-committee of the Board, they are included in this section for completeness sake.

Financial Management

This unit's primary responsibility is the accurate and timely recording of all financial transactions within the organisation and the real-time reporting of all financial information to all Business Unit Managers in the organisation for decision-making.

During the financial year, the organisation made a decision to do a complete re-implementation of the Oracle system it has been successfully running since 2005. The main reasons for this decision, in addition to the favourable price the organisation negotiated for this re-implementation, were:

- to maximise the value of the Oracle system for the entire organisation, taking into consideration the additional functionality that became available in the R 12-version; and

- to avoid going through a cumbersome upgrade process from the R 11-version that SA Tourism was on, taking into consideration that the high-level set-up of R 12 has substantially changed from R 11.

A suitable service provider was selected through a competitive tender process to partner with South African Tourism through this crucial process. The Finance Business Unit led the entire process of Oracle re-implementation and the system was successfully implemented and tested by 31 March 2010. It went live at the beginning of April 2010 with minimal disruption to the business. The date of 31 March 2010 was specifically selected for transition to coincide with SA Tourism's financial year-end. This made it easier for migration of balances from the old to the new system. Key benefits of the Oracle R 12 version include: complete multi-organisation functionality where all South African Tourism business units operate globally and in Africa as separate organisations ease of real-time reporting and the automation of several functions where processing was done manually (uploading of bank statements & EFTs, exchange rates, reconciling etc).

Not only will improvements to the system assist the organisation with real time reliable financial reports for ease of decision making, but it will also relieve the finance team of time spent on some of the manual work they were engaged in to concentrate on more value adding activities to the business.

Financial Compliance-, Performance Information- and Business Process Management

The most valuable reason for measuring performance is the SA Government's objective to ensure delivery to the electorate, "what gets measured gets done". Newly enacted legislation and amendments to the PFMA and Treasury Regulations now require that all

government departments and public entities establish a Performance Information Management division. Effective 1 April 2009, SA Tourism introduced the Financial Compliance-, Performance Information- and Business Process Management unit as a sub business unit of the Finance Business Unit.

This unit has ensured that SA Tourism has a fair and equitable system for measuring performance and created dedicated business processes to ensure that the performance of the organisation, across all its business units, country offices and its human resources, are monitored internally on a continuous basis and that when an external audit opinion is expressed at the end of every financial year, SA Tourism has met its objectives, achieved its targets and addressed any deficiencies, variances or shortcomings that have been identified.

Sound business processes have also been implemented and maintained throughout the year offering quality standards of best practice for all business units across SA Tourism. This unit has also streamlined all reporting processes which thus ensures consistency of all reports presented to stakeholders and funders.

SA Tourism's commitment and vigorous compliance with all applicable financial legislations, including SA GRAP (and in the absence of a 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, SA Tourism has still managed to achieve its 9th unqualified no-emphasis-of matter audit report during 2009/10, the record within the South African Government of all Government Departments, Municipalities and Government entities and will pull out all the stops in the 2010/11 financial year to maintain this proud record.

Supply Chain Management

This unit is the custodian of the entire procurement process, referred to as Supply Chain Management, within SA Tourism and ensures that all procurement of SA Tourism takes place within the ambit of SA Tourism's Supply Chain policy. This unit also makes sure that challenges related to logistics and procurement are met with 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.

This unit is also responsible for the logistics within the organisation, in particular the warehousing and distribution of marketing material around the world. In South Africa and in Africa, all marketing material was warehoused and distributed by Skynet Worldwide Express serving the domestic and African markets.

South African Tourism also has four strategic warehouses across the globe, namely 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.

It serves mentioning that logistic solutions are in place to support the South African Tourism's international 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 function 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.

In terms of travel procurement, a new service provider was selected to meet South African Tourism's travel requirements after the contract with previous incumbents expired at the end of the previous financial year.

The organisation, through a tender process to select a new service provider for South African Tourism, has retained the services of Travel Counsellors through a contractual agreement, to provide travel management services in order 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 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

South African Tourism continued to run a world-class payroll system and paid all employees on time.

Internal Audit

Although this unit does not fall under the Finance Business Unit and reports directly to SA Tourism's Audit Sub Committee of the Board, the SAT Internal Audit unit has successfully executed SA Tourism's approved Board-approved Internal Audit plan for 2009/10. Quality audit reports were consistently delivered following the execution of audits.

The objectives of the internal auditing include monitoring of the effectiveness of internal controls on a continuous basis-reviewing of the controls, monitoring their operation and recommending improvements thereto.

During the year the internal audit unit has continued to identify internal control weaknesses and bring them to the attention of both the Audit Committee management and Audit Committee during the course of the audit.

Johan van der Walt

Chief Financial Officer

"Finance Oscars" winners



Nyambeni Nematatani
Finance employee of the year:
Head Office



Werner Maul-Pfeifer
Finance employee of the year:
Overseas Office



Connie Phalakatshe
Runner-up:
Overseas Office



Bongani Sithole
Runner-up:
Head Office



Mpho Mokgethi
TGCSA Finance employee
of the year



Tourism Grading Council of South Africa

The Tourism Grading Council of South Africa (TGCSA), operating as one of the business units of South African Tourism, is the only officially recognised organisation which authorises establishments to display quality stars.

The TGCSA's vision is to establish a recognisable, credible and globally benchmarked system of quality assurance for accommodation, meetings, exhibitions and special events, which can be relied upon by visitors when selecting their required establishment.

The TGCSA provides a rigorous framework and process for businesses seeking quality assurance in an endeavour to showcase their offerings. This grading status must be renewed annually following a reassessment by a TGCSA-accredited grading assessor.

Quality assurance contributes greatly to consumer confidence and assists in ensuring South Africa's international competitiveness as a tourism destination of choice. Currently, over 8,000 establishments have been graded by the TGCSA, with approximately 150 new establishments joining the grading system every month.

During the 2009/10 financial year, the TGCSA experienced a number of key developments geared toward reinforcing the Star Grading System.

The Minister of Tourism, Minister Marthinus van Schalkwyk, appointed Mr Peter Bacon as Chairman of the TGCSA Awards Sub-committee. The Chairman, together with the nine other Sub-committee members, oversees the awarding of one- to five-star grading statuses to establishments within the allocated categories, including: hotels; guest houses; country houses; bed & breakfasts; lodges; caravan, camping and self-catering accommodation; backpackers;

hostelling; and meetings, exhibitions and special events.

A new Marketing and Communications Manager, Thekiso Rakolojane, was also appointed during 2009/10. Through his team, the TGCSA now has a comprehensive marketing and communications plan for the Star Grading System. This plan will enable the TGCSA to address multiple challenges, including the industry's proposed introduction of a revised grading criteria system. The plan seeks to secure sector buy-in on the proposed new grading criteria, curb the illegal use of the stars, communicate to the sector the various changes to the TGCSA, and most importantly educate the sector on the grading process.

During the year under review, the TGCSA purchased a new IT back office to ensure that the grading process adopted by the accredited grading assessors when establishments are assessed is seamless. G4S, the preferred service provider to Visit England in the United Kingdom, has been contracted to implement this IT infrastructure, and work is on-going. Once approved, the system will be populated with all the new grading criteria.

We are also currently in the process of introducing a once-a-year invoicing process. With approximately 750 establishments assessed each month, including the aforementioned 150 new establishments, processing monthly invoices is compromising service levels. The new annual payment process will ensure that TGCSA resources are used optimally.

A grading fee structure that takes into consideration the rate charged by the establishment, the star grading applied for, and the number of rooms will be introduced in the near future. Currently a nine-room guest house in Soweto, charging R600pp, is paying precisely the same grading fee as a nine-room guest house in Sandton charging R2,000pp, and efforts to make this process fair for all are necessary.

Based in Johannesburg, Nelspruit, Durban and Cape Town, the TGCSA's professional team ensures provincial TGCSA presence and is available to resolve issues on the ground, thus improving service levels for both the establishments as well as the accredited grading assessors. The provincial master assessors will play a key role in ensuring that the service provider relationship that the TGCSA has with all its accredited assessors is implemented to the benefit of all establishments, in an effort to improve quality standards across the country.

The TGCSA is revising the design of the grading plaque, which will now include a serial number together with the clear message that, 'This grading plaque is the property of the TGCSA', thus simplifying the legalities involved in removing the plaque from establishments displaying it illegally. The new Consumer Protection Act which comes into effect in October 2010 will strengthen the TGCSA's efforts in this regard.

The year under review has been a productive one for the TGCSA, with important steps being put in place to develop the unit and ensure its efficient and effective operation in the future.

Thembi Kunene

Chief Quality Assurance Officer





Nelson Mandela Bay Stadium

Location: Port Elizabeth, Nelson Mandela Bay Metro, Eastern Cape province

Photo: Rodger Bosch, MediaClubSouthAfrica.com

05

Annual Financial Statements



Statement of Responsibility

1. Requirements of the Public Finance Management Act

The members are required by the Public Finance Management Act, 1999 (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 PFMA, 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; and
- that the annual financial statements are presented in terms of GAAP.

2. 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.

3. Responsibilities around annual financial statements

The annual financial statements are the responsibility of the accounting authority, in the case of the South African Tourism Board represented by its Board of Members 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 South African Tourism Board's financial statements and the Auditor-General's report appears on pages 128 to 129.

4. Basis for preparation

The annual financial statements have been prepared in accordance with South African Statements of GRAP, issued by the Accounting Standards Board, in accordance with the PFMA. The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. They are presented in South African Rands.

5. Going concern

The Board has reviewed the organisation's budgets and cash flow forecasts for the year ended 31 March 2010. 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 has continued to adopt the going concern basis in preparing the financial statements.

6. 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 controls have been maintained 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 with an appropriate segregation of duties have been appointed to implement and maintain these controls. They are monitored by management and 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.

7. Board's opinion

The Board has reviewed the organisation's systems of internal control and risk management for the period 1 April 2009 to 31 March 2010. The Board is of the opinion that:

- the organisation's systems of internal control and risk management were effective for the period under review;
- no material losses, irregular expenditure, fruitless expenditure 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 2009 and the results of its operations and cash flow information for the year and that the Code of Corporate Practices and Conduct has been adhered to.

8. Approval of annual financial statements

The annual financial statements for the year ended 31 March 2010, set out on pages 141 to 172, were submitted for auditing on 31 May 2010 and approved by the Board in terms of section 51(1)(f) of the PFMA, as amended and are signed on its behalf by:



Frank Kilbourn

Acting Chairperson

28 May 2010

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2010.

Audit Committee members and attendance:

The Audit Committee consists of the members listed hereunder and should meet 3 (three) times per annum as per its approved terms of reference. During the current year, 3 (three) meetings were held.

Period: 1 April 2009 – 31 May 2009 – 1 meeting was held

Name of member	Number of Meetings Attended
F Kilbourn (Chairperson)	1
J Mabuza	1
A Malan	1
B Radebe	0
ZV Mntambo	1
JN van der Walt	1

Period: July – 2009 – March 2010 – New Board appointed – 2 meetings were held

Name of member	Number of Meetings Attended
F Kilbourn (Chairperson)	2
J Mabuza	2
I Abedian	2
ZV Mntambo	2
S Mzimela	2
D van Schalkwyk	2
JN van der Walt	2
T January-McLean*	1

* CEO was appointed with an effective date of 18 January 2010

Audit Committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of Section 51(1)(a) 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 the 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 process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements and the management report of the Auditor-General of South Africa, it was noted that no matters were reported that 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.

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 of South Africa and the Accounting Officer;
- Reviewed the Auditor-General of South Africa's management report and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the South African Tourism's compliance with legal and regulatory provisions; and
- Reviewed all adjustments resulting from the audit.

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 of 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.

Auditor-General of South Africa

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



Frank Kilbourn

Chairperson of the Audit Committee

Date: 23 July 2010

Report of the Auditor-General to Parliament on the financial statements of South African Tourism for the year ended 31 March 2010

Report on the financial statements

Introduction

I have audited the accompanying financial statements of South African Tourism, which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information as set out on pages 141 to 172.

Accounting Authority's responsibility for the financial statements

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 in the manner required by the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2005), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of*

2009 issued in *Government Gazette* 32758 of 27 November 2009. 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.

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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of South African Tourism as at 31 March 2010 and its financial performance and its cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the PFMA.

Report on other legal and regulatory requirements

In terms of the Public Audit Act of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009 I include below my findings on the report on predetermined objectives, compliance with the PFMA and financial management (internal control).

Findings**Predetermined objectives**

No matters to report.

Compliance with laws and regulations

No matters to report.

Internal control

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported are limited to the deficiencies identified during the audit.

Findings

No matters to report.

Auditor-General

Pretoria

27 July 2010



Report by the Accounting Authority to the Executive Authority

The members submit their report for the year ended March 31, 2010.

1. Corporate activity

The South African Tourism Board, hereinafter referred to as South African Tourism, was established in terms of section (2) of the Tourism Act, 1999 (Act No. 72 of 1993) as amended, with the aim of stimulating sustainable international and domestic demand for South African 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, South African Tourism is involved in a joint operation with one private sector partner, TBCSA. The objective of the joint operation is to market South Africa in certain markets identified by South African Tourism through research. Funds contributed into this operation are used solely for that purpose.

2. 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 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:

- 2.1. Core markets: These markets are very attractive and have easier access from a tourism-marketing point of view, deliver the "bread & butter" in terms of tourism for South Africa and approximately 60% of organisation's effort (in terms of human capital and budget) is deployed in these markets. Until 31 March 2011, these markets are Botswana, Kenya, Nigeria, USA, UK, Australia, India, France, Germany, the Netherlands and the domestic South African market.
- 2.2. 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 these markets, ahead of the future returns. Approximately 20% of the organisation's effort (in terms of human capital and budget) is deployed in these markets. Until 31 March 2011, these markets are Angola, Democratic Republic of the Congo, Mozambique, Zimbabwe, Canada, China (including Hong Kong), Japan, Italy and Sweden.
- 2.3. 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. Until 31 March 2011, these markets are Ghana, Swaziland, Tanzania, Lesotho, Singapore, Ireland and Switzerland.
- 2.4. 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. Until 31 March 2011, these markets are Egypt, Namibia, United Arab Emirates, Brazil, Malaysia, New Zealand, Republic of Korea, Austria, Belgium, Denmark, Norway and Spain.

- 2.5. Strategic hubs: Limited marketing activities are also undertaken around key international airline hubs given the available airlift from such markets to South Africa or markets where our country has a national strategic interest. Until 31 March 2011, these hubs are Ethiopia, Zambia, Senegal, Argentina, Thailand, Greece, Bahrain, Oman, Qatar and Saudi Arabia.

The specific segments of tourists in the above-mentioned markets have been identified through extensive global research that commenced in 2001 and has been ongoing ever since.

3. Markets on which South African Tourism will focus effective 1 April 2011

Following the conclusion of South African Tourism's 4th Portfolio Review, which has been done based on latest marketing intelligence, the Board approved the following markets for South African Tourism, effective 1 April 2011:

South African Tourism's markets for the next 3 years, effective 1 April 2011 (2011-2013)

Responsibility		Africa	Americas and the UK	Asia and Australasia	Europe	
Regional Director	Country Manager	Core markets	Angola Botswana DRC Kenya Nigeria South Africa	USA UK	Australia India	France Germany Netherlands
		Investment markets	Mozambique	Brazil Canada	China (including Hong Kong) Japan	Belgium Italy Sweden
		Tactical markets	Lesotho Swaziland	Ireland	New Zealand	
		Watch-list markets	Malawi Namibia Zambia Zimbabwe	Argentina	Republic of Korea	Austria Denmark Portugal Switzerland Spain
Stakeholder Manager	Strategic importance	Bahrain Oman Qatar Saudi Arabia				
	Strategic links/hubs	Egypt Ethiopia Senegal UAE Israel Turkey Ghana Tanzania Uganda Mauritius		Malaysia Singapore	Greece	

The above-mentioned markets will be reviewed again during January 2013 based on latest research, whereafter a final portfolio of focus markets will be determined for the next 3 years, effective 1 April 2014 (and included in the 2014/15 Business Planning and Budgeting process for all Business Units and country offices that will commence in April 2013).

4. 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 15 Business Units, each with its own Business Plan and Budget, reporting to a Business Unit Manager.

On 31 March 2010, these business units were as follows:

- 4.1 Office of the CEO/COO (headed by both the CEO and COO)
- 4.2 Finance (headed by the Chief Financial Officer)
- 4.3 Research (headed by the Chief Research Officer)
- 4.4 Human Resources (headed by the General Manager: Human Resources)
- 4.5 Business Information Systems (headed by the General Manager: Business Information Systems)
- 4.6 PR and Communication (headed by the Global Manager: Communication)
- 4.7 E-marketing (headed by the Global Manager: E-marketing)
- 4.8 Central Marketing (headed by the Chief Marketing Officer)
- 4.9 Events (headed by Global Manager: Events)
- 4.10 Product (headed by Global Manager: Product)
- 4.11 Business Tourism (headed by Global Manager: Business Tourism)
- 4.12 Europe (headed by the Regional Director: Europe)
- 4.13 Americas, Asia and Australasia (headed by the Regional Director: Americas, Asia and Australasia)
- 4.14 Africa and Domestic Marketing (headed by the Regional Director: Africa and Domestic)
- 4.15 Tourism Grading Council of South Africa (headed by their Chief Quality Assurance Officer (CQAO))

It must be mentioned that South African Tourism has four categories of employees:

Category of employment	Designations that falls within this category:
Senior management	All Exco members
Middle management	Only MANCO members who are also appointed business unit managers, country managers, the Manager: Finance at Head Office and the Manager: Research at Head Office and the Manager: Global Advertising at Head Office
Junior management	Any other person working for SAT who has got the title of "manager", as part of their designation on SAT's approved organogram in SAT's Delegation of Authority
General staff	All staff members not indicated above

5. Components of South African Tourism Business Units

The above-mentioned Business Units have the following sub-business Units:

- 5.1 Office of the CEO/COO consists of three sub-units:
 - Board;
 - Internal Audit; and
 - Administration.
- 5.2 Finance has five sub-units:
 - Finance;
 - Supply Chain Management;
 - Payroll;
 - Financial Compliance & Performance Information including Business Processes; and
 - Legal.
- 5.3 Research has no sub-units.
- 5.4 Human Resources has no sub-units.
- 5.5 Business Information Systems.
- 5.6 Tourism Grading Council has no sub-units.
- 5.7 PR and Communication has two sub-units and includes, but is not limited to, the responsibility for the project management of the Annual Report:
 - PR; and
 - Stakeholder Management.
- 5.8 E-marketing has no sub-units and includes the responsibility for the management of the outsourced international call centre in South Africa.
- 5.9 Central Marketing consist 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 PR agencies:
 - Global Projects; and
 - Global Trade Relations.
- 5.10 Events (including 2010 activation).
- 5.11 Product Management.
- 5.12 Business Tourism.
- 5.13 Europe and UK Portfolio consists of six sub-units: Germany, Italy, France, Netherlands, United Kingdom and Head Office.
- 5.14 Americas, Asia and Australasia Portfolio consists of six sub-units: India, Japan, Australia, China, USA and Head Office.
- 5.15 Africa and Domestic Portfolio consists of five sub-units: Kenya/Tanzania/Uganda, Nigeria/Ghana, Angola, Domestic Marketing and Neighbouring SADC.

6. South African Tourism international offices

Included in South African Tourism's Portfolio Business Units are its ten overseas country offices, namely Amsterdam (Netherlands), Beijing (China), Frankfurt (Germany), London (UK), Milan (Italy), Mumbai (India), New York (USA), Paris (France), Sydney (Australia) and Tokyo (Japan).

7. Review of operations

Of the many other activities South African Tourism has successfully executed during the 2009/10 financial year, which are reported on in detail earlier in the Annual Report, the following activities and results deserve special mention:

- 7.1 South Africa exceeded its 2009 total arrivals target of 9,824,858 and recorded total actual arrivals of 9,933,966 during 2009. Although this growth was largely driven by arrivals from Africa, it should be taken into consideration that global travel declined, as per the UNWTO, by 4% during the 2009 calendar year.
- 7.2 During the 2009/10 financial year, South African Tourism signed 122 joint marketing agreements (JMA's) with a number of trade partners around the world. South African Tourism's original Board-approved target was to sign 101 JMA's during 2009/10.
- 7.3 In terms of trade contacts of key operators and travel agents that sell South Africa in all countries, South African Tourism aimed to obtain 13,000 trade contacts on its trade database by 31 March 2010. However, South African Tourism exceeded this target substantially and had 31,367 trade contacts on its database by 31 March 2010.
- 7.4 Given the importance of growing positive awareness of the South African brand from a tourism point of view, South African Tourism's 2009/10 target was to host 5% more international media representatives than 2008/09 when 58 representatives were hosted. As at 31 March 2010 however, South African Tourism had exceeded the target by hosting 219 international media representatives.
- 7.5 According to Dow Jones Media Monitoring, South Africa obtained the following international media coverage:
 - 7.5.1 For January 2010: 70% neutral and positive, 20% negative, 10% very negative;
 - 7.5.2 For February 2010: 95 % neutral and positive, 5% negative, and
 - 7.5.3 For March 2010: 90% neutral and positive, 10% negative.

South African Tourism's 2009/10 target of obtaining at least 80% neutral coverage of South Africa as a tourism destination was therefore easily exceeded.
- 7.6 Following the approval of the new uniform "It's Possible" South African Brand by Cabinet during the financial year under review, South African Tourism updated its CI manual. The new South African brand will be used by all South African entities for marketing tourism, trade and investment outside South Africa.
- 7.7 During 2009/10, South African Tourism continued with the re-induction of all its employees using the new Induction Programme that was completed in the previous financial year. It deserves mentioning that Exco- and Manco staff members were re-inducted during August 2008. The roll-out of this Induction Programme to other staff members commenced in February 2009.
- 7.8 South African Tourism continued with its global media campaign on CNN, BBC World, Eurosport, National Geographic and News Corporation aimed at, *inter alia*, substantially raising positive awareness of Brand South Africa prior to the 2010 FIFA World Cup. By 31 March 2010, this campaign had reached 1,272 billion consumers

- around the world through a combination of 6,194 brand spots, 3,743 vignettes, 2,872 billboards and 88 million online impressions during the 2009/10 financial year.
- 7.9 South African Tourism achieved its target of 70% participation in the annual Deloitte "Best-Company-to-Work-for" Survey by recording a 78% participation rate in the Survey. It also achieved 46th position in the Small Company category, out of 55 participants (2008/09: 45th position).
- 7.10 During the 2009/10 financial year, South African Tourism continued to update its comprehensive database of all South African Tourism skills, which was originally completed by 31 January 2009.
- 7.11 In addition to the 36 729 calls received at South African Tourism's International Call Centre in Johannesburg during the 2009/10 financial year (2008/09: 40 770), the Call Centre also received 12,457 fax- and e-mail enquiries (2008/09: 18,513).
- 7.12 Numerous awards were presented to South African Tourism, its country offices and various South African tourism products during the year under review. Significant awards for South African Tourism and the country include:
- 7.12.1 Pellegrino 100 World's Best Restaurant Awards: five South African restaurants were in the 2009 top 100 world's best restaurants:
- Le Quartier Francais in Franschoek (37th place);
 - La Colombe in Constantia (38th place);
 - Jardine's in (79th place); Aubergine in (96th place); and
 - Rust en Vrede in Stellenbosch (98th place).
- 7.12.2 Chinese Tourists Welcoming Awards 2009:
- The Voortrekker Monument won the bronze award in the Internet/New Media category of the 2009 Chinese Tourists Welcoming Awards, which were announced in April 2009 during the China Outbound Tourist and Trade Market in Beijing;
- 7.12.3 Luxury Tourism Awards 2009:
- Cape Town was awarded in the Best Entertainment category of the Luxury Tourism Awards 2009, held at the International Luxury Travel Exhibition in Lugano, Switzerland, decided by an online poll by Travel and Leisure magazine;
 - Cape Town was voted second in the World's Top City in the 2009 Travel and Leisure online poll;
 - Bushman's Kloof was also voted number one hotel in the world by Travel & Leisure magazine 2009 World Travel Awards;
- 7.12.5 Other awards included:
- South African Tourism as the best national tourism marketing agency in Africa;
 - International Convention Centre Durban as the Leading Conferencing Centre in Africa;
 - Sun City Resort as the Leading Resort in Africa;
 - Saxon Boutique Hotel & Spa as Africa's Leading Boutique Hotel;
 - Arabella Western Cape Hotel and Spa Africa's Leading Luxury Hotel;
 - 2009 Trip Advisor Travellers' Choice Awards (some of the top accolades include: Derwent House Boutique Hotel, Western Cape, 2nd place – Best World Service, 4th place in Top World 100 Hidden Gems and 5th place in the Top World 100 Best Bargains, Cape Heritage Hotel, Western Cape, 8th place – Top 100 Best Luxury Hotels); and
 - Great Wine Capitals Global Network: The Vergelegen wine estate was announced Global winner in the Innovative Wine Tourism Experiences category of the 2009 Best of Wine Tourism Awards.

7.13 South African Tourism continued to meet its employment equity targets in 2009/10:

Details	Situation as at 31 March 2010	Situation as at 31 March 2009	Situation as at 31 March 2008
Total number of permanent South African Tourism employees including those locally recruited overseas	149	153	162
Total number of permanent South African Tourism employees excluding those locally recruited overseas (A)	112	109	124
Total number of interns included in (A)	4	4	7
Total number of historically disadvantaged individual (HDI) employees included in (A) (B)	94	93	100
Employment equity % (B) as a % of (A)	83.9%	78.9%	80.6%

7.14 South African Tourism had a resignation rate of 10.59% during 2009/10 (2008/09: lower than 7%). 4.1% of staff resigned during the first 6 month period of 2009/10 (2008/09: 6.72%) and 7.5% during the second six months period (2008/09: 5.67%). A total of 17 employees resigned during the financial year (2008/09: 17 employees);

More details on South African Tourism's projects and activities have been included in the Performance Information Management report of South African Tourism on pages 50 to 57.

8. Results of activities

The successful hands-on execution of the above:

- 8.1 assisted South Africa to outperform the average 2009 global growth rate in international tourist arrivals and grow international arrivals to South Africa by 3.6% from 9.6 million in the 2008 calendar year to 9.9 million in the 2009 calendar year;
- 8.2 assisted South Africa to achieve an estimated average foreign direct spend per land market per arrival of R7,100 for 2009, which is 14.5% more than the actual average foreign direct spend per land market per arrival of R6,200 per person in 2008 (spend excludes capital expenditure);
- 8.3 assisted South Africa to achieve an average foreign direct spend per air markets arrivals of R13,400 per person, which is slightly lower than the R13,500 per person recorded in 2008;
- 8.4 assisted South Africa to achieve a respectable 30.3 million domestic trips inside South Africa during 2009 despite the tough economic climate in the country (during the 2008 calendar year, 32.9 million domestic trips took place inside South Africa);
- 8.5 assisted South Africa to receive R79.4 billion in foreign direct spend from foreign arrivals in the 2009 calendar year (2008: R74.2 billion);
- 8.6 assisted South African Tourism to drastically increase the total number of unique visitors to its websites during the 2009/10 financial year from 1,806,650 in the 2008/09 financial year to 4,288,926 in the 2009/10 financial year. In the process, a total of 13,049,168 page views took place (source: Google Analytics and SiteCatalyst);
- 8.7 led to an increase in brand awareness of South Africa as a tourist destination for all overseas markets from 76% in 2008 to 79% in 2009;

- 8.8 led to an increase in positivity towards SA in overseas markets from 37% in 2008 to 38% in 2009; and
- 8.9 was done while South African Tourism, for the fifth consecutive year, reached the target of spending 40% of its available spend on HDI organisations.

Despite some problems, South African Tourism continued to improve its South African expert online training course known as "Fundi". The objective is to make Fundi one of the leading online country expert courses in the world. South African Tourism also continued to conduct numerous Fundi workshops around the world (whereby the people working for the outbound operator became an expert on the tourism product platform in South Africa). As at 31 March 2010, South African Tourism had 1,846 qualified Fundi Experts (31 March 2009: 1,680) and 6,942 Registered Fundis (31 March 2009: 5 164).

9. General review of the state of financial affairs

South African Tourism incurred total expenses of R849.15 million (2008/09: R724.27 million) during the 2009/10 financial year, leaving a net surplus of R13.35 million (2008/09: R6.95 million) for the year under review.

A total of R699.49 million (2008/09: R586.09 million) of South African Tourism's funding, representing 80.7% (2008/09: 79%) of total revenue of R866.74 million (2008/09: R740.95 million), came from Government. Other income of R91.77 million (2008/09: R99.16 million) was earned from, amongst others, voluntary tourism levies, interest received, exhibitions, grading activities, sale of marketing items, sale of advertisement space in publications and raising sponsorships.

10. Key performance areas for the 2010/11 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, effective 2010/11.

Indicator	South African Tourism official targets and projections		
	2010/11	2011/12	2012/13
Number of international tourist arrivals per year	10,193,585	10,295,520	10,398,475
- number of land arrivals	7,834,324	7,912,667	7,991,793
- number of air arrivals	2,359,261	2,382,853	2,406,681
Average spend per international tourist in the country	R8,700	R9,222	R9,775
- average spend per land tourist	R7,100	R7,526	R7,977
- average spend per air tourist	R14,200	R15,052	R15,955
Percentage of global brand awareness	77%	78%	79%
Percentage of brand positivity	40%	41%	42%
Total number of accommodation establishments graded	8,288	8,786	9,313

11. The Board of South African Tourism, Executive Management and other matters to report

11.1 The Board of South African Tourism

The Board was appointed by the Minister of Environmental Affairs and Tourism for a period of three years, effective 1 June 2009. It consists of two executive Board members and 13 non-executive Board members.

Non-executive members of the Board complement the skills and experience of the Exco, 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 judgment to the issues of strategy, performance and resources, including key appointments and standards of conduct.

No remuneration was paid to any non-executive Board member during the current financial year. However, the following amounts were paid to members of the Grading Council Awards Sub-committee during 2009/10:

Name	Remuneration	Bonuses and performance payments	Company contribution	Total cost in Rand
PD Bacon	13,416.00	Nil	134.16	13,550.16
A Chothia	15,082.00	Nil	150.82	15,232.82
B Dungan	17,625.00	Nil	176.25	17,801.25
M Gcanga	19,291.00	Nil	192.91	19,483.91
SS Nhlapo	15,959.00	Nil	159.59	16,118.59
A Romburgh	43,409.00	Nil	434.09	43,843.09
JD Smith	15,959.00	Nil	159.59	16,118.59
PA Thompson	28,410.00	Nil	284.10	28,694.10
T Hazel				Nil
Total	169,151.00	Nil	1,691.51	170,842.51

11.2 Executive Management

The Executive Committee (EXCO) generally has responsibility for proposing strategy and for making and implementing operational decisions on running South African Tourism.

The following employees served on Exco as at 31 March 2010:

TS January-Mclean	Chief Executive Officer
D Moyle	Chief Operating Officer
R Singh	Chief Marketing Officer
T Kunene	Chief Quality Assurance Officer
JN van der Walt	Chief Financial Officer
Vacant	Chief Research Officer (this position has been frozen by the Board)

11.3 Remuneration of South African Tourism's Exco and Management Committee (Manco) members

During the 2009/10 financial year, South African Tourism paid a total remuneration of R22,535,226 to Exco and Manco members. This is R861,410 or 4% more than the R21,673,816 paid to Exco and Manco members during the 2008/09 financial year. Both financial years include annual performance bonuses.

Details of the R22,535,226 paid to Exco and Manco members during the 2009/10 financial year are as follows:

Name	Designation	A Basic salary	B Other earnings	C Total company contributions	A+B+C Total cost in Rand	Note
ME Mosola	Chief Executive Officer	303,000	595,876	8,900	907,776	¹
TS January-Mclean	Chief Executive Officer	220,985	81,597	20,262	322,844	²
D Moyle	Chief Operating Officer	848,990	1,014,551	153,334	2,016,875	
R Singh	Chief Marketing Officer	821,755	317,131	164,966	1,303,852	
JN van der Walt	Chief Financial Officer	1,000,194	536,442	190,981	1,727,617	
T Kunene	Chief Quality Assurance Officer	784,000	321,839	93,041	1,198,880	
P Baloyi	Manager: Administration	197,327	171,913	41,838	411,079	⁹
A Bidesi	General Manager: Business Information Systems	140,967	80,379	18,498	239,845	³
FG Buchner	Regional Director: Europe/UK	653,670	337,957	89,364	1,080,990	
BNO Chauke	General Manager: Human Resources	315,000	138,913	47,223	501,136	⁴
PE Dhlomo	Regional Director: Africa & Domestic	539,475	319,664	56,472	915,611	
L Dube	Manager: Administration	273,840	134,430	40,187	448,456	⁵
N Govender	Operation Manager – SATGC	391,320	64,055	44,390	499,764	
EM Mahlaba	Regional Director: Americas, Asia & Australasia	611,160	484,952	74,680	1,170,792	
MP Maloma	Manager: Finance	673,535	168,689	105,693	947,917	
BM Mosupye	Chief Executive Officer: TECSA	504,600	257,995	63,737	826,332	⁶
BM Mphuthi	General Manager: Human Resources	68,383	151,592	13,464	233,439	⁷
B Muthaya	Manager: Strategic Research	477,420	357,911	106,599	941,931	
NC Ndlovu	Global Manager: Business Tourism	607,740	338,630	76,422	1,022,792	
S Pillay	Global Manager: Events	609,630	385,418	82,701	1,077,749	
WAF Price	Global Manager: E-marketing	639,600	198,354	68,086	906,040	
J Slabber	Global Manager: Product	553,490	221,152	144,035	918,676	
WM Tlou	Global Manager: Communications	536,430	371,586	56,765	964,781	
IR Utermohlen	Global Manager: Marketing & Advertising	734,100	250,140	120,473	1,104,713	
MC Williams	Regional Director: Americas & UK	546,233	231,938	67,168	845,339	⁸
Total		13,052,844	7,533,103	1,949,280	22,535,226	

Note:

¹ Resigned on 31 March 2009

⁴ Engaged on 7 September 2009

⁷ Resigned on 21 May 2009

² Engaged on 18 January 2010

⁵ Resigned on 4 November 2009

⁸ Resigned on 22 January 2010

³ Engaged on 12 October 2009

⁶ Resigned on 31 March 2010

⁹ Engaged on 1 January 2010

11.4 South African Tourism's Retirement Fund Board of Trustees

The following employees served on the South African Tourism Retirement Fund Board of Trustees as at 31 March 2010:

- 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); and
- Mr T Thumbbran (Employee representative).

12. Events subsequent to 31 March 2010

12.1 South African Tourism's COO, Ms. Didi Moyle, resigned on 31 May 2010.

12.2 After being accommodated in South Africa's embassy in Beijing over the past couple of years, Minister Marthinus van Schalkwyk formally opened South African Tourism's own office in Beijing on 24 May 2010.



Frank Kilbourn

Acting Chairperson

28 May 2010

Statement of Financial Position as at 31 March 2010

	Notes	2010 R	2009 R
Assets			
<i>Current Assets</i>			
Trade and other receivables	2	75,503,370	36,711,599
Staff loans – Current	6	225,009	81,700
Cash and cash equivalents	3	224,657,234	162,614,916
		300,385,613	199,408,215
<i>Non-current Assets</i>			
Property, plant and equipment	4	69,942,924	70,430,622
Intangible assets	5	4,324,035	16,477,649
Staff loans – Non-current	6	41,529	–
		74,308,488	86,908,271
Total assets		374,694,101	286,316,486
Net assets and liabilities			
<i>Current liabilities</i>			
Other financial liabilities	8	653,492	1,237,262
Trade and other payables	7	209,772,199	180,546,058
Income received in advanced	10	56,572,147	20,179,252
Provisions	9	8,923,560	1,127,707
		275,921,398	203,090,279
<i>Non-current liabilities</i>			
Provisions	9	10,843,000	10,587,000
Other financial liabilities	8	2,250,774	3,602,539
		13,093,774	14,189,539
Total liabilities		289,015,172	217,279,818
<i>Net assets</i>			
Reserves			
Accumulated surplus		68,165,780	54,565,845
Revaluation reserve		16,874,987	14,470,823
General reserve		638,162	–
Total net assets		85,678,929	69,036,668
Total net assets and liabilities		374,694,101	286,316,486

Statement of Financial Performance for the Year Ended 31 March 2010

	Notes	2010 R	2009 R
Revenue			
Government grants		699,486,483	586,085,732
Other grants		75,490,408	55,700,000
	11	774,976,891	641,785,732
Other income	12		
Sundry income		66,144,710	66,665,863
Sale of marketing material		(120,109)	29,367
Grading income		4,794,772	6,426,396
Interest received		20,947,254	26,038,096
		91,766,627	99,159,722
Operating expenses			
Marketing	15	(652,238,113)	(537,669,991)
Employee costs		(111,459,183)	(110,911,933)
Auditors remuneration	13	(2,738,305)	(2,417,493)
Other operating expenses	17	(44,559,629)	(54,839,080)
Depreciation, amortisation and impairments		(15,541,850)	(8,638,522)
Loss on disposal of assets		(9,677,995)	(1,044,101)
Foreign currency losses		(12,937,293)	(8,748,211)
		(849,152,368)	(724,269,331)
Operating surplus		17,591,150	16,676,123
Finance costs	16	(4,238,869)	(9,728,791)
Surplus for the year		13,352,281	6,947,332

Statement of Changes in Net Assets for the Year Ended 31 March 2010

	Revaluation reserve R	General Reserve R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	14,718,476	-	47,370,860	62,089,336
Balance at 1 April 2008	14,718,476	-	47,370,860	62,089,336
Changes in net assets				
Surplus for the year	-	-	6,947,332	6,947,332
Transfer of revalued depreciation	(247,653)	-	247,653	-
Total changes	(247,653)	-	7,194,985	6,947,332
Balance at 1 April 2009	14,470,823	-	54,565,847	69,036,670
Changes in net assets				
Revaluation of assets	2,651,816	-	-	2,651,816
Transfer to general reserve	-	638,162	-	638,162
Net income/(expenses) recognised directly in net assets	2,651,816	638,162	-	3,289,978
Surplus for the year	-	-	13,352,281	13,352,281
Total recognised income and expenses for the year	2,651,816	638,162	13,352,281	16,642,259
Transfer of revalued depreciation to retained earnings	(247,652)	-	247,652	-
Total changes	2,404,164	638,162	13,599,933	16,642,259
Balance at 31 March 2010	16,874,987	638,162	68,165,780	85,678,929

Cash Flow Statement

for the Year Ended 31 March 2010

	Notes	2010 R	2009 R
Cash flows from operating activities			
<i>Receipts</i>			
Sale of goods and services		70,063,010	70,478,682
Grants		774,976,891	641,785,732
Interest income		20,947,254	26,038,096
		865,987,155	738,302,510
<i>Payments</i>			
Employee costs		(111,835,234)	(110,911,933)
Suppliers		(676,034,289)	(597,101,477)
Finance costs		(3,310,662)	(8,382,722)
		(791,180,185)	(716,396,132)
Net cash flows from operating activities	18	74,806,970	21,906,378
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(9,200,393)	(25,294,102)
Proceeds from sale of property, plant and equipment	4	172,740	149,066
Purchase of other intangible assets	5	(1,736,816)	(8,942,103)
Net cash flows from investing activities		(10,764,469)	(34,087,139)
Cash flows from financing activities			
Finance lease payments		(2,000,183)	(3,808,645)
Net increase/(decrease) in cash and cash equivalents		62,042,318	(15,989,406)
Cash and cash equivalents at the beginning of the year		162,614,916	178,604,322
Cash and cash equivalents at the end of the year	3	224,657,234	162,614,916

Accounting Policies for the Year Ended 31 March 2010

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 (ASB) in accordance with the Public Finance Management Act (Act 1 of 1999) (PFMA). These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual 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/Held to maturity investments and/or loans and 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 on 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 20.

Effective interest rate

The entity used the repo 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 21.

Other

Extended useful life of assets

Significant judgement was applied in determining the extended useful lives of fixed assets in terms of IAS 16 – Property, Plant and Equipment. Additional information is disclosed in Note 4.

1.2 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised 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 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.

1.4 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 No. 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 2008/09.

1.5 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 statement of financial performance under salaries and employee benefits in the period in which service was rendered by employees.

Post-retirement healthcare benefit

The liability recognised in the statement of financial position in respect of a defined pension plan is the present value of the defined benefit obligation at the statement of financial position date less the value of plan assets, together with adjustments for unrecognised actuarial gains and 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), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.6 Revenue from exchange transactions

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

An exchange transaction is one in which an entity receives resources (such as money, goods or services) or has liabilities extinguished and gives approximately equal value to the other party directly in exchange.

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

1.7 Interest

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless recoverability is uncertain.

1.8 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are capitalised in accordance with the allowed alternative accounting treatment.

1.9 Translation of foreign currencies**Foreign currency transactions**

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

1.10 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 to arrive 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 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 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.

Property, plant and equipment 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.

1.11 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 such 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; and
- the lease assets are of a specialised nature such 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 – lessor

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

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

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.

1.12 Deferred funds

Balances which result from unused portions of funds received from donors are recognised on the balance sheet under current liabilities to the extent that an agreement has been reached that such funds will be utilised to fund future commitments and liabilities.

1.13 Provisions

Provisions are recognised when a 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.

1.14 Financial instruments

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 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.

AFS financial assets

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

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 re-measured to fair value at subsequent reporting dates.

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 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.

1.15 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, asset 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.

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. Patents and trademarks 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 intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Internally generated intangible assets are not capitalised.

Amortisation on the different classes of intangible assets is calculated as follows:

Item	Average useful life
Patents and trademarks	5 years
Website costs	2-4 years
Marketing rights	5 years
Computer software	2-4 years

1.16 Related Parties

All transactions and balances with national departments of Government and state-controlled entities are regarded as related party transactions and are disclosed separately in the notes to the annual financial statements (refer to Note 22). 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.

1.17 General Reserve

South African Tourism participates and holds numerous exhibitions, seminars, workshops and other functions where various marketing material is utilised. In some instances South African Tourism obtains assets e.g. artwork that stems from these events. These assets are subsequently brought onto the fixed assets register with a value of R1. At year end all assets reflected in the assets register with a cost of R1 are reviewed by management and updated to current market values. The increase to current market values is then allocated to the general reserve account. The surplus on the general reserve in equity is transferred directly to retained earnings when these assets are derecognised. The surplus on the general reserve in equity is also transferred directly to retained earnings as the asset is utilised. The amount transferred is equal to the depreciation charge for these assets.



Notes to the Annual Financial Statements for the Year Ended 31 March 2010

2. Trade and other receivables

	2010 R	2009 R
Trade debtors	12,425,283	28,627,023
Impairment of trade receivables	(3,320,355)	(15,372,848)
Deposits	2,825,257	3,349,986
Staff debtors	129,027	184,850
Prepaid expenses	63,444,158	19,922,588
	75,503,370	36,711,599

Total trade receivables (net of impairment) held by the entity at 31 March 2010 amounted to R9.1 million (2008: R13.25 million). Trade and other receivables are discounted using the interest rates in Note 21.

The average credit period on debtors is 20.9 days. Interest is charged on staff loans and advances at 8% per annum on the outstanding balance.

The entity has provided fully for all receivables over 180 days because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable.

South African Tourism's debtors consists mainly of staff debtors and funders, i.e. provincial tourism authorities and Government Departments. South African Tourism does not impair these debtors, because settlements of monies owed takes 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.

Included in the entity's trade receivable balance are debtors with a carrying amount of R nil (2009: R0.1076 million) and which are past due at the reporting date which the entity has not impaired because they fall into the category of funder debtors and are still considered recoverable. The entity does not hold any collateral over these balances.

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.

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.

	2010 R	2009 R
<i>Ageing of past due but not impaired</i>		
91-180 days	-	-
181-360 days	-	30,309
360 +days	-	77,656
Total	-	107,965
<i>Movement in the allowance for debtors</i>		
Opening balance	15,372,848	533,638
Amounts written off	-	(14,839,210)
Increase/Decrease in the provision	(12,052,493)	29,678,420
Closing balance	3,320,355	15,372,848
<i>Ageing of impairment</i>		
60-90 days	-	3,750,000
181-360 days	1,288,419	11,103,401
361+ days	2,031,936	519,447
	3,320,355	15,372,848

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

3. Cash and cash equivalents

	2010 R	2009 R
Cash and cash equivalents consist of:		
Bank balances	224,657,234	162,614,916

4. Property, plant and equipment

	2010			2009		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
	R	R	R	R	R	R
Land	8,131,482	-	8,131,482	7,600,978	-	7,600,978
Buildings	29,789,781	(9,654)	29,780,127	30,963,436	(2,911,999)	28,051,437
Furniture and fixtures	26,095,081	(7,687,628)	18,407,453	22,620,294	(3,912,944)	18,707,350
Motor vehicles	1,699,634	(318,593)	1,381,041	580,837	(268,783)	312,054
Computer equipment	10,665,393	(6,595,467)	4,069,926	9,010,300	(4,749,691)	4,260,609
Leasehold improvements	4,462,869	(1,081,228)	3,381,641	5,285,096	(687,440)	4,597,656
Leased assets	10,958,740	(6,167,486)	4,791,254	12,761,567	(5,861,029)	6,900,538
Total	91,802,980	(21,860,056)	69,942,924	88,822,508	(18,391,886)	70,430,622

	Opening balance	Additions	Disposals	Revaluations	Foreign exchange movements	Reclassi- fication	Depreciation	Impairment	Total
	R	R	R	R	R	R	R	R	R
Reconciliation of property, plant and equipment – 2010									
Land	7,600,978	-	-	530,504	-	-	-	-	8,131,482
Buildings	28,051,437	1,024,010	(1,094,170)	1,942,119	-	(143,269)	-	-	29,780,127
Furniture and fixtures	18,707,350	3,712,863	(541,715)	179,193	-	143,269	(3,742,690)	(50,817)	18,407,453
Motor vehicles	312,054	1,437,607	(172,327)	-	-	-	(196,293)	-	1,381,041
Computer equipment	4,260,609	1,777,103	(71,762)	-	-	-	(1,896,024)	-	4,069,926
Leasehold improvements	4,597,656	1,248,810	(1,808,892)	-	-	-	(655,933)	-	3,381,641
Leased assets	6,900,538	-	-	-	4,683	-	(2,113,967)	-	4,791,254
	70,430,622	9,200,393	(3,688,866)	2,651,816	4,683	-	(8,604,907)	(50,817)	69,942,924
Reconciliation of property, plant and equipment – 2009									
Land	7,600,978	-	-	-	-	-	-	-	7,600,978
Buildings	22,292,337	6,027,027	-	-	-	-	(267,927)	-	28,051,437
Furniture and fixtures	4,287,596	14,469,042	(137,992)	-	-	-	88,704	-	18,707,350
Motor vehicles	396,523	-	(15,614)	-	-	-	(68,855)	-	312,054
Computer equipment	3,689,664	1,560,573	(288,876)	-	-	-	(700,752)	-	4,260,609
Leasehold improvements	1,904,374	3,050,833	-	-	-	-	(357,551)	-	4,597,656
Leased assets	9,677,276	186,627	(750,685)	-	-	-	(2,212,680)	-	6,900,538
	49,848,748	25,294,102	(1,193,167)	-	-	-	(3,519,061)	-	70,430,622

	2010 R	2009 R
<i>Details of properties</i>		
House and stand in Amsterdam, Holland (De Bosborus 50, Amstelveen, Amsterdam, Holland)		
- Balance at beginning of the year	4,313,490	2,346,465
- Cost capitalised	-	2,129,382
- Revaluations	186,529	-
- Depreciation	-	(162,357)
	4,500,019	4,313,490
Head Office, Bojanala House 90 Protea Road, Chislehurst, Sandton		
- Balance at beginning of the year	31,338,925	27,493,314
- Cost Capitalised	-	4,124,113
- Revaluations	2,286,093	-
- Disposals	-	(10,575)
- Depreciation	-	(267,927)
- Adjustment	(213,428)	-
	33,411,590	31,338,925

The historic depreciated cost of buildings as at 31 March 2010 is R15,493,507.

Change in accounting estimate

During the year South African Tourism undertook an exercise to extend the useful lives of certain categories of assets in accordance with the requirements of IAS 16. During the previous financial year the extended useful life exercise was applied to all assets in the register. In the current financial year management took a decision that this exercise will only be applied to assets with a book value of zero which thus explains the increase in the depreciation expense. The effect of the change in accounting estimate is a decrease in the depreciation expense for the current year of R757,645 and an increase in the depreciation expense for future periods amounting to R2,453,671. The breakdown of asset categories are as follows:

Asset category	Current change R
Computer equipment	405,486
Furniture and fixtures	253,136
Buildings	96,785
Motor vehicles	2,238

5. Intangible assets

	2010			2009		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
	R	R	R	R	R	R
Marketing rights	2,500,000	(1,250,000)	1,250,000	2,500,000	(750,000)	1,750,000
Computer software	1,444,099	(662,421)	781,678	5,115,151	(1,852,900)	3,262,251
Website costs	4,078,977	(1,786,620)	2,292,357	18,529,153	(7,063,755)	11,465,398
Total	8,023,076	(3,699,041)	4,324,035	26,144,304	(9,666,655)	16,477,649

	Opening Balance	Additions	Disposals	Amortisation	Total
	R	R	R	R	R

**Reconciliation of intangible assets
– 2010**

Marketing rights	1,750,000	-	-	(500,000)	1,250,000
Computer software	3,262,251	6,555	(1,299,687)	(1,187,441)	781,678
Website costs	11,465,398	1,730,261	(6,396,402)	(4,506,900)	2,292,357
	16,477,649	1,736,816	(7,696,089)	(6,194,341)	4,324,035

**Reconciliation of intangible assets
– 2009**

Marketing rights	2,250,000	-	-	(500,000)	1,750,000
Computer software	1,792,396	2,449,796	-	(979,941)	3,262,251
Website costs	8,612,611	6,492,307	-	(3,639,520)	11,465,398
	12,655,007	8,942,103	-	(5,119,461)	16,477,649

6. Staff loans – Non-current

	2010	2009
	R	R
Staff loans – Non-current	41,529	-
Staff loans – Current	225,009	81,700
	266,538	81,700

Non-current staff loans are advances to employees that are repayable after 12 months. Current staff loans are advances to employees payable within 12 months. An amount of R59,648 of the total R266,538 relates to lease/rental deposits paid for country managers' accommodation and these loans are repaid over the remainder of their employment contracts.

7. Trade and other payables

	2010	2009
	R	R
Trade payables	50,599,594	82,299,029
Accrued liabilities	159,172,605	98,247,029
	209,772,199	180,546,058

8. Other financial liabilities**Minimum lease payments due**

- within one year	1,468,410	2,386,335
- during second to fifth year inclusive	3,921,908	5,772,508
- later than five years	-	913,171
	5,390,318	9,072,014
Less: future finance charges	(2,486,052)	(4,232,213)
Present value of minimum lease payments	2,904,266	4,839,801
Non-current liabilities	2,250,774	3,602,539
Current liabilities	653,492	1,237,262
	2,904,266	4,839,801

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 regards to staff housing loans during the current and previous financial years.

9. Provisions

	Opening balance R	Additions R	Settlements in the current year R	Amortisation R	Total R
Reconciliation of provisions – 2010					
Legal proceedings	1,127,707	-	(1,127,707)	-	-
Provision – Input VAT credits	-	8,923,560	-	-	8,923,560
Post-retirement healthcare benefits	10,587,000	-	(799,999)	1,055,999	10,843,000
	11,714,707	8,923,560	(1,927,706)	1,055,999	19,766,560

Reconciliation of provisions – 2009

Legal proceedings	-	-	-	1,127,707	1,127,707
Post-retirement healthcare benefits	9,694,000	-	(2,026,040)	2,919,040	10,587,000
	9,694,000	-	(2,026,040)	4,046,747	11,714,707

	2010 R	2009 R
Non-current liabilities	10,843,000	10,587,000
Current liabilities	8,923,560	1,127,707
	19,766,560	11,714,707

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 movements in provision for post-retirement healthcare benefits and input VAT credits are included in the statement of financial performance.

10. Income received in advanced

	2010 R	2009 R
<i>Movement during the year</i>		
Balance at the beginning of the year	20,179,252	1,671,372
Additions during the year	56,378,219	18,738,492
Income recognition during the year	(19,985,324)	(230,612)
	56,572,147	20,179,252
Deferred revenue	56,572,147	20,179,252

Income received in advance mainly comprises revenue received from funders and other institutions in terms of contractual commitments where services will be rendered in the 2010/11 financial year.

11. Revenue

	2010	2009
	R	R
Government grants	699,486,483	586,085,732
Other grants	75,490,408	55,700,000
	774,976,891	641,785,732

12. Other revenue

Sundry income	66,144,710	66,665,863
Profit or loss on sale of assets and liabilities	(9,677,995)	(1,044,101)
Sale of marketing material	(120,109)	29,367
Grading income	4,794,772	6,426,396
Total grading revenue	16,665,444	16,259,671
Assessors fees	(11,870,672)	(9,833,275)
	61,141,378	72,077,525

13. Auditors' remuneration

Fees	2,738,305	2,417,493
------	------------------	-----------

14. Operating lease

Premises	9,233,861	10,958,083
Motor vehicles	-	37,018
Equipment	1,094,658	1,382,708
	10,328,519	12,377,809

15. Marketing

Consultant's fees	68,492,574	34,422,532
Other marketing expenditure	583,745,539	503,247,459
	652,238,113	537,669,991

16. Finance costs

Finance leases	928,207	1,346,069
Accounts payable discounting	3,310,662	8,382,722
	4,238,869	9,728,791

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R1,686,026 (2009: R1,378,749).

17. Other operating expenses

	2010	2009
	R	R
Administration and management fees	33,655,657	26,372,281
Bad debts	575,453	16,088,990
Lease rentals on operating lease	10,328,519	12,377,809
Premises	9,233,861	10,958,083
Motor vehicles	-	37,018
Equipment	1,094,658	1,382,708
	44,559,629	54,839,080

18. Cash generated from operations

Surplus	13,352,281	6,947,332
Adjustments for:		
Depreciation and amortisation	15,491,033	8,638,522
Loss on sale of assets and liabilities	9,505,255	1,044,101
Loss on foreign exchange	785,097	-
Finance costs – Finance leases	928,207	1,346,069
Impairment	50,817	-
Movements in provisions	8,051,853	2,020,707
Changes in working capital:		
Trade and other receivables	(38,791,771)	5,184,870
Staff loans – Current	(41,529)	51,460
Staff loans – Current	(143,309)	(46,514)
Trade and other payables	29,226,141	(21,788,049)
Income received in advanced	36,392,895	18,507,880
	74,806,970	21,906,378

19. Commitments**Authorised capital expenditure****Already contracted for but not provided for**

Property, plant and equipment	15,180,000	9,700,000
-------------------------------	-------------------	-----------

Operating leases – as lessee (expense)**Minimum lease payments due**

- within one year	6,537,375	9,332,675
- during second to fifth year inclusive	13,869,849	17,096,018
	20,407,224	26,428,693

Operating leases relate to rental of premises, with lease terms varying between four and eight years, and rental of office equipment with lease terms varying between two to three years. All operating lease contracts contain market review clauses taking economic factors into consideration in increasing operating lease rentals. The entity does not have an option to purchase the leased asset at maturity of the lease period.

20. 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's retirement fund asset value as at 31 March 2010 was valued at R50,078,900 (2009: R37,677,920) and has been allocated to the following investment portfolios:

	2010 R	2009 R
Allan Gray Equity	7,679,451	20,329,968
Coronation Absolute	16,744,682	-
Old Mutual Profile Pinnacle	10,964,187	8,461,211
Satrix 40	12,960,582	8,886,741
Current account	1,729,998	-
Total fund value	50,078,900	37,677,920

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

	2010 R	2009 R
Liability at 1 April	10,587	9,694
Expenses:		
Service cost	365	378
Benefits	(799)	(711)
Interest cost	1,020	841
Actuarial gain	(330)	385
Liability at 31 March	10,843	10,587

	Service Cost		Interest Cost		Accrued Liability	
Change in inflation	Amount (R'000)	Change %	Amount (R'000)	Change %	Amount (R'000)	Change %
None	365	-	1,020	-	10,843	-
1% increase	476	+30.4	1,145	+12.3	12,050	+11.1
1% decrease	282	-22.7	916	-10.2	9,831	-9.3

The movement in provision for post-retirement healthcare benefits is included in the statement of financial performance.

	2010	2009
Assumptions:		
Assumed return on assets	10.00% p.a	10.00% p.a
Assumed subsidy inflation	7.84% p.a	7.84% p.a
Net discount rate	2% p.a	2% p.a
Actuarial method:	Projected unit credit	Projected unit credit

21. Financial instruments

Financial risk management objectives and policies

South African Tourism is exposed to market risks, primarily changes in interest rates and currency exchange rates.

Interest rate risk

Finance leases (referred to as other financial liabilities on the Statement of Financial Position) refers to operating leases which have been classified, in terms of IAS 17, as finance leases because of the accounting substance over the legal form. None of these leases are with financial institutions; therefore no interest risk is associated with these finance leases.

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

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

Foreign currency risk

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.

Exchange rates used for conversion of foreign items were:

	2010 R	2009 R
USD	7.3926	9.7205
GBP	11.142	13.8163
JPY	0.07977	0.0994
EUR	9.9426	12.8286
INR	0.1643	0.1878
AUD	6.7975	6.6443
CNY	1.0846	1.4241

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 and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss. The entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The table below shows the percentage invested compared to the total cash invested and balance of cash and cash equivalents invested in seven major banks (i.e. investments excluding current account balances) at the statement of financial position date.

Country	Bank	Balances R	Percentage of funds invested
South Africa	Nedbank	116,389,176	67.38
USA	JP Morgan Chase Bank	14,678,713	8.50
UK	Nedbank	14,619,250	8.46
Germany	Frankfurter Volksbank	3,466,028	2.01
Netherlands	ABN Amro Bank	4,790,524	2.77
Italy	Unicredit Corporate Bank	2,131,923	1.23
France	Credit du Nord	7,822,394	4.53
Australia	Westpac Business	8,842,620	5.12
		172,740,628	100.00

Liquidity risk

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

	2010	2009
	R	R
Financial assets		
Carrying amount of financial assets	300,160,604	199,326,515
Loans and receivables		
Trade and other receivables	75,503,370	36,711,599
Available-for-sale financial assets		
Cash and cash equivalents	224,657,234	162,614,916
Financial liabilities		
Carrying amount of financial liabilities	212,676,464	185,385,858
Other financial liabilities		
Finance lease obligation – Non-current portion	2,250,774	3,602,539
Finance lease obligation – Current portion	653,492	1,237,262
Trade and other payables	209,772,198	180,546,057

The amount of cash and cash equivalents approximates the fair value of the financial asset.

Both trade and other receivables, and trade and other payables have been discounted using interest rates as at 31 March 2010 from the World Interest Rate Table as follows:

Country	Interest rates
South Africa	6.50%
America	0.25%
United Kingdom	0.50%
Japan	0.10%
China	5.31%
Australia	4.00%
India	5.00%
Germany	1.00%
France	1.00%
Italy	1.00%
Netherlands	1.00%

22. Related parties

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

The Chairperson of the Board, Mr Jabu Mabuza, has an interest in Tsogo Sun Gaming, and Southern Sun Hotels across the country. During the financial year South African Tourism incurred costs of R282,050 (2009: R176,980) with Tsogo Sun Gaming and R3,659,995 (2009: R1,898,391) with Southern Sun Hotels for hotel and accommodation expenses. An amount of R1,625 (2008: R33,847) was owed to Tsogo Sun Gaming and an amount of R68,820 (2009: R73,055) was owed to Southern Sun Hotels as at 31 March 2010.

South African Tourism is wholly controlled by its shareholder, the Government, represented by the National Department of Tourism (NDT). South African Tourism is a Schedule 3A public entity in terms of the Public Finance Management Act. The related party disclosure is required in terms of Circular 4 of 2005 issued by the South African Institute of Chartered Accountants. During the financial year South African Tourism received grant income of R698,948,656 (2009: R587,968,903). No amounts were due to NDT by South African Tourism as at the 31 March 2010 (2009: Nil).

According to Circular 4 of 2005, 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

	2010	2009
	R	R
Public entity		
Telkom	494,577	649,931
South African Airways	456,466	-
South African National Parks Board	36,690	-
Unemployment Insurance Fund	290,915	317,530
Robben Island Museum	6,242	-
South African Revenue Service	13,499,523	11,808,368
National health laboratory services	-	5,600
	14,784,413	12,781,429

	2010 R	2009 R
Key management personnel compensation		
Short-term employee benefits	6,563,992	5,876,089
Post-employment benefits	831,527	1,019,498
Termination benefits	-	480,064
Equity compensation benefits	-	-
Other long-term benefits	18,830	10,982
	7,414,349	7,386,633
Related party balances		
Public entity		
Telkom	-	114,824
South African National Parks Board	-	-
Unemployment Insurance Fund	-	-
Robben Island Museum	-	-
South African Revenue Service	-	-
South African Airways	28,628	-
	28,628	114,824

23. Taxation

South African Tourism is exempt from income tax in terms of section 10(1)(CA)(1) of the Income Tax Act.

24. Contingent liabilities

A supplier of South African Tourism is adamant that one of the business units entered into an unconditional commitment for an event sponsorship. South African Tourism has a possible obligation confirmed by the verbal agreement that was entered into to provide a sponsorship amounting to R100,000.

25. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus as per the approved Estimates of National Expenditure (ENE) database with the surplus in the statement of financial performance:

	2010 R	2009 R
Net surplus per the statement of financial performance	13,352,281	-
Adjusted for:		
Impairments recognised/reversed	(50,187)	-
Finance revenue – Trade and other receivables	2,266,410	-
Unrealised foreign exchange losses	(24,349)	-
	(15,544,155)	-

26. 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 23 – Revenue from Non-exchange Transactions	<p>This standard prescribes the requirements for the financial reporting of revenue from non-exchange (grants and transfer payments transactions).</p> <p>The impact on the financial results and disclosure is considered to be minimal.</p>	<p>Issued by the Accounting Standards Board (ASB) – February 2008</p> <p>Effective date – To be determined by the Minister of Finance</p>
GRAP 24 – Presentation of Budget Information in the Financial Statements	<p>This standard requires a comparison of budget and actual amounts and an explanation for material differences.</p> <p>The impact on the financial results is considered to be minimal. However the impact on disclosure is significant.</p>	<p>Issued by the ASB – November 2007</p> <p>Effective date – To be determined by the Minister of Finance</p>
GRAP 25 – Employee Benefits	<p>The standard prescribes the accounting treatment and disclosure for employee benefits.</p> <p>The impact on the financial results and disclosure is considered to be minimal.</p>	<p>Issued by the ASB – November 2009</p> <p>Effective date – To be determined by the Minister of Finance</p>
GRAP 104 – Financial Instruments	<p>This standard establishes principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>The impact on the financial results and disclosure is considered to be minimal.</p>	<p>Issued by the ASB – October 2009</p> <p>Effective date – To be determined by the Minister of Finance</p>

The following standards and amendments to standards, not applicable to South African Tourism, have been issued but are not effective.

Standard	Summary and impact	Effective date
GRAP 18 – Segment Reporting	This standard establishes principles for reporting financial information by segments. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2005 Effective date – To be determined by the Minister of Finance
GRAP 21 – Impairment of Non-cash-generating Assets	This standard prescribes the procedures that the NCR applies to determine whether a non-cash generating asset is impaired and to ensure that impairment losses are recognised. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2009 Effective date – To be determined by the Minister of Finance
GRAP 26 – Impairment of Cash-generating Assets	This standard prescribes the procedures to determine whether a cash generating asset is impaired and to ensure that impairment losses are recognised. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2009 Effective date – To be determined by the Minister of Finance

27. World Cup expenses

	Quantity	2010 Amount R
Tickets acquired	80	862,974
Distribution of tickets		
Clients/stakeholders	30	323,615
Accounting authority – Executive	6	64,723
Accounting authority – Non-executive	10	107,872
Senior management	4	43,149
Other employees	12	129,446
Other Government entities	18	194,169
Other	-	-
Other expenses – SAFA 2010 home jerseys	350	103,341
		966,315
World Cup expenditure after year end		
Travel costs		
Clients/stakeholders		-
Accounting authority – Executive		7,040
Accounting authority – Non-executive		42,240
Other employees		13,094
Other		-
		62,374
Purchase of other world cup apparel		
SA scarf and beanie set	200	34,200
Hooded flags	200	18,240
	400	52,440
Tickets acquired	100	46,000
Distribution of tickets acquired after year-end		
Clients/stakeholders	-	-
Accounting authority – Executive	-	-
Accounting authority – Non-executive	-	-
Senior management	1	460
Other employees	99	45,540
Other Government entities	-	-
Other	-	-
	100	46,000
Total World Cup expenditure after year end		160,814



Royal Bafokeng Stadium

Location: Rustenburg, North West province

Photo: Local Organising Committee, MediaClubSouthAfrica.com



Free State Stadium

Location: Bloemfontein, Mangaung Municipality, Free State province

Photo: MediaClubSouthAfrica.com

06

Glossary

AIME	Asia Pacific Incentives and Meetings Expo	MICE	Meetings, Incentives, Conference And Exhibitions
ASAE	American Society of Association Executives	MoU	Memorandum of Understanding
ASTA	American Society of Travel Agents	MPI	Meeting Professionals International
BBBEE	Broad-based Black Economic Empowerment	MTEF	Medium-term Expenditure Framework
BEE	Black Economic Empowerment	NCP	National Communications Partnership
CEO	Chief Executive Officer	NGC	National Geographic Channel
COO	Chief Operating Officer	PDI	Previously Disadvantaged Individual
CSR	Corporate Social Responsibility	PFMA	Public Finance Management Act
DEAT	Department of Environmental Affairs and Tourism	PR	Public Relations
DMS	Destination Marketing Services	RDP	Reconstruction and Development Programme
DTI	Department of Trade and Industry	SAA	South African Airways
ETEYA	Emerging Tourism Entrepreneur of the Year Award	SAACI	Southern African Association for the Conferencing Industry
EXCO	Executive Committee (of South African Tourism)	SABC	South African Broadcasting Corporation
EXSA	The Exhibition and Event Association of Southern Africa	SADC	Southern African Development Community
GAAP	Generally Accepted Accounting Practice	SANEC	South African and Netherlands Chamber of Commerce
GRAP	Generally Recognised Accounting Practices	SANParks	South African National Parks
HDI	Historically Disadvantaged Individual	SARS	South African Revenue Service
HR	Human Resources	SAT	South African Tourism
IAS 16	International Accounting Standard 16	SAX	South African Express
ICC	International Cricket Council	SIC	Standing Interpretations Committee (of the International Accounting Standards)
ICCA	International Congress and Convention Association	SITE	Society for Incentive Travel Executives
Indaba	South Africa's Premier Tourist Exhibition, Durban	SMME	Small, Medium and Micro Enterprises
ISO	International Organization for Standardization	TBCSA	Tourism Business Council of South Africa
IT	Information Technology	TBEECC	Tourism BEE Charter Council
IT&ME	Incentive Travel and Meeting Executives Show	TBCSA	Tourism Business Council of South Africa
ITB	International Tourism Bourse	TECSA	Tourism Empowerment Council of South Africa
JATA	Japan Association of Travel Agents	TGCSA	Tourism Grading Council of South Africa
JMA	Joint Marketing Agreement	TOMSA	Tourism Marking South Africa
King II	King Committee on Corporate Governance in South Africa, 2002	TSA	Tourism Satellite Account
King III	King Code and Report on Governance for South Africa that became effective on 01/03/2010	UK	United Kingdom
MANCO	Management Committee of South African Tourism	UIA	Union of International Associations
		UIF	Unemployment Insurance Fund
		UNWTO	United Nations World Tourism Organisation
		US	United States of America
		USD	United States Dollar
		WOM	Word of Mouth
		WTM	World Travel Market



Peter Mokaba Stadium

Location: Polokwane, Limpopo province

Photo: Local Organising Committee, MediaClubSouthAfrica.com

07

South African Tourism Offices

South Africa Head Office

Bojanala House, 90 Protea Road, Chislehurst 2196,
South Africa
Private Bag X10012, Sandton 2146, South Africa
Telephone: +27 11 895 3000, Fax: +27 11 895 3001
E-mail: info@southafrica.net

Australia

South African Tourism
Level 1, 117 York Street, Sydney, NSW 2000, Australia
Telephone: +61 2 9261 5000, Fax: +61 2 9261 2000
E-mail: info.au@southafrica.net

China (PRC) and Hong Kong SAR

South African Tourism
Suite 2607 Zhongyu Plaza, 6 Gong Ti North Road,
Chaoyang, Beijing, 100027, China (PRC)
Telephone: +86 10 853 6881, Fax: +86 10 853 6897
E-mail: info.ch@southafrica.net

France

South African Tourism
61 Rue La Boetie, 75008 Paris, France
Telephone: +33 1 456 101 97, Fax: +33 1 456 10196
E-mail: info.fr@southafrica.net

Germany

South African Tourism
Friedensstr. 6-10, Frankfurt, 60311, Germany
Telephone: +49 69 92 91 290, Fax: +49 69 28 0950
E-mail: info.de@southafrica.net

India

South African Tourism
44, Maker Chambers VI, Jamnalal Bajaj Marg,
Nariman Point, Mumbai 400 021, India
Telephone: +0991-22-22850409/855651
Fax: +0991-22-22873012
E-mail: india@southafrica.net

Italy

South African Tourism
Via Mascheroni, 19, 20145 Milan, Italy
Telephone: +39 02 4391 1765
Information Telephone: +39 02 439 11150
Fax: +39 02 4391 1158
E-mail: info.it@southafrica.net

Japan

South African Tourism
Akasaka Lions Building 2F, 1-1-2 Moto Akasaka,
Minato-Ku, Tokyo 107-0051, Japan
Telephone: +81 3 3478 7601, Fax: +81 3 3478 7605
E-mail: info@southafricantourism.or.jp

Netherlands

South African Tourism
Jozef Isarëlskade 48 A, NL-1072 SB Amsterdam,
Netherlands
Telephone: +31 20 471 3181, Fax: +31 20 662 9761
E-mail: info.nl@southafrica.net

United Kingdom

South African Tourism
6 Alt Grove, London SW19 4DZ, United Kingdom
Telephone: + 44 (0) 20 8971 9350
Fax: + 44 (0) 20 8944 6705
E-mail: info.uk@southafrica.net

United States of America

South African Tourism
500 5th Avenue, 20th Floor, Suite 2040,
New York NY 10110, United States of America
Telephone: +91 212 730 2929, Fax: +91 212 764 1980
E-mail: info.us@southafrica.net

