

South African Tourism Annual Report 2010/11



South Africa

SOUTH AFRICAN TOURISM

Company profile

Scope of this report

The annual report for the year ended 31 March 2011 is an integrated financial, economic, environmental and social sustainability report. South African Tourism aligns itself with international sustainability best reporting practices, including the Global Reporting Initiative (GRI) Sustainability Reporting Guideline, and the AA1000APS (2008) Accountability Principles Standard.

The report considers financial, economic, environmental, social and technical performance and is available in an internet version on the SA Tourism website (www.southafrica.net). Additional sustainability information is disclosed in the internet version of the report.

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.

Vision

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

Values

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

Outlook

Tourism in South Africa continued its upward trend with 8.1 million tourist arrivals in 2010, a 15.1% increase on 2009 (more than double the global growth of 6.7%). Growth was boosted by South Africa's successful hosting of the 2010 FIFA World Cup™ in June and July but growth was recorded across all 12 months of the year.

Research shows that the World Cup not only boosted tourism numbers in 2010 but significantly elevated awareness of South Africa as a leisure destination across the world. This, coupled with dramatically improved tourism infrastructure, is expected to further drive tourism growth in the short to medium term. Given government's key priorities of economic growth and job creation, growing the sector remains of vital importance to the future of the country and a National Tourism Sector Strategy has been developed to significantly boost arrivals, the sector's contribution to GDP and job creation.

However, there remains good reason for caution as far as global travel expectations are concerned. Although 2010 witnessed a return to growth, the global financial recession has changed the market and the consumer and led to tourist destinations needing to look closely at their portfolios/market segmentation, value propositions, product offerings, market strategies and ways in which they harness emerging technologies. While South African Tourism will continue to entrench its core markets and make use of its traditional marketing channels and relationships, the organisation understands that staying relevant calls for more flexibility, adopting modern marketing methods and striking a careful balance between international, regional and domestic tourism.

The industry remains vulnerable to external shocks, such as global economic conditions, pandemic alerts, extreme weather events, environmental disasters and high fuel/oil prices. As such international collaboration and closer co-ordination between the tourism and aviation sectors are becoming more important, especially at a time where long-term 'green' growth and a low-carbon value chain are needed.

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 seasonal 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 three key market portfolios:

- > **Africa and the Middle East (including the domestic market),**
- > **The Americas, Asia and Australasia,**
- > **Europe.**

Another two portfolios, **Business Tourism** and **Events Tourism**, are global.

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 while also promoting South Africa as a major global lifestyle destination. 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 embarked on an aggressive e-Business Tourism Growth Strategy that includes fully-fledged research, a customer relations marketing 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 15 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, Tim Scholtz. Roshene Singh is the organisation's Chief Marketing Officer, Johan van der Walt is the Chief Finance Officer and Thembi Kunene is the Chief Quality Assurance Officer.

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

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www.southafrica.net

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For any queries relating to the information contained in this report please contact: jermaine@southafrica.net



SA Tourism Chairperson Jabu Mabuza, FIFA Secretary-General Jerome Valcke, Tourism Minister Marthinus van Schalkwyk, South African President Jacob Zuma, SA Tourism CEO Thandiwe January-McLean, Deputy Tourism Minister Tokozile Xasa and 2010 FIFA World Cup Organising Committee CEO Danny Jordaan at the opening ceremony of INDABA 2010.

Highlights of the financial year

15.1%

Growth in tourist arrivals* to South Africa in 2010

8 073 552 tourist arrivals in 2010, 7 011 865 in 2009

South Africa continued to outperform global tourism growth, more than doubling the global average of

6.7%

Increase in arrivals was driven by growth from all regions, with impressive growth from emerging markets. Long-haul markets grew the fastest

at 21%

South Africa successfully hosted the 2010 FIFA World Cup™, which attracted 309 554 foreign tourists who spent

R3.64 billion

35%

Increase of intention to visit South Africa in the short term following the World Cup. Total awareness of South Africa as a leisure destination increased by 9%

A marginal decrease in domestic tourism numbers.

29.7 million in 2010 compared to 30.3 million in 2009

However, travel for the primary purpose of holiday increased from

12% to 13.4%

An increase of 19.2% in total direct spend from tourist arrivals. While the domestic market contributes 72% of total tourism volume it only contributes 17% of total spend

from R101.3 billion in 2009 to R120.7 billion in 2010

Over 1.8 billion

consumers reached via a combination of brand and channel-specific television commercials and online and programme sponsorships in the 2010/11 fiscal year

A continued focus on business tourism and events with the National Events and Conventions Bureau to be set up under the auspices of South African Tourism in 2011

The revamp of the Tourism Grading Council of South Africa's (TGCSA) grading system including a review of the grading criteria and an overhaul of the operating system

The launch of the National Tourism Sector Strategy (NTSS) in March 2011. Its vision is to position South Africa as one of the top 20 tourism destinations globally by 2020

Important Note:

Definition of an 'international visitor'* versus a 'tourist arrival'*

The definition of an 'international visitor' is any non-resident travelling to the country for less than 12 months, and whose main purpose of the trip is other than the exercise of an activity remunerated from within the place visited. An 'international' tourist is a visitor who stays at least one night.



Operating portfolio at a glance

Portfolio	Total tourists 2010
AFRICA	
Our work on the continent continues to yield the desired results. The Middle East has now been added to the Africa portfolio and workshops in Dubai were successfully completed.	5 741 177 (excluding SA)
South Africa *	29.7 million 1.8% decrease
Angola	38 543 3.5% increase
Democratic Republic of Congo	31 285 1% increase
East and West Africa	29 089 (Kenya) 13.7% increase 46 853 (Nigeria) 9.9% increase
Southern African Development Community (SADC)	1 051 502 (Mozambique) 6.9% increase 507 042 (Botswana) 4.7% increase
AMERICAS, ASIA AND AUSTRALASIA	
2010 was a hugely successful year for the portfolio with the World Cup giving South Africa exposure to new markets in Central and South America.	846 091
United States of America	282 377 22.6% increase
Australia and New Zealand	107 905 (Australia) 30.4% increase 19 801 (New Zealand) 9.7% increase
China	68 309 62.3% increase
India	71 587 29.7% increase
Japan	27 577 34.4% increase
EUROPE	
Although this market had a tough start in 2010 thanks to the global recession, our hosting of the successful World Cup ensured we closed with a solid growth in arrivals compared to 2009.	1 321 624
France	115 401 11.0% increase
Germany	215 800 9.7% increase
Italy	54 614 8.7% increase
Netherlands	124 088 8.4% increase
United Kingdom	453 030 1.5% increase

*Travel by South Africans in South Africa is termed Domestic Trips

Key fact in 2010	Outlook
	Research will again guide our marketing efforts in 2011/2012. This will assist us to identify potential markets and challenges of working on the continent in order to gain more volume and value from these markets.
R21.1 billion spent	
Identified as a core market in early 2010	
Third largest source of African air arrivals	
South Africa captures more than 50% of total outbound departures from Africa	
More than 60% of tourists from the SADC use land-based transport	
	Plans include extending our efforts in Brazil and for the rest of the region finding innovative ways to market our brand and engage with stakeholders.
Our World Cup social media campaigns resulted in over 10 million web impressions.	
Australians bought 47 000 tickets for the World Cup, making it the fifth largest market.	
A new office was opened in Beijing to capitalise on this growth market.	
SA Tourism in India earned two Bird Express Travel Awards thanks to its media activities during the IPL.	
Participated in the JATA World Travel Fair attended by 111 232 people.	
	Recovery in Europe is expected to be fully entrenched this year, where we expect post-World Cup positivity to return us to pre-2007 arrival numbers.
SA Tourism is the first tourism authority to bring out 3D campaigns	
The Fan Total campaign generated €320 million in PR value	
Nearly two thirds of Italian visitors to SA are under 45 years of age.	
Netherlands is South Africa's fourth-largest source market.	
The UK continues to be the leading market for overseas arrivals to SA	

Awards and Accolades

> Award

Best Country Tourism Board in the USA Award

South African Tourism was named 'Best Country Tourism Board – Africa & Middle East' in the Performance Media's Leisure Travel Leaders Awards. The awards were based on a vote by more than 70 000 travel agent readers of Performance Media's publications including TravelPulse.com, Vacation Agent Magazine and Agent@Home Magazine

> Award

Best Holiday Destination By Ultra Travel Awards

South Africa was voted as the best holiday destination at the Ultra Travel Awards, held at The Savoy Hotel. The ULTRA's (Ultimate Luxury Travel Related Awards) recognise the best in luxury hotels, airports, airlines, spas, cruise companies and destinations across the world as selected by readers of the Daily Telegraph

> Award

Globus Awards 2010, Frankfurt

South African Tourism won the Best Overall Service Provider Awards as voted for by over 1 500 travel agents

> Award

China 2010 Best of the Best in Tourism Magazine Awards

South Africa won the 'The most popular long-haul destination' award while SA Tourism won the 'Year's most influential tourism destination' in Voyage magazine

> Award

International Budget Index 2010

SA is ranked first in the global Open Budget Index. SA scored 92 out of a possible 100 points. It was analysed against 94 countries globally. The OBI is an independent, comparative measure of budget transparency and accountability around the world

> Award

Public Sector Excellence Awards 2010

SA Tourism won this award for being at the centre of creating an unforgettable experience for visitors to the 2010 FIFA World Cup™.

> Award

E-Marketing WAYN.com Ranking

SA ranked seventh in terms of the number of Facebook 'likes', Twitter and WAYN followers of National Destination Marketing Organisations

> Award

2010 Commonwealth Business Council Awards in Africa

South Africa won Tourism Destination of the Year Award

> Award

Indian Bird Express Award

South Africa won the Indian 'Bird Express Travel Award' for excellence in operations

> Award

National Geographic Adventure Awards

Three South African eco-lodges are on the 50 Top Ecolodges list: Bushman's Kloof Wilderness Reserve & Retreat, Western Cape; Phinda Private Game Reserve – 'Savannah category' and Tswalu Kalahari Reserve – 'Desert' category

> Award

Adventurers Wanted Campaign

SA Tourism's global 'Adventurers Wanted' Campaign was nominated at the prestigious 2011 Festival of Media Awards held in Switzerland in June 2011. The campaign created together with media partner, National Geographic, was nominated in two categories, namely: 'Best contribution to a campaign by a media owner' and 'Best targeted campaign'

> Award

TripAdvisor Travellers' Choice Awards

Some of the top accolades include Derwent House Boutique Hotel, Western Cape, (2nd place); Best World Service, (4th place); Top World 100 Hidden Gems; and (5th place) Top World 100 Best Bargains; and Cape Heritage Hotel, Western Cape (8th place) – Top 100 Best Luxury Hotels

> Award

CNN Media and Marketing Awards

SA won the Media Excellence Award and SA Tourism was also nominated for the 'My South Africa' initiative created by CNN. SA Tourism and CNN International's joint marketing platforms, My South Africa, was shortlisted as one of only five nominees for the 2011 esteemed Webby Awards, in the integrated mobile experience category

Awards and Accolades continued

> Award

2011 World Airport Awards - Denmark

Airports Company South Africa's (ACSA) OR Tambo International Airport was named the Best Airport in Africa at this year's World Airport Awards in Denmark. The awards are based on 11.38 million survey questionnaires completed by over 100 different nationalities of airline passengers in 2010/2011, covering more than 240 airports across the globe

> Award

Airports Council International - Airport Service Quality (ASQ) Awards 2010

Cape Town International Airport was awarded Best Airport in Africa and Best Improved Airport in Africa

> Award

2010 LEAF Awards

The LEAF awards honour the architects designing buildings and solutions that set the benchmark for the international architectural community. The Global Award for 'Best Public Building' went to Soccer City stadium in Johannesburg for architectural excellence

> Award

International Association of Golf Tour Operators

South Africa received the Golf Destination of the Year 2011 from IAGTO (for the African, Indian Ocean and Gulf States region)

> Award

2010 World Travel Awards

World's leading boutique hotel: The Saxon, Johannesburg; World's leading conservation company, game resort and safari: Shamwari, Eastern Cape; World's leading luxury train: the Blue Train; Africa's leading destination: Cape Town; Africa's best airline: South African Airways; Africa's best airport: OR Tambo International, Johannesburg; Africa's best apartment hotel, The Regent, Johannesburg; Africa's leading hotel and best boutique hotel: The Saxon, Johannesburg; Africa's best business hotel: Hilton, Durban; Africa's best business travel agency: Travel with Flair; Africa's leading casino resort: The Palazzo, Montecasino, Johannesburg; Africa's best convention hotel: Sandton Sun, Johannesburg; Africa's leading green hotel: the Phantom Forest Eco Reserve, Knysna; Africa's leading low cost airline: 1Time; Africa's leading luxury hotel: Arabella Western Cape and Spa; Africa's leading luxury lodge: Shambala Private Game Reserve; Africa's leading luxury villa: Thanda Private Game Reserve; Africa's best meetings and conference centre: ICC, Durban; Africa's leading conference hotel: Westin Grand, Cape Town and Arabella Quays; Africa's leading resort: Sun City; Africa's leading safari lodge: Shamwari and Africa's leading tourism board: South African Tourism

Performance Information Report

Goal	Key performance indicator	Target	Performance results	Reasons for variance
Achieve total foreign arrival target	Number of foreign arrivals per year	10 193 585*	11 395 700*	Target exceeded mainly due to the influx of arrivals before, during and after the 2010 FIFA World Cup™.
	Number of air arrivals	2 359 261*	2 896 965*	Target exceeded mainly due to the influx of arrivals before, during and after the 2010 FIFA World Cup™.
	Number of land arrivals	7 834 324*	8 498 735*	Target exceeded mainly due to the influx of arrivals before, during and after the 2010 FIFA World Cup™.
Achieve total spend target	Average spend per foreign arrival in the country	R8 700	R8 900	Target exceeded due to higher spend of land arrivals.
	Average spend per land arrival	R7 100	R8 100	Target exceeded due to higher spend on shopping by land arrivals.
	Average spend per air arrival	R14 200	R11 700	Target not achieved due to strength of Rand which decreased discretionary foreign spend. This could also be attributable to more prepaid spend in market.
South Africa to be a most preferred tourism brand by 2014	Percentage of global brand awareness	77% global awareness by Dec 2010	79% (2010 Actual, Source: SRU)	Target exceeded driven by the successful hosting of the 2010 FIFA World Cup™.
	Percentage of brand positivity	40% global positivity by Dec 2010	36% (2010 Actual, Source: SRU)	Target not achieved due to significant positivity drop in investment markets in November 2010 even though August 2010 was slightly higher after the 2010 FIFA World Cup™.
SA Tourism to be the best tourism organisation by 2010	Total number of accommodation establishments graded	8 288	5 932	South African Tourism through the Tourism Grading Council of South Africa (TGCSA) introduced stricter criteria for grading to improve quality standards of accommodation establishments. This led to the reduction in graded establishments.

*These figures are for the calendar year ended 31 December 2010.





Overall impact of the 2010 FIFA World Cup™



Tourist volume

A total of 309 554 foreign tourists arrived in South Africa for the primary purpose of attending the 2010 FIFA World Cup™

Africa-land markets accounted for 32% of total foreign tourists, followed by Europe with 24% and Central and South America with 13%



Tourist spend

The total expenditure in South Africa by tourists who came specifically for the 2010 FIFA World Cup™ was R3,64 billion

- _ Europeans spent the most in South Africa during this period
- _ Most tourists spent their money on shopping, followed by accommodation and food and drink



Length of stay

Average length of stay by these tourists was 10.3 nights

- Tourists from Australia and North America region stayed in South Africa for the longest duration

Brand awareness

Total awareness of South Africa as a leisure destination increased by 9% following the event

The intention to visit South Africa in the short-term increased by 35% following the event



Geographic spread

Gauteng, Western Cape and KwaZulu-Natal were the most visited provinces during the 2010 FIFA World Cup™ with more than 80 000 tourists visiting each of these provinces

Tourist arrivals for the 2010 FIFA World Cup™ – 309 554 tourists

Middle East	
Total volume	4.4 thousand
Israel	2 977
Saudi Arabia	311
Lebanon	261
Kuwait	198

Central and South America	
Total volume	40.8 thousand
Brazil	14 815
Mexico	9 680
Argentina	8 757
Chile	4 174

Africa Air	
Total volume	19.1 thousand
Nigeria	4 324
Ghana	3 578
Kenya	2 089
Algeria	1 941

North America	
Total volume	33.8 thousand
US	30 175
Canada	3 654

Europe	
Total volume	75.8 thousand
UK	22 802
Netherlands	8 741
Germany	8 596
France	6 747

Asia	
Total volume	24.1 thousand
China	6 760
Japan	4 614
India	3 086
Philippines	2 102
Korea Republic	2 040

Africa Land	
Total volume	97.7 thousand
Mozambique	24 483
Swaziland	19 593
Botswana	16 387
Lesotho	12 733

Australia	
Total volume	13.8 thousand
Australia	12 210
New Zealand	1 636







“The legacy of the FIFA World Cup™ is a major boost for the tourism industry and has cemented a foundation for sustained investment and growth in our industry. Considerable work has already begun across the sector as we now look to maintain the momentum and interest in our valued, world-class destination.”

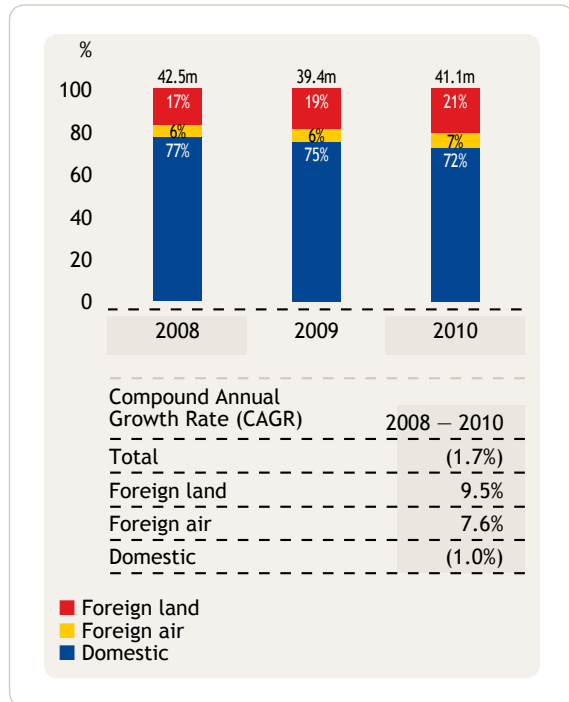
*Marthinus van Schalkwyk,
Minister of Tourism*

- > Domestic trips vs foreign arrivals, 2008 to 2010
- > Domestic vs foreign direct spend, 2008 to 2010
- > Foreign arrivals to South Africa, 1967 to 2010
- > Foreign arrivals to South Africa, 2002 to 2010
- > Tourist arrivals to South Africa and the world, 2009 and 2010
- > Total foreign direct spend (excluding capital expenditure), 2009 to 2010
- > Percentage of adult population that has taken a domestic trip over past year: 2007 to 2010
- > Number of domestic trips and tourists: 2007 to 2010
- > Spending on domestic trips by purpose: 2007 to 2010

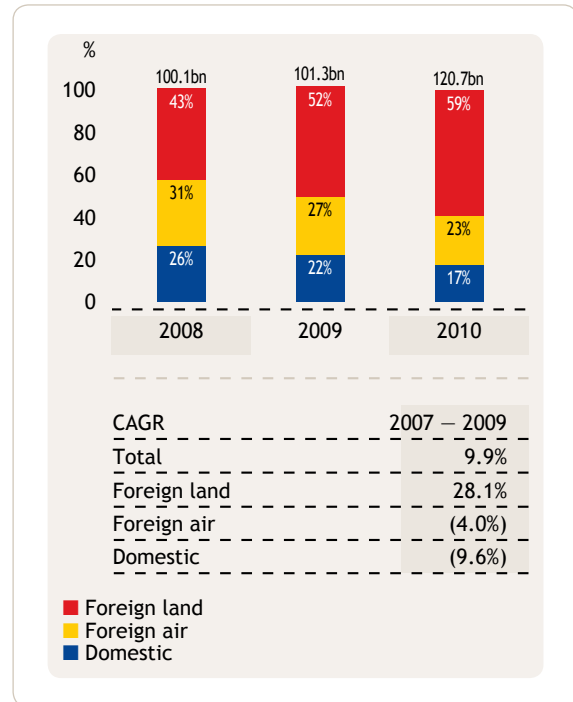
Tourism in South Africa at a glance

While the domestic market accounts for 72% of total tourism volume to SA, foreign markets contribute the most in total tourism revenue

Domestic trips vs foreign arrivals, 2008 to 2010



Domestic vs foreign direct spend, 2008 to 2010

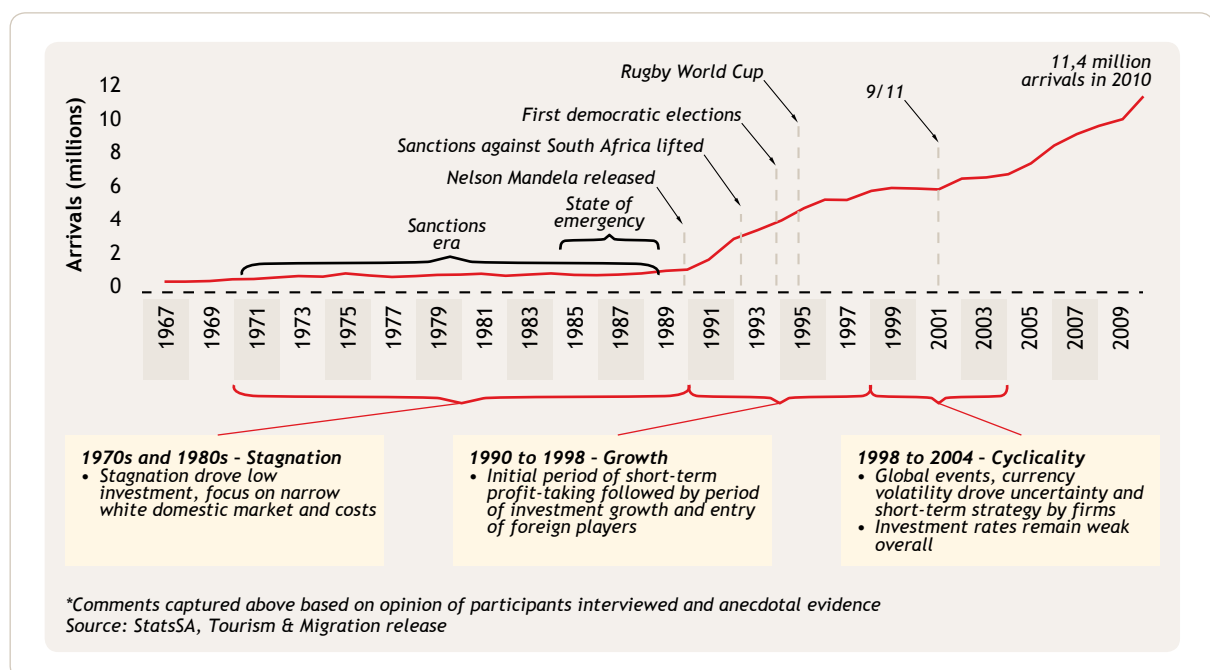


Source: StatsSA, SAT departure and domestic surveys for 2008 to 2010

Numbers may not add up to 100% due to rounding errors

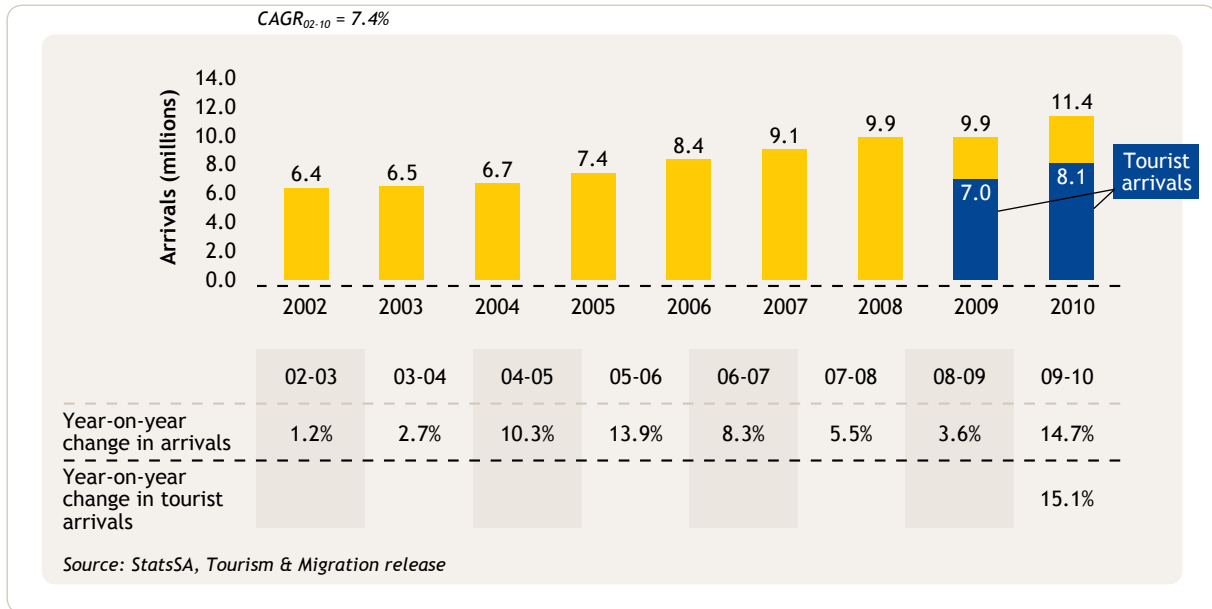
Foreign arrivals to South Africa, 1967 to 2010

Arrivals to South Africa continue their upward climb, reaching 11,4 million arrivals in 2010

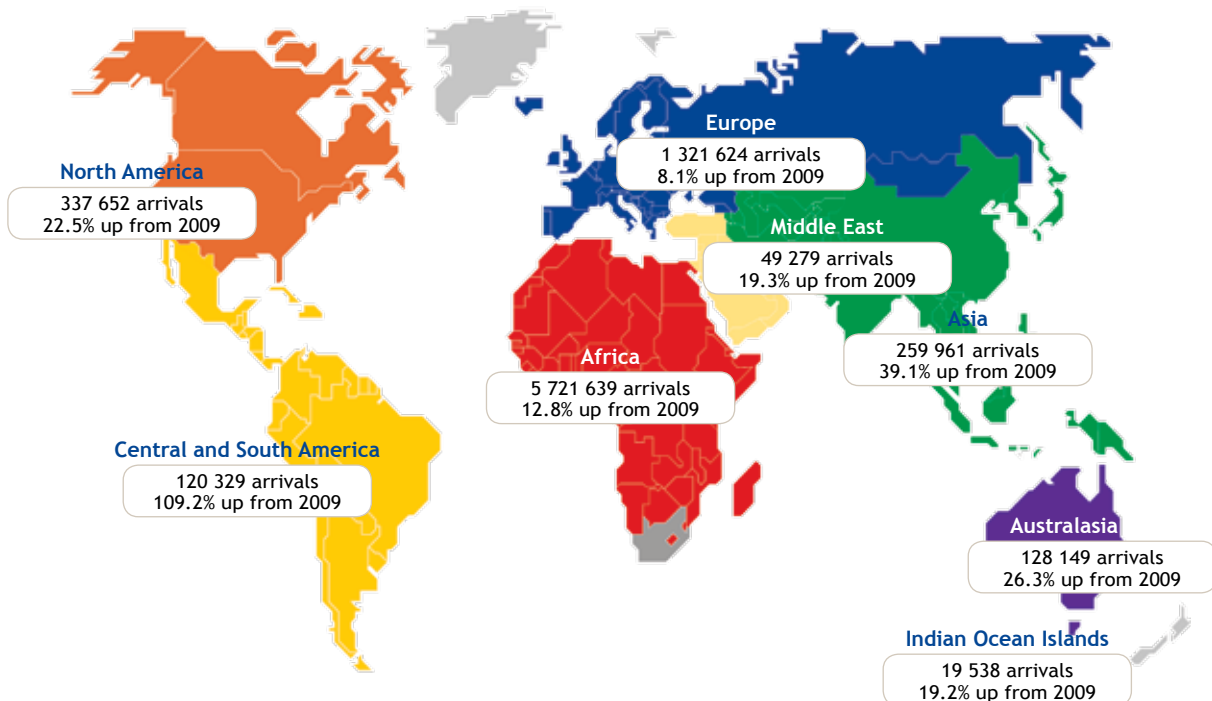


Foreign arrivals to South Africa, 2002 to 2010

There were over 75 million foreign arrivals to South Africa over the period 2002 to 2010



In total 8 073 552 foreign tourists visited South Africa in 2010. This growth was driven by growth from all regions



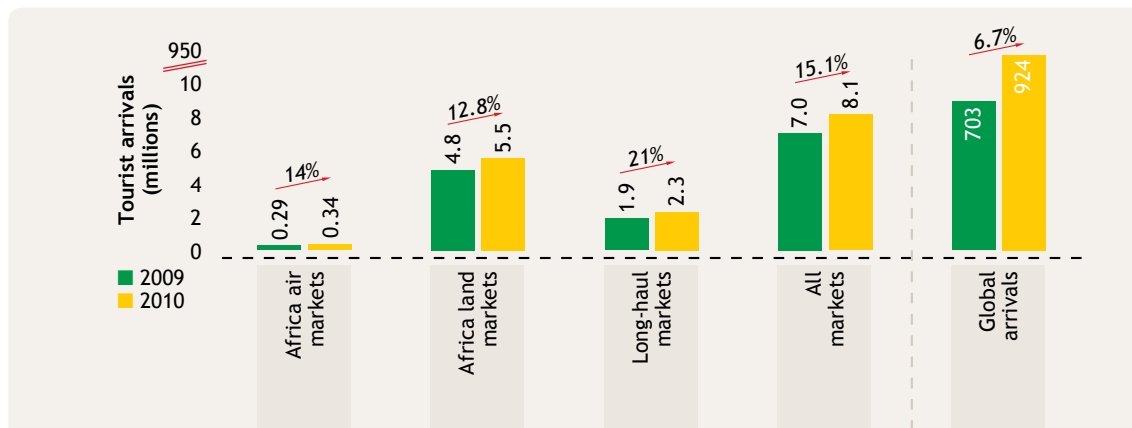
*115 381 tourists from "unspecified" regions

Tourism in South Africa at a glance continued

Tourist arrivals to South Africa and the world, 2009 and 2010

While there was growth from all markets in 2010, long-haul markets grew the fastest at 21%

Tourist arrivals to South Africa have grown at a faster rate than the global growth rate



Note: Africa air markets are markets where at least 60% of arrivals to SA use air transport; Africa land markets are markets where at least 60% of arrivals to SA use road transport. Long-haul markets include all countries outside of Africa.
Source: StatsSA, Tourism & Migration release, SAT analysis UNWTO Tourism Barometer January 2011.

There was an increase in tourist arrivals for all purposes of travel.
Average length of stay increased while the average number of provinces visited remained flat

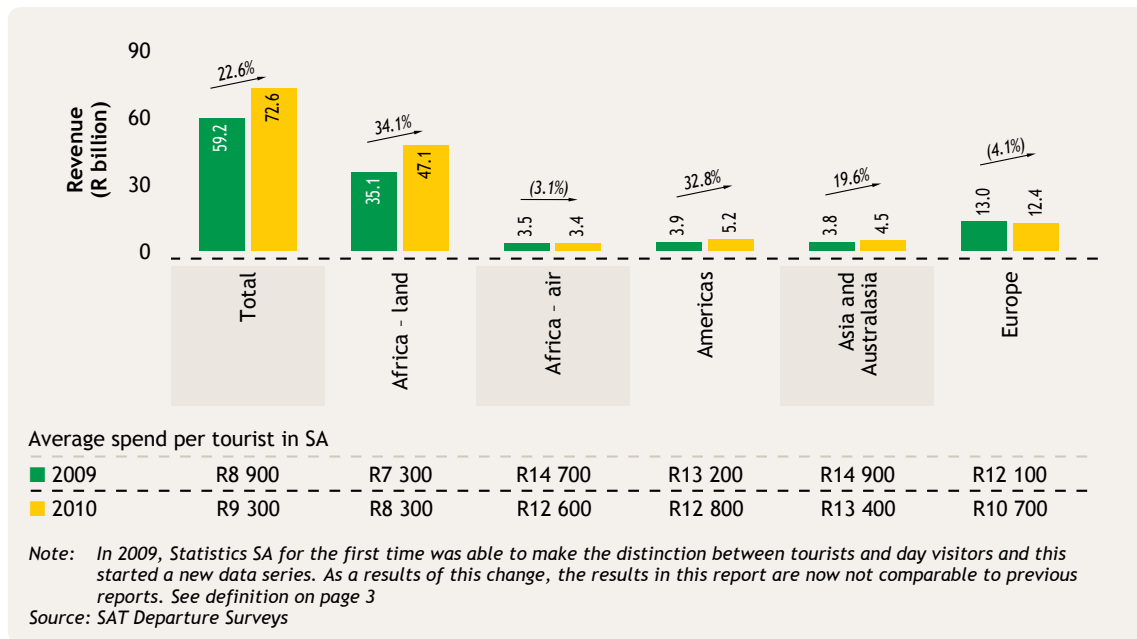
All markets	Leisure	Business travel	Business tourism	Other	All tourist arrivals
Total volume (2009) (millions)	4.2	1.7	0.3	0.8	7.0
Total volume (2010) (millions)	4.7	2.1	0.4	0.9	8.1
Volume growth (09 – 10% change)	12.7%	18.3%	9.9%	25.4%	15.1%
Average length of stay (2009) (Nights)	8.6	5.5	5.2	14.7	8.3
Average length of stay (2010) (Nights)	8.4	5.7	4.9	16.4	8.5
Average number of provinces visited (2009)	1.3	1.1	1.2	1.1	1.3
Average number of provinces visited (2010)	1.4	1.1	1.2	1.1	1.3

“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: SA Tourism Departure Surveys, 2009 and 2010.

Total foreign direct spend (excluding capital expenditure), 2009 to 2010

Total foreign direct spend generated from tourist arrivals increased by 22.6% between 2009 and 2010

Africa – air markets and Europe were the only regions that posted a decrease in revenue from 2009 to 2010



Domestic tourism indicators

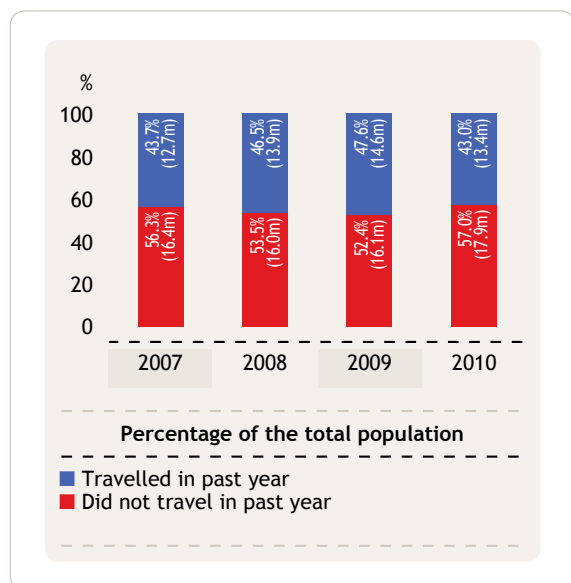
Key metrics		2007	2008	2009	2010
Domestic travel incidence	Annual	43.5%	46.5%	47.6%	43.0%
	Monthly ¹	9.9%	9.0%	8.2%	7.9%
Number of trips	Annual	35.9 million	32.9 million	30.3 million	29.7 million
	By purpose	VFR*: 68% Holiday: 16% Business: 7% Religious: 7% Medical: 1%	VFR*: 71% Holiday: 16% Business: 5% Religious: 5% Medical: 2%	VFR*: 76% Holiday: 12% Business: 5% Religious: 5% Medical: 1%	VFR*: 74% Holiday: 13% Business: 5% Religious: 6% Medical: 1%
Spend	Total annual spend	R20.0 billion	R25.8 billion	R22.4 billion	R21.1 billion
	By purpose	VFR*: 45% Holiday: 37% Business: 14% Religious: 3% Medical: 0%	VFR*: 45% Holiday: 39% Business: 12% Religious: 3% Medical: 2%	VFR*: 59% Holiday: 22% Business: 17% Religious: 2% Medical: 1%	VFR*: 51% Holiday: 31% Business: 14% Religious: 3% Medical: 0%
	Average spend per trip/per day	R550/trip; R120/day	R780/trip; R170/day	R730/trip; R170/day	R710/trip; R160/day
Trip length	Total annual bed nights	157.8 million	149.0 million	128.4 million	130.8 million
	Average nights per trip	4.4	4.5	4.2	4.4

*VFR: Visiting friends and relatives.

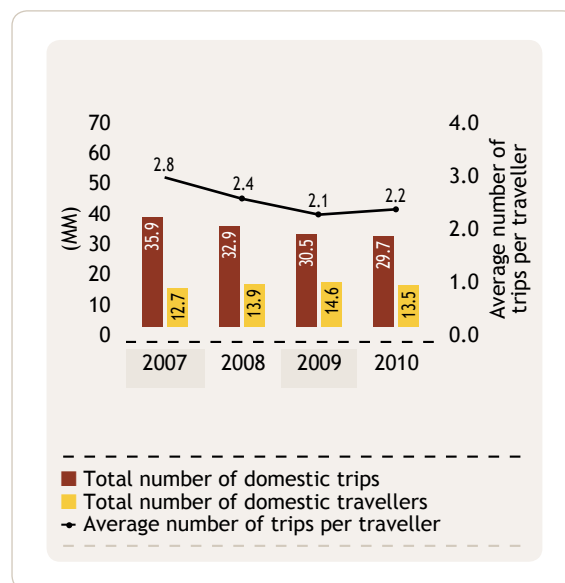
Tourism in South Africa at a glance continued

In 2010, 43% of South African adults took a domestic trip, resulting in approximately 30 million domestic trips. Although the number of tourists declined in 2010, South Africans did on average take the same number of trips as in 2009

Percentage of adult population that has taken a domestic trip between 2007 to 2010



Number of domestic trips and tourists: 2007 to 2010

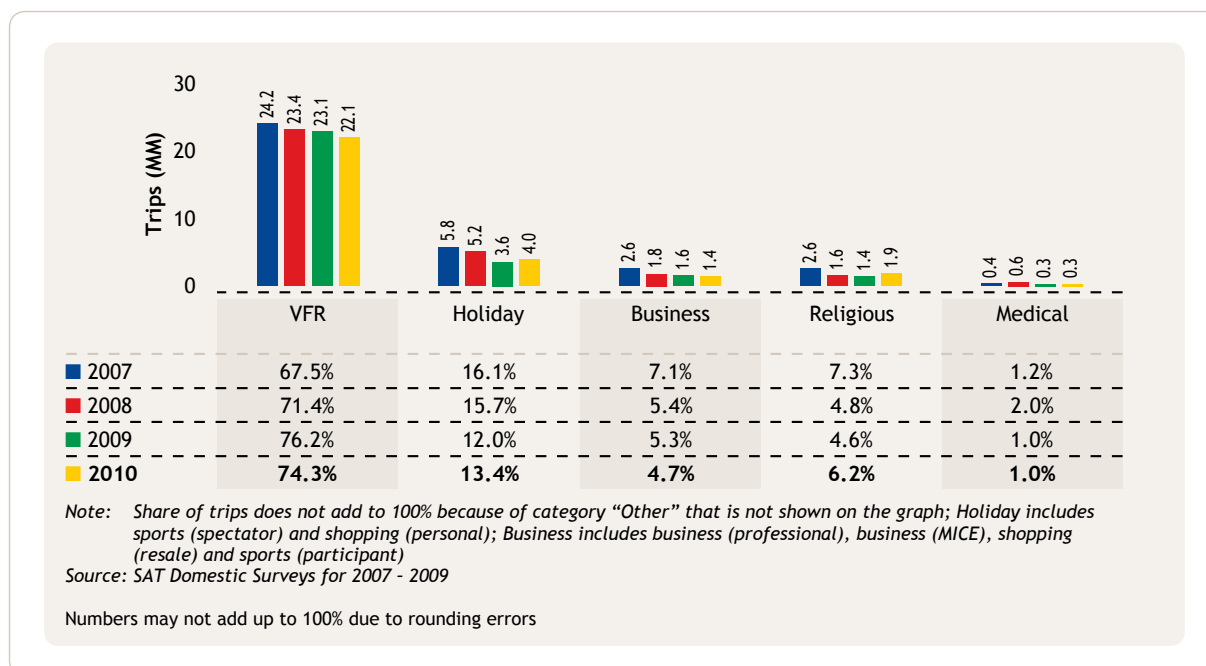


Note: Based on the question "How many domestic trips have you yourself taken in the past 12 months?" asked in each of the monthly surveys; therefore, incidence does not correspond to an exact January to December time frame, but rather is an average for any point in time over the course of the year

Source: SAT Domestic Surveys for 2007 - 2010

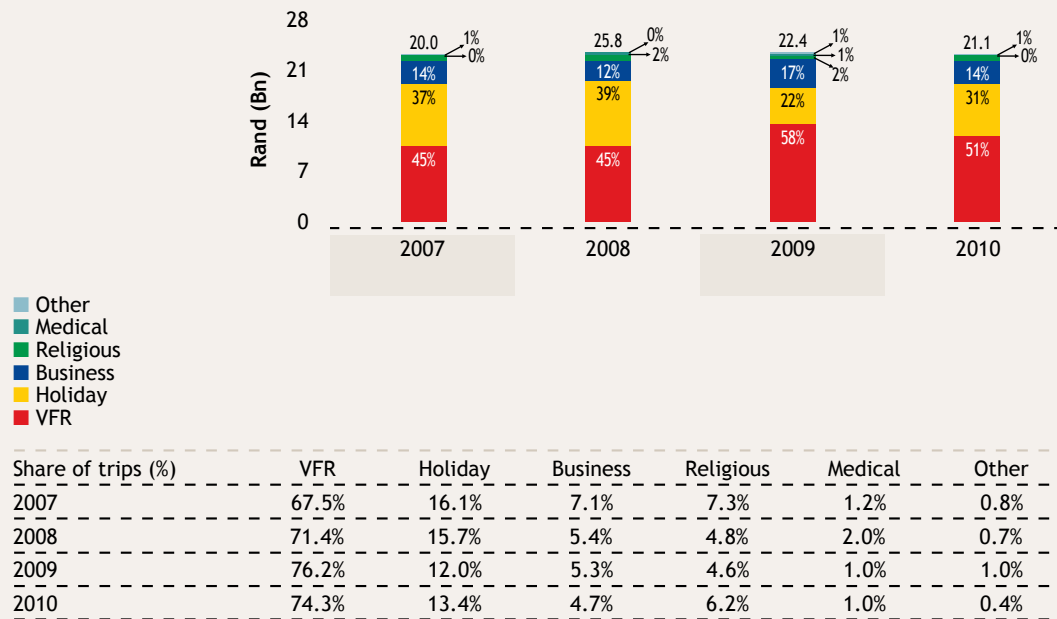
Number of domestic trips by purpose (in MM): 2007 to 2010

Of the 30 million trips, visiting friends and relatives (VFR) remained the main purpose of taking a trip. The proportion of VFR travel in the domestic market decreased in 2010, while holiday travel increased



Spending on domestic trips by purpose: 2007 to 2010

Revenue generated from domestic tourism in 2010 reached R21.1 billion, a 5.6% decrease over 2009. The proportion of revenue on VFR travel declined in 2010, while that of holiday travel increased



Note: Holiday includes sports (spectator) and shopping (personal); Business includes business (professional), business (MICE), shopping (resale) and sports (participant)

Source: SAT Domestic Surveys for 2007 - 2010

Numbers may not add up to 100% due to rounding errors





"That the tourism industry was able to scale these heights, as the world's economy was still recovering from the effects of the global recession, is testament to South Africa's ability and its enhanced status as a viable investment, events and tourism destination."

Jabu Mabuza, Chairperson

Management review

In this section:

- > Members of the board*
- > SA Tourism high level organogram*
- > Chairperson's report*
- > Chief Executive Officer's report*
- > Corporate Governance report*

Members of the Board



Jabu Mabuza
Tsogo Sun Gaming
Chairperson



Frank Kilbourn
Bright Equity Pty Ltd
Deputy Chairperson and Chairperson
of the Audit committee



Yvonne Johnston
Marketer-at-Large
Chairperson of the
Marketing committee



Peter Bacon
Former Sun International (Retired)
Chairperson of Tourism Grading Council
of South Africa



Iraj Abedian
Pan African Capital Holdings (Pty) Ltd



Brett Dungan
FEDHASA



Thandiwe January-McLean
SA Tourism



Michael Lutzeyer
Grootbos Nature Reserve



Tumi Makgabo
Africa Worldwide Media



Amor Malan
Quad Para Association of
Gauteng South



Zwelibanzi Mntambo
Xalam Performance



Sizakele Mzimela
South African Airways

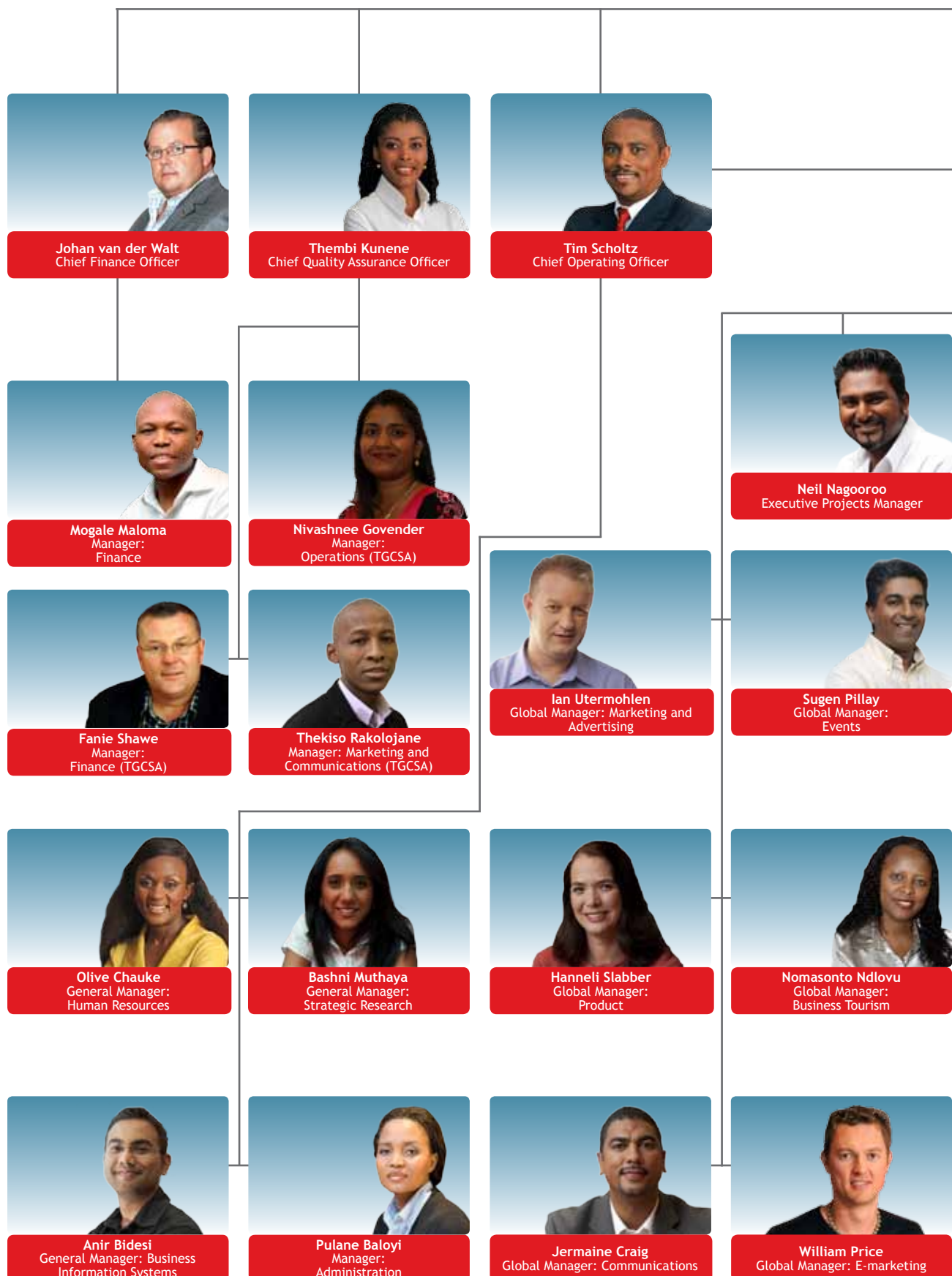


Johan van der Walt
SA Tourism



Dirk van Schalkwyk
National Department of Tourism

SA Tourism high-level organogram





Thandiwe January-McLean
Chief Executive Officer



Roshene Singh
Chief Marketing Officer



Fiona Buchner
Regional Director: Europe



Evelyn Mahlaba
Regional Director: Americas, Asia
and Australasia



Phumi Dhlomo
Regional Director:
Africa and Domestic



Theresa Bay-Müller
Country Manager: Germany



Bangu Masisi
Country Manager: Netherlands



Bradley Brouwer
Country Manager:
Asia Pacific



Medha Sampat
Country Manager:
India



Nothando Mathe
Country Manager:
Southern Africa



Lance Littlefield
Country Manager:
Italy



Linda Sangaret
Country Manager:
France



Lalie Ngozi
Country Manager
Australia and New Zealand



Carolina Guerra
Trade Relations Manager: Angola



Lebohang Mokhesi
Country Manager:
UK



Sthuthukile Zungu
Country Manager:
USA



Hloni Pitso
Trade Relations Manager:
East and West Africa

Chairperson's report



Jabu Mabuza
Chairperson

The 2010/2011 financial year was a momentous one for South African Tourism (SA Tourism).

We had set ourselves the target of attracting 10 million foreign arrivals in South Africa in 2010 and we considerably surpassed that target, reaching a record 11 395 700 foreign arrivals in 2010.

Beyond expectations

In terms of tourist arrivals (as in foreign visitors who stayed in the country for at least one night) South Africa had an all-time high of more than eight million tourist arrivals (8 073 552) in 2010 compared to just over seven million (7 011 865) in 2009. This is a 15.1% increase on last year's figures – more than double the global tourism growth average of 6.7% in 2010.

Coupled with these excellent tourism figures, the overall tourism contribution to the South African economy was over R120 billion and we are extremely proud of SA Tourism's contribution to reaching these heights, in close collaboration with all of our partners in the tourism industry locally and internationally.

Our 2010 performance was naturally given a boost by the World Cup with a peak in arrivals in June and July. In total 309 554 tourists arrived in the country for the primary purpose of attending the World Cup and injected R3.6 billion into our economy.

That the tourism industry was able to scale these heights, as the world's economy was still recovering from the effects of the global recession, is testament to South Africa's ability and its enhanced status as a viable investment, events and tourism destination.

The global financial crisis fundamentally changed the economic and consumer landscape, and forced tourism destinations to pro-actively review their portfolios and markets, their product offerings, value propositions and marketing strategies.

This we, at SA Tourism, have certainly done and, while we are proud of our achievements in this financial year, we move into the post-2010 era with a clear sense of purpose. Our surveys show that globally there was a significant improvement in South Africa's brand awareness after the World Cup and our focus is now on converting this into arrivals.

A strategy for growth

The South African Government has identified tourism as one of six key contributing sectors to meeting its priorities of growing the economy and creating decent work. To focus the sector's efforts on realising these goals, the Minister of Tourism, Marthinus van Schalkwyk, launched the National Tourism Sector Strategy (NTSS) in March 2011.

The vision of the NTSS is to position South Africa as one of the top 20 tourism destinations globally by 2020. The strategy focuses on growing foreign tourist arrivals to 15 million by 2020, increasing tourism's contribution to GDP to R499 billion and creating 225 000 new jobs by the same year.

Focusing our efforts

To achieve these overarching objectives we will focus our efforts on domestic tourism, regional tourism and entrenching our core markets, while exploring exciting new emerging markets that show considerable tourism potential.

Although we saw a slight decrease in domestic tourism figures in 2010, we remain positive that a culture of leisure travel is becoming more firmly entrenched in this country and our aim is to increase the number of domestic trips from 29.7 million in 2010 to 54 million by 2020.

Plans to grow regional tourism include the establishment of five more SA Tourism offices on the continent by 2020 and to capitalise on the growth in the number of tourists from Africa's emerging economies – including Nigeria, the Democratic Republic of Congo, Kenya and Angola.

South Africa's recent inclusion in the BRICS partnership can only be a positive development for the tourism industry. We are aligning our planning and strategies to take advantage of the platforms facilitated by this partnership to grow our presence in these key emerging markets.

Business Tourism and Events remain a strong focus area. To further cement our leadership in this space, the National Events and Conventions Bureau is to be set up under the auspices of SA Tourism this year. This bureau will ensure an integrated, co-ordinated approach in positioning South Africa as a business and events destination and will look to create a more even geographic spread.

Just reward

Six years of preparation and collaboration between various stakeholders bore fruit in 2010 and I would like to thank the executive management and staff of SA Tourism, the tourism industry as a whole, and all South Africans for everything that we achieved.

With approximately 90% of World Cup visitors to South Africa saying they would consider visiting the country again and 96% saying they would recommend the country to friends and family as a holiday destination, 2010 has certainly given us and the entire sector the motivation to move forward with a renewed sense of confidence and enthusiasm.

SA Tourism's management and staff continue to set an excellent example when it comes to corporate governance in the public sector and, for the tenth consecutive year, the organisation has received an unqualified no-emphasis-of-matter external audit report.

Important lessons

It is important to note that during the 2010/11 financial year SA Tourism detected fraud at its India country office. It subsequently reported the matter to its Board, the Auditor-General and the Minister of Tourism. SA Tourism's Internal Audit department, in conjunction with the Auditor-General's office, conducted an audit of the India country office. At the request of the Board, an independent forensic audit was conducted by Ernst & Young, and interim steps were taken to strengthen controls and to run the office from South Africa. Steps were taken to recover the majority of the money stolen, with R2.6 million being recovered.

SA Tourism is proud of its record of now having achieved clean audit reports for 10 consecutive years and will take all the necessary steps to improve controls where necessary and to act against people who breached internal rules and procedures. Important lessons have been learnt in the process

Chairperson's report *continued*

and internal controls have been updated accordingly. The situation in India, which remains an important market for us, has now stabilised and former Global Product Manager, Hanneli Slabber, has taken over as India Country Manager.

A clear vision

I would like to express my sincere thanks and appreciation to the members of the SA Tourism Board of Directors. The leadership, knowledge and dedication they bring to the organisation ensures that we are able to continue to meet our objectives and create a vision for the future.

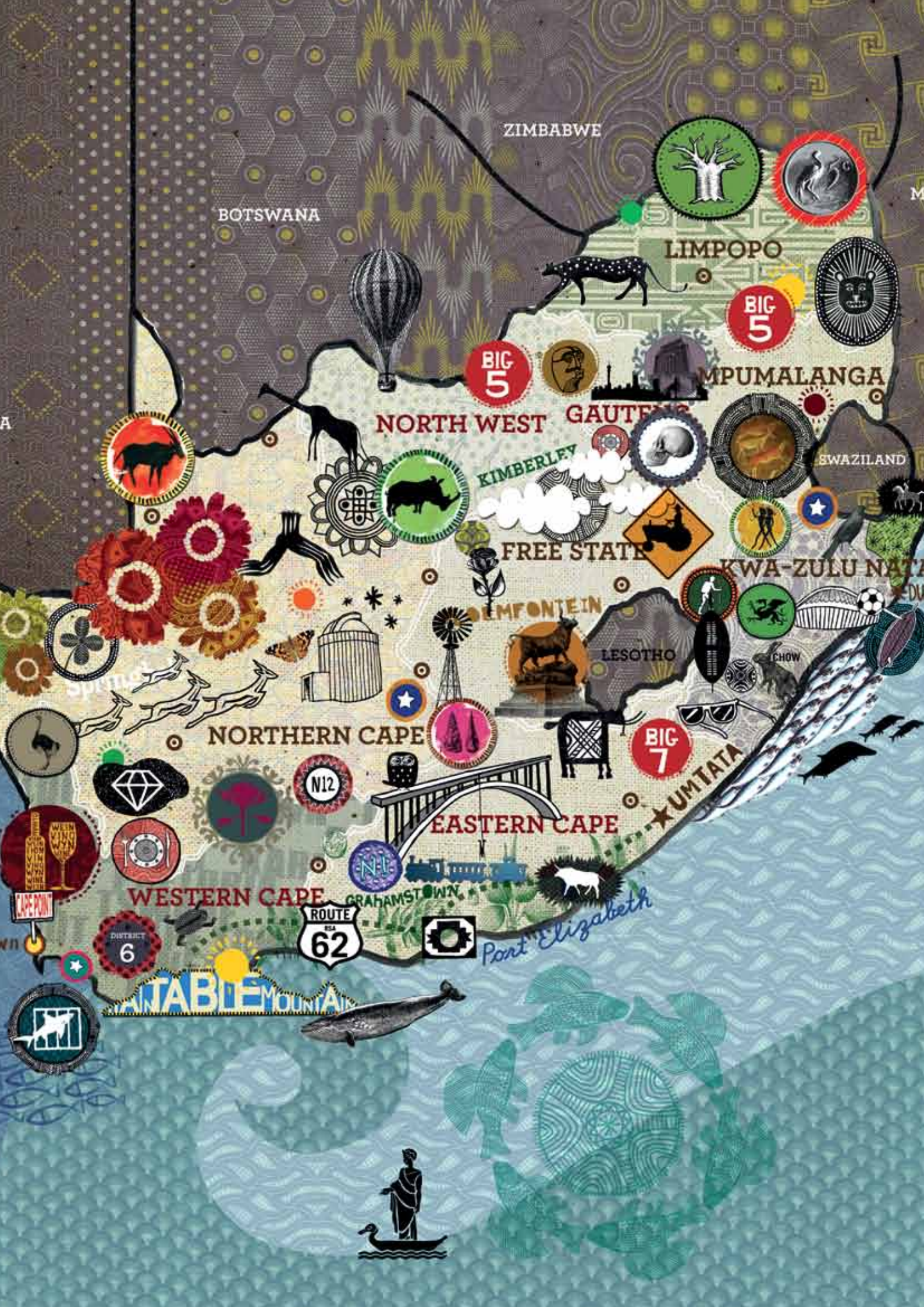
I would also like to extend my heartfelt thanks to Tourism Minister, Marthinus van Schalkwyk, Deputy Minister Tokozile Xasa, Director General Kingsley Makhubela and all our colleagues at the National Department of Tourism, for their ongoing guidance, support and co-operation. I would also like to extend our thanks to the Tourism Business Council of South Africa and to all our many tourism stakeholders.

I would like to acknowledge the Chief Executive Officer, Thandiwe January-McLean, for the way in which she has led the organisation in this financial year. With the global spotlight on South Africa as hosts of the 2010 FIFA World Cup™, she could not have been asked to step into this role at a more critical time and certainly excelled.

As we look ahead with a solid strategy to work towards, our resolve to continue to grow and develop the South African tourism industry remains as strong as ever. With the opportunities that tourism brings for the creation of decent jobs well documented, there has never been a more important time for us to focus our efforts on growing this sector, which has once again proven its potential for economic growth and development.

Jabu Mabuza

Chairperson



ZIMBABWE

BOTSWANA

LIMPOPO

BIG 5

MPUMALANGA

NORTH WEST

GAUTENG

KIMBERLEY

SWAZILAND

FREE STATE

KWA-ZULU NATAL

PORT OF DURBAN

LESOTHO

CHOW

NORTHERN CAPE

BIG 7

EASTERN CAPE

WESTERN CAPE

GRAHAMSTOWN

Port Elizabeth

TABLE MOUNTAIN

ROUTE 62

DISTRICT 6

Chief Executive Officer's report



Thandiwe January-McLean
Chief Executive Officer

For South Africa, expectations ran high in 2010. And in terms of tourism I am pleased to report that the 2010/2011 financial year did not disappoint.

Best year ever

South Africa experienced its best tourism year ever in 2010, topping the eight million tourist arrivals mark and growing by 15.1% on our 2009 tourism figures, as SA Tourism used the global marketing opportunity of the 2010 FIFA World Cup™ to maximum effect, and contributed to the event's success.

However, we are very aware that we cannot become complacent. South Africa is no longer in the spotlight of the world. In 2011 we have to work even harder to be more relevant and competitive than we have been in any year since we were announced as hosts of the World Cup in May 2004.

An emerging success

The global financial crisis spurred SA Tourism to refocus its growth strategy from the developed markets of Europe and North America to also strongly include emerging markets, regional markets and the domestic market.

As economic power shifts from west to east, so too will the world's tourism source markets and it is important that we are at the forefront when it comes to attracting visitors from emerging economies. South Africa is also fast realising that its

geographical position is not a hindrance but rather an enabler for growth across sectors, not least of which is tourism. By 2020, more than half of Africa's population will have discretionary spending power, which will have a major impact on regional travel.

Growth all round

South Africa saw growth from all markets in 2010, with long-haul markets growing the fastest at an impressive 21%. The Americas and Asia and Australasia were the fastest-growing regions in 2010, with a growth of 37.4% and 34.6%, respectively.

Growth was particularly high, albeit from a low base, from Central and South America, as a direct result of the World Cup. Mexico, for example, saw a 495% increase in tourist arrivals, while arrivals from Argentina grew by 121% and from Brazil by 66.7%.

This is exciting as it gives us a good foundation from which to develop these new markets.

Growth from Asia and Australasia was thanks to impressive increases in arrivals from China (62.3%), Australia (30.4%), India (29.7%) and Japan (34.45%). This is evidence that our efforts to increase our presence in these markets, especially in the emerging powerhouses of India and China, are paying off.

African air travel showed strong growth in 2010, with a 14% increase over the previous year. Nigeria

remains the leading source market followed by Angola, the DRC, Kenya and Tanzania.

Despite continuing financial instability in Europe, tourist arrivals from the continent grew by 8.1% over 2009 with all markets in the region recording growth. The UK, USA, Germany, the Netherlands and France remain South Africa's top five overseas source markets.

Domestic tourism remains the largest contributor to tourist volume in South Africa. Nearly 80% of all tourist volume in 2010 was derived from the local market.

In 2010, 29.7 million domestic trips were taken, marginally less than the 30.3 million in 2009. Given that we are dealing with the effects of the global recession of 2009 we are not disappointed with this figure, and are in fact pleased to report an increase in the average number of trips taken (2.2 per person).

Sustaining the momentum

Through our various marketing campaigns, SA Tourism reached over 1.8 billion consumers during the financial year.

While our intention is to continue to market South Africa as a leading adventure and wildlife destination, we are also extending the tourism offering to promote South Africa as a lifestyle destination. We are doing this through involvement with events like the Design INDABA, the Johannesburg, Cape Town and Africa Fashion Weeks, the Cape Town International Jazz Festival and the Standard Bank Joy of Jazz in Johannesburg.

I am also pleased to report that the revamp of the Tourism Grading Council of South Africa's (TGCSA) grading system has been completed. The TGCSA is the official quality assurance body for accommodation establishments in South Africa. The process entailed a review of the TGCSA's grading criteria and minimum requirements. A significant amount of time was spent on this

process to not only ensure that South Africa can maintain its international competitiveness as a tourist destination, but also to show that we can be world leaders in terms of quality assurance.

2010/2011 saw the appointment of a number of new staff members to the SA Tourism team, with Tim Scholtz joining in November 2010 as the Chief Operating Officer, taking over from Didi Moyle, who made an immense contribution in her time at SA Tourism. Tim has a wealth of experience from a number of top organisations, including the Nelson Mandela Foundation and we are very happy to have him on our staff. Senior journalist Jermaine Craig, who headed the media relations for the 2010 FIFA World Cup™ Organising Committee, has taken over from Wendy Tlou as Global Communications Manager.

Former Australia/New Zealand Country Manager, Bangu Masisi, is now in the same position in the Netherlands where she took over from Annemarie Ferns, who contributed to building a solid foundation in the market, and has now retired after many years of service to SA Tourism. Lalie Ngozi, who joined us after having been the Chief Marketing Officer at the North West Tourism and Parks Board, has taken over as Australia Country Manager. Our former Global Product Manager, Hanneli Slabber, has been appointed as India Country Manager, taking over from Medha Sampat.

As we look back fondly at what was achieved in the 2010/11 financial year, we also look ahead with new enthusiasm at what the tourism industry can still achieve in this beautiful country I am privileged to call home.

Thandiwe January-McLean

Chief Executive Officer



SA Tourism staff at its Bojanala House head office on a World Cup Football Friday.



President Jacob Zuma led the country in learning and performing South African Tourism's Diski Dance during a memorable World Cup period. Here he is at INDABA 2010 showing KwaZulu-Natal Premier Zweli Mkhize and FIFA Secretary-General Jerome Valcke how it is done.

Corporate Governance Report



Johan van der Walt
Chief Finance Officer

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

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

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

- Exercise effective review and monitoring of our activities
- Enhance global perception of South Africa
- 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
- Disclose the necessary information to enable all stakeholders to make a meaningful analysis of our actions.

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

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

SA Tourism is guided in its commitment to the principles of good corporate governance by the King III Code and Report on Corporate Governance in SA 2009. SA 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.

SA 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.

SA 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 and Directors

SA Tourism is governed by a unitary Board of Directors, comprised of a majority of non-executive directors and chaired by a non-executive director. The role of the Chairperson of the Board and the Chief Executive Officer (CEO) are separated and at the end of this financial year was filled by non-executive director Jabu Mabuza and executive director Thandiwe January-McLean respectively. 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 SA 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 SA Tourism.

The directors are individuals of high calibre with diverse backgrounds and expertise, facilitating independent judgement and effective deliberations in the decision-making process. Directors are appointed on the basis of skill, acumen, experience and level of contribution to and impact on the activities of the entity. On appointment, all directors are provided with guidance as to their duties, responsibilities and liabilities as a director of a company and also have the opportunity to discuss organisational, operational and administrative matters with the Chairperson, the CEO and the senior management.

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 non-executive members who have previously served on the Board, to every new Board. The procedure for appointment to the Board is formal and transparent

and includes criteria such as racial and gender diversity.

The SA Tourism Board comprises 15 members, two of whom are executive and 13 non-executive members (of the 12 non-executive members, eight are independent non-executive members and one position is currently vacant). The names and credentials of the directors are detailed on pages 24 and 25 of the annual report.

Board Charter roles and responsibilities

The role of SA 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, 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 assessment of materiality, include:

- Ensuring good corporate governance is applied within SA 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 with the setting of strategic objectives for the organisation and the determination of high-level marketing strategy, taking into consideration the latest market intelligence, research and appropriate risk parameters. SA 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 SA Tourism, pertaining to the negotiating of contracts, capital expenditure and operational matters

Corporate Governance Report continued

- Monitoring compliance with the Public Finance Management Act, Treasury Regulations, Tourism Act and other relevant legislation and regulations that are applicable to business in general in South Africa
- Approval of a Performance Bonus System including performance criteria for all employees of SA Tourism
- 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 SA 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 SA Tourism
- Annually measuring its performance as a whole and also that of its committees and the executive(s)
- Monitoring compliance with the Delegation of Authority and other ethical guidelines underpinned in the organisation's policies
- Ensuring that every SA Tourism Board member or staff member who sits on a SA Tourism tender committee (evaluation or adjudication committee) completes and signs a Declaration of Interest prior to the commencement of any SA Tourism Board meeting, SA Tourism Board sub-committee meeting or tender meeting
- Ensuring that SA Tourism manages its risk appropriately at all times
- Ensuring that suitably qualified and experienced individuals are appointed as executive management of SA Tourism at all times.

Board meetings

In order to effectively carry out its responsibilities, the Board and its appointed sub-committees meet at least three times per annum. The Board met during the following months where the main agenda points are detailed below:

February formal meeting	<ol style="list-style-type: none"> 1. Approval of updated Strategic Plan for the next five years including budget parameters for the Business Plan and Budget 2. Approval of updated Risk Register 3. Approval of updated three-year rolling Internal Audit Plan 4. Any changes requested to the Delegation of Authority, Remuneration and Supply Chain Policies 5. Review of CEO report
May formal meeting	<ol style="list-style-type: none"> 1. Approval of Annual Financial Statements 2. Approval of remuneration increases and annual performance bonuses 3. Any changes requested to the Delegation of Authority, Remuneration and Supply Chain Policies 4. Review of CEO report
September formal meeting	<ol style="list-style-type: none"> 1. Review of effectiveness of the Board, its sub-committees, every individual Board member and the Internal Audit division 2. Review of global marketing strategy of SA Tourism based on latest market intelligence 3. Any changes requested to the Delegation of Authority, Remuneration and Supply Chain Policies 4. Review of CEO report

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 Jabu Mabuza.

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

Board member	Sub-committee	28 May 10	21 Sept 10	24 Feb 11	Attendance
Jabu Mabuza	+ ^	–	√	√	2/3
Frank Kilbourn	+ ^	√	√	√	3/3
Yvonne Johnston	*	√	√	√	3/3
Johan van der Walt	* + ^	√	√	√	3/3
Zwelibanzi Mntambo	+ ^	√	√	√	3/3
Michael Lutzeyer	* ^	–	–	√	1/3
Amor Malan	^ *	√	√	√	3/3
Sizakele Mzimela	^	√	√	–	2/3
Dirk van Schalkwyk	+ ^	√	√	√	3/3
Tumi Makgabo	*	–	√	√	2/3
Iraj Abedian	^	√	√	√	3/3
Brett Dungan	* ~	√	–	√	2/3
Peter Bacon	~	–	√	√	2/3
Thandiwe January-McLean	* + ^	√	√	√	3/3

+ Member of the Remuneration Committee
^ Member of the Audit Committee
* Member of the Marketing Committee
~ Member of the Quality Assurance Committee
– Board member was absent from the meeting
√ Meeting was attended

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 make a conclusion on whether the Board and its committees are operating effectively and what needs to be done to improve efficiencies.

Corporate Governance Report *continued*

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 SA Tourism may conclude or may already have concluded, at least annually and as and when changes occur. Declarations of interest are tabled at each Board meeting and updated as and when necessary.

Board committees

SA Tourism is governed by a unitary Board of directors assisted by the following committees:

- Chairperson's Committee
- Marketing Committee

- Remuneration Committee
- Audit Committee
- Executive Committee and Management Committee
- Quality Assurance Committee (also referred to as the Awards Committee)

Chairperson's Committee

The Chairperson's Committee consists of the chairpersons of the Board, Marketing Committee, Audit Committee, Quality Assurance 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 Committee

The committee comprises five non-executive directors, all members of the Executive Committee and is chaired by Ms Yvonne Johnston.

Membership of this committee and attendance at these meetings:

Marketing Committee meetings

Date	28 May 10	21 Sept 10	24 Feb 11	Attendance
Yvonne Johnston	√	√	√	3/3
Michael Lutzeyer	–	–	√	1/3
Tumi Makgabo	–	√	√	2/3
Brett Dungan	–	–	√	1/3
Amor Malan	√	√	√	3/3
Thandiwe January-McLean	√	√	√	3/3
Johan van der Walt	√	√	–	2/3

– Board member was absent from the meeting

√ Meeting was attended

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

- Chief Operating Officer of SA Tourism
- Chief Marketing Officer of SA Tourism

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

The Marketing Committee has adopted the following terms of reference:

- Review the revised five-year Strategic Plan of SA Tourism, which includes its strategies, high-level action plans and targets, covering the next financial year plus another four financial years and make appropriate recommendations to the Board
- Review and recommend the approval to the Board of all primarily marketing policies, including branding, in SA Tourism that will have no financial implication or a financial implication covered by the approved budget
- In terms of the Business Plan and Budget of SA Tourism, review significant changes to mainline expense items as approved by EXCO

- Review and discuss SA Tourism Business Plans and Budgets for new financial years and make applicable recommendations to the Board
- Review proposed parameters for the next MTEF period's Business Plan and Budget of SA Tourism, and make applicable recommendations to the Board

Remuneration Committee

The committee comprises three non-executive directors, the Chief Executive Officer and is chaired by Jabu Mabuza. King III stipulates that the Chairperson of the Board may not be the Chairperson of the Remuneration Committee. SA Tourism does not comply with this requirement as the Board of SA Tourism is of the opinion that it would be in the best interest of the organisation if the Chairperson of the Board is also the Chairperson of the Remuneration Committee. Membership of this committee and attendance at these meetings are disclosed below:

Remuneration Committee meetings

Date	28 May 10	21 Sept 10	24 Feb 11	Attendance
Jabu Mabuza	√	√	–	2/3
Frank Kilbourn	√	√	–	2/3
Sizakele Mzimela	√	√	–	2/3
Zwelibanzi Mntambo	√	√	√	3/3
Dirk van Schalkwyk	√	√	√	3/3
Thandiwe January-McLean	√	√	√	3/3
Johan van der Walt	√	√	√	3/3

– Board member was absent from the meeting

√ Meeting was attended

Corporate Governance Report continued

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

- Chief Operating Officer of SA Tourism
- Chief Financial Officer of SA 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 SA 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 EXCO.

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

The Remuneration Committee has adopted the following terms of reference:

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

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

Audit Committee

The committee comprises six non-executive directors and is chaired by Frank Kilbourn. King III stipulates that the Chairperson of the Board may not be a member of the Audit Committee. SA Tourism does not comply with this requirement as the Board of SA Tourism is of the opinion that it would be in the best interest of the organisation if the Chairperson of the Board is also a member of the Audit Committee. Membership of this committee and attendance at these meetings are set out below:

Audit Committee meetings

Date	28 May 10	21 Sept 10	24 Feb 11	Attendance
Frank Kilbourn	√	√	√	3/3
Jabu Mabuza	√	–	√	2/3
Sizakele Mzimela	√	√	–	2/3
Zwelibanzi Mntambo	√	√	–	2/3
Iraj Abedian	√	√	√	3/3
Dirk van Schalkwyk	√	√	√	3/3
Thandiwe January-McLean	√	√	√	3/3
Johan van der Walt	√	√	√	3/3

– Board member was absent from the meeting

√ Meeting was attended

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

- Chief Operating Officer of SA Tourism
- Senior Internal Auditor of SA Tourism
- Senior Representative from the Auditor-General

This committee will primarily assist the Board by providing assurance of the adequacy and efficiency of SA Tourism's internal control 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 SA Tourism. This includes reviewing the annual accounts, accounting policies, compliance and regulatory matters, internal audit reports and other related issues. Internal audit structures in SA 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 it should apply financial reporting and internal control principles, and to maintain an appropriate relationship with the company's auditors
- To review, and challenge where necessary, the annual financial statements before their submission to the Board for approval
- To examine and review the internal control environment within the organisation, and review the organisation's statement on internal control systems prior to endorsement by the Board. The Audit Committee provides the Board with assurance of the adequacy and efficiency of SA 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-HR and non-Marketing policies in SA 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 SA 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 Committee.

The effectively functioning Audit Committee provides the following significant advantages to SA Tourism:

- The improvement of the quality and enhancement of the credibility of the financial reporting process of the entity

Corporate Governance Report *continued*

- 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 SA Tourism's risk management and internal control processes are adequate and are functioning effectively.

Executive Committee and Management Committee

The Executive Committee (EXCO), assisted by the Management Committee, is responsible for the execution of the Board-approved Strategic Plan and Consolidated Business Plan and Budget of SA Tourism. The Executive Committee consists of five full-time executive employees: the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Chief Marketing Officer and the Chief Quality Assurance Officer. EXCO meets

weekly. The composition of SA Tourism's Executive Committee changed during the year under review, Didi Moyle did not renew her contract at the end of May 2010, and Timothy Scholtz was appointed as the new Chief Operating Officer.

The Management Committee consists of all business unit managers within SA Tourism. This committee has been established to make recommendations on the day-to-day business of SA Tourism to EXCO. 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 Committee

The Quality Assurance Committee has a maximum of 10 non-executive members and is chaired by Peter Bacon, who is an independent non-executive member. Membership of this committee and attendance at these meetings are set out below:

Quality Assurance Committee meetings

Date	13 Apr 10	14 May 10	17 Jun 10	16 Jul 10	16 Aug 10	16 Sept 10	18 Oct 10	18 Nov 10	14 Dec 10	15 Jan 11	18 Feb 11	15 Mar 11	Attendance
Peter Bacon	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12/12
Brett Dungan	✓	✓	✓	✓	✓	✓	✓	✓	–	✓	✓	✓	11/12
Thembi Kunene	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12/12
Mzi Gcanga	–	–	✓	✓	✓	✓	✓	✓	–	–	✓	✓	8/12
Julian Smith	–	–	✓	✓	✓	–	✓	✓	✓	✓	–	✓	8/12
Smangele Nhlapo	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/12
Tony Hazel	✓	–	✓	✓	✓	✓	✓	✓	–	–	✓	✓	9/12
Jegie Padmanathan	–	–	✓	–	✓	–	✓	✓	✓	–	✓	✓	7/12
Alan Romburgh	✓	✓	✓	–	–	–	–	–	✓	✓	✓	–	6/12
Ahmed Chothia	✓	–	✓	✓	✓	✓	✓	✓	–	–	✓	✓	9/12
Phillip Thompson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–	11/12

– Board member was absent from the meeting

✓ Meeting was attended

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 Committee in terms of section 18(5) of the Tourism Act, ie to “grant authority to the person conducting the establishment to use and display in respect of that establishment the prescribed insignia, which shall include a depiction or depictions of a star or a number of stars which indicate the grading awarded in respect of that establishment in terms of the scheme”. This will be the only function of the committee.

The quality assurance sub-committee has adopted the following terms of reference:

- Ensure that grading criteria are relevant and up-to-date
- Make recommendations to the Board on the strategic direction for TGCSA after consultation with TGCSA management and EXCO
- Act as quality control by exception in confirming the awarding of stars based on the grading scores
- Act as Appeals Committee for establishments who feel aggrieved.

Application of the code and approach to corporate governance

All business units of SA 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 SA 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 SA 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.

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

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

Key features of the systems of internal control are:

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

Corporate Governance Report continued

- Measures to ensure the accuracy and completeness of accounting records
- Measures to ensure the timely preparation of reliable financial statements and information, in compliance with relevant legislation and generally accepted accounting policies and practices.

Financial reporting system

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

- Detailed budgets prepared by management and reviewed by the executive directors and management before formal adoption by the Board
- Forecasts, revised on a quarterly basis, compared against budget
- Monthly management accounts with a comparison of actual results against the latest forecast and budget
- An update, at least annually, of the five-year strategic plan, including key assumptions and indicators.

Compliance on internal control

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

The members of the 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 SA 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 to assist the Board to satisfy itself with regard to the adequacy and effectiveness of the accounting systems, records and internal controls.

Internal audit

The scope of 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 SA 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 Committee.

A global internal audit methodology has been developed and rolled out across SA Tourism. Regular reports to the Audit 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 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 Committee has satisfied itself that adequate, objective internal audit assurance standards and procedures exist within the organisation, and that formal initiatives are under way

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 an ongoing 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 SA Tourism's exposure to the following risks:

- Physical and operational risks
- Human resources risks
- Technology risks
- Business continuity and disaster recovery
- Credit and market risks
- 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
- An internal audit process review of the risk management system.

The operations of the risk management support SA 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 SA 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 SA 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
- 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 effectively manage those risks in accordance with the organisation's risk profile.

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

Information technology governance

King III has highlighted the importance of the governance of information technology as it is an integral part of every business and it affects all processes in the business. An Information Technology Steering Committee has been established in SA Tourism to make recommendations on the day-to-day business of information systems to management.

Integrated sustainability reporting

King III prescribes that entities should report on non-financial matters, known as triple-bottom-line reporting. That means reporting on the social, economic and environmental performance of the

Corporate Governance Report continued

entity. SA Tourism endeavours to continuously refine and improve the quality of its sustainability report.

Stakeholder management

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

Employee engagement

SA 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 SA 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 SA Tourism. Further communication with SA Tourism staff is through Board feedback sessions that are convened by the CEO for SA Tourism staff 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, stakeholders and society at large. The code also spells out policies and guidelines regarding the personal conduct of directors and employees.

All SA 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 SA Tourism acknowledges its responsibility to all employees and the public to comply with occupational health and safety standards as prescribed in the Occupational Health and Safety Act. SA Tourism has developed a health and safety policy which aims to achieve the following goals:

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

- To identify, document and maintain processes within specified safety criteria, and to document the methods of control for those processes that have been identified to conform to the Act
- To ensure that all employees, at every level and in every function, are aware of their responsibility for their own health and safety and that of others
- To ensure that employees who advise on occupational health, safety and environmental matters are appropriately trained
- To demonstrate SA Tourism's active involvement in, and commitment to, occupational health and safety within its scope of services
- SA 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 attended emergency fire training courses as well as 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. SA Tourism offers support to employees who are HIV positive, and does not discriminate against these employees in any way.

Employee wellness

SA Tourism places great importance on employee wellness and, in order to promote employee wellness, SA Tourism in partnership with Careways has provided our employees with initiatives such as Wellness Day, counselling services, as well as health and fitness assessments. Careways also provides staff of SA 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
- Respect all people's culture and heritage.

Paper recycling

The organisation has a satisfactory recycling programme which is, as appropriate and relevant, followed by its operations. For each batch of paper shredded and recycled SA 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.

SA 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 contaminated with any harmful chlorine compounds and that no pollutants enter the food chain.

Water consumption

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

Energy management

Energy and emission management is an integral component of responsible environmental management. Energy, as electricity utilisation, is viewed within the context of the hazardous waste products (carbon dioxide) derived from the generation of energy. SA Tourism has installed an Electro Sense Proactive Energy Management System. This system has resulted in energy savings of approximately R5 000 per month. The system automatically switches off lights and the air-conditioning when there is nobody in a particular room. The reduction of the energy consumption will result in the reduction of carbon dioxide emissions attributable to SA Tourism.

Corporate Governance Report continued

SA 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. SA Tourism is driven by the need to save on energy consumption.

Social transformation and human capital development – BEE Charter

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

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

The main objectives of the Charter are therefore to:

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

Fundi programme

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

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

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

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

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

Talent management

The overall objective of talent management is to ensure that SA 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 and opportunities
- Building strong top talent for strategic positions
- The development of top talent in line with SA Tourism strategic focus areas as role-models to help facilitate culture change.

Succession planning

One of the organisation's most successful talent management initiatives is the implementation of a succession pool system that develops high-potential candidates for readiness at a higher level. The programme involves a blended approach to development including assessment for development tools (such as 360 degree feedback), experiential interactions, direct teaching of practical content and coaching.

Succession planning processes will address:

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

Social responsibility project – Mandondo High School

At the 2011 Annual Finance Lekgotla, SA Tourism successfully executed its second annual social responsibility project at the Mandondo High School in the Belfast area in Mpumalanga.

The school where SA Tourism did its social responsibility project was in an area that did not have easy access to water. The area had approximately five boreholes that were out of commission, water was sourced by means of trucks that filled water containers once a week. A local contractor was appointed to connect the boreholes to the main water reservoir so that water was available on demand.

SA Tourism decided to convert one of the rooms in the school into a computer room and donate eight computers to the school in order to give the students an opportunity to learn basic Microsoft Office skills.

The school runs a food scheme for underprivileged learners. SA Tourism, with the assistance of a local contractor, installed an irrigation system, a basin, draining system and five taps for drinking water. SA Tourism employees planted seedlings in the vegetable garden in order for the students in the agricultural club to maintain and to supplement the daily ingredients needed to prepare meals for the food scheme.

In order to improve the image of the school and uplift the spirit of the learners, local contractors were appointed to renovate the school premises by painting the school, renovating the ceilings, replacing door locks, fitting new book cupboards and fixing lights and switches.

The condition of the soccer field was also improved and SA Tourism donated soccer balls, soccer nets, pumps and a soccer kit to the soccer team, who are currently the league champions in the local soccer league.

SA Tourism certainly made a huge difference in the lives of these children and received a gift from the children as a token of appreciation.

Johan van der Walt
Chief Financial Officer





“The global financial crisis changed the worldwide economic and consumer landscape and spurred South African Tourism to refocus its growth strategy from the developed markets of Europe and North America to also strongly include emerging markets, African markets and the domestic market.”

*Thandiwe January-McLean,
CEO*

Unit reports

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Chief Marketing Officer's report



Roshene Singh
Chief Marketing Officer

Hosting the 2010 FIFA World Cup™ in your country is the biggest marketing opportunity a country – and especially a national tourism authority – can ever ask for. With a cumulative television audience of over 30 billion people, it gives the host country the biggest opportunity possible to positively reach just about every television and radio set, newspaper and computer in the world.

Our total global investment ensured that we reached just over 1.8 billion consumers via a combination of brand and channel-specific television commercials and online and programme sponsorships in the 2010/11 fiscal year.

Our key business goal in 2010/11 was to build awareness in the run up to the global showcase and then convert this awareness and excitement into increased travel to South Africa post the World Cup.

That the country hosted a world-class tournament and that South Africans were such warm, hospitable hosts was the best possible advert for tourism in South Africa, both internationally and locally. Negative perceptions of the destination were dispelled during the tournament, with South Africans also seeing their country in a different light as tourists from far and wide sung our country's praises.

With our brand awareness at an all-time high and new-found exposure in a number of markets, we have worked hard to capitalise on our success for the longer term. A number of exciting new campaigns were launched this year, which we are confident will

bring more growth for tourism in South Africa as we move forward with a new sense of belief and purpose.

Marketing and advertising

Our brand communication was strategically focused on protecting our global leadership in wildlife and adventure, and building on our welcoming people and lifestyle focus.

Pre-World Cup we focused on intensifying the reach and frequency of our Diski TV commercial that complemented and strengthened our global campaign. We used the commercial to welcome the world to celebrate South Africa's passion, rhythm and uniqueness.

In September 2010 we launched the first phase of our post-2010 FIFA World Cup™ campaign, where four couples/friends (one each from India, USA, UK and Nigeria) experienced an incredible adventure in South Africa in June 2010. The group started together, but then went on four different journeys around South Africa, enjoying 20 amazing experiences in 10 days.

We developed four authentic TV commercials that have flighted on CNN, BBC World, Fox International, National Geographic Channel, EUROsport and Global Cinema. Phase II of the campaign will feature couples/friends from Angola, Brazil, China and Germany that launched in May 2011. The campaign was also driven online (using various social media) with a 360 degree integrated portal on www.southafrica.net where consumers can learn more about the eight itineraries and benefits of an adventure through South Africa.



The Chinese couple in the '20 Experiences in 10 Days' campaign enjoy a hot air balloon ride.

Chief Marketing Officer's report continued



The INDABA 2010 global media face-off at the Moses Mabhida Stadium in Durban.

On National Geographic Channel (NGC), The 'Adventurers Wanted' 2010/11 campaign delivered a truly engaging, multi-platform campaign, executed locally by the marketing teams in our seven key markets. Through a three-phase delivery, this campaign delivered unique stand out in the market place, communicating South Africa as a key global destination for adventure travel.

The 2010/11 campaign delivered 2 500 vignettes and 39 million online impressions, with all creative aspects produced in the local language of each market. Our new SA Tourism/NGC website, which hosted the competition, had over 620 000 visits during the campaign period.

In the build up to the World Cup we had a premium spot placement around sports coverage on Sky News, Sky Sports, ESPN Star and Fox Sports in Europe, Asia and Latin America. We also owned sponsorship of the Sports Information Boards on Sky International during this period.

In 2010/11 the multi-award winning 'My South Africa' campaign on CNN incorporated a further media platform with the release of the 'My South Africa Essentials' iPhone application. Two new brand ambassadors joined the My South Africa line-up, and call-to-action commercials and online banners and profiles were created for both Oscar Pistorius and Lucas Radebe.

The 'Our Journey' campaign on BBC featured eight South African experiences and consumers were invited to interact and build an itinerary. Our key focus during the build-up to the World Cup was featuring two different BBC executions of UK consumers doing our Diski dance. Our brand awareness on the BBC increased from 76% in October 2009 to 91% in November 2010.

In 2010, Eurosport broadcast a total of nine vignettes for Sport Traveller, Business Class and a special programme for WTM London 2010. Two programmes created by Eurosport were dedicated to the World Cup in which South Africa was promoted through images of the stadium visits, local animations and telling the story of Bafana Bafana's history.

We also selected Condé Nast to complement and enhance our global media reach.

Did you know?

- SA Tourism's global brand awareness grew from 79% in 2009 to a high of 85% immediately after the World Cup
- In the 2010/2011 fiscal year, SA Tourism reached just over 1.8 billion consumers through its marketing and advertising campaigns.

Overall we increased our global awareness from 79% in 2009 to a high of 85% after the World Cup, ensuring that Brand South Africa's awareness and demand is at a premium as global travel recovers from the recession.

Global Communications

World Cup fever gripped our nation and media scrutiny and exposure was unprecedented, providing South Africa with a golden media opportunity like no other as more than 15 000 journalists and broadcasters descended on South Africa to cover the tournament. And SA Tourism certainly grabbed the opportunity

Did you know?

- South African Tourism generated R11 billion worth of media coverage in 2010/11
- The SA Tourism-branded 2010 FIFA World Cup™ media centres were voted 'Best Press Facility of the Year' by the International Sports Press Association
- More than 80% of travel research is done online worldwide and more than 60 percent of internet research is being done on mobile devices
- Online traffic to southafrica.net grew by 61.11% during the year under review
- South Africa has missions in 133 countries, which provide a global footprint to market South Africa abroad
- Missions from the 32 World Cup participating countries attended a 2010 state of readiness workshop to ensure they could handle World Cup related enquiries

Chief Marketing Officer's report continued

through hosting a substantially higher-than-normal number of media and stakeholders from all over the world, co-ordinating global coverage that saw R11-billion worth of media exposure in the financial year for the destination.

SA Tourism's Global communications department forged close ties with FIFA and the 2010 FIFA World Cup™ Organising Committee South Africa to host over 100 of the world's most influential journalists from key news agencies in Europe, the US, Americas, Asia and Africa on a number of experiential media tours to assess South Africa's state of preparation for the event and infrastructure build-up, as well as the country's viability as a major business, tourism and lifestyle destination.

SA Tourism branded and staffed all the World Cup media centres and installed touch-screen pods and information kiosks. SA Tourism communication staff members were also on hand to answer media questions on the destination in the centres in all nine host cities. These world-class media centres were voted the International Sports Press Association's 'Best Press Facility of the Year' in an online poll which attracted the votes of 515 journalists from 93 countries.

Some of the global communication work done by SA Tourism included a double-page advertorial with Conde Nast Traveller Magazine and Conde Nast Traveller Online with a focus on South Africa's hidden treasures and wellness products. We also began our partnership with Designing South Africa, an initiative that showcases South Africa's architecture and design. We hosted editors from top design publications, such as Design Week and Wallpaper.

For the first time we partnered with African Fashion International (AFI) for Johannesburg Fashion Week and this partnership continues through to the 2011/12 fiscal with the Cape Town and Africa Fashion weeks happening in July and October 2011, respectively. SA Tourism also hosted 92 international journalists at the 2011 Cape Town International Jazz Festival, one of the world's leading Jazz festivals which attracted top local and international acts in 2011.

eMarketing

According to the UNWTO data, more than 80% of travel research is now being done online and in social media spaces, and it has been pleasing to see these numbers increase across all our platforms this past year – evidence that we certainly are being found in all the right places online.

We managed to deliver an impressive 61.11% growth in online traffic to www.southafrica.net, our primary online platform. Building specific country sites, in the local language, featuring the special packages negotiated in-country (via joint marketing agreements), and supporting the regional campaigns in those markets, has been a huge leap forward for us. We are now able to drive regional and language content to each key market online.

The mobi sites launched into our African markets have delivered massive traffic and interest, where we are making customised regional-specific packages via the best possible digital channel available, in multiple languages.

Our partnerships with WAYN.com, TripAdvisor.com and Expedia.com collectively delivered more than 28 983 000 impressions and engagement Click Through Rates (CTR) of more than four times the global average (0.02%) online.

We have also seen exponential growth in our social media spaces where we have been able to increase our fans and followers (Facebook and Twitter), views and comments (YouTube and Flickr) by more than 26% on average across our paid-for platforms. We have carefully tied all of the relevant content appropriate to each platform to the southafrica.net website, which means we are able to get users to move between these social spaces, making it easy for them to seek out more information to support their interests and to then share their findings as they make their travel decisions online.

We have also seen impressive results in our search-engine marketing and paid search campaigns globally, delivering more than 316 456 500 search results, and more than 3 063 400 unique visitors and 10 403 900 page views (on www.southafrica.net alone). As we

continue to refine our search engine optimisation (SEO) and pay per click (PPC) campaigns to include additional regions and languages, we anticipate more explosive numbers and results going forward.

Stakeholder Relations

SA Tourism hosted 59 Department of International Relations and Co-operation (DIRCO) officials during the four days of INDABA 2010 and held a 2010 state of readiness workshop. Missions from the 32 World Cup participating countries attended INDABA, ensuring they were suitably equipped to deal with consumer, trade and media enquiries.

We also host regular tourism briefings with diplomats-designate prior to postings to ensure we align our destination marketing efforts and are able to create and find synergies. In collaboration with DIRCO, we hosted a record number of media to our country including representatives from TV, online (bloggers) and print (lifestyle and general) and achieved unmatched destination coverage.

We heeded a call to provide all embassies with promotional material prior to the World Cup, making material available for various activations across the globe. Our continued collaboration with South African missions represented in 133 countries gives us the critical opportunity to continue to build our brand awareness and deliver tourism arrivals.

Global product

Hosting

The hosting division designs and executes tailor-made itineraries for the hosting of trade, media and stakeholders.

- Over 307 media were hosted from 22 countries, which contributed to the overall media coverage of

R11 billion achieved by the organisation. Over 267 trade partners made 26 trips to the country last year on customised familiarisation trips. In addition 124 prize winners were welcomed to SA, some of whom joined the World Cup celebrations.

Emerging Tourism Entrepreneur of the Year Award (ETEYA)

The main objectives of ETEYA are to enhance the financial sustainability and development of the SMME sector within the tourism industry. The programme is sponsored by South African Breweries in partnership with the Tourism Enterprise Partnership (TEP).

We had a record 237 entries, an increase of 11% over last year. The nine provincial finalists were announced at World Tourism Day in Limpopo and the winner was announced at INDABA 2011.

Welcome Awards

The Welcome Awards recognise individuals and businesses that provide service excellence in tourism. The aim of the awards is to find shining examples of businesses in South Africa who are raising the standard of customer service.

The Welcome Awards are presented in nine categories and the judging panel comprises members of the media and participants in the South African tourism industry. First National Bank is the sponsor of the Welcome Awards and they are presented with the assistance of various tourism industry associations and bodies.

- Welcome Awards entries 2009/2010: 1 406
- Welcome Awards entries 2010/2011: 2 924 (increase of 108%).

Overall winners of ETEYA 2009/10

Name	Establishment	Province
Malmsey Rangaka	M'Hudi Wines	Western Cape
Boitumelo Tsheola	Tsheola Dinare	Gauteng
Tiveka Mathumbu	Tiveka Game Lodge	Limpopo
Tebogo Nare	Nare Travel and Tours	North West

Chief Marketing Officer's report continued

Welcome Awards winners

Business	Category
Cape Grace	Accommodation
Edge of Africa	Tour operators
Vergelegen Wines	Tourist attractions
School Of Tourism & Hospitality	Restaurants
Kapama Private Game Reserve	Parks
Flight Centre Gateway	Travel agencies
South African Reserve Bank Conference Centre	MESE
Collen Sibuyi	Tourist guides
City Lodge Hotels	On-line

Speed Marketing

The Speed Marketing concept was developed to give inbound tour operators the opportunity to 'meet' with South African products and experiences in lesser-visited areas – thereby not only increasing their product pool, but also increasing their destination knowledge and encouraging the introduction of new products, experiences and destinations, as well as increasing the length of stay in these areas.

Three sessions were held in Tzaneen, East London and George and a total of 250 products and tour operators participated.

Research workshops

A total of 555 products were trained on market insights to inform them about packaging for overseas markets and to provide insight on how to deliver an exceptional experience for the tourist.

Workshops are available for the UK, US, Germany, France, Netherlands, Italy, India, Japan, China, Australia, Domestic, Kenya and Nigeria.

The regions covered included: Gauteng, Mpumalanga, Western Cape, Limpopo, and Tshwane.

National Tourism Database

The National Tourism Database (NTDB) provides an opportunity for South African product owners to market their offering for free both nationally and

Did you know?

- In 2010/2011 SA Tourism hosted 307 members of the media, 267 trade partners and 104 prize winners
- The national tourism database, which lists 60 835 tourism related products, gives South African product owners the opportunity to market their product for free to a local and international audience on www.southafrica.net
- Over 200 major meetings have been secured over the next five years, attracting a potential 300 000 delegates and generating R1.6 billion in revenue
- Meetings Africa 2011 achieved a ROI of R5 million

internationally to a massive online travel audience. Other benefits of registering on the NTDB include: products are listed on the main site search, listing in the travel directory information search and product listings next to relevant articles.

The total number of records on the NTDB at the end of February 2011 was 60 835. Accommodation establishments represent the biggest category on the NTDB, accounting for 47% of all records, followed by activities and attractions which represent 27%.

Business Tourism

South Africa's infrastructural developments, world-class conventions and meetings venues, and the destination's ability and pedigree in hosting world-class events – coupled with the destination's welcoming nature and breathtaking scenery – is a major 2010 FIFA World Cup™ legacy which will benefit business tourism.

This aspect dominated messaging for business tourism during the 2010/11 financial year, in which Meetings Africa remained the biggest and most important project for the Business Tourism Unit. Meetings Africa 2011 delivered an exceptionally good show, attracting almost 3 000 attendees, an 11.7% increase, with a 39% increase in overall buyers, 197 media in attendance (a 70% increase)



Tourism Minister Marthinus van Schalkwyk at Meetings Africa 2011.

Chief Marketing Officer's report continued

and 123 international hosted buyers attending (a 5% increase). The show achieved a return on investment (ROI) of R5 million, a significant increase from last year which recorded a R3 million ROI.

Participation at marketing platforms such as IMEX in Frankfurt and EIBTM in Barcelona proved very successful in destination brand building, lead generation and relationship building.

In 2010 a total of 180 qualified leads were generated through these trade shows and other trade interactions, of which 69 were escalated to relevant bodies in South Africa to initiate bidding processes.

Encouragingly over 200 major meetings have been secured over the next five years which will bring in a potential 300 000 delegates and generate R1.6 billion in revenue.

Strategic partnerships with the South African Association for the Conference Industry (SAACI) and foreign chambers of commerce have broadened our marketing efforts.

In addition to the Business Tourism toolkit, the business tourism website was revamped to make it easier for meeting planners to find out more about South Africa as a unique business tourism destination and assist them with every aspect of planning a meeting in South Africa. In terms of global trends, it is encouraging to note that the incentive market seems to be ploughing itself out of recession with more corporates returning to book incentives and reflecting increased budgets. This should augur well for the inbound business tourism industry.

Events

The highlight of the 2010/11 fiscal year for the Events Unit was the role that it played in the World Cup. Between April and June 2010, the 'Fly the Flag' campaign, which featured the Diski Dance, mobilised people in every corner of our nation to support the World Cup. Over 200 corporate and government organisations in South Africa supported this campaign and over a million South Africans were reached through TV, radio, print, online and outdoor platforms.

Globally the Diski TV campaign reached over 1.4 billion viewers and over 463 000 visitors

interacted with this campaign on our website, 85% of them new visitors. The campaign achieved more than R4.6 billion worth of PR coverage globally.

During the period of the World Cup, the Events Unit successfully promoted South Africa at the International FIFA Fan Fests in Germany, Mexico, Italy, Australia, Brazil and France. Over 3.5 million consumers from these markets were reached. In South Africa, Diski dancers also performed at the FIFA Fan Fests in each host city, reaching over 2.6 million people.

SA Tourism placed information promoting key experiences of the host cities in the official FIFA guide which was distributed at all stadiums during World Cup matches. 3D adverts promoting South Africa were placed on 3D screens at OR Tambo International, Cape Town International and King Shaka International airports. Over 4 000 calls were logged at our call centre during the World Cup assisting foreign fans with information about accommodation, match information, host city information, etc. We also produced footage of each host city which was given to FIFA TV and aired before every match reaching more than 70 million viewers per match.

In July 2010 we were involved with the 2010 UCI BMX World Championships, held in Pietermaritzburg. Over 1 000 foreign competitors representing over

Did you know?

- SA Tourism footage of South Africa was broadcast before each World Cup match, reaching at least 70 million viewers per match
- SA Tourism's World Cup Diski TV campaign reached over 1.4 billion viewers globally and 463 000 visitors interacted with this campaign on the SA Tourism website
- For two years in a row INDABA has won the award for Africa's best travel and tourism show
- INDABA is a four-day trade event that attracts well over 12 000 delegates from the travel tourism and related industries

34 countries participated in the event and more than 3 000 foreign visitors attended the event. The event was broadcast globally to over 17 territories and close to 70 000 visitors visited the website. The event received over R25 million worth of media coverage.

In August 2010 SA Tourism supported the annual Joy of Jazz Festival in Johannesburg, hosting foreign journalists from its key African markets: Mozambique, Botswana, Angola, DRC, Nigeria and Kenya. The event generated over R14 million worth of media value and received over 1.4 million page impressions on the event website.

In January 2011, during the Indian cricket team tour to South Africa, SA Tourism hosted five leading sports and lifestyle journalists from India in collaboration with Ali Bacher. Through their visit SA Tourism received extensive coverage in leading Indian publications such as the February and March editions of Terrascope and The Hindu.

INDABA

INDABA 2010 was the biggest event on the African tourism calendar and was abuzz with trade, buyers, and exhibitors keen to capitalise on the World Cup. The number of registered exhibitors increased from 1 579 in 2009 to 1 813 in 2010, an increase of 14.8%. A strong greening approach to INDABA 2010 saw the event being classed as a Silver Class Environmentally Responsible Event, with an overall performance of 70%. The greening audit was carried out by Heritage Eco Events.

SA Tourism again managed and showcased many major events during INDABA, including the ETEYA Awards, the Opening Ceremony, the Global Media Face Off and the Welcome Awards.

Roshene Singh

Chief Marketing Officer

Portfolio overview: **Africa**



Phumi Dhlomo
Regional Director
Africa and Domestic

Our partnership with the television show 'Moments with Mo' and with Supersport allowed us to create excitement around the World Cup and we managed to reach people in markets that we traditionally did not work in.

Our work on the continent continues to yield the desired results, judging by the sterling performance achieved in 2010. Initially there were no MATCH-accredited tour operators from the continent for the World Cup, but we worked hard in forging partnerships and ended up getting two operators from East and West Africa to sell World Cup packages. This assisted us to create more excitement about the tournament and bringing more visitors to South Africa.

We have explored media partnerships that provide us access to markets around the continent. Our partnership with the television show 'Moments with Mo' and with Supersport allowed us to create excitement around the World Cup and we managed to reach people in markets that we traditionally did not work in.

Connectivity challenges on the continent have also challenged us to be innovative. We created mobi sites in English, French and Portuguese that are linked to our websites. Wide mobile penetration has allowed us to make travel information accessible.

The Middle East has now been added to the Africa portfolio and we successfully conducted workshops in Dubai in February 2011. We were joined by a delegation of 30 South African trade partners and over 100 trade partners in Dubai. As part of these workshops, we launched an 'I luv South Africa' brochure in both English and Arabic.

We entered into a joint marketing agreement with Kenya Airways, one of the main airlines on the continent. Through this partnership we have made travel packages easily accessible making use of various platforms, including on-board publications. We also work extensively with South African Airways throughout the African continent in all our marketing campaigns and the South African embassies play a significant role in our marketing efforts.

Research, which will guide our marketing efforts in 2011/2012, was done in Kenya, Nigeria, DRC and Angola. This allowed us to identify the potential within these markets and design route-to-market strategies. It also assisted us in identifying challenges, including visa processing and airlift, and we are doing everything in our power to eliminate these barriers, working with airlines and embassies in order to obtain more volume and value from these markets.

Did you know?

- Nigeria is the biggest African air market for South Africa; followed by Angola, the DRC and Kenya
- The Middle East has been added to the African Portfolio and successful workshops were held in Dubai in February 2011

Africa (excluding South Africa)

Tourist arrivals 2010:
5 741 177

Total arrivals 2009:

5 089 414 > Difference: 12.8%

Phumi Dhlomo

Regional Director – Africa and Domestic



SA Tourism has identified African air markets Angola, Nigeria, the Democratic Republic of Congo and Angola as countries with good potential for business and leisure travellers to South Africa.

Unit Report: **South Africa**



Nothando Mathe

Country Manager
Domestic and SADC

Statistics for the 2010/11 financial year show opportunity for growth and expansion, with more and more South Africans choosing to holiday in their own country.

Easy, fun and affordable

The Sho't Left campaign remains central to meeting our objective of finding new and innovative ways to encourage South Africans to travel around their country and to do so more often. Under this campaign we have executed a series of activities to demonstrate that travelling South Africa is fun, affordable and that there are numerous leisure activities and attractions to choose from in your own backyard.

We took advantage of the growing number of South Africans using their mobile phones to look for information. We created a mobi site to provide travel information and affordable deals that encourage people to take holiday breaks more often. We also made extensive use of social networks, including Twitter, Facebook and MXit, to reach out to our target audience.

These platforms also provided an opportunity for people to share their domestic travel experiences, spreading the news about the importance and affordability of domestic travel. Most domestic trade partners are also very comfortable loading the latest deals on the site, Sho't Left, which shows high usage. We recorded 780 000 hits on the site during this fiscal year.

We also continued to make use of traditional media including TV, radio, print and outdoor advertising. Our one-minute vignettes flighted on SABC 1, 2 and 3 and ETV, creating good overall awareness. Placement was done during prime time and around programming that best resonates with our target audience. On radio we adopted non-traditional approaches, making use of travel features,

competitions and outside broadcasts and also used DJs to endorse the Sho't Left campaign.

In partnership with Ukhozi FM, we highlighted and profiled a different province's leisure offering each week. Ukhozi FM DJs also ventured the length and breadth of South Africa to experience and explore the various leisure offerings, giving them content for their shows.

Our above-the-line campaigns involved various information-driven tactical strategies. Working with various provincial product partners such as uShaka Marine World, Shark Zone and Summerfield Adventures, we targeted 580 000 tourists on our national roads over the December holiday season. We distributed information vouchers on the roads leading to KwaZulu-Natal, the Western Cape, Mpumalanga and the Free State. We also targeted shopping malls in Gauteng and partnered with regional radio stations.

Our main tourism month event was held in Limpopo this year. The aim was to promote travel to less-frequented provinces. We also took 10 regional and national journalists on a familiarisation trip to Limpopo, generating media coverage to the value of R2.8 million. Other tourism month campaigns included partnering with local drama series, Rhythm City, to take the tourism message directly to our target audience.

Linking domestic travel to events remains one of our primary strategies. For the annual 60s festival, held in Nelspruit, we partnered with Thompsons Holidays, the festival organisers and the Mpumalanga Parks and Tourism Board to promote a fun bus travel



Minister of Tourism, Marthinus van Schalkwyk, on the Sho't Left Soweto Roadshow.

Unit Report: **South Africa** *continued*

package across all Sho't Left digital platforms. Music lovers from South Africa were invited to come and enjoy the festival and the province's tourism offering, making use of affordable travel packages as a hook. Macufe again provided another wonderful event-based opportunity. We partnered with the Free State Tourism Authority and Shosholozu Meyl to promote the Macufe party train in print media, radio and on the Sho't Left website.

The uptake on these packages was exceptional and, in most cases, the packages were sold out before the end of the promotion period.

The Cape Town International Jazz Festival was also promoted in partnership with Thompsons Holidays and packages sold out by 120%.

Our ongoing trade partnerships with kulula.com, Thompsons Travel and Infinity Holdings (Flight Centre, Student Flight, Corporate Travel) and our new partner – STA Travel and GoTravel – helped to make domestic travel exciting, accessible and affordable to South Africans. The partnership continues to make sure we give South Africans holiday options that are tailor made and also fit their budget.

To highlight the importance of domestic tourism, Tourism Minister Marthinus van Schalkwyk undertook a Sho't Left tour of Soweto on the back of a motorbike as a guest of the Soweto Sopranos Bikers Club.

Soweto is one of the most exciting, historically rich tourism destinations in South Africa. The intention of this campaign was to demonstrate that taking a Sho't Left does not mean only visiting places outside of your own town, but that you can explore tourism attractions in your own backyard.

All our activities during the fiscal year were also supported by a strong PR campaign. Through our campaigns, activations and media engagements we generated positive editorial publicity of more than R22.7 million this year.

In closing the fiscal year, the Minister of Tourism also visited the magical Limpopo; the land of myths, legends and stunning scenery. He was accompanied by Mary Sibande, one of South Africa's renowned artists whose journey took her to the heart of Limpopo at Ga-Modjadji Royal House and the cycad forest. This is where the Minister presented the 2011/12 Sho't Left marketing campaign with the emphasis on "the road less travelled".

Minister van Schalkwyk also released the official domestic forum figures which showed that in 2010 South Africans undertook 29.7 million domestic trips and spent R21.1 billion on domestic travel. And while the main purpose of taking a trip was still to visit friends and relatives, domestic travel for the primary purpose of holidaying showed an encouraging increase to 13.4% – up 1.4% on the previous year.

Holidaymakers accounted for the largest percentage growth of overall spend, contributing 31% to the annual domestic tourism spend of R21.1 billion.

For the first time in many years, we are seeing steady increases in key areas of frequency, overall spend and length of stay. While it is evident that marginally less South Africans travelled in 2010, the increases in spending patterns and regularity of travel have shown that South Africans are embracing a culture of travel as more than simply a break away from home.

Nothando Mathe

Country Manager – Domestic and SADC

Did you know?

- South Africans took 29.7 million trips in 2010 and spent R21.1 billion

South Africa

**Total domestic trips
2010: 29.7 million**

Total domestic trips 2009:
30.3 million > Difference: - 1.8%



Artist Mary Sibande features in SA Tourism's Sho't Left domestic tourism campaign.

Unit Report: **Angola**



Carolina Guerra
Trade Relations Manager
Angola

Following a portfolio review process in early 2010, Angola was identified as a core market.

Big spenders

Market visits and research were conducted to gain better insights into this market. Angola became a core market this fiscal year and for the first time, we have activated consumer awareness and trade interactions in the market. Angolans are high spenders and a lucrative market for South Africa.

Brand awareness campaigns were implemented through outdoor, print and radio channels. Marketing material has been produced and media hosting and partnerships are now in place.

A need was recognised in the market and subsequently BACK was selected as our PR agency in Angola.

A consumer activation was held at Bellas Shopping Centre, one of the biggest in Luanda. Four experiences which are popular in the market and resonate with the target audience were creatively showcased during the activation. We also used this opportunity to distribute flyers with travel packages and pertinent information, showcasing the destination and highlighting experiences relevant to the market. Judging by the number of people who participated in this activation, it was a success in terms of creating awareness, giving Angolans a taste of South Africa and a sense of how affordable packages to South Africa are.

Trade workshops were held and we were joined by a delegation of 11 South African product owners to assist us to showcase the destination and facilitate discussions on forming partnerships, which we hope will lead to the development of packages. A press conference, attended by 30 media partners, was held during the workshops where we were joined by the South African Ambassador in Angola and the South African Airways country manager.

Awareness of the country was also created through consumer campaigns using radio, print and television advertising. During this fiscal we also launched the Portuguese version of our mobi site that allows visitors to obtain general travel content about South Africa in their own language.

Did you know?

Angola

Total tourists 2010:
38 543

Total tourists 2009:
37 254 > Difference: + 3.5%

We also used media hosting extensively as events taking place in South Africa are very popular in this market. Media were hosted at the J&B Met and at the Cape Town International Jazz Festival. We received huge coverage and in future will package these events and sell them in Angola.

Five trade partners were hosted during the annual Africa Mega Familiarisation trip. These consultants were taken to the Western Cape, KwaZulu-Natal and Gauteng to get a taste of the various experiences offered by these provinces. The partners were exposed to innovative unique experiences in South Africa and this expanded their knowledge base, ultimately allowing them to sell the destination confidently in future.

We have recruited and appointed a trade relations manager, Carolina Guerra, in this market. With an office in Luanda, she will be instrumental in building relationships between us and the trade partners in this market. She will also liaise with the PR agency and provide information to trade partners.

The activities above yielded good results as there has been a 3.5% increase in the number of tourists compared to the previous fiscal year, despite barriers in the market such as visa processing and limited airlifts.

Carolina Guerra
Trade Relations Manager – Angola



The Angolan couple in the '20 Experiences in 10 Days' campaign visit a waterfall in Mpumalanga.

Unit Report: Democratic Republic of Congo



Phumi Dhlomo
Regional Director
Africa and Domestic

Following steady growth from 2002, arrivals from the Democratic Republic of Congo (DRC) have stabilised since 2008. South African Tourism still believes that the market has much potential.

An African holiday

In the Democratic Republic of Congo (DRC), a relatively new market for us, we work closely with the SA embassy and South African Airways. Our research has shown great potential for leisure tourism from DRC. Our focus has been on building trade relationships, educational trips and marketing material to help the trade to package and sell South Africa better.

We also printed pamphlets with all-inclusive packages. The travel agencies in these markets mainly focus on ticketing and therefore these pamphlets served as an introduction of all-inclusive packages to South Africa.

We launched our above-the-line campaign in this market to create greater awareness of South Africa as a leisure destination. The Departure Survey

reveals that the DRC visitors mainly visit friends and relatives. Our attempt to expose them to the leisure activities is to slowly start changing this pattern. The above-the-line campaign included the use of print, TV and radio and mobile. We also launched the French version of the mobi site, which provides content as well as packages in the DRC visitor's preferred language.

Media hosting was used extensively during the period under review. DRC media came on familiarisation trips during the J&B Met, Cape Town International Jazz Festival, Joy of Jazz and Meetings Africa. We designed itineraries to introduce the media to South Africa's leisure offering and we have received great in-market media coverage as a result of these media familiarisation trips.

We partnered with Vodacom to run the Miss Vodacom pageant in order to extend our awareness campaign in this market. This event is one of the biggest in the country and our campaign comprised of series of online competitions. The finalists were also hosted in South Africa and the footage taken during this hosting was flighted on major television stations in the DRC, combined with social media.

Four trade partners from selected travel agencies were hosted during the Africa Mega Familiarisation trip, which included visits to the Western Cape, KwaZulu-Natal and Gauteng.

We intend intensifying our awareness campaign in the coming fiscal year with more focus on the introduction of all-inclusive packages to the travel trade.

Phumi Dhlomo
Regional Director Africa and Domestic

Did you know?

- The DRC and Mozambique are regarded as investment markets in Africa by SA Tourism, while Kenya, Nigeria, Botswana, Angola and South Africa are considered core markets
- The DRC is the third largest source of African air arrivals to South Africa

Democratic Republic of Congo

Total tourists 2010:
31 285

Total tourists 2009:
30 982 > Difference: + 1%



SA Tourism's campaign marketing in Africa is geared to travellers who are attracted to South Africa's vibrant nightlife.

Unit Report: East and West Africa



Hloni Pitso

Trade Relations Manager
East and West Africa

The 2010 FIFA World Cup™ provided South African Tourism with an opportunity to engage directly with potential visitors in Africa, especially in West Africa, with Ghana and Nigeria both qualifying for the tournament.

It's time for Africa

We conducted trade road shows linked to consumer activations in Ghana and Nigeria, with the aim of increasing arrivals to South Africa during and after the World Cup. Thirteen South African product owners joined us on the road show to showcase South Africa to these West African nations.

In Ghana, 43 tour operators attended the workshop, this was followed by a media roundtable, attended by 25 media partners that centred around South Africa's readiness to host the tournament. In Nigeria 71 tour operators attended the trade workshop and 19 media partners attended the media roundtable.

In Nigeria we partnered with one of the top tour operators, Tour Broker International, to sell World Cup packages. We provided support in terms of media buy and also created media hype to ensure that there was greater uptake of these packages. The packages not only offered attendance to the matches, but also included tours to various tourist attractions. When Nigeria and Ghana qualified, demand automatically increased, not only from West Africa, but from the continent at large. Packages to KwaZulu-Natal saw an increase when Nigeria's base camp was announced as Richards Bay. In Kenya we partnered with Carlson Wagonlit to sell World Cup packages. We also supported them with media buy and in creating hype around the World Cup.

We joined the South African High Commission in Nigeria and Kenya for their Freedom Day

celebrations, where we distributed branding material and general travel information about South Africa and the World Cup. These packages were uploaded online and the micro sites for both these markets performed exceptionally well, with 250 000 hits for Nigeria and over 50 000 hits for Kenya during the fiscal year.

INDABA presented us with an opportunity to create excitement and educate our trade partners in both markets about South Africa's leisure offering. Ten trade partners and media partners from Kenya and Nigeria were hosted during INDABA 2010.

During the opening game of the World Cup we worked with the South African High Commissioners, who invited guests to a viewing at which we promoted the destination.

After the successful hosting of the World Cup, we partnered with nine travel agencies from both Kenya and Nigeria by signing joint marketing agreements (JMAs) to carry on marketing our destination and build on the awareness levels created through direct mail and promotions on radio, print and online.

Additional in-market trade workshops took place and 42 tour operators attended in Kenya and 75 in Nigeria. Top editors and media owners were hosted at dinners in a bid to strengthen relationships and influence content.

To increase the uptake on Fundi, we ran a competition from November 2010 to February 2011 with our JMA partners. The first 10 consultants in



20 Experiences in 10 Days Nigerian couple experiencing the Three Rondavels in Mpumalanga

Unit Report: **East and West Africa** continued

each market to complete the course stood a chance of winning a trip to South Africa. This provided us with a platform to make a proper selection on who should attend the annual Africa Mega Familiarisation trip. The consultants hosted had successfully completed Fundi and were able to experience what they had learnt on the programme, while further enhancing their knowledge of the destination. They were treated to activities in three provinces – KwaZulu-Natal, the Western Cape and Gauteng. We had 85 consultants register for the course and 41 consultants completed it.

In February 2011 we hosted 10 MDs of trade partners and 11 media partners from East and West Africa during Meetings Africa.

Over the years there have been numerous problems in Nigeria with the issuing of visas to South Africa. We worked with the South African High Commission to Nigeria and held a press conference where we announced the outsourcing of visa processing. The media appreciated this news and we are starting to see a change in perceptions of South Africa, as this issue was very damaging to our country's brand image. We also hope this will assist our trade partners to seamlessly sell South Africa, knowing that entry issues have now been resolved.

Hloni Pitso

Trade Relations Manager – East and West Africa

Did you know?

- South Africa captures more than 50% of total outbound departures from African countries
- The African market is growing - Africa witnessed a remarkable growth in GDP

Kenya

Total tourists 2010:
29 089

Total tourists 2009:
25 581 > Difference: + 13.7%

Nigeria

Total tourists 2010:
46 853

Total tourists 2009:
42 651 > Difference: + 9.9%

Unit Report: Southern African Development Community (SADC)



Nothando Mathe

Country Manager
Domestic and SADC

The 2010 FIFA World Cup™ was a fantastic opportunity for our neighbours to travel to South Africa to share in this once-in-a lifetime experience.

Hello Neighbour

The World Cup did have an impact on regional tourism. In our target markets of Botswana and Mozambique, tourist arrivals in 2010 increased by 4.7% and 6.9% respectively – despite the economic challenges facing these markets.

We hosted four trade partners and 10 media from Botswana and Mozambique at INDABA 2010.

The World Cup provided us with a great opportunity for hosting and for obtaining coverage of South Africa in the SADC market. Eight members of the media from Botswana and Mozambique were invited to experience what South Africa had to offer beyond the 90 minutes of football. They were exposed to the euphoria brought on by the tournament and this gave them a taste of who South Africans really are, hopefully changing perceptions about the country in these markets.

Our marketing efforts were intensified after the World Cup festivities. We identified that SADC visitors are interested in events taking place in South Africa and that these prompt them to take frequent leisure trips to the country.

Music and fashion lovers from Mozambique and Botswana were invited to enjoy a number of events in South Africa through promotions on radio, print and online. These included the Macufe Cultural Festival, J&B Met, Mpumalanga 60s party, 60s North West, the Cape Town International Jazz Festival and

the Joy of Jazz. All the packages promoting these events for the domestic market were extended to these markets, as a way of encouraging travellers to explore tourism attractions when they visit South Africa. The uptake was very good, proving the effectiveness of event marketing. Media were hosted to write about the events and positioning the attractions.

Our website, which saw 90 000 hits during the fiscal, continues to show positive, albeit slow, growth.

In an ongoing attempt to grow and sustain travel to South Africa, the 'My South African Adventure' campaign, using experience ambassadors, was continued in 2010. These ambassadors were invited to South Africa to sample a range of leisure experiences in all nine provinces.

Our above-the-line campaign positioned South Africa as a dream destination. The marketing mix included a building wrap, municipal bus branding, a sixty-second TV commercial and the promotion of a range of travel packages in newspapers and on radio.

South African Tourism launched a Facebook page www.facebook.com/traveltoSouthAfrica for both Mozambican and Botswana travellers interested in exploring South Africa. We also launched our Portuguese mobi site, which now allows us to talk to travellers in Mozambique in their preferred language.

We hosted 10 partners from Mozambique and Botswana during the annual Mega Familiarisation

Unit Report: **Southern African Development Community (SADC)** *continued*

Trip to experience the Western Cape and KwaZulu-Natal.

In Botswana we forged a partnership with the organisers of the Botswana Defence Force High Tea event in November. This is the annual event of a social club made up of the wives of high-ranking army officials. This was done to re-ignite interest and publicity for South Africa.

In March 2011, South African Tourism, along with travel partners AT&T Travel, Seabelo's Travel and Tours, Travelwise and TRL Travel, teamed up at the Riverwalk Mall to turn travel plans into travel realities. Consumers had an opportunity to ask about desirable leisure packages to South Africa.

Mozambicans love going to the beach and we will be introducing cruise tourism to corporates and consumers. An activation took place at Port Maputo when a cruise ship docked and members of the media were given an opportunity to embark and enjoy an hour-long tour guided by the ship's captain.

Nothando Mathe

Country Manager – Domestic and SADC

Did you know?

- SADC accounts for nearly three-quarters of foreign arrivals to South Africa
- More than 60% of tourists from SADC use land-based transport

Mozambique

Total tourists 2010:
1 051 502

Total tourists 2009:
983 739 > Difference: + 6.9%

Botswana

Total tourists 2010:
507 042

Total tourists 2009:
484 258 > Difference: + 4.7%



Botswana Defence Force Women's dignitaries were hosted at a High Tea event in November 2010.

Portfolio overview: **Americas, Asia and Australasia**



Evelyn Mahlaba

Regional Director
Americas, Asia and Australasia

2010 was a hugely positive year for all regions in the portfolio, which includes Australia, India and the USA as core markets and Brazil, China (including Hong Kong) and India as investment markets.

Tourist arrivals in the Americas, Asia and Australasia regions grew considerably in the 2010/11 financial year. The Americas grew by 37.8%, an additional 124 736 tourists, driven by growth in the USA (22.6%) and Brazil (66.7%). Asia and Australasia grew by 34.6%, with increases in all our markets. China (including Hong Kong) and Australia posted high growth, with growth of 62.3% and 30.4%, respectively. India grew by 29.7%, Japan by 34.4%, with South Korea, serviced through the Japan office, recording a 22.2% increase.

Our overall strategy in the investment markets was to partner with the travel trade and media in order to achieve our objectives. The in-country trade partnerships gave us the opportunity to engage with consumers in relevant platforms and educate the trade on how to best package, promote and sell South Africa effectively, using different activities and tools. Trade workshops, road shows, digital platforms, familiarisation trips, INDABA and Meetings Africa ensured that we link South African products and service providers with the in-country trade to increase familiarity of the South African holiday and business tourism experiences and increased opportunity of bookable itineraries.

Media partnerships and engagements were critical in ensuring that relevant content from trustworthy endorsers showcased South Africa on different media platforms. These partnerships afforded us the ability to have extensive consumer reach through publications that would have been otherwise expensive to activate.

The World Cup afforded us the opportunity to increase our activities in football crazy Brazil, thus resulting in brand awareness increasing to 74% in November 2010. The Diski Dance was featured on most television programmes and a group was trained as Diski dancers, giving the dance the flair and flavour of the samba which was popular in both Sao Paulo and Rio de Janeiro. South Africa received two awards as the best destination by the Brazilian travel trade.

Plans for the coming fiscal year include extending our efforts in Brazil, starting with increasing our market intelligence through research to fully understand the market, consumers and trade insights in order to know what levers to pull to increase our brand positivity and tourist arrivals.

For the rest of the region we will continue to find innovative ways to market our brand and engage stakeholders in brand building.

Evelyn Mahlaba

Regional Director – Americas, Asia and Australasia

Did you know?

- South Africa received two awards from the Brazilian travel trade in 2010

**Total tourists 2010:
846 091**

Total tourists 2009:
621 655 > Difference: + 36%

VOGUE

INDIA

APR 2011
₹100

MEET
INDIA'S NEW
SUPERMODEL
ASHIKA PRATT

THE TRAVEL ISSUE

- How to jet-set in style
- Best-kept shopping secrets from across the world
- The most glorious hotels & unforgettable experiences

ANIMAL
PRINT

How to master
the trickiest
trend of
the season

YOUR
MUST-HAVE
SUMMER
BEAUTY
ESSENTIALS



South Africa featured in a cover spread of Vogue India, April 2011.

Unit Report: United States of America



Sthuthukile Zungu

Country Manager
United States of America

A massive social media World Cup campaign bore fruit for South Africa in the United States of America, with the country sending more people to the first African World Cup than any other international country.

World Cup Winner

Tourist arrivals out of the USA were strong this past year, well beyond the months of June and July. The average growth generated in the months following the World Cup (+25%) gives hope for a US economic recovery.

Social media grew in importance and actually became pivotal as a platform for most of our World Cup-related campaigns. The global Diski dance campaign was brought to life in the US through Facebook, YouTube, MySpace, Google, WAYN and through a partnership with Coca-Cola, an official partner of the tournament.

In total our social media campaigns resulted in 10 313 852 web impressions in the US, with 52 000 people visiting our Diski microsite; while over 330 000 watched the promo videos we created with internet dance sensation, Matt Harding. In addition, we hosted a Washington-based youth soccer team and the Chicago-based Joffrey Ballet dancers. Their trips were covered on Fox Soccer Channel, which broadcasts to over 35 million homes and on ABC 7 Chicago.

To further amplify the buzz around the World Cup and increase South Africa's brand appeal we created a 'Shout Out' campaign which gave consumers the opportunity to send a 'Shout Out' to South Africa as the first African hosts of the World Cup.

The campaign was driven by celebrities who each created a 'Shout Out'. Participating celebrities included: Mary J. Blige, Jay Z, Sean 'P Diddy' Combs, Wyclef Jean, Magic Johnson, Queen Latifah,

Ludacris, Flo Rida, Chris Rock, Russell Simmons, T.I., Mike Tyson, and Kanye West. Over the three months of the campaign more than 5 000 'Shout Outs' were received.

To leverage the awareness created by the success of the World Cup we implemented a strategy to keep South Africa top-of-mind with US travellers. We began by conducting comprehensive consumer focus groups and trade forums in key cities around the USA in order to better understand our target segments and their changing needs and perceptions. Armed with this data, we effectively relaunched an updated online deals platform offering pre-negotiated value-for-money packages with our trade partners, on southafrica.net. We also made our first foray into regional television and radio advertising with major campaigns running in New York, Los Angeles, Florida, Seattle and Houston; each promoting special deals and showcasing the various storytellers who have been hosted in South Africa.

South Africa's presence on national television in the US was given a boost with the successful hosting of the hit ABC reality television series 'The Bachelor' in November 2010. The show filmed its final two episodes of their tenth season in South Africa. This exposed the destination to an audience of over 20 million viewers. The episodes, which aired in February and March 2011, broke records for generating website visitors, as well as driving bookings. Our promotions around 'The Bachelor' centered on positioning the destination as the ultimate safari and adventure destination.



Consul General Fikile Magubane and a group of students from Pretoria University ring the NASDAQ stock market opening bell in New York, in celebration of the opening day of the 2010 FIFA World Cup™ on 11 June 2010.

Unit Report: **United States of America** *continued*

Collaborating with various South African agencies and government departments remains key to our activities. Together with our embassy and consulates we hosted a number of press conferences centered on the 2010 FIFA World Cup™. We also had a presence at the annual Fancy Food & Confection Show with the Department of Trade and Industry and, together with our mission to the United Nations, presented the country to over 200 UN Ambassadors.

Media partnerships are central to our marketing efforts. The activities have included collaboration with the New York Times on The Taste of T (a culinary show aimed at their top clients and readers); Uptown Magazine; Food & Wine magazine at their annual Aspen Food Classic; Outside Magazine where we ran a photo competition; with the Knot, (the largest honeymoon repository) where we ran a programme on South Africa; and with the Smithsonian, where SA customised programmes ran in all their Washington museums.

Our hosting calendar in total brought 38 journalists, 72 travel agents and 39 trade representatives to South Africa.

We exploited every opportunity to engage the trade, educating and supporting them to increase their sales to our destination. We kicked off the year with Minister Marthinus van Schalkwyk hosting our first ever Ubuntu Awards – recognising outstanding trade partners in selling South Africa. The joint marketing programme, dubbed 'Recipe for Success', saw 78 tour operators submitting creative proposals for promoting the destination and eight received awards. We also re-launched our Fundi specialist training programme with a new, more interactive, online campus.

The promotion of business tourism continued with our participation in the Incentive Travel Exchange, the ASAE annual meeting and expo and IT&ME. In addition the team hosted a luncheon with Minister Van Schalkwyk, where 32 influential incentive buyers were in attendance.

To obtain our goals for the next fiscal year, we will continue to build on the achievements of 2010.

Sthuthukile Zungu

Country Manager – United States of America

Did you know?

- SA Tourism's World Cup social media campaigns in the USA resulted in 10 313 852 web impressions
- According to travel advisers Virtuoso SA is the 3rd most requested long-haul destination by high-end clients in 2011

United States of America

Total tourists 2010:
282 377

Total tourists 2009:
230 324 > Difference: +22.6%

Unit Report: **Australia and New Zealand**



Lalie Ngozi

Country Manager
Australia and New Zealand

The Australasian market remained relatively unscathed by the global economic crisis in 2010, leading to an extremely positive year for international travel.

Attracting Aussie dollars

Australian travellers continued to tour overseas, with a 4.5% increase in international departures in 2010. The only disappointment for South Africa is the recent removal of Virgin Australia's service from Melbourne to Johannesburg, which launched a year ago and ceased operation in February 2011. This year has seen continued support for South Africa as a key destination and the popularity of the 2010 FIFA World Cup™ amongst Australians and New Zealanders assisted in driving ticket sales and capacity. During the month of the World Cup, arrivals from Australia reached 12 201. Over 47 000 tickets were sold to Australians, making Australia the fifth most popular market for the World Cup.

Australians were exposed to the World Cup in more ways than one, with the International FIFA Fan Fest in Sydney giving fans the opportunity to cheer on their national team (the Socceroos) from home.

South African Tourism's Celebrity Ambassador Programme continued in 2010, with local soap star (Home and Away), Kate Ritchie, choosing South Africa as her honeymoon destination. Travelling to Johannesburg, Madikwe Private Game Reserve and Cape Town, Kate and her husband had only high praise for our country.

At the end of March 2010 SA Tourism hosted Australia's premier television show, Getaway, on a trip to the host cities where the Socceroos were to play their first round matches of the World Cup – Durban, Johannesburg and Rustenburg.

Fairfax Digital journalist, Phil Lutton, travelled to Johannesburg, explored Sun City, Rustenburg and

the Royal Bafokeng Stadium and finished in Durban, writing countless online stories on what the Socceroos could expect from their trip to South Africa.

Nine media were hosted at INDABA followed by a post-event familiarisation trip to Mpumalanga and the Eastern Cape.

Five buyers were hosted at INDABA and after the event were taken on a trip to the Elephant Coast in northern KwaZulu-Natal.

Family travel was highlighted by a self-drive by editor Elissa Elwin of Out and About with Kids.

At the start of 2011 Australian eco-journalist, Caitlin Howlett from G Magazine joined the Global Eco Familiarisation to Makuleke Camp to experience eco-training and tracking. In February three journalists enjoyed a familiarisation trip to Johannesburg, Mattanu Private Game Reserve, Grootbos and Cape Town.

The annual campaign, My South African Adventure, launched shortly after the World Cup, included Australasian market activations such as consumer and trade promotions run in print, online and broadcast media aimed at extending the Australian traveller's knowledge of the country and what it has to offer. A radio competition was run on Sydney and Melbourne's leading AM radio stations 2GB and MTR. The total value of SA Tourism-generated articles from January 2010 to December 2010 was nearly R85 million.

The focus of broadcast and online advertising was on SBS TV and SBS online as they had the rights to the broadcast of the 2010 FIFA World Cup™ in Australia. The print campaign was run in Vogue, and selected travel magazines.

Unit Report: **Australia and New Zealand** *continued*

To further promote the global adventurers wanted campaign, SA Tourism held an on-street event at Sydney's Circular Quay in May. BMX riders and a large rock-climbing wall were set up in the city's popular waterfront position.

To further support the My South African Adventure campaign activations, an Australian dedicated blog was set up at <http://blog.southafricantourism.com.au/> as well as a dedicated Australia Facebook Page – Aussies Travelling to South Africa and one for New Zealanders, Kiwis Travelling to South Africa. To capture the real-time excitement of the World Cup, a Twitter page for the Australian and New Zealand markets was also established.

Visitors can now have all their travel questions answered by the local South African Tourism office with the new Facebook and Twitter pages offering a unique two-way communication between travellers and South African Tourism.

Consumer deals were developed and showcased with partners such as Intrepid Travel. The SA Tourism online deals page was also updated so that Australian travellers could find the best South Africa deals on www.southafrica.net.

The trade familiarisations, held in conjunction with Harvey World Travel in October, Stella in December, and South African Airways in February 2011, provided valuable opportunities for trade to experience South Africa and its unique offerings.

Throughout August and September, SA Tourism hosted trade showcase events across the country. Held in unique venues such as Sydney's City Recital Hall, SA Tourism offered agents a chance to discover South Africa through film. Partners at the event provided three to five minutes on their product which was edited into a feature film, taking agents on a journey across the country to see its properties, product and experiences. The showcase gave travel agents the opportunity to gain valuable product knowledge, while networking with airlines, 16 Australian wholesalers and South African operators.

Business tourism was a focus in 2010 and 2011 with a number of hosting and educational opportunities

for the Australian business tourism trade and media including IMEX, AIME and Meetings Africa, which saw four journalists cover the event as well as post-event familiarisations in Cape Town, the Eastern Cape and Limpopo. Imbizo 2011, the educational event for the Business Tourism trade in Australia, was held in conjunction with the trade showcases across the country.

Our focus for 2011 is to engage with consumers in a unique and memorable way, highlighting the need to travel to South Africa now and not to wait. We will continue to highlight the unique product and unforgettable adventures and experiences on offer to travellers heading to South Africa.

Lalie Ngozi

Country Manager – Australia and New Zealand

Did you know?

- SA Tourism-generated articles equated to R84 million worth of coverage in Australia and New Zealand in 2010
- Australians bought 47 000 tickets for the 2010 FIFA World Cup™, making them the fifth largest market for tickets

Australia

Total tourists 2010:
107 905

Total tourists 2009:
82 753 > Difference: +30.4%

New Zealand

Total tourists 2010:
19 801

Total tourists 2009:
18 042 > Difference: +9.7%



A festive FIFA Fan Fest in Sydney, Australia during the World Cup.

Unit Report: China



Bradley Brouwer

Regional Manager
Asia Pacific

The 2010 FIFA World Cup™ greatly enhanced the image of South Africa as a tourist destination in China. This resulted in an increase in tourists of 62.3%, with 68 309 Chinese travellers choosing to visit South Africa in 2010.

Singing SA's praises

A new South African Tourism office in China was opened by Minister of Tourism, Marthinus van Schalkwyk, during a very successful financial year.

To better capitalise on growth opportunities in China, SA Tourism's 2010 campaign included a series of familiarisation tours, joint media promotions, trade events and broad consumer engagement.

We launched a South African travel book, SA! SA!, in Beijing and Shanghai. This was the first Chinese language travel storybook published by South African Tourism in China. The book includes 13 Chinese celebrities' personal South African travel stories, as well as 10 Chinese photographers' pictures of our destination. More than 1 200 photos are featured including practical information on hotels, airlines, restaurants and travel tips.

Seven familiarisation tours were arranged for the media, including one to the Cape Town International Jazz Festival, to INDABA 2010, for the World Cup and a Flower/Food lifestyle tour in September.

A popular Chinese musician Zhang Yadong was invited to join the Cape Town Jazz Festival media tour. Eleven media also joined the trip to record and film the famous musician and the splendid jazz programmes of the festival. Voyage Magazine put Zhang Yadong's South African trip on the cover of its May issue and generated 10 pages of coverage on the musician's South African travel experience.

HIT FM Radio and Hong Kong's Phoenix TV also produced programmes on the festival. There was also substantial related online coverage, including updates on Zhang Yadong's blog.

In the run-up to the World Cup period, popular music poet Li Jian shot a music video for his song 'Cape Point'. The video showcases the beautiful scenery, culture and people of South Africa. The music video was broadcast on many TV channels and websites, receiving great reviews from audiences.

Trade workshops in Beijing, Shanghai and Hong Kong with 20 South African products participants; round table talks in August; a seven month long trade tribe leader campaign; and the joint sales campaign with Travel Link Daily; were the four trade activities that enabled us to engage 1 853 travel agents on how to package, promote and sell South Africa's holiday experiences.

We partnered with World Traveller Magazine to promote word-of-mouth engagement and to encourage consumers to interact with our brand. Readers were invited to upload videos, pictures and music related to South Africa onto kaixin.com or renren.com – the two most popular social media websites in China. The two people with the most popular uploads were hosted in South Africa. Their SA holiday experiences were recorded and two 40-minute episodes were produced and were flighted on subway TV in Beijing and Shanghai for several months.



A Chinese couple's experiences in South Africa featured prominently in the second phase of the 20 Experiences in 10 Days marketing campaign.

Unit Report: **China** continued

From January to April 2011 we reached an estimated 15 million consumers in Beijing and Shanghai with an intensive visibility campaign to convince potential travellers to visit and engage with our brand. We used key consumer intersection points such as subway train wraps and outdoor billboards close to the international airport in Beijing to intercept and inspire consumers.

Media partnerships are the most important arm in our marketing efforts to ensure that journalists are fully informed about South Africa. As such, we embarked on a four-city road show to Beijing, Shanghai, Chengdu and Guangzhou in February and a total of 100 journalists from 92 media companies attended round-table talks held in these cities. The objective of these round-table talks was to inform them about our 2011/12 strategy and campaigns.

Our Chinese website and relevant social networks are important tools for information dissemination to our target audience and trade and we continually search for solutions to improve in this arena to ensure brand building and loyalty. Currently we have 100 000 fans on sina.com.cn, sohu.com and qq.com blog.

Looking ahead, SA Tourism aims to take advantage of the tremendous growth opportunities that exist in

China, especially as more consumers in secondary cities benefit from strong economic development, resulting in the emergence of a huge middle class with the resources and desire to travel overseas. Spurred on by the World Cup success in 2010 and its legacy, we will work closely with all our partners to score greater successes in 2011.

Bradley Brouwer

Regional Manager – Asia and Pacific

Did you know?

- A new SA Tourism office was opened in Beijing in 2010 to capitalise on the major growth opportunities from this booming market
- SA Tourism has 100 000 fans on sina.com.cn, sohu.com and the qq.com blog

China

**Total tourists 2010:
68 309**

Total tourists 2009:
42 083 > Difference: +62.3%

Unit Report: **India**



Medha Sampat
Country Manager
India

India is a sports-hungry nation keen on leisure, adventure and value-for-money holidays, all of which South Africa offers in abundance.

Sporty South Africa

Building on the success of our marketing efforts around the Indian Premier League 2 (IPL 2), we used the World Cup to work closely with various Indian news channels. The team in India assisted the channels to identify local stories and lined up interviews for them during the event to fill up colourful news items on prime sports bulletins.

This gave the channel engaging fillers between games and highlighted the country as a tourist destination with much to offer. The campaign not only reaffirmed South Africa as a prime sporting destination, but also gave the Indian traveller a sneak-peak of the beauty of the South African landscape.

As a tourism marketing organisation, we realised the need to feed the local market's curiosity about all that was happening in the rainbow nation. This resulted in many successful campaigns to connect with tourist and channel partners on a much more aggressive, yet personal, platform from the Mumbai office.

From a business-to-consumer perspective we launched an outdoor advertising campaign across 17 cities in India. This campaign showcased South Africa at 150 outdoor locations in highly populated spots in cities and metros, ensuring maximum visibility and reach.

To ensure that frontline executives were well-informed on South Africa's holiday experience, the 'Learn South Africa' training programme was

launched in July 2010 in 12 Indian cities. Through joint marketing agreements with agents and various trade engagements we ensured that our trade partners were kept well informed by providing them with relevant literature for their customers and worked with them to create value-added packages. At Meetings Africa we hosted five trade partners and made them aware of potential opportunities for MICE (Meetings, Incentives, Conventions and Events) programmes.

The best of the tourism industry in South Africa was highlighted to Indian partners via a three-city road show and INDABA 2010 in South Africa. During INDABA 2010 we hosted two travel trade publications and one business news channel. The three-city road shows showcased 32 suppliers from South Africa, who interacted with over 1 000 representatives in India.

Throughout the year we engaged with the media through a number of exclusive tie-ups. During the World Cup we signed-on electronic media groups Network 18 and Aaj Tak to run Diski Dance videos. NDTV Good Times, a leading lifestyle channel, did a five-part series highlighting the wine routes of the Cape. In order to expand the content, we co-ordinated itineraries, sight-seeing, recreational activities and interviews with travel partners.

Leveraging on the global media partnership with Vogue magazine, SA Tourism put together a four-part series highlighting different aspects of South Africa with its Indian publications. Although we focused our efforts on the lifestyle media, we also ensured that

Unit Report: **India** continued

we reached a greater audience by organising a regional media familiarisation trip.

High-end marketing partnerships were undertaken with brands such as Mercedes Benz, Jet Airways and the Leela Hotel in India. At an event in Hyderabad, Mercedes Benz and Jet Airways provided discount packages to customers during the event days. An exclusive business talk on opportunities in South Africa was also organised for entrepreneurs in Hyderabad. Together with the Leela Hotel in Bengaluru, we organised a recreational event for top-end clients centred around the 2010 FIFA World Cup™.

To further familiarise the Indian market with the South African landscape we hosted a familiarisation trip with Emirates airline and ERM Tours to showcase the luxurious aspects of the country. We also hosted a celebrity couple to highlight adventure tourism in the country.

We are pleased to report our marketing efforts during the year have paid off with a 29.7% increase in arrivals from this market. We are happy to report that South African Tourism was awarded a Bird Express Travel Award in India for 'Excellence in Operations' and 'Excellence in Innovation' for the innovative media activities carried out during the IPL in 2009.

We are looking forward to fulfilling our objectives for the 2011/12 fiscal year by building on the foundation of the 2010 campaign. Increasing our brand awareness to our target segments – coupled with trade education of the available South African tourism experiences to increase sales, trade and business partnerships – is how we plan to win in this market.

Medha Sampat

Country Manager – India

Did you know?

- SA Tourism's innovative media activities carried out during the IPL in 2009 earned the organisation two Bird Express Travel Awards in India
- India and Australia have been identified as core markets in Asia and Australasia for SA Tourism, while China and Japan have been identified as investment markets

India

Total tourists 2010:
71 587

Total tourists 2009:
55 203 > Difference: +29.7%



The Indian couple in the '20 Experiences in 10 Days' campaign enjoy a safari experience in Mpumalanga province.

Unit Report: **Japan**



Bradley Brouwer
Regional Manager
Asia Pacific

The Japan office made the most of the country's celebrity status, working with a number of 2010 FIFA World Cup™ partners to increase awareness about the destination and improve arrivals.

Big in Japan

Being one of the countries that qualified for the World Cup, there was no shortage of hype about the tournament in Japan. This gave SA Tourism the opportunity to provide consumers and media with SA holiday experience offers at a number of World Cup-related events. These included the Coca-Cola FIFA World Cup trophy tour; Visa Shinjuku Station Square activation; and Adidas' Sala Festa 2010 at Samurai Blue Park in Harajuku.

Our strategy was to engage and partner with the travel trade in order to achieve our objectives in this market. In July, the annual trade road shows in Osaka and Tokyo attracted 35 South African products and 350 Japanese trade partners and media. For the first time a seminar was incorporated into the road shows to educate first-time sellers of South Africa on how to package, promote and sell our holiday experiences effectively.

Our relationship with JATA (Japan Association of Travel Agents) continued with our participation at the JATA World Travel Fair, the biggest travel fair in Japan, where we showcased iconic South African itineraries to 685 trade and 111 232 consumers who were in attendance. To promote less-visited provinces we participated in the 75th JATA New Product Seminar in October. We also supported numerous trade partners with information during

consumer seminars. These platforms afford us an opportunity to engage with consumers directly.

Digital communication is massive in Japan and our target consumer segments use different digital platforms in their day-to-day life. As such we launched two online campaigns to ensure South Africa is the place to be. The first campaign was 'Take Me to South Africa' and targeted first-time visitors. The campaign's call to action was for consumers to share inspiring messages and stand a chance to win a trip to South Africa. The second was 'Picture Perfect', where travellers were invited to share their South African experiences through photos and stories to stand a chance to win a trip to South Africa. The objective was to encourage endorsements of the country because word-of-mouth is the best source of travel information among our target consumers. Both the campaigns were in partnership with 4travel, a well known travel blog site, for a total of 11 months, with links to the SA Tourism Japanese site and FIFA accommodation travel partners' sites.

These campaigns also contributed to the 166 801 total website visits of 2010/11.

To showcase the South African diverse offering, we partnered with Ginza Cosy Corner, popular coffee and sweets shops, in their World Cup Dessert Fair. They featured original cup desserts from various countries, including a cup dessert using Rooibos



Extensive work and partnerships with the travel trade will continue to be a major focus of marketing efforts in Japan.

Unit Report: **Japan** *continued*

tea from South Africa. SA Tourism provided the host cities' brochure for its shops, as well as marketing tools and various gadgets for in-shop display at its flagship café in Ginza.

We supported the South African Embassy at its annual South African wine event at the Foreign Correspondent's Club in Tokyo and at its Mandela Day event for elementary international school students in Aoyama. Information and collateral on holiday experiences in SA were distributed and the 'Diski' Dance was popular with the students.

SA Tourism was one of the sponsors of Cinema Africa in November. The event, which is in its fourth year, introduces movies from Africa to Japan. 2010's theme was South Africa and featured a number of local movies.

Our goals for the 2011/2012 financial year are to work with South African and Japanese trade partners to create and promote various value-for-money price point itineraries that trade can confidently sell to their consumers. By providing rich content with welcoming and friendly messages we hope to build Japanese confidence in South Africa.

Bradley Brouwer

Regional Manager – Asia and Pacific

Did you know?

- SA Tourism participated at the JATA World Travel Fair in Tokyo attended by 111 232 people
- South African inspired desserts using Rooibos as an ingredient were sold at the popular Ginza Cosy Corner coffee and sweet shops

Japan

**Total tourists 2010:
27 577**

Total tourists 2009:
20 513 > Difference: +34.4%

Portfolio overview: **Europe**



Fiona Buchner
Regional Director
Europe

The 2010 FIFA World Cup™ boosted arrivals numbers from Europe, a continent still battling to recover from the global economic recession. The heightened awareness and positive sentiment the tournament brought bodes well for a positive year in 2011.

The European market had a tough start to 2010 with the continent still sitting in the shadow of the global economic recession. South Africa was fortunate to host a highly successful World Cup in the middle of the year, which delivered solid arrivals from Europe as a whole. This ensured that we closed 2010 with a solid 8.1% growth in arrivals compared to 2009.

South Africa's successful hosting of the world's biggest sporting event has seen awareness and positive sentiment blossom across Europe. This, combined with a more tangible economic recovery in most markets, resulted in a solid growth trend for the rest of 2010, setting us up well to enter 2011 with good growth prospects.

While the markets we have offices in, namely the UK, Germany, France, Italy and the Netherlands, all displayed solid growth levels of between 1.5 and 11%, we were particularly impressed with the growth from one of our investment markets, Sweden. With a growth of 11.9%, it showed great recovery in arrivals given the relatively small investment made.

We did leverage our investment to its maximum by implementing two joint marketing agreements focusing on consumer advertising and trade education. We also hosted a number of media, including a TV programme episode covering 100 things to do before you die which positioned South Africa successfully as a wildlife and adventure destination. We also partnered with the South African Embassy in Sweden to support a South African stand at TUR, a trade and consumer travel show in Gothenburg. This gave us the opportunity to meet

with over 30 Swedish trade partners during the fair and facilitate a networking session between these trade partners and South African product owners who exhibited at a highly successful trade networking dinner.

2011 is expected to be the year where recovery is fully entrenched in Europe and where post-World Cup positivity will return us to pre-2007 arrival numbers.

Fiona Buchner
Regional Director – Europe

Did you know?

- Tourist arrivals from Europe grew by 8.1% in 2010, with all markets in the region (except Ireland) experiencing growth
- Investment market Sweden showed impressive growth of 11.9% in 2010

Europe

Total arrivals 2010:
1 321 624

Total arrivals 2009:

1 223 020 > Difference: +8.1%



Dutch journalists were hosted by SA Tourism during the 2010 World Cup.

Unit Report: **France**



Linda Sangaret

Country Manager
France

Despite tough economic times in France and a difficult start to the year, there was an impressive increase in arrivals from this market. This was boosted by the success of the World Cup in June and July.

Be in the picture

To announce that 'the time' had indeed come, the year kicked off with a soccer activation in which SA Tourism negotiated to not only brand the Parc des Princes Stadium in Paris, but also the uniforms of the French Cup winning team, Montpellier. Montpellier subsequently qualified for European competition wearing the South African colours and 1.5 million people watched live and on television as World Cup mascot Zakumi kicked off the big match.

French journalists and trade and European associations were hosted by SA Tourism at the World Cup, allowing them to experience South Africa's capacity for hosting the biggest sporting event in the world. Needless to say nobody left disappointed and the word-of-mouth and PR publicity generated from the visit contributed to forward-bookings well into 2011, even before the World Cup ended. Largely boosted by the World Cup, total non-commercial media return on investment grew by 31% for the year to an all-time high of R7.02 billion.

Our overall campaign for the past year has been to position South Africa as a destination that brings the traveller closer than ever to nature with an emphasis on wildlife, scenery and respect for people and the environment. A number of ecotourism and general press trips were hosted and apart from valuable articles about fauna and flora, they also generated stories of experiences with the special South Africans they met as they travelled through the

country. The World Cup again reinforced in the French market the fact that what makes South Africa so special is the country's people. With this in mind SA Tourism France participated in a month-long South Africa festival in the town of Toulouse. More than 100 000 people visited the festival, which featured 300 South African artists, South African cuisine and an attractive travel offering.

Innovation remained a priority for us and two new projects were launched with the purpose of continuing to surprise the French with what our country still has to offer. An open-sky exhibition on South African biodiversity in the Alps was launched by Ambassador Dolana Msimang. This exhibition included 45 giant photos of South African fauna and flora in the most unexpected places – the skiing slopes of the Courchevel Resort. It has reached over 1.3 million high-end travellers over five months. The Rent-a-Vineyard project, which is an interactive website that uses wine as a theme to encourage consumers to learn more about our destination, was launched in September. Not focusing purely on wine, the initiative gave French people the surrounding context and different travel experiences they can have in South Africa.

Other marketing initiatives included two national cinema campaigns, radio, print and a large metro campaign that reached 10 million people over two weeks, taking them on a virtual South African safari adventure as they travelled to and from work on the French Metro.

Unit Report: **France** continued

The trade strategy was geared primarily at empowering the French trade to better sell South Africa. This was achieved through national road shows, in which 600 members of the tourism trade were trained. Online training was also made available on the websites of certain key partners.

Increasing arrivals to South Africa through joint marketing agreements (JMAs) and special offers negotiated with partners remained crucial in regaining market share and contributed to the growth in arrivals in 2010. We reached over a million potential travellers through five JMAs and 11 special offers were launched with key trade partners. The travel industry in both the medium and high-end sectors is very encouraged by our post-World Cup results. SA Tourism France recognised our trade partners for their continued commitment at the Ubuntu Awards ceremony, during which Deputy Minister for Tourism Tokozile Xasa addressed them and handed over awards.

Business Tourism has been high on the agenda. In November, Minister Marthinus van Schalkwyk attended an event organised in Geneva targeting international associations based in Europe. The Minister reinforced our bid to invite buyers to attend the first post-World Cup edition of Meetings Africa. A total of 35 buyers from Europe were hosted at Meetings Africa and another 31 were hosted at the SITE conference in December. Some tangible results include the decision by the International

Society for Nephrology to hold their 2015 World Congress in South Africa with the potential for 6 000 delegates and the decision to host the upcoming International Pharmaceutical Conference in South Africa in November 2011.

In the coming year, the strategy is to maintain the momentum we have built and consolidate our growth by taking our brand to new levels in a market that remains complex and very competitive. For this, innovation will continue to drive us as we become the first destination with a 3D cinema advert and 3D campaigns in the tourism arena.

Linda Sangaret

Country Manager – France

Did you know?

- 100 000 people visited the South Africa festival in Toulouse, France
- SA Tourism is the first tourism authority to bring out 3D adverts and campaigns to France

France

**Total tourists 2010:
115 401**

Total tourists 2009:
103 985 > Difference: +11%



Trade efforts in France are geared at empowering the French trade to be better equipped to sell South Africa as a destination.

Unit Report: **Germany**



Theresa Bay-Müller

Country Manager
Germany

Not only did thousands of German fans travel to South Africa for the continent's first World Cup, but South Africa received extensive coverage in Germany, giving South African Tourism an unprecedented opportunity to position South Africa as a welcoming nation.

Forever fans

The year 2010 was a positive one for South Africa in Germany. A total of 215 800 tourists (227 849 arrivals) travelled to South Africa during the year. This was a 9.7% increase over 2009, clearly demonstrating that the German economy and travel market are recovering.

For the duration of the World Cup, SA Tourism ran a fan-focused campaign called Fan Total. It centred around a partnership with T-online.de (one of Germany's largest internet service providers) and turned World Cup interest into a broader travel destination interest. A German celebrity, Jens, engaged fans on the World Cup and, at the same time, showcased South African experiences and its welcoming people as he travelled around the country. He also met up with long-standing destination ambassador, Ranger Hendrik, to experience the various safari options that South Africa has to offer. This campaign generated over €320 million in PR value and SA Tourism handled over 2 800 media enquiries in the run-up to the World Cup.

Over and above the World Cup campaign, we executed a 360 degree campaign with media partner BURDA. This campaign, Südafrika Hautnah (South Africa Close-Up), aimed to give Germans a close-up view of South Africa through celebrity endorsement. German celebrities shared their tips on travelling to South Africa – giving an alternative view of South Africa and setting new trends on the kind of things

people expect to do in the country. This content was showcased in media products across the BURDA stable, including ELLE, Wohnen & Garten, Freundin, Bunte Burda Online, Focus.de, Tripybytips and escapio.

The campaign was also promoted on the online shopping store buch.de/bol.de. This allowed for the integration of sales deals into the campaign, promoting South Africa as bookable and easy to experience.

This campaign generated over €200 million worth of coverage, thanks to the power of celebrity endorsement. Endorsements came from a range of celebrities including entertainer Michael Mittermeier, model Heidi Klum, German football fans on tour with celebrity Jens and Ranger Hendrik and sports star Franziska von Almsick.

During the fiscal year we also secured an agreement with Munich and Frankfurt airports to run a campaign to drive sales. Through this campaign we ensured that South Africa was in the face of the travelling consumer with an attractive price point underpinning the invitation of unforgettable experiences in South Africa. The campaign publicised an attractive sales offer to South Africa with our partner SAA which was printed on duty-free shopping bags, featured on floor projection banners after security check points and on mega-wall banners in the departure terminals, train stations and on commercials on Lounge TV.



A German delegation at a famous South African tourism backdrop, Table Mountain.

Unit Report: **Germany** continued

During the year we signed 18 joint marketing agreements with our trade partners and trained 3 700 agents on how to sell South Africa more effectively. All of our campaigns during the year involved a joint marketing agreement (JMA) in order to close deals and secure sales. The JMAs conducted included print advertising, billboard and online sales campaigns, familiarisation trips, press trips and point-of-sales activities all with a value-for-money price point.

Our 2011 campaigns aim to leverage the huge increase in awareness as a result of the World Cup. Our aim is to position South Africa as a destination that can deliver the enriching meaningful experiences that speak to Germans' special interests, to promote our message of a welcoming people and to continue to source and promote word-of-mouth endorsement.

The German SA Tourism office is also pleased to report that it was awarded Best Tourism Office for 2010 by the trade in Germany. This sought-after accolade is evidence of the high-quality partnerships that SA Tourism has developed with trade partners in the market.

Theresa Bay-Müller

Country Manager – Germany

Did you know?

- The German SA Tourism office was awarded the Best Tourism Office for 2010 by the trade in Germany
- SA Tourism's World Cup campaign, Fan Total, generated €320 million in PR value for destination South Africa

Germany

**Total tourists 2010:
215 800**

Total tourists 2009:
196 643 > Difference: +9.7%

Unit Report: **Italy**



Lance Littlefield
Country Manager
Italy

A total of 54 614 Italian tourists travelled to South Africa in 2010, resulting in an overall increase in arrivals of 8.7%. This exceeded expectations and confirmed the growing appetite for South Africa in the Italian market.

Ke Nako SudAfrica

South African Tourism Italy aimed its marketing campaigns at all levels (consumer, trade and media) and focused its events and partnerships around the World Cup in particular. Viral marketing and social networks were key to our promotional strategy.

A multi-functional space where visitors could obtain information, literature and materials about South Africa was set up in Milan during the World Cup and open for the full month of the tournament. Aimed at travel agents and the general public, it featured interactive multi-functional workstations, touch-screens and video installations that gave a comprehensive presentation of the cities and provinces hosting the World Cup. South Africa House also hosted World Cup themed events, including local wine tastings, and broadcast football matches played by either the Italian or South African national team. About 10 000 vuvuzelas were distributed at South Africa House in a week, attracting thousands of visitors and obtaining big exposure in the national media.

In October SA Tourism had a booth at the TTG Incontri trade fair where we hosted travel agents and journalists and provided them with news and information kits on South Africa as a destination. This resulted in more than 200 trade and 20 press contacts.

Our most important investment of 2010 on the trade side was the Big 5 road show which we took to five Italian cities. The road show included a presentation

about the destination and a working session with 27 trade partners – both South African and Italian. The purpose of the road show was to promote the varied South African offerings, improve travel agents' knowledge of the destination and update Italian operators about the latest offerings, as well as present them with packages. More than 500 travel agents attended the road show.

Training sessions were organised in partnership with some of the most important Italian tour operators to train travel agents on the destination. Three hundred agents were trained and 50 incentive agencies attended a special event organised at South Africa House for incentive markets targeting South Africa.

SA Tourism invested in a promotional campaign for the film Natale in SudAfrica (Christmas in South Africa). At cinemas where the movie was screened a commercial was broadcast prior to the film, together with a cinema poster inviting people to visit www.haisentitoche.com. A below-the-line campaign was launched at five multiplex cinemas. We also entered into a joint marketing agreement with tour operator Kuoni, resulting in strong product placement in the movie.

A number of Italian journalists and TV crews were hosted over the last year and our efforts were focused not only on travel journalists but also on lifestyle, sport and entertainment journalists. Since the beginning of 2010 we have been focusing our efforts on a partnership with satellite TV network Sky and three joint productions have been developed.

Unit Report: **Italy** continued

Together with Sky, SA Tourism hosted a group of 12 journalists in May 2010 representing the major Italian magazines, newspapers and radio networks. We also hosted a TV crew for 20 days to produce a production entitled 'Ke Nako SudAfrica', broadcast by Sky before and after the World Cup.

In March we hosted the influential wine and gastronomy magazine and channel, Gambero Rosso, on a food safari-themed press tour. SA Tourism also invested in an important partnership with Ansa, the main Italian news agency. From May until after the World Cup in July the microsite 'Scopri il Sudafrica' (Discover South Africa), which focused on South Africa as a tourist destination, was hosted on the Ansa portal. Another partnership was agreed with L'Uomo Vogue (Condé Nast) to dedicate the May issue to the World Cup and focus on South Africa as a tourism destination.

Radio Monte Carlo ran a promotional campaign involving web, radio and social networks. For two weeks it promoted South Africa as a destination. In addition, the micro site www.radiomontecarlo.net/sudafrica and an interactive game offering as a prize a trip to South Africa, were launched.

A new Italian website was launched last June. It has three thematic sections: adventure, lifestyle and romance and offers users the possibility to build their own itinerary, read and write South African travel stories and link to Facebook. SA Tourism also invested in a new metro and bus campaign to promote the website and South Africa House. Our consumer Facebook page, Sudafrica, registered an explosion of fans, mainly as a result of events at South Africa House and through other promotional campaigns. It now has more than 14 400 fans while the SA Tourism Italy fan page has over 1 200 fans.

In February 2010 SA Tourism invested in an event that ran alongside the BIT International fair. For the duration of BIT (17 to 19 February) the Big 5 were featured on some of the most important historical buildings in Milan. Over the same period an information point was set up to distribute literature and promotional materials on South Africa. SA Tourism also launched a contest advertised through posters in the metro station offering visitors to www.haisentitoche.com or the Sudafrica Facebook page a trip to South Africa for the winner and five friends.

Lance Littlefield
Country Manager – Italy

Did you know?

- 10 000 vuvuzelas were given away to excited members of the Italian public during the World Cup
- Nearly two thirds of all Italian visitors to South Africa are under the age of 45

Italy

Total tourists 2010:
54 614

Total tourists 2009:
50 283 > Difference: +8.7%



Lance Littlefield, Country Manager South African Tourism Italy, speaking with journalists during the Sky press conference at South Africa House.

Unit Report: **Netherlands**



Bangu Masisi
Country Manager
Netherlands

Trying economic times over the last two years have forced bargain-hunting Dutch travellers to stay closer to home, but tourist arrivals to South Africa have held steady and increased by 8.4% in 2010 (124 088 tourist arrivals).

Diski Dutch

2010 was an exciting year for the Dutch, with the Netherlands coming close to winning the 2010 FIFA World Cup™. As hosts, South Africa received much attention and the challenge for SA Tourism is to build on this and to show that the destination is about more than football.

Our 2010 World Cup campaign kicked off on 12 January with a Diski Dance activation in partnership with the Metro, Hyves and Fox Vakanties platforms. From January until June the campaign was promoted online and in print with wide editorial coverage in the Metro daily newspaper, as well as on radio, including support from the largest Dutch radio station, Radio 538. A campaign was also run on trade media portal travelacademy.

A Diski Dance website was hosted at Hyves (the most popular Dutch social networking site). This website encouraged people to order Diski Dance/SA Tourism branded t-shirts and upload videos of them in these shirts doing the Diski Dance. The best and most original Diski dancer won a holiday to South Africa. Participants who showed their Diski moves in a Diski Dance/SA Tourism branded t-shirt on a national TV station during prime time won a two-week holiday to South Africa for six friends with tickets to the Netherlands – Denmark match. This trip was covered by Metro daily, supported by blogs, videos, social media and received coverage on the Diski Hyves.

To celebrate the kick-off of the World Cup and to start the Telegraaf soccer project, an event was organised in partnership with SANEC, the South African Embassy and Great Grapes. Key media were invited to the event. Ambassador Peter Goosen opened the event, which was followed by South African food and wine. After dinner all guests watched the World Cup opening ceremony and opening match between South Africa and Mexico. During the World Cup a senior Telegraaf journalist and a reporter, who blogged on a regular basis throughout his trip to South Africa, gave us an opportunity to renew and strengthen our relationships with the media and sports journalists in particular. In total 30 Dutch journalists were hosted during the World Cup.

The 'Mijn Zuid-Afrika Reis' campaign ran from October until December 2010. In this campaign three tribal leaders blogged about their field of expertise: wine, arts and culture, and sustainable tourism, and linked it to South Africa. A competition was included to encourage consumer participation in partnership with De Jong Intra/Fairfield and South African Airways. This resulted in three lucky winners going to South Africa to experience the country with their respective tribal leaders.

The 'South African Lunch Break' campaign, in partnership with Travelafrika, asked consumers to create their own South African itinerary. Consumers participated by signing in with their Facebook account or by creating a login on www.findsouthafrica.com. A notice was left on their



A Dutch trade delegation tries their hand at some authentic South African drumming.

Unit Report: **Netherlands** *continued*

Facebook page stating that they had just spotted the treasure of the day and if they found special treasures during lunchtime they competed for bonus prizes on a points basis.

Partnering with Metro meant that a journalist wrote about the performance of the competition, including daily hints of where to find the treasures on their website. These were published on our Facebook page and on Twitter. Metro followed the winner to South Africa. The campaign site attracted 65 000 unique visitors and 5 000 active consumers played the online game.

Trade partners remain an important focus for conversion in the Dutch market. Trade partners have a challenge as consumers are actively comparing prices online before approaching travel agents. Downsizing of retail chains and tour operators continues as non-travel players are exploring the market. Trade partners are experiencing last-minute travel bookings, including long-haul destinations. There is an opportunity for SA Tourism to encourage trade to combine their brochure system with online packages in platforms where consumers are linked.

We hosted five Dutch and one Belgian trade media at INDABA, followed by tours of the Wild Coast in partnership with Eastern Cape Tourism.

We partnered with Reisrevue SA TV and baliespot to film five trade contacts who informed the viewers about the relationship between their company and South Africa and shared their best SA experiences. The movies were showcased at www.reiscave.tv.

Twenty-nine trade partners, trade press and airlines were invited to an informal cocktail in November 2010 to introduce the new SA Tourism country manager and Trade Relations Manager. Nine media were hosted for lunch to introduce the new country manager and to update media on upcoming SA Tourism campaigns and the new team structure.

The Vakantiebeurs 2011 attracted 1 445 exhibitors from 160 countries. The main theme was

'Unforgettable Destinations'. SA Tourism hosted the Vakantiebeurs opening evening once again with a trade networking cocktail to keep the destination top of mind. At Vakantiebeurs we handed over prizes to our NSSA tribal leaders campaign winners and launched our WanderLusters campaign. To attract the interest of consumers during Vakantiebeurs, a photo-booth was used at South Africa Village, which resulted in the distribution of 2 400 branded pictures to consumers.

SA Tourism organised Fundi Workshops in conjunction with Vakantiebeurs to give Dutch trade the opportunity to engage and interact with South African operators. The feedback was positive and the workshop attracted 65 Dutch travel agents and tour operators and 20 South African operators.

At Meetings Africa we hosted three Dutch incentive buyers who were also taken on a pre-tour of Sun City, the Pilanesberg National Park and Marekele National Park.

Bangu Masisi

Country Manager – Netherlands

Did you know?

- The Netherlands is South Africa's fourth largest source market outside of Africa after the UK, USA and Germany

Netherlands

Total tourists 2010:
124 088

Total tourists 2009:
114 431 > Difference: +8.4%

Unit Report: **United Kingdom**



Lebo Mokhesi
Country Manager
United Kingdom

In a tough economic environment, arrivals to South Africa continued to buck the trend in the United Kingdom. The destination grew by 1.5% to 453 030 in 2010.

Through different eyes

Key SA Tourism priorities in the UK for 2010 were to motivate first-time holiday makers to seek information on visiting South Africa; and to partner with and train trade partners to enable them to sell South Africa as an irresistible destination for first-time visitors.

The World Cup helped to dispel many of the safety and security fears that UK citizens had about visiting South Africa. The media reported a significant shift in awareness and potential desire to visit South Africa post the World Cup.

The team in the United Kingdom focused its energies on capitalising on the positive awareness generated by the World Cup and most of the activity undertaken by the office took place after the tournament.

Our campaign, '1001 things you didn't know about South Africa,' was aimed at older travellers and executed through a series of advertorials in the Sunday Times Magazine and on the internet on the Sunday Times Online. The campaign centred on revealing the undiscovered aspects of South Africa, encouraging potential travellers to look at South Africa through different eyes. We used well-known South African authors, including Deon Meyer, John van der Riet and Jodi Bieber, to go beyond the tried and tested tourist areas and showcase some of the lesser known aspects of South Africa.

The campaign also ran in the Financial Times, Easy Living, Tatler and Conde Nast Traveller; media that address this key audience directly.

We continued to work closely with National Geographic Channel to address the younger segment through the Adventurers Wanted campaign. An additional and exciting element of the campaign was the inclusion of Adventurers from France, Germany, Italy, Netherlands, Australia and the United States to create an adventure tribe.

'Photographers Wanted' delivered yet another dimension to the campaign, which reached a new audience through our partnership with the Guardian and Observer newspapers. We recruited an amateur photographer, who travelled with the Adventure tribe and photographed their exploits. The images were posted on the Guardian website and displayed at the National Geographic store on Regent Street, as well as the Cork Street Gallery in Piccadilly.

This was the first time SA Tourism had undertaken this kind of campaign with this influential medium and the results of both the online and off-line elements confirm that readers of the Guardian are responsive and receptive to communication about South Africa.

In line with the trend for online searches and information gathering in this market, we partnered with Lonely Planet and Wanderlust magazine to deliver online campaigns to more adventurous readers.

Unit Report: **United Kingdom** *continued*

To ensure our increased awareness and consideration converted into sales, we conducted detailed training with trade as well as focused sales joint marketing agreements.

Launched on 1 September 2010, the travel trade training programme, South Africa Expert, has signed up 290 travel agents and tour operator staff to date. The online training portal provides users with essential information on how to sell South Africa. A continued focused face-to-face training programme meant that we brought the number of trade trained up to a total of 1 925 for the year.

Africa Collection, a travel agency specialising in African travel, won SA Tourism's third annual Ubuntu Awards. The winning campaign builds on the fact that many agents have a broad knowledge of South Africa as a destination, but focuses on the more 'unexpected' aspects of tourism in the country and how they can be weaved into the more well-known offerings of the destination.

In the area of business tourism, the UK team focused on educating buyers and agencies about the conference and meetings facilities now available in South Africa following the World Cup. We placed a series of advertorials in the C&IT magazine focusing on the Eastern Cape, KwaZulu-Natal, Western Cape and Gauteng. The content also formed part of an online hub on the C&IT website to attract a wider audience.

Though the United Kingdom continues to be the leading market for overseas arrivals to South Africa, the country continues to suffer the effects of the global recession. Retrenchments in both the private and public sectors pose a challenge for SA Tourism's objective of growing the number of first-time visitors.

In addition, the travel trade has raised concerns about the affordability of the destination with respect to the cost of an air-ticket as well as accommodation. The air passenger duty (APD), raised by the UK government has increased the cost of a long-haul flight by an additional £85 for economy class tickets, damaging our value-for-money appeal.

Our objectives for 2011 are to inspire potential travellers to gather information on South Africa by credibly showcasing a variety of specialised, personalised wildlife, adventure and welcoming people experiences.

Lebo Mokhesi

Country Manager — United Kingdom

Did you know?

- The United Kingdom continues to be the leading market for overseas arrivals to South Africa
- The media reported a significant shift in awareness in and desire to visit South Africa post the World Cup

United Kingdom

**Total tourists 2010:
453 030**

Total tourists 2009:
446 369 > Difference: +1.5%



20 Experiences in 10 Days UK couple learning to trout fish in Dullstroom, Mpumalanga.

Unit Report: Research



Bashni Muthaya

General Manager: Strategic Research

2010/11 was a momentous year for South Africa and this afforded us the opportunity to extend our research efforts to measure our successes and deepen our knowledge bank on changing consumer needs and on new ways to reach markets.

Most certainly the highlight of the year was the World Cup and the Strategic Research Unit (SRU) conducted a comprehensive and detailed analysis of the impact of this event on tourism in South Africa. The study evaluated the impact of the World Cup on international tourist arrivals and revenue for South Africa, travel incidence of domestic tourists due to the World Cup and the impact of the event on South Africa's brand performance. The results of the study were released at a media event hosted by the Minister of Tourism in December 2010.

Assisting in leveraging our successes on the hosting of the World Cup, we developed a database of international government organisations that South Africa belongs to where we could, through the local representative, lobby to host major conferences in our country.

Our strong strategic focus on understanding the consumer was the driving force behind a major qualitative project to gain insights into our target consumers in the USA. The project spanned five cities in the USA to gather intelligence on the lifestyle, general attitudes, interests, needs, perceptions and expectations of US travellers about outbound travel for leisure purposes and, in particular, assess the market's perception about South Africa as a country and as a tourist destination. The outcome of this project was a number of insights on the target segments which were used to inform the marketing communication for the USA.

In line with our objective of maximising the opportunity on the continent, we conducted a project to develop a strategy to market in Angola and develop route-to-market strategies for the DRC, Kenya and Nigeria. This study afforded us an opportunity to look at the potential in each market with a solid understanding of both the consumer and channel landscape.

As the only source of data on the foreign tourism market, we maintained the systems and methodologies on the Departure Survey. With 44 400 interviews conducted annually, we have ensured that we keep abreast of technological innovations in the research world by converting around 50% of the airport sample and 30% of the land sample from paper-based interviews to computer-assisted personal interviews. The Departure Survey remains the bedrock of our knowledge base and is constantly used to improve our understanding of the tourists who visit our country and 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 in the public and private sectors.

On the domestic front, we continued to focus on establishing robust systems and methodologies to measure the incidence of domestic tourism in South Africa. The Domestic Tourism Survey entered its fifth year as a routine survey of the SRU. With over 15 000 interviews conducted in a year, we have developed a stable source of data based on a robust

sampling design that provides valuable information tailored for both the provinces and the private sector.

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. With over 22 000 interviews per year covering 16 markets, we are building up a base of intelligence that allows us to track the challenges posed by changing travel patterns of global tourists and address these through strategic marketing interventions.

As part of our commitment to sharing and improving the accessibility of our intelligence on the tourism market, the SRU has participated in various industry meetings. 'MarketSource' continues to receive attention and maintenance to enable more effective, data-driven decision making within SA Tourism. After careful research and development, the SRU launched its revamped research website in 2010 allowing the public to easily access the wealth of information published by the SRU. The website receives between 3 000 and 5 000 visits per month.

Bashni Muthaya

General Manager: Strategic Research

Did you know?

- 44 400 interviews are conducted each year with departing international tourists and 15 000 interviews are conducted with South Africans in a bid to obtain a solid understanding of the tourist market in South Africa
- The information published by the SRU is easily accessible to the public on the SA Tourism website, with the research section receiving between 3 000 and 5 000 visits per month on www.southafrica.net/research

Unit Report: **Operations report**



Timothy Scholtz
Chief Operating Officer

SA Tourism's ongoing vision is to be the best tourism organisation through aligned business systems, engaged employees and execution of the organisation's strategy.

Administration

The day-to-day services which 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 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.

The administration department managed the repainting of the head office of South African Tourism in the 2010/2011 fiscal year.

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 risk 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 for 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
- 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

(Being the Best Company To Work For)

Our vision of being the best tourism organisation is ongoing. In developing our people we undertook a number of initiatives, including the continuation of our participation in the Deloitte 'Best Company To Work For' survey. This survey allows South African companies to benchmark their human engagement processes against similar companies. There are a total of 13 dimensions that are surveyed and any dimension scoring below 3.37 represents an area of concern.

The focus in 2010/11 was to address the following areas that were raised in the previous survey as areas of concern:

- Change management and communication
 - introduced formalised CEO-staff feedback sessions. These are held as and when the need to communicate arises and after every Board meeting
- Recognition – implemented a recognition programme, which acknowledges South African Tourism (SAT) employees who embody the SA Tourism values in their daily work life

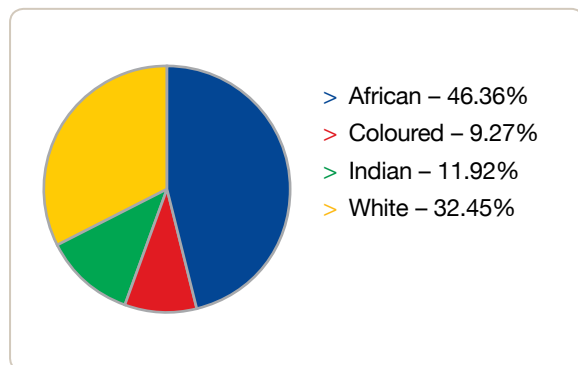
- Leadership – encouraged visible leadership by ensuring that EXCO has improved interactions with staff
- Training and development – managers and staff take joint responsibility for the development of their staff

The table below indicates the dimensions which were ranked low in 2009 and the subsequent improved scores for 2010:

Best Company To Work For – Year-on-year dimension comparisons		
Dimension	2010 Score	2009 Score
Change management	3.39	3.20
Recognition	3.39	3.11
Leadership	3.38	3.23
Training and development	3.30	3.10
Communication	3.22	3.05
Innovation	3.16	3.12

We achieved an overall improvement of 24%, improving on our overall score from 3.30 in 2009 to 3.46 in 2010. Our focus will remain on communication and innovation.

Employee profile



Training and development

We recognise that the success of our business in achieving its objectives depends upon developing our employees and harnessing the potential and talent of all our staff to optimise the benefits of this significant investment.

Our reputation, growth and success will rely on our ability to initiate, implement and sustain effective

people management strategies across all areas and business units. This will further free management time to develop and grow the organisation instead of defensively managing poor-performing employees.

Employee recognition

We successfully launched an employee recognition programme called SATElite. This programme aims to recognise SA Tourism employees who demonstrate and live the values of the organisation. Employees are nominated by their colleagues and the winners are selected and recognised annually at a gala event.

Internship programme

A total of four candidates were enrolled in the SA Tourism internship programme. The programme is conducted annually and is aimed at giving students who have either completed their tourism studies or are in their final year, experiential learning.

Business Information Systems

The Business Information Systems (BIS) department provides the SA Tourism backbone using technology as the key enabler to promote an efficient working environment for all.

The key areas of focus for the BIS department during this period included:

- Strengthening the day-to-day operational IT support to SA Tourism users
- Successful implementation and roll-out of the Business Information System Strategy
- Aligning SA Tourism to world-class best practices in support of the BIS policies and procedures
- Business Information Systems Security Awareness programme to educate staff on BIS/IT security issues
- SA Tourism has introduced a Cloud-Based Email System in support of our Global Systems
- Providing the BIS depart with adequate reporting on system performance and usage information to enable business decisions to be made based on facts
- A BIS Governance Framework has been implemented to ensure that BIS supports business strategy
- Future projects that SA Tourism BIS is investigating are Virtualisation and the New Intranet System.



For the first time in the 2010/11 financial year South African Tourism launched an employee recognition programme, called the SATElite Awards, which recognise employees who demonstrated and lived the values of the organisation. The inaugural winners were Ian Utermohlen (Excellence), Adam Aphane (Integrity and Overall Winner), Rethabile Lebethe (Teamwork), Mogale Maloma (Responsibility), Fanie van der Spuy (Respect) and Olive Chauke (Care).

Unit reports: **Finance report**



Johan van der Walt
Chief Financial Officer

The Finance Unit, as with previous financial years, has continued to support activities of the organisation and its stakeholders to ensure proper execution of its mandate.

The Finance Unit, under the control of the Chief Financial Officer, consists of the following five sub-business units:

- Finance
- Supply Chain Management
- Payroll
- Financial Compliance & Performance Information including Business Processes
- Legal

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

Finance

The Finance Unit, as with previous financial years, has continued to support activities of the organisation and its stakeholders to ensure proper execution of its mandate.

The main roles and responsibilities include: financial management and reporting; development and enhancement of systems of internal control; asset and cash management.

Ensuring compliance with legislation and regulatory requirements are also core responsibilities of finance. Together with the legal sub-unit, we have put measures in place to ensure that policies and procedures of the organisation are amended on an ongoing basis to address changes in legislation.

We have also continued to work closely with other support units within the organisation to improve on systems, at both policy and electronic finance systems level, which assist on an ongoing basis to achieve our responsibilities.

A number of challenges were encountered during the year, including system bugs that were identified after deployment of the new finance system, Oracle R12 and breach of internal controls in one of our offices. Several corrective actions were taken to address these challenges; including tightening controls by management and implementation of recommendations made by auditors (internal and external). We are on track to have even better audit results.

We have also re-organised the unit to better support the organisation. Two new senior positions were added to the unit, that of AP Supervisor and Manager: Cash Management and Assets. These positions were added to better engage and support suppliers, especially SMMEs, and closely review work done by international offices (AP supervisor responsibility) and better management of assets (Manager: Cash Management and Assets).

Financial compliance and performance information management including business processes

The South African Government's objective to ensure delivery to the electorate – "what gets measured gets done" – is the most valuable reason for

Unit reports: **Finance Report** *continued*

measuring performance. Amendments to the PFMA and Treasury Regulations now require that all government departments and public entities establish a performance information management division. South African Tourism introduced the Financial Compliance and Performance Information Management division as a sub-business unit of the Finance department on 1 April 2009.

This department has ensured that SA Tourism has a fair and equitable system for measuring performance. The Financial Compliance and Performance Information sub-business unit has created dedicated business processes to ensure that the performance of the organisation, all its business units and its human resources are monitored internally on a continual 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 department has also streamlined all reporting processes which 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 an SA GRAP statement, IFRS), PFMA and National Treasury Regulations, have 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 tenth unqualified, no emphasis of matter, audit report and will endeavour

to climb the ladder of success, delivering astounding, reliable and quality financial and performance information results.

A new performance information framework, which contains practices and procedures that are in accordance with the Framework for Managing Programme Performance Information published by National Treasury, was approved on 28 August 2010.

Supply Chain Management

Supply Chain Management works behind the scenes to support SAT in its marketing activities. Its job is to make sure that challenges related to logistics and procurement have appropriate and practical solutions. It also ensures that everything moves as smoothly as possible by coordinating and collaborating with stakeholders, partners, service providers, and customers to integrate supply and demand within and across the organisation.

Logistics

Our key successes in the logistics and transportation area have been thanks in great part to our partnerships with logistics solutions companies locally and abroad.

All SA Tourism collateral was warehoused by Skynet Worldwide Express locally, serving the domestic and African markets.

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

Call centre

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

Events management

One of the aims of the logistics division is to offer the kind of exceptional support that ensures that all SA 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.

Travel management

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.

Procurement

The procurement module of Oracle (Release 12) financial solution is being used to track South African Tourism's total obligations and commitments at any given time. This makes

budgetary control 'real-time' and accurate and also reduces the turnaround period between the time of sourcing quotations and getting purchase orders approved.

Johan van der Walt

Chief Financial Officer

Did you know?

- In 2010/2011 SA Tourism achieved its 10th unqualified, no emphasis of matter, audit report
- SA Tourism has developed a risk profile for the organisation to ensure that it meets the demands of its stakeholders and regulators for corporate governance

Finance Award winners and their categories



Akiko Isaka, Runner-up International Finance Employee for 2010/11



Werner Maul-Pfeifer, International Finance Employee for 2010/11



Fanie Shawe, TGCSA Finance Employee for 2010/11



Adam Aphane, Head Office Finance Employee for 2010/11



Nyambeni Nematatani, Runner-up Head Office Finance Employee for 2010/11

Unit reports: **Internal Audit Report**



Xoli Zwane
Senior Internal Auditor

The Audit Committee has satisfied itself that adequate, objective internal audit assurance standards and procedures exist within the organisation.

Internal audit

Corporate governance is a strategic issue today, as it has been for some time. More frequently than not, stakeholders and regulators are now demanding greater corporate transparency, making strong corporate governance a necessary component to almost every organisation.

Among the activities most often performed by internal audit unit to support the governance processes for the organisation we are providing the board and audit committee with an assessment of:

- Key risks for the organisation
- Risk mitigation effectiveness
- Emerging risks
- Risk appetite and tolerance.

For the period under review, the internal audit unit performed a number of workshops with management of the organisation to provide education and awareness of risk management processes.

All business units identified risks and emerging risks that faced their units as they execute their business strategic objectives. Identified risks were rated/measured in terms of impact and likelihood.

Action plan/mitigation strategies were developed to manage the identified risks and were aligned to the risk appetite and tolerance of the organisation. A risk profile for the organisation was developed to ensure that the organisation met the demands of their stakeholders and regulators for corporate governance.

Top ten risks were developed from the results of the risk profile and these risks are being managed by executive management at their regular monthly meetings and the Chief Executive Officer reports to the Board and audit committee on the top ten risks.

A risk profile is used to drive internal audit plans that add value to the organisation and is approved by the audit committee and board.

The internal audit unit is pleased to report that it meets the definition of internal auditing as follows:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.

Most importantly, the internal audit unit demonstrated that it could do more and that it has the necessary skills and capabilities to help management oversee the organisation and achieve its strategic objectives.

Xoli Zwane
Senior Internal Auditor

Unit reports: **Tourism Grading Council of South Africa (TGCSA)**



Thembi Kunene
Chief Quality Assurance Officer

South Africa's quality assurance body for accommodation establishments in South Africa, TGCSA, took huge strides in 2010/2011 with the finalisation of new grading criteria.

New grading criteria

The process to revise the grading system was started in 2008 and entailed a review of our grading criteria and minimum requirements. It also entailed an overhaul of the entire operating system of the TGCSA in order to ensure a seamless process of managing quality assurance for tourism products.

The aim was to not only ensure that South Africa can maintain its international competitiveness as a tourist destination but to show that we can be world leaders in terms of quality assurance. The process was made possible thanks to the cooperation and contributions of thousands of establishments and a variety of stakeholders including FEDHASA (Federated Hospitality Industry of South Africa) members, other associations such as SATSA (the South African Tourism Services Association), BABASA (the Bed and Breakfast Association of South Africa) and NAA-SA (the National Accommodation Association of South Africa) as well as the current accredited grading assessors.

The previous grading criteria were originally introduced in 2002. Inconsistencies in the application of the grading criteria and minimum requirements, coupled with inadequate

management processes and systems, led to a lack of uniformity in the awarding of stars.

The review of grading criteria was one of the key recommendations resulting from a comprehensive review of the TGCSA by KPMG in August 2008, during which the TGCSA was benchmarked against the British, Australian and New Zealand quality assurance systems.

The appointment in 2009 of Peter Bacon as the new chairperson of the awards committee of the TGCSA has also played a major part in instilling confidence in the changes that the TGCSA is currently implementing since the finalisation of the new grading criteria.

The key changes at the TGCSA include:

1. The appointment of awards committee members covering a broader range of skills necessary to adjudicate the awarding of star grades, such as architecture, hospitality, décor, travel and universal accessibility.
2. The re-design of the grading plaque to be displayed by graded establishments:
 - The TGCSA took back control of the plaque, with a new design which reflects a serial number together with the clear message that



TGSCA Chairperson Peter Bacon, Tourism Minister Marthinus van Schalkwyk and TGSCA Chief Quality Assurance Officer Thembi Kunene at the unveiling of the new grading plaque in Nelson Mandela Bay.

Unit reports: **TGCSA** continued



Thembi Kunene addressing the crowd on a roadshow in Cape Town.

states that “This plaque is the property of the TGCSA”, thus making it legal for the TGCSA to remove the plaque from those establishments who insist on displaying it although no longer graded. The new star grading plaque, together with the universal accessibility plaque for accommodation and MESE (meetings, exhibitions and special events), was unveiled by the Minister of Tourism, Marthinus van Schalkwyk, in Port Elizabeth in March 2011.

- The new Consumer Protection Act which comes into effect in April 2011 further strengthens the TGCSA's efforts in this regard.
3. The purchase and installation of a new IT back-office to ensure a seamless grading process to be followed by accredited grading assessors whenever they assess properties around the country.
 4. The introduction of an equitable grading fee structure:
 - The TGCSA has introduced a grading fee structure that takes into consideration the rate charged by the establishment, the star grading applied for as well as the number of rooms. Previously, for example, a nine-room guest house in Mthatha charging R600.00 pp per night was paying the exact same grading fee as a nine-room guest house in central Port Elizabeth charging R2 000.00 pp per night.
 5. The appointment of four provincial master assessors:
 - Based in Johannesburg, Nelspruit, Durban and Cape Town, these professionals service all nine provinces. They ensure the presence of the TGCSA within provinces and are accessible to
 - resolve issues, thus improving service levels for both the establishments as well as the accredited grading assessors.
 6. Under the new system, the total points that can be achieved are now 1 000 versus the 460 previously. This demonstrates the many new areas that have been added for assessment and the rigorousness of the process.
 7. The performance management and annual review of all accredited grading assessors using a service provider agreement signed with the TGCSA:
 - The provincial master assessors 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 and to improve quality standards across the country.
 8. Training for all accredited grading assessors and all TGCSA head office staff:
 - The TGCSA is dramatically changing and improving both its internal processes as well as the actual grading criteria.
 - Training for all is an absolute must.
 - An annual refresher course on grading criteria and minimum requirements has been implemented.
 9. Phasing out of ‘internal assessors’:
 - Some hotel groups have their employees trained on the TGCSA system and have them accredited as grading assessors.
 - Consultation has commenced with these groups to phase this out as the TGCSA can no longer accept people who are service providers and referees at the same time.

Unit reports: **TGCSA** continued

With the new grading criteria finalised, the Tourism Grading Council of South Africa spent the later half of 2010 hosting roadshows across the country to address concerns raised by establishments regarding the new criteria. These engagements were well received and the TGCSA expects to see an increase in the number of establishments applying and renewing their grading status.

SAACI (South African Association of the Conferencing Industry), BSA (Backpackers South Africa) as well as SACCTN (South African Caravan and Camping Tourism Network) are currently assisting the TGCSA in reviewing the grading criteria for the MESE, caravan and camping and backpackers and hosteling categories, which will be ready for implementation in the next financial year.

In the new financial year TGCSA will be consulting with our key stakeholders in the game lodge industry to develop the grading criteria for this new category.

Assessor issues

Management successfully concluded service provider agreements (SPA) with all 45 assessors, which is a three-year agreement whereby they earn 55% of the grading fee charged by the TGCSA to the establishment. Each assessor is contracted to grade a minimum of 200 establishments annually. A key feature of these SPAs are the annual assessor performance reviews which are key to excellent service delivery to all graded establishments.

In August 2010 all the TGCSA assessors were taken through an extensive 10-day training programme on the new IT system aimed at improving the accuracy of assessments. This was over and above training the assessors on the new grading criteria.

Assessors had to achieve an 80% pass mark to be accredited by the TGCSA.

A two-day annual assessor conference was held in Cape Town in November. Attendance by the chairperson as well as other awards committee members was extremely well-received and boosted the relationship between the TGCSA and the assessors.

New IT infrastructure

QiT-SA (Quality in Tourism – South Africa), an IT system which was purchased from the UK and customised for the TGCSA environment, has introduced an enhanced service level element in that assessors can now submit the assessment online immediately after the assessment.

To ensure the smooth implementation and running of this new system, an implementation forum (comprising of the TGCSA management, representatives from assessors – chaired by one of the committee members) was set up. This provided the assessors with a platform to jointly share in the successful implementation of the QiT system.

Marketing campaign

The TGCSA rolled out its comprehensive communication and marketing plan, which includes an advertising campaign together with a revamped website to enhance the online presence of many trade stakeholders and to become more relevant to the travelling public.

Following the very dramatic transformation of the TGCSA, it is understandable that the number of graded establishments dropped this year. In addition, the robust clean-up of the database resulted in a number of establishments having their grading cancelled by the TGCSA.

The number of graded establishments as at the end of March 2011:

Approved properties as per awards meeting for April 2010 to March 2011

	New	Renewal
April	122	592
May	121	462
June	149	566
July	105	419
August	120	493
September	61	450
October	66	419
November	50	420
December	57	362
January	16	197
February	27	275
March	73	310
Total for year	967	4 965
Annual target	1 281	7 007
	(314)	(2 042)

Thembi Kunene

Chief Quality Assurance Officer





“Despite the ever-changing challenges and the complexity of South African Tourism operating in a multi-currency environment, SA Tourism achieved its tenth consecutive unqualified, no emphasis of matter audit report.”

*Johan van der Walt,
Chief Financial Officer*

Annual financial statements

In this section:

- > Report of the Audit Committee*
- > Report of the Auditor General*
- > Report by the Accounting Authority to the Executive Authority*
- > Annual financial statements*
- > Accounting policies*
- > Notes to the Annual Financial Statements*
- > Tourism Grading Council of South Africa*
- > Glossary*
- > South African Tourism Offices*

Statement of responsibility

1. Requirements of the Public Finance Management Act

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

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent SA GAAP Statement (full details have been disclosed in the Annual Financial Statements).

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

- The Accounting Authority to ensure that the organisation keeps full and proper records of its financial affairs
- That the Annual Financial Statements fairly present the state of affairs of the organisation, its financial results, its performance against predetermined objectives and its financial position as at the end of each financial year
- That the Annual Financial Statements are presented in terms of Generally Accepted Accounting Practice (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 SA 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 SA Tourism Board's financial statements and the Auditor-General's report appears on pages 136 to 137.

4. Basis for preparation

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

5. Going concern

The Board has reviewed the organisation's budgets and cash-flow forecasts for the year ended 31 March 2011. 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 SA Tourism's operations and risk profile primarily through the audit sub-committee meetings of the Board.

Internal financial and management controls have been maintained in accordance with section 38 of the Public Finance Management Act (Act No 1 of 1999, as amended by Act No 29 of 1999) in the period under review to provide assurance regarding:

- the safeguarding of assets against unauthorised use or disposition; 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 include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework. The controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls. An effective system of internal control therefore aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, financial statement presentation. Furthermore, because of changes in conditions, the effectiveness of internal controls may vary over

time. As part of the system of internal control, an internal audit function was in place for the entire period under review and operational, financial and specific audits have been conducted in line with an internal audit plan approved by the Board. All such internal audit reports, which incorporate comments from management on audit findings, have been made available to the 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 2010 to 31 March 2011.

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
- The Annual Financial Statements fairly present the financial position of the SA Tourism Board at 31 March 2011 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 2011, set out on pages 131 to 179, were submitted for auditing on 31 May 2011 and approved by the Board in terms of section 51 (1) (f) of the Public Finance Management Act, 1999 (Act No 1 of 1999), as amended, and are signed on its behalf by:



Jabu Mabuza
Chairperson

26 May 2011

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2011.

Audit Committee members and attendance

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

Date: 1 April 2010 to 31 May 2010 – one meeting was held

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

Period: 1 June 2010 to March 2011 – two meetings were held

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

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 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 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 South African Tourism's compliance with legal and regulatory provisions
- 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

26 May 2011

Report of the Auditor-General

to Parliament on South African Tourism for the year ended 31 March 2011

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of South African Tourism, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash-flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 131 to 179.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) (PFMA) and the Tourism Act, 1993 (Act No 72 of 1993) and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the separate financial statements are free from material misstatement.
5. 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.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of South African Tourism as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice and in the manner required by the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

8. In accordance with the Public Audit Act and in terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages 136 to 137 and material non-compliance with laws and regulations applicable to the public entity.

Predetermined objectives

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

COMPLIANCE WITH LAWS AND REGULATIONS

Annual financial statements

10. The accounting authority submitted financial statements for auditing that were not prepared in all material aspects in accordance with generally recognised accounting practice as required by section 55(1)(b) of the PFMA. Material misstatements identified during the audit were subsequently corrected in the financial statements.

INTERNAL CONTROL

11. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

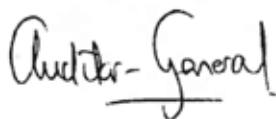
12. The oversight responsibility was identified as a key root cause in the internal control deficiencies relating to the accuracy of the financial statements submitted for audit purposes.

The reconciliations for significant control accounts were not followed up and reviewed throughout the year.

Financial and performance management

13. The required control objectives over the accuracy and completeness of the annual financial statements submitted for audit purposes were not functioning as intended.

Manual reconciliations had to be implemented for certain control accounts which contributed to material adjustments to the financial statements.



Auditor-General
30 July 2011



Auditing to build public confidence

Report by the Accounting Authority to the Executive Authority

The members submit their report for the year ended 31 March 2011.

1. Corporate activity

SA Tourism Board, hereinafter referred to as SA Tourism, was established in terms of section (2) of the Tourism Act (Act No 72 of 1993, as amended), with the aim of stimulating sustainable international and domestic demand for SA Tourism experiences as well as to institute measures aimed at the maintenance and enhancement of the standards of facilities and services hired out, or made available to tourists.

In terms of funding, SA Tourism is involved in a joint operation with one private sector partner, the Tourism Business Council of South Africa. The objective of the joint operation is to market South Africa in certain markets identified by SA Tourism through research. Funds contributed to this operation are used solely for that purpose.

2. SA Tourism business units and markets

Given its limited resources, most notably financial, SA Tourism has adopted and rolled out a Tourism Growth Strategy based on in-depth segmentation research and focus groups conducted around the world. This Tourism 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 number of days spent in South Africa multiplied by the amount spent per day).

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

- 2.1 Core markets: These markets are very attractive and provide easier access from a tourism-marketing point of view, deliver the 'bread and butter' in terms of tourism for South Africa and approximately 60% of the organisation's effort (in terms of human capital and budget) is deployed in these markets. Until 31 March 2015, 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 SA 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 2015, these markets are Angola, Democratic Republic of 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 2015, 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 SA Tourism in these markets as they might grow in the future and become 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 in these markets. Until 31 March 2015, these markets are Egypt, Namibia, the 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 2015, these hubs are Ethiopia, Zambia, Senegal, Argentina, Thailand, Greece, Bahrain, Oman, Qatar and Saudi Arabia.

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

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

Following the conclusion of SA Tourism's fourth Portfolio Review, which has been undertaken based on the latest marketing intelligence, the Board approved the following markets for SA Tourism effective 1 April 2011:

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

*Indicates Business Tourism hubs

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

Report by the Accounting Authority to the Executive Authority continued

4. Business units and employee categories

In line with its Tourism Marketing Growth Strategy, SA 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 2011, these business units were:

- 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 General Manager: Strategic Research)
- 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: Communications)
- 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 the Global Manager: Events)
- 4.10 Product (headed by the Global Manager: Product)
- 4.11 Business Tourism (headed by the 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)
- 4.16 Watch-list markets (headed by the Global Manager: Watch-list markets)

It should be mentioned that SA Tourism has four categories of employees:

Category of employment	Designations that fall 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, Manager Research at Head Office and the Manager Global Advertising at Head Office
Junior management	Any other person working for SA Tourism and who has the title of 'manager' as part of his/her designation on SA Tourism's approved organogram in SA Tourism's Delegation of Authority
General staff	All staff members not indicated above

5. Components of SA Tourism business units

The abovementioned business units had the following sub-business units:

5.1 Office of the CEO/COO consists of three sub-units:

- Board
- Internal Audit
- Administration

5.2 Finance has five sub-units:

- Finance
- Supply Chain Management
- Payroll
- Financial Compliance and Performance Information including Business Processes
- Legal

5.3 Research has no sub-units

5.4 Human Resources has no sub-units

5.5 Business Information Systems has no sub-units

5.6 Tourism Grading Council has no sub-units

5.7 Public Relations and Communications has 2 sub-units and includes, but is not limited to, the responsibility for the project management of the Annual Report:

- Public Relations
- Stakeholder Management

5.8 Electronic-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 consists of three sub-units:

- Central Marketing, Advertising and Marketing Management includes the responsibility of Brand Management and Corporate Identity compliance throughout the company, as well as responsibility for the management of all agencies excluding public relations (PR) agencies
- Global Projects
- Global Trade Relations

5.10 Events (including 2010 activation)

5.11 Product Management

5.12 Business Tourism

5.13 Europe and United Kingdom Portfolio consists of six sub-units: Germany, Italy, France, the 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 namely Kenya/Tanzania/Uganda, Nigeria/Ghana, Angola, Domestic Marketing and Neighbouring Southern African Development Community

5.16 Watch-list markets has no sub-units.

Report by the Accounting Authority to the Executive Authority continued

6. South African Tourism international offices

Included in SA Tourism's portfolio of business units are its 11 overseas country offices namely Amsterdam (the Netherlands), Beijing (China), Frankfurt (Germany), London (UK), Milan (Italy), Mumbai (India), New York (USA), Paris (France), Sydney (Australia), Luanda (Angola) and Tokyo (Japan).

7. Review of operations

Of the many other activities SA Tourism has successfully executed during the 2010/11 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 2010 calendar year total arrivals target of 10 193 585 and recorded total actual arrivals of 11 395 700 during 2010. Although this growth was largely driven by arrivals from Africa, it should be taken into consideration that growth in global travel, as per the UNWTO, grew far less than that of South Africa, even if the 2010 FIFA World Cup™ visitors are excluded.
- 7.2 During the 2010/11 financial year, SA Tourism signed 143 joint marketing agreements (JMAs) with a number of trade partners around the world. This exceeded its 2010/11 target.
- 7.3 SA Tourism continued to work closely with the South African tourism trade around the aggressive promotion of domestic tourism. On 31 March 2011, SA Tourism had a total of 7 401 trade contacts in South Africa.
- 7.4 SA Tourism had 4 616 registered media on its Media Extranet. They access stories created by South African Tourism and then add to them.
- 7.5 According to Dow Jones Media Monitoring, South Africa obtained the following international media coverage globally:
 - 7.5.1 For April 2010: 5% negative, 35% neutral and 60% positive/very positive
 - 7.5.2 For May 2010: 18% negative, 32% neutral and 50% positive/very positive
 - 7.5.3 For June 2010: 5% negative, 40% neutral and 55% positive/very positive
 - 7.5.4 For July 2010: 0% negative, 38% neutral and 62% positive/very positive
 - 7.5.5 For August 2010: 0% negative, 70% neutral and 30% positive/very positive
 - 7.5.6 For September 2010: 0% negative, 40% neutral and 60% positive/very positive
 - 7.5.7 For October 2010: 0% negative, 50% neutral and 50% positive/very positive
 - 7.5.8 For November 2010: 15% negative, 50% neutral and 35% positive/very positive
 - 7.5.9 For December 2010: 15% very negative, 5% negative, 50% neutral and 30% positive/very positive
 - 7.5.10 For January 2011: 5% negative, 55% neutral and 40% positive/very positive
 - 7.5.11 For February 2011: 20% negative, 40% neutral and 40% positive/very positive
 - 7.5.12 For March 2011: 5% negative, 35% neutral and 60% positive/very positive

The SA Tourism 2010/11 target of obtaining at least 30.5% neutral coverage and 52.6% positive/very positive coverage was therefore easily exceeded.

- 7.6 SA Tourism had, despite the global recession, 11 535 and 2 131 registered attendees at INDABA 2010 and Meetings Africa 2011 respectively, a 5.3% decrease and 21.4% increase respectively on INDABA 2009 and Meetings Africa 2010 attendees.
- 7.7 During 2010/11, South African Tourism continued with the re-induction of all its employees using the new Induction Programme.
- 7.8 SA Tourism continued with its global media campaign on Cable News Network (CNN), British Broadcasting Corporation World, Eurosport, National Geographic and News Corporation aimed at, among others, substantially raising positive awareness of Brand South Africa prior to, at and after the 2010 FIFA World Cup™. By 31 March 2011, this campaign has reached 854 million consumers around the world through a combination of 1 815 brand spots, 147 billboards, 2 929 vignettes/programmes and 20 million online impressions during the 2010/11 fiscal year. Overall, we reached 1.7 billion consumers with our brand message during 2010.
- 7.9 SA Tourism received 237 entries for the annual Emerging Tourism Entrepreneur of the Year Award (ETEYA), 24 more than its target of 213.
- 7.10 During the 2009/10 financial year, SA Tourism continued to update its comprehensive database of all SA Tourism skills which was originally completed on 31 January 2009.
- 7.11 In addition to the 29 340 calls received at SA Tourism's International Call Centre in Johannesburg during the 2010/11 financial year (2009/10: 36 729), the call centre also received 16 907 fax and e-mail enquiries (2009/10: 12 457).
- 7.12 Numerous awards were awarded to SA Tourism, its country offices and various South African tourism products during the year under review. Significant awards can be summarised as follows:

Report by the Accounting Authority to the Executive Authority continued

Award	Details
7.12.1 2011 World Airport Awards – Denmark	Airports Company South Africa's (ACSA) O.R. Tambo International Airport has been named the Best Airport in Africa at this year's prestigious World Airport Awards in Denmark. The awards are based on 11.38 million survey questionnaires completed by over 100 different nationalities of airline passengers in 2010/2011, covering more than 240 airports across the globe
7.12.2 Airports Council International – Airport Service Quality (ASQ) Awards 2010	Cape Town International Airport was awarded Best Airport in Africa and Best Improved Airport in Africa
7.12.3 2010 LEAF Awards	The LEAF awards honour the architects designing buildings and solutions that set the benchmark for the international architectural community. Global award for 'Best Public Building' to Soccer City in Johannesburg for architectural excellence
7.12.4 2Think Now 2010 Awards	Awards recognising cities for the growth of their economic standing. Cape Town took 3rd place on the list of emerging innovative cities [SA Good News 21 Sept]
7.12.5 IAGTO – International Association of Golf Tour Operators	South Africa received the Golf Destination of the Year 2011 from IAGTO (for African, Indian Ocean and Gulf States region)
7.12.6 2010 World Travel Awards	World's leading boutique hotel: The Saxon, Johannesburg; World's leading conservation company, game resort and safari: Shamwari, Eastern Cape; World's leading luxury train: the Blue Train; Africa's leading destination: Cape Town; Africa's best airline: South African Airways; Africa's best airport: O.R. Tambo International, Johannesburg; Africa's best apartment hotel, The Regent, Johannesburg; Africa's leading hotel and best boutique hotel: The Saxon, Johannesburg; Africa's best business hotel: Hilton, Durban; Africa's best business travel agency: Travel with Flair; Africa's leading casino resort: The Palazzo, Montecasino, Johannesburg; Africa's best convention hotel: Sandton Sun, Johannesburg; Africa's leading green hotel: the Phantom Forest Eco Reserve, Knysna; Africa's leading low-cost airline: 1Time; Africa's leading luxury hotel: Arabella Western Cape and Spa; Africa's leading luxury lodge: Shambala Private Game Reserve; Africa's leading luxury villa: Thanda Private Game Reserve; Africa's best meetings and conference centre: ICC, Durban; Africa's leading conference hotel: Westin Grand, Cape Town, and Arabella Quays; Africa's leading resort: Sun City; Africa's leading safari lodge: Shamwari and Africa's leading tourism board: South African Tourism
7.12.7 2010 Commonwealth Business Council Awards in Africa	South Africa won Tourism Destination of the Year Award

Award	Details
7.12.8 Indian Bird Express Award	South Africa won the Indian 'Bird Express Travel Award' for excellence in operations
7.12.9 National Geographic Adventure Awards	Three South African ecolodges are on the 50 Top Ecolodge list. They are: Bushman's Kloof Wilderness Reserve & Retreat, Western Cape; Phinda Private Game Reserve – 'Savannah category' and Tswalu Kalahari Reserve – 'Desert' category
7.12.10 Adventurers Wanted Campaign	SA Tourism's global Adventurers Wanted Campaign has zip-lined its way into the prestigious 2011 Festival of Media Awards which will be held in Switzerland in June this year. The campaign, created together with media partner National Geographic, has been nominated in two categories, namely: 'Best contribution to a campaign by a media owner' and 'Best targeted campaign'
7.12.11 TripAdvisor 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) Top World 100 Best Bargains; and Cape Heritage Hotel, Western Cape (8th place) – Top 100 Best Luxury Hotels
7.12.12 Festival of Media 2011 Awards	SA Tourism's Diski Dance campaign has been shortlisted for the International Media Awards, to be held in Montreaux, Switzerland, in May 2011. The Diski Dance campaign has been nominated in two categories, namely: The 'Best contribution to a campaign by a media owner' and for the category: 'Best targeted campaign'
7.12.13 CNN Media and Marketing Awards	SA won the Media Excellence Award and SA Tourism was also nominated for the My South Africa initiative created by CNN. The winners will be announced in June 2011. Having already rounded up gold award at the International Awards for Innovations in Media 2009, SA Tourism and CNN International's joint marketing platforms, My South Africa has been shortlisted as one of only five nominees for this year's highly esteemed Webby Awards in the integrated mobile experience category
7.12.14 E-Marketing WAYN.com ranking	SA ranked seventh in terms of the number of Facebook 'likes', Twitter and WAYN followers of National Destination Marketing Organisations (DMOs) [Travel Daily News 12 Dec]
7.12.15 Best Country Tourism Board in the USA Award	South African Tourism was named 'Best Country Tourism Board – Africa & Middle East' in the Performance Media's Leisure Travel Leaders Awards. The awards were based on a vote by more than 70 000 travel agent readers of Performance Media's publications including TravelPulse.com, <i>Vacation Agent</i> magazine and <i>Agent@Home</i> magazine
7.12.16 Best Holiday Destination by Ultra Travel Awards	South Africa was voted as the best holiday destination at the Ultra Travel Awards held at The Savoy Hotel on 16 May. The ULTRAs (Ultimate Luxury Travel Related Awards) recognise the best in luxury hotels, airports, airlines, spas, cruise companies and destinations across the world as selected by readers of the <i>Daily Telegraph</i>
7.12.17 2010 Performance Media Group's Leisure Travel Leaders Awards	SA Tourism's North American office was named Best Country Tourism Bureau – Africa and Middle East

Report by the Accounting Authority to the Executive Authority *continued*

Award	Details
7.12.18 Globus Awards 2010, Frankfurt	South African Tourism won the Best Overall Service Provider Awards as voted for by over 1 500 travel agents
7.12.19 SA Tourism – Germany Top Industry ‘Globus’ award	First prize in top category ‘Best overall service provided for travel agents’
7.12.20 China 2010 Best of the Best in tourism magazine Awards	South Africa won ‘The most popular long-haul destination’ award while SA Tourism won the ‘Year’s most influential tourism destination’ in the <i>Voyage</i> magazine
7.12.21 International Budget Index 2010	SA is ranked first in the global Open Budget Index. SA scored 92 out of a possible 100 points. They were analysed against 94 countries globally. The OBI is an independent, comparative measure of budget transparency and accountability around the world
7.12.22 Public Sector Excellence Awards 2010	SA Tourism won this award as SA Tourism was at the centre of creating an unforgettable experience for visitors for the 2010 FIFA World Cup™.

7.13 South African Tourism continued to meet its employment equity targets in 2010/11:

Details	Situation as at 31 March 2011	Situation as at 31 March 2010	Situation as at 31 March 2009
Total number of permanent SA Tourism employees including those locally recruited overseas	158	149	153
Total number of permanent SA Tourism employees excluding those locally recruited overseas (A)	116	112	109
Total number of interns included in (A)	4	4	4
Total number of HDI employees included in A above (referred to as B below)	82	94	93
Employment equity % (B as a % of A)	70.7%	83.9%	78.9%

7.14 South African Tourism had a resignation rate of 4.61% during the first and second six months of 2010/11 (2009/10: 10.59%) – 1.98% of staff resigned during the first six-month period of 2010/11 (2009/10: 4.1%) and 2.63% during the second six-month period (2009/10: 7.5%). A total of 11 employees resigned during the financial year (2009/10: 17 employees).

7.15 SA Tourism’s COO, Didi Moyle, did not renew her contract on 31 May 2010 and a new COO, Tim Scholtz, was appointed effective 1 November 2010.

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

7.17 South African Tourism exceeded its target of 70% participation in the annual Deloitte Best Company To Work For survey by recording an 81% participation rate in the 2010 Deloitte Best Company To Work For survey (2009: 78%). It also achieved 35th position in the Small Company category out of 38 participants (2009/10: 46th position). South African Tourism improved its overall rating score in 2010 from 3.30 in 2009 to 3.46 in 2010.

More details on SA Tourism’s projects and activities have been included in the Performance Information Management report of SA Tourism on page 9.

8. Results of activities

8.1 The successful hands-on execution of the above assisted South Africa:

- 8.1.1 To outperform the average 2010 global growth rate in international tourist arrivals and grow international arrivals to South Africa by 14.7% from 9.9 million in the 2009 calendar year to 11.4 million in the 2010 calendar year
- 8.1.2 To achieve an estimated average foreign direct spend per land market arrival of R8 100 for 2010, which exceeds the target of R7 100 per land market arrival for 2010 (spend excludes capital expenditure)
- 8.1.3 To achieve an average foreign direct spend per arrival of R8 900 per person, which exceeds the R8 700 per person target set for 2010
- 8.1.4 To achieve a respectable 29.7 million domestic trips inside South Africa during 2010 despite the tough economic climate in the country; this is only slightly down from the 30.3 million domestic trips that took place inside South Africa during 2009
- 8.1.5 To receive R101.4 billion in foreign direct spend from foreign arrivals in the 2010 calendar year (2009: R79.4 billion); domestic spending for the 2010 calendar year was R21 billion
- 8.1.6 To increase its global awareness levels of South Africa as a tourist destination for all overseas markets to 85% immediately after the World Cup.
- 8.1.7 To maintain positivity towards SA in overseas markets at 37.5% (2009: 38%).

8.2 It also enabled SA Tourism to:

- 8.2.1 Drastically increase the total number of unique visitors to its website www.southafrica.net during the 2009/10 financial year from 1 901 488 in the 2009/10 financial year to 3 063 406 in the 2010/11 financial year; in the process, a total of 10 403 966 page views took place compared to the 7 702 060 page views in 2009/10 (source: Google Analytics and SiteCatalyst)
- 8.2.2 Reach, for the sixth consecutive year, the target of spending 40% of its available spend on HDI organisations
- 8.2.3 To completely rebuild its South African expert online training course known as 'Fundi'. A lot of new content has been created and this new course will be formally launched shortly and a campaign is planned to get previously qualified Fundi experts (1 846 as at 31 March 2010) and previously registered Fundis (6 942 as at 31 March 2010) to go through the new version (all translations). As at 31 March 2011, SA Tourism had 1 836 Fundi registrations and 562 Fundi graduations.

Report by the Accounting Authority to the Executive Authority continued

9. General review of the state of financial affairs

SA Tourism incurred total expenses of R855.29 million (2009/10: R849.15 million) during the 2009/10 financial year, leaving a net deficit of R21.68 million (2009/10: R13.35 million surplus) for the year under review.

A total of R631.69 million (2009/10: R699.48 million) of SA Tourism's funding, representing 86% (2009/10: 80.7%) of total revenue of R736.66 million (2009/10: R865.62 million), came from government. Other income of R97.75 million (2009/10: R91.77 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.

The balance of income received in advance as at 31 March 2011 is R50.2 million. This balance comprises TOMSA levies received in advance amounting to R46.6 million and the remaining balance relates to sponsorships received for ETEYA and Welcome campaigns.

10. Key performance areas for the 2011/12 financial year and onwards

The Board approved the following official targets and projections for SA 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 2011/12:

Indicator	SA Tourism official targets and projections		
	2010/11	2011/12	2012/13
Number of international arrivals per year	10 193 585 (in 2010 calendar year)	10 295 520 (in 2011 calendar year)	10 398 475 (in 2012 calendar year)
– 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 arrival in the country	R8 700	R9 222	R9 775
– average spend per land tourist	R7 100	R7 500	R7 900
– average spend per air tourist	R14 200	R15 000	R15 900
Percentage of global brand awareness	77	78	79
Percentage of brand positivity	40	41	42
Total number of accommodation establishments graded	8 288	9 117	10 029

It serves mentioning that SA Tourism will, once it has five years of data, set annual arrival and spend targets per tourist (and not arrivals which include a component of same-day visitors as Stats SA are now able to separate the data).

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

11.1 The Board of SA 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 15 members including two Executive Board members.

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

No remuneration was paid to any Board member during the current financial year. However, the following amounts were paid to members of the Grading Council Awards Committee during 2010/11:

Name	Remuneration R	Bonuses and performance payments R	Company contribution R	Total cost in Rand
PD Bacon	56 846	–	568	57 414
A Chothia	40 687	–	407	41 094
B Dungan	56 132	–	561	56 693
M Gcanga	36 478	–	365	36 843
T Hazel	32 269	–	323	32 592
SS Nhlapo	49 105	–	491	49 596
J Padmanathan	44 019	–	440	44 459
A Romburgh	36 478	–	365	36 843
JD Smith	35 075	–	351	35 426
PA Thompson	49 105	–	491	49 596
Total	436 194	–	4 362	440 556

11.2 Executive Management (EXCO)

EXCO generally has responsibility for proposing strategy and for making and implementing operational decisions on running SA Tourism.

The following employees served on EXCO as at 31 March 2011:

TS January-McLean	Chief Executive Officer
T Scholtz	Chief Operating Officer
R Singh	Chief Marketing Officer
T Kunene	Chief Quality Assurance Officer
JN van der Walt	Chief Financial Officer

Report by the Accounting Authority to the Executive Authority continued

11.3 Remuneration of SA Tourism's EXCO and MANCO (Management Committee) members

During the 2010/11 financial year, South African Tourism paid total remuneration of R18 254 203 (2009/10: R22 535 226) to EXCO and Manco members.

Details of the R18 254 203 paid to EXCO and Manco members during the 2010/11 financial year are as follows:

Name	Designation	A Basic salary R	B Other earnings R	C Total company contributions R	A+B+C Total cost in Rand	Notes
TS January-McLean	Chief Executive Officer	1 045 440	628 515	113 493	1 787 448	
D Moyle	Chief Operating Officer	150 840	691 585	37 252	879 677	1
T Scholtz	Chief Operating Officer	340 450	239 728	30 891	611 069	2
R Singh	Chief Marketing Officer	903 408	488 291	196 211	1 587 910	
JN van der Walt	Chief Financial Officer	1 129 670	643 416	215 601	1 988 687	
T Kunene	Chief Quality Assurance Officer –TGCSA	1 047 380	362 598	99 634	1 509 613	
P Baloyi	Manager: Administration	301 200	251 194	29 125	581 518	
A Bidesi	General Manager: Business Information Systems	301 200	207 959	28 697	537 856	
FG Buchner	Regional Director: Europe/UK	753 720	556 731	104 483	1 414 934	
BNO Chauke	General Manager: Human Resources	574 470	443 442	57 461	1 075 373	
J Craig	Global Manager: Communications	115 326	74 039	13 661	203 026	3
PE Dhlomo	Regional Director: Africa & Domestic	607 380	531 220	57 900	1 196 500	
N Govender	Operation Manager – TGCSA	461 250	179 572	44 927	685 748	
EM Mahlaba	Regional Director: Americas, Asia & Australasia	695 880	692 171	78 587	1 466 638	
M Malikane	Global Manager: Watch-list Markets	378 000	403 226	39 553	820 780	
MP Maloma	Manager: Finance	774 750	225 692	103 726	1 104 168	
B Muthaya	Manager: Strategic Research	587 770	438 258	122 508	1 148 536	
NC Ndlovu	Global Manager: Business Tourism	620 490	618 799	70 116	1 309 405	

Name	Designation	A Basic salary R	B Other earnings R	C Total company contributions R	A+B+C Total cost in Rand	Notes
S Pillay	Global Manager: Events	661 080	545 474	62 194	1 268 748	
WAF Price	Global Manager: E-Marketing	696 900	303 666	74 916	1 075 482	
J Slabber	Global Manager: Product	709 600	362 688	145 863	1 218 151	
WM Tlou	Global Manager: Communications	186 150	306 584	19 113	511 847	4
IR Utermohlen	Global Manager: Marketing & Advertising	857 100	342 777	115 139	1 315 015	
TF Rakolojane	Marketing and Communications Manager: TGCSA	356 940	239 691	33 764	630 395	
FE Shawe	Finance Manager: TGCSA	455 160	193 459	41 463	690 082	
Total		R10 094 366	R6 916 641	R1 243 196	R18 254 203	

Notes

1 = contract ended on 31 May 2010

2 = engaged on 1 November 2010

3 = engaged on 12 January 2011

4 = resigned on 31 July 2010

11.4 SA Tourism's Retirement Fund Board of Trustees

The following employees served on the SA Tourism Retirement Fund Board of Trustees as at 31 March 2011:

Mr J van der Walt (Chairperson and employer representative)

Mr F van der Spuy (Employee representative)

Ms O Chauke (Employer representative)

Mr M Maloma (Employee representative)

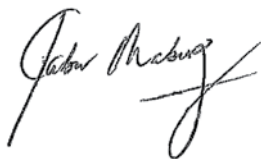
Mr F Shawe (Employee representative)

Ms F Buchner (Employee representative)

Report by the Accounting Authority to the Executive Authority *continued*

12. Events subsequent to 31 March 2011

- 12.1 South Africa attended its first Brazil, Russia, India, China and South Africa (BRICS) summit as a full member of the grouping of the world's most influential developing nations when President Jacob Zuma sat down with the leaders of Brazil, Russia, India and China at the third BRICS Leaders Meeting in Sanya, a resort in China's southern island province of Hainan, on 14 April 2011. BRIC, to be known as BRICS now that South Africa has become a member, is a powerful bloc of emerging economies which, according to the International Monetary Fund, will account for as much as 61% of global growth in three years' time.
- 12.2 Iceland's most active volcano, Grimsvoetn, commenced with its most powerful eruption in a century on Saturday, 21 May 2011. Given the enormous disruption the Eyjafjoell volcanic eruption of 2010, which was significantly smaller than the eruption at Grimsvoetn had on air travel to and from Europe, this new eruption at Grimsvoetn might materially disrupt air travel to and from Europe and thus international arrivals to South Africa.



Jabu Mabuza

Chairperson

26 May 2011

Statement of financial position

as at 31 March 2011

	Notes	2011 R	2010 R
Assets			
<i>Current assets</i>			
Trade and other receivables	2	29 845 226	75 374 343
Staff advances – Current	6	327 677	354 036
Cash and cash equivalents	3	269 999 054	224 657 234
		300 171 957	300 385 613
<i>Non-current assets</i>			
Property, plant and equipment	4	62 180 250	69 942 924
Intangible assets	5	6 049 025	4 324 035
Staff advances – Non-current	6	–	41 529
		68 229 275	74 308 488
Non-current assets		68 229 275	74 308 488
Current assets		300 171 957	300 385 613
Non-current assets held for sale (and) (assets of disposal groups)		–	–
Total assets		368 401 232	374 694 101
Net assets and liabilities			
<i>Current liabilities</i>			
Other financial liabilities	8	735 407	653 492
Trade and other payables	7	230 355 416	209 772 199
Income received in advance	10	50 241 437	56 572 147
Provisions	9	8 790 691	8 923 560
		290 122 951	275 921 398
<i>Non-current liabilities</i>			
Provisions	9	12 352 000	10 843 000
Other financial liabilities	8	1 907 306	2 250 774
		14 259 306	13 093 774
Non-current liabilities		14 259 306	13 093 774
Current liabilities		290 122 951	275 921 398
Liabilities of disposal groups		–	–
Total liabilities		304 382 257	289 015 172
Assets		368 401 232	374 694 101
Net assets and liabilities		(304 382 257)	(289 015 172)
Net assets		64 018 975	85 678 929
Net assets			
Reserves			
Accumulated surplus		46 729 335	68 165 780
Revaluation reserve		17 289 640	16 874 987
General reserve		–	638 162
Total net assets and liabilities		64 018 975	85 678 929

Statement of financial performance

for the year ended 31 March 2011

	Notes	2011 R	2010 R
Revenue			
Government grants		631 685 000	699 486 483
Other grants		104 972 583	75 490 408
	11	736 657 583	774 976 891
Other income			
Sundry income		72 621 059	66 144 710
Sale of marketing material		–	(120 109)
Grading income	12	6 375 801	4 794 772
Interest received		11 205 708	20 947 254
Foreign currency gains		7 543 510	–
		97 746 078	91 766 627
Operating expenses			
Marketing expenses	15	(691 744 268)	(652 238 113)
Employee costs		(103 627 559)	(111 459 183)
Auditors remuneration	13	(3 331 175)	(2 738 305)
Other operating expenses	17	(41 417 990)	(44 559 629)
Depreciation, amortisation and impairments		(14 341 441)	(15 541 850)
Loss on disposal of assets		(827 578)	(9 677 995)
Foreign currency losses		–	(12 937 293)
		(855 290 011)	(849 152 368)
Finance costs	16	(797 752)	(4 238 869)
Deficit/surplus before taxation		(21 684 097)	13 352 281

Statement of changes in net assets

for the year ended 31 March 2011

	Revaluation reserve R	General Reserve R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	14 718 476	–	47 370 862	62 089 338
Surplus for the year	–	–	6 947 332	6 947 332
Transfer of revalued depreciation	(247 653)	–	247 653	–
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	(247 652)	–	247 652	–
Total changes	2 404 164	638 162	13 599 933	16 642 259
Balance at 01 April 2010	16 874 987	638 162	68 165 780	85 678 929
Changes in net assets				
Transfer to general reserve	–	24 143	–	24 143
Transfer from general reserve	662 305	(662 305)	–	–
Transfer of revalued depreciation	(247 652)	–	247 652	–
Net income (expenses) recognised directly in net assets	414 653	(638 162)	247 652	24 143
Deficit for the year	–	–	(21 684 097)	(21 684 097)
Total recognised income and expenses for the year	414 653	(638 162)	(21 436 445)	(21 659 954)
Total changes	414 653	(662 305)	(21 436 445)	(21 684 097)
Balance at 31 March 2011	17 289 640	–	46 729 335	64 018 975

Cash flow statement

for the year ended 31 March 2011

	Notes	2011 R	2010 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		78 996 860	70 063 010
Grants		736 657 583	774 976 891
Interest income		11 205 708	20 947 254
		826 860 151	865 987 155
Payments			
Employee costs		(103 627 559)	(111 835 234)
Suppliers		(667 700 131)	(676 034 289)
Finance costs		(797 752)	(3 310 662)
		(772 125 442)	(791 180 185)
Total receipts		826 860 151	865 987 155
Total payments		(772 125 442)	(791 180 185)
Net cash flows from operating activities	18	54 734 709	74 806 970
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(3 892 862)	(9 200 393)
Proceeds from sale of property, plant and equipment	4	–	172 740
Purchase of other intangible assets	5	(5 238 474)	(1 736 816)
Net cash flows from investing activities		(9 131 336)	(10 764 469)
Cash flows from financing activities			
Finance lease payments		(261 553)	(2 000 183)
Net increase/(decrease) in cash and cash equivalents		45 341 820	62 042 318
Cash and cash equivalents at the beginning of the year		224 657 234	162 614 916
Cash and cash equivalents at the end of the year	3	269 999 054	224 657 234

Accounting policies

for the year ended 31 March 2011

1. Basis of preparation

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements

In preparing the 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.

1.2 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote;
- 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.

Accounting policies *continued*

for the year ended 31 March 2011

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 2008/2009.

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 fund's administrators.

Payments to defined contribution retirement benefits plans are expensed to the income statement under salaries and employee benefits in the period in which service was rendered by employees.

Post-retirement healthcare benefit

The liability recognised in the statement of financial position (balance sheet) in respect of a defined pension plan is the present value of the defined 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 directly gives approximately equal value to the other party in exchange.

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

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 Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each statement of financial position date:

- foreign currency monetary items are translated into Rand using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.10 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 in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, buildings and artwork. Land is stated at fair value and not depreciated. Buildings and artwork are carried at revalued amounts 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 is 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. SA 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.

Accounting policies *continued*

for the year ended 31 March 2011

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 items are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Average useful life
Buildings	50 years
Furniture and fixtures	3 – 40 years
Motor vehicles	4 – 8 years
IT equipment	3 – 8 years
Leasehold improvements	Period of the lease or shorter as may be appropriate
Air conditioning	5 – 20 years
Lift	5 – 50 years
Electrical installation	15 years

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

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

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

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

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

1.11 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 that, at the inception of the lease, it is reasonably certain that the option will be exercised.
- The lease term is for the major part of the economic life of the asset, even if title is not transferred.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- The lease assets are of 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 SA 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.

De-recognition 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.

Accounting policies *continued*

for the year ended 31 March 2011

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 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 this property, plant and equipment. For all other property, plant and equipment amortisation is provided on a straight-line basis over their useful lives.

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:

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

SA Tourism participates and holds numerous exhibitions, seminars, workshops and other functions where various marketing material is utilised. In some instances SA 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. At year-end management decided to reclassify general reserve to revaluation reserve.

Notes to the Annual Financial Statements

for the year ended 31 March 2011

2. Trade and other receivables

	2011 R	2010 R
Trade debtors	20 084 435	12 425 283
Impairment of trade receivables	(9 282 824)	(3 320 355)
Deposits	6 305 833	2 825 257
Prepaid expenses	12 737 782	63 444 158
	29 845 226	75 374 343

Total trade receivables (net of impairment) held by the entity at 31 March 2011 amounted to R5.7 million (2010: R9.1 million). IAS 39.AG 79 states that short-term receivables with no stated interest rate may be measured at original invoice amount if the effect of discounting is immaterial. Accounts Receivable discounting procedures were performed and the results showed that the effect of discounting is immaterial.

Interest is charged on staff advances at 7% 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 consist mainly of staff debtors and funders, ie provincial tourism authorities and government departments. South African Tourism does not impair these debtors because settlements of monies owed 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.

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.

Ageing of past due but not impaired

	2011 R	2010 R
91 – 180 days		
Movement in the allowance for debtors		
Opening balance	3 320 355	15 372 848
Increase/decrease in the provision	5 962 469	(12 052 493)
Closing balance	9 282 824	3 320 355
Ageing of impairment		
181 – 360 days	2 595 597	1 288 419
361 + days	6 687 227	2 031 936
	9 282 824	3 320 355

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

	2011 R	2010 R
Cash and cash equivalents consist of:		
	269 999 054	224 657 234
Cash and cash equivalents as at 31 March 2011 consist of		
South Africa (ZAR)		
ABSA current account	25 399 196	–
ABSA investment account	75 000 000	–
Nedbank current account: Head office	33 390 295	–
Nedbank investment account	25 000 000	–
Nedbank current account: Grading	7 360 121	–
Standard Bank	7 286 372	–
Grading Council Investment	58 410	
Foreign cash and cash equivalents		Foreign currency
United States of America (USD)	ZAR	
The Bank of New York current account/JP Morgan Chase Bank	(2 886 220)	(421 617)
The Bank of New York investment account	14 288 477	2 087 250
France (EUR)		
Credit du Nord current account	532 169	55 882
Credit du Nord investment account	6 538 674	677 323
Australia (AUD)		
Wespac current account	3 458 279	489 956
Wespac investment account	3 353	475
Germany (EUR)		
Volksbank eG current account	229 184	23 741
Volksbank eG investment account	11 871 944	1 229 782
United Kingdom (GBP)		
Nedbank London current account	(6 224 434)	(567 090)
Nedbank London investment account	36 658 707	3 339 866
Italy (EUR)		
UniCredit current account	9 133 601	946 124
UniCredit investment account	9 365	970
Netherlands (EUR)		
ABN Amro current account	1 225 919	126 990
ABN Amro investment account	7 311 225	757 350
India (INR)		
ABN Amro current account	10 269 542	67 920 250
Japan (JPY)		
Bank of Tokyo-Mitsubishi UFJ	3 957 535	47 505 075
China (CNY/USD)		
Bank of China current account (CNY)	99 572	95 275
Bank of China investment account (USD)	643	616
Petty cash	27 123	24 897
	–	–

Notes to the Annual Financial Statements continued

for the year ended 31 March 2011

4. Property, plant and equipment

	Cost/ valuation	2011 Accumulated depreciation	Carrying value
Land	8 131 482	–	8 131 482
Buildings	30 013 014	(935 468)	29 077 546
Furniture and fixtures	27 178 029	(12 480 183)	14 697 846
Motor vehicles	1 699 634	(781 557)	918 077
Computer equipment	12 937 284	(9 995 437)	2 941 847
Leasehold improvements	5 220 077	(1 928 527)	3 291 550
Leased assets	11 106 963	(7 985 061)	3 121 902
Total	96 286 483	(34 106 233)	62 180 250

Reconciliation of property,
plant and equipment – 2011

	Opening balance	Additions	Disposals
Land	8 131 482	–	–
Buildings	29 780 127	–	(53 108)
Furniture and fixtures	18 407 453	782 794	(197 874)
Motor vehicles	1 381 041	–	–
Computer equipment	4 069 926	2 327 454	(184 679)
Leasehold improvements	3 381 641	781 786	–
Leased assets	4 791 254	829	–
	69 942 924	3 892 863	(435 661)

Reconciliation of property,
plant and equipment – 2010

	Opening balance	Additions	Disposals
Land	7 600 978	–	–
Buildings	28 051 437	1 024 010	(1 094 170)
Furniture and fixtures	18 707 350	3 712 863	(541 715)
Motor vehicles	312 054	1 437 607	(172 327)
Computer equipment	4 260 609	1 777 103	(71 762)
Leasehold improvements	4 597 656	1 248 810	(1 808 892)
Leased assets	6 900 538	–	–
	70 430 622	9 200 393	(3 688 866)

	2010	
Cost/ valuation	Accumulated depreciation	Carrying value
8 131 482	–	8 131 482
29 789 781	(9 654)	29 780 127
26 095 081	(7 687 628)	18 407 453
1 699 634	(318 593)	1 381 041
10 665 393	(6 595 467)	4 069 926
4 462 869	(1 081 228)	3 381 641
10 958 740	(6 167 486)	4 791 254
91 802 980	(21 860 056)	69 942 924

Depreciation	Total
–	8 131 482
(649 473)	29 077 546
(4 294 527)	14 697 846
(462 964)	918 077
(3 270 854)	2 941 847
(871 877)	3 291 550
(1 670 181)	3 121 902
(11 219 876)	62 180 250

Revaluations	Foreign exchange movements	Re- classification	Depreciation	Impairment loss	Total
530 504	–	–	–	–	8 131 482
1 942 119	–	(143 269)	–	–	29 780 127
179 193	–	143 269	(3 742 690)	(50 817)	18 407 453
–	–	–	(196 293)	–	1 381 041
–	–	–	(1 896 024)	–	4 069 926
–	–	–	(655 933)	–	3 381 641
–	4 683	–	(2 113 967)	–	4 791 254
2 651 816	4 683	–	(8 604 907)	(50 817)	69 942 924

Notes to the Annual Financial Statements continued

for the year ended 31 March 2011

4. Property, plant and equipment continued

	2011 R	2010 R
Details of properties		
House and stand in Amsterdam, Holland (De Bosborus 50, Amstelveen, Amsterdam, Holland)		
– Balance at beginning of the year	4 500 019	4 313 490
– Revaluations	–	186 529
	4 500 019	4 500 019
Head office, Bojanala House, 90 Protea Road, Chislehurst, Sandton		
– Balance at beginning of the year	33 411 590	31 338 925
– Revaluations	–	2 286 093
– Depreciation	(699 304)	–
– Adjustment	–	(213 428)
	32 712 286	33 411 590

5. Intangible assets

	Cost/ valuation	2011 Accum- ulated amortisation	Carrying value	Cost/ valuation	2010 Accum- ulated amortisation	Carrying value
Marketing rights	2 500 000	(1 750 000)	750 000	2 500 000	(1 250 000)	1 250 000
Computer software	6 520 076	(1 980 461)	4 539 615	1 444 099	(662 421)	781 678
Website costs	2 170 001	(1 410 591)	759 410	4 078 977	(1 786 620)	2 292 357
Total	11 190 077	(5 141 052)	6 049 025	8 023 076	(3 699 041)	4 324 035

Reconciliation of intangible assets – 2011

	Opening balance	Additions	Disposals	Amortisation	Total
Marketing rights	1 250 000	–	–	(500 000)	750 000
Computer software	781 678	5 238 474	(64 795)	(1 415 740)	4 539 617
Website costs	2 292 357	–	(327 122)	(1 205 825)	759 410
	4 324 035	5 238 474	(391 917)	(3 121 565)	6 049 027

Reconciliation of intangible assets – 2010

	Opening balance	Additions	Disposals	Amortisation	Total
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

6. Staff advances

	2011 R	2010 R
Staff advances – Non-current	–	41 529
Staff advances – Current	327 677	354 035
	327 677	395 564

Non-current staff advances are advances to employees that are repayable after 12 months. Current staff advances are advances to employees payable within 12 months. All current advances are payable within the next 12 months and are thus classified as current assets. SA Tourism provides advances to employees placed overseas to fund expenses related to their accommodation.

7. Trade and other payables

Trade payables	70 502 842	50 599 594
Accrued liabilities	159 852 574	159 172 605
	230 355 416	209 772 199

8. Other financial liabilities

Minimum lease payments due

– within one year	1 425 439	1 468 410
– in second to fifth year inclusive	2 731 666	3 921 908
	4 157 105	5 390 318
Less: future finance charges	(1 514 392)	(2 486 052)
Present value of minimum lease payments	2 642 713	2 904 266
Non-current liabilities	1 907 306	2 250 774
Current liabilities	735 407	653 492
	2 642 713	2 904 266

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.

Notes to the Annual Financial Statements continued

for the year ended 31 March 2011

9. Provisions

	Opening balance R	Exchange rate difference R	Settlements in the current year R	Increase in provision R	Total R
Reconciliation of provisions – 2011					
Provision – Input VAT credits	8 923 560	(132 869)	–	–	8 790 691
Post-retirement healthcare benefits	10 843 000	–	(828 000)	2 337 000	12 352 000
	19 766 560	(132 869)	(828 000)	2 337 000	21 142 691

Reconciliation of provisions – 2010

	Opening balance	Additions	Settlements in the current year	Amortisation	Total
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
Non-current liabilities				12 352 000	10 843 000
Current liabilities				8 790 691	8 923 560
				21 142 691	19 766 560

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.

	2011 R	2010 R
10. Income received in advance		
Movement during the year		
Balance at the beginning of the year	56 572 147	20 179 252
Additions during the year	46 516 624	56 378 219
Income recognition during the year	(52 847 334)	(19 985 324)
	50 241 437	56 572 147
Deferred revenue	50 241 437	56 572 147
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 2011/12 financial year.		
11. Revenue		
Government grants	631 685 000	699 486 483
Other grants	104 972 583	75 490 408
	736 657 583	774 976 891

12. Grading income

	2011 R	2010 R
Total grading revenue	14 755 031	16 665 444
Assessors fees	(8 379 230)	(11 870 672)
Grading income	6 375 801	4 794 772

13. Auditors' remuneration

Fees	3 331 175	2 738 305
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14. Operating lease

Premises	9 610 481	9 233 861
Equipment	(207 969)	1 094 658
	9 402 512	10 328 519

15. Marketing

Consultants fees	65 455 834	68 492 574
Market development	(494 900)	–
Other marketing expenditure	626 783 334	583 745 539
	691 744 268	652 238 113

16. Finance costs

Finance leases	797 752	928 207
Accounts payable discounting	–	3 310 662
	797 752	4 238 869

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R797 752 (2010: R1 686 026). Accounts payable discounting procedures were performed and the results showed that the effect of discounting is immaterial.

17. Other operating expenses

Administration and management fees	26 053 009	33 655 657
Bad debts	5 962 469	575 453
Lease rentals on operating lease	9 402 512	10 328 519
Premises	9 610 481	9 233 861
Equipment	(207 969)	1 094 658
	41 417 990	44 559 629

Notes to the Annual Financial Statements continued

for the year ended 31 March 2011

18. Cash generated from operations

	2011 R	2010 R
(Deficit) surplus	(21 684 097)	13 352 281
Adjustments for:		
Depreciation and amortisation	14 341 441	15 491 033
Loss on sale of assets and liabilities	827 578	9 505 255
(Gain) loss on foreign exchange	(773 619)	785 097
Finance costs – Finance leases	797 752	928 207
Impairment	–	50 817
Movements in provisions	1 376 131	8 051 853
Changes in working capital:		
Trade and other receivables	45 529 117	(38 791 771)
Staff loans – Current	–	(41 529)
Staff loans – Current	67 888	(143 309)
Trade and other payables	20 583 228	29 226 141
Income received in advance	(6 330 710)	36 392 895
	54 734 709	74 806 970
19. Commitments		
Authorised capital expenditure		
Authorised but not yet contracted for		
Property, plant and equipment	12 202 000	15 180 000
Operating leases – as lessee (expense)		
Contracted for:		
Minimum lease payments due		
– within one year	5 309 178	6 537 375
– in second to fifth year inclusive	9 989 186	13 869 849
	15 298 364	20 407 224

Operating leases relate to rental of premises, with lease terms varying between 4 to 8 years, and rental of office equipment with lease terms varying between 2 to 3 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 fund's administrators. South African Tourism retirement fund asset value as at 31 March 2011 was valued at R58 742 666 (2010: R50 078 900) and has been allocated to the following investment portfolios:

	2011 R	2010 R
Allan Gray Equity	4 763 524	7 679 451
Coronation Absolute	9 594 602	16 744 682
Old Mutual Profile Pinnacle	6 291 391	10 964 187
Allan Gray Money Market	28 780 202	–
Satrix 40	7 634 650	12 960 582
Current account	1 678 297	1 729 998
Total fund value	58 742 666	50 078 900

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

	2011 R	2010 R
Liability at 1 April	10 843	10 587
Expenses:		
Service cost	598	365
Benefits	(828)	(799)
Interest cost	1 044	1 020
Actuarial gain	695	(330)
Liability at 31 March	12 352	10 843

	Service cost		Interest cost		Accrued liability	
Change in inflation	Amount (R'000)	Change %	Amount (R'000)	Change %	Amount (R'000)	Change %
None	598	–	1 044	–	12 352	–
1% increase	728	+21.7	1 164	+11.5	13 754	+11.4
1% decrease	496	-17.1	943	-9.7	11 179	-9.5

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

	2011 R	2010 R
Assumptions:		
Assumed return on assets	10.20%	10.00% p.a.
Assumed subsidy inflation	8.04% p.a.	7.84% p.a.
Net discount rate	2% p.a.	2% p.a.
Actuarial method:	Projected Unit Credit	Projected Unit Credit

Notes to the Annual Financial Statements continued

for the year ended 31 March 2011

21. Financial instruments

Financial risk management objectives and policies

South African Tourism is exposed to market risk, including 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 is 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 effected 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:

	2011	2010
USD	6.8456	7.3926
GBP	10.9761	11.142
JPY	0.08262	0.07977
EUR	9.6537	9.9426
INR	0.1512	0.1643
AUD	7.0583	6.7975
CNY	1.0451	1.0846

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.

21. Financial instruments continued

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 (ie investments excluding current account balances) at the statement of financial position date.

Country	Bank	Balances R	Percentage of funds invested %
South Africa	ABSA	75 000 000	44.54
USA	The Bank of New York	14 282 613	8.49
UK	Nedbank London	28 450 765	16.89
Germany	Volksbank eG	11 871 944	7.05
Netherlands	ABN Amro	7 265 685	4.30
France	Credit du Nord	6 538 571	3.88
South Africa	Nedbank	25 000 000	14.85
		168 409 578	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.

	2011 R	2010 R
Financial assets		
Carrying amount of financial assets	307 670 457	300 160 604
Loans and receivables		
Trade and other receivables	29 845 226	75 503 370
Available for sale financial assets		
Cash and cash equivalents	269 999 054	224 657 234
Financial liabilities		
Carrying amount of financial liabilities	232 998 139	212 676 464
Other financial liabilities		
Finance lease obligation – Non-current portion	1 907 306	2 250 774
Finance lease obligation – Current portion	735 407	653 492
Trade and other payables	230 355 426	209 772 198

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

Notes to the Annual Financial Statements continued

for the year ended 31 March 2011

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 cost of R2 286 774.65 (2010: R282 050) with Tsogo Sun Gaming and R4 119 093.66 (2010: R3 659 995) with Southern Sun Hotels for hotel and accommodation expenses. An amount Rnil (2010: R1 625) was owed to Tsogo Sun Gaming and an amount of R189 740.3 (2010: R68 820) was owed to Southern Sun Hotels as at 31 March 2011.

South African Tourism is 100% controlled by its shareholder, the Government, represented by the National Department of Tourism (NDT). South African Tourism constitutes 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 R631 685 000 (2009: R698 948 656). No amounts were due to NDT by South African Tourism as at 31 March 2011 (2010: 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

	2011 R	2010 R
Public entity		
Telkom	409 032	494 577
South African Airways	282 091	456 466
SA National Parks Board	140 567	36 690
UIF	–	290 915
Robben Island Museum	–	6 242
SARS	17 474 476	13 499 523
	18 306 166	14 784 413
Key management personnel compensation		
Short-term employee benefits	7 275 915	6 563 992
Post-employment benefits	989 925	831 527
Equity compensation benefits	–	–
Other long-term benefits	27 282	18 830
	8 293 122	7 414 349
Related-party balances		
Public entity		
SA National Parks Board	15 915	–
UIF	–	–
Robben Island Museum	–	–
SARS	–	–
South African Airways	–	28 628
	15 915	28 628

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:

	2011 R	2010 R
Net (deficit) surplus per the statement of financial performance	(21 684 097)	13 352 281
Adjusted for:		
Depreciation and amortisation	14 341 441	(15 491 033)
Impairments recognised/reversed	–	(50 187)
Increases/decreases in provisions	1 376 131	–
Finance revenue – Trade and other receivables	–	2 266 410
Unrealised foreign exchange losses	612 301	(24 349)
Over/(under) expenditure	5 354 224	(53 122)
Budgeted net surplus/(deficit)	–	–

Notes to the Annual Financial Statements continued

for the year ended 31 March 2011

26. Standards and amendments to standards issued but not effective

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

Standard	Summary and impact	Effective date
GRAP 23 – Revenue from Non-exchange Transactions	This standard prescribes the requirements for the financial reporting of revenue from non-exchange (grants and transfer payments transactions). The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – February 2008 Effective date – To be determined by the Minister of Finance
GRAP 24 – Presentation of Budget Information in the Financial Statements	This standard requires a comparison of budget and actual amounts and an explanation for material differences. The impact on the financial results is considered to be minimal. However the impact on disclosure is significant.	Issued by the ASB – November 2007 Effective date – To be determined by the Minister of Finance
GRAP 25 – Employee Benefits	The standard prescribes the accounting treatment and disclosure for employee benefits. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – November 2009 Effective date – To be determined by the Minister of Finance
GRAP 104 – Financial Instruments	This standard establishes principles for recognising, measuring, presenting and disclosing financial instruments. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – October 2009 Effective date – To be determined by the Minister of Finance
GRAP 18 – Segment Reporting	This standard establishes principles for reporting financial information by segments. The impact on the financial results and disclosure is considered 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

	2011 R	2010 R
27. World Cup expenses		
Tickets acquired	-	862 973.00
Distribution of tickets		
Clients/stakeholders	-	323 614.88
Accounting authority	-	172 594.60
Executive	-	64 722.98
Non-executive	-	107 871.63
Senior management	-	43 148.65
Other employees	-	129 445.95
Other government entities	-	194 168.93
SAFA 2010 home jersey	-	103 341.00
Other	-	-
Total	-	966 314.00
World Cup expenditure after year-end		
Travel costs	-	-
Clients/stakeholders	-	-
Accounting authority	-	7 040.00
Executive	-	42 240.00
Non-executive	-	13 094.00
Other employees	-	-
Other	-	62 374.00
	R'000	R'000
Purchase of other World Cup apparel		
SA scarf and beanie set	-	34 200.00
Hooded flags	-	18 240.00
	-	52 440.00
Tickets acquired		46 000.00
Distribution of tickets acquired after year-end		
Clients/stakeholders	-	
Accounting authority	-	
Executive	-	
Non-executive	-	
Senior management	-	460
Other employees	-	45 540
Other government entities	-	
SAFA 2010 home jersey	-	
Other	-	-
Total	-	46 000.00
World Cup expenditure after year-end	-	160 814.00

Glossary

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

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