



SOUTH AFRICAN TOURISM



South African Tourism
Annual Report 2011/12

Contents

Company at a glance	I - 9
Performance Information Report	1
Tourism in South Africa at a glance	4
Management Review	10 - 37
South African Tourism Members of the Board	12
South African Tourism high-level organogram	14
Chairperson's report	16
Chief Executive Officer's report	18
Corporate Governance report	22
Unit Reports	38 - 101
Chief Marketing Officer's report	40
AFRICA	48
South Africa	50
Angola	54
Democratic Republic of Congo	56
East and West Africa	58
SADC	60
AMERICAS, ASIA AND AUSTRALASIA	62
United States of America	64
Australia and New Zealand	66
China	68
India	72
Japan	74
EUROPE	76
France	78
Germany	80
Italy	82
Netherlands	84
United Kingdom	86
Watch-list markets	88
Tourism Grading Council of South Africa	90
Research	92
Operations report	94
Finance report	96
Finance award winners and their categories	100
Internal Audit report	101
Annual Financial Statements	102 - 144
Statement of responsibility	104
Report of the Audit and Risk Committee	106
Report of the Auditor-General	108
Report by the Accounting Authority to the Executive Authority	110
Statement of financial position	121
Statement of financial performance	122
Statement of changes in net assets	123
Cash flow statement	124
Accounting policies	125
Notes to the annual financial statements	132
Glossary	145
South African Tourism offices	146

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www.southafrica.net

Welcome to South African Tourism

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

South African Tourism

promotes South Africa as

an all-season year-round

preferred destination



*Dutch couple experiencing art in Johannesburg as
part of the “20 Experiences in 10 Days” campaign* >



Company profile

Scope of this report

The annual report for the year ended 31 March 2012 is an integrated financial, economic, environmental and social sustainability report. South African Tourism aligns itself with international sustainability best reporting practices, including the Global Reporting Initiative (GRI) Sustainability Reporting Guideline, and the AA1000APS (2008) Accountability Principles Standard.

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

Mission

To develop and implement a world-class international tourism marketing strategy for South Africa.

In pursuance of this, South African Tourism will:

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

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 has proven to be a resilient sector in South Africa's economy. South Africa's tourism industry survived the worst global economic downturn in decades, bucking all international trends, and our growth rates continue to impress.

In 2011 South Africa welcomed 8.3 million tourist arrivals, a 3.3% increase on 2010 figures, which was a record-breaking year for South Africa with 15.1% growth on the back of South Africa's hosting of the 2010 FIFA World Cup™. There has been strong growth in all markets between 2009 and 2011, at a rate much faster than the global growth rate for the same period.

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 guided by the National Tourism Sector Strategy (NTSS), South Africa is working towards a target of 15 million tourist arrivals by 2020.

While the growth outlook is positive in the short to medium term, the effects of the global financial crisis have not left any tourist market, including South Africa, untouched, with shell-shocked consumers – particularly those in the Eurozone – more value-conscious than ever before. These consumers are travelling for shorter periods closer to home and seeking alternative accommodation, putting pressure on occupancy and tourism spend.

The latest tourism statistics point to the fact that South Africa is turning the tide on occupancy, but South African Tourism has taken important lessons from the downturn that will define its strategy going forward. These lessons include realising the importance of balancing domestic, regional and long-haul tourist arrivals, as well as leisure and business events tourism, and ensuring that we invest early in the growth markets of the future. A key challenge for tourism is to become a sector that exemplifies the green revolution, not a sector that raids South Africa's natural resources for short-term profit.

There is also a need to harness technology to take the hassle out of travel, by implementing e-visas in the longer term. New taxes on international tourism, such as the Air Passenger Duty taxes in the UK and Europe in particular, are no doubt having an effect on passenger numbers in long-haul destinations, including South Africa, and a solution is needed if long-term negative consequences are to be averted. Tourism growth to South Africa is also dependent on unlocking the benefits of aviation on the continent, creating space for new model low-cost airlines, advancing competition in the skies and establishing Johannesburg as one of the hubs on the regional African continent, as well as the south-south corridor.

About South African Tourism

South African Tourism is the national tourism agency responsible for marketing South Africa as a world-class tourist destination internationally and domestically. We aim to make tourism the leading economic sector in South Africa, and in so doing to promote the sustainable economic and social empowerment of all South Africans. Simultaneously, we endeavour to market South Africa as an integral part of regional 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, taking its lead from the National Tourism Sector Strategy (NTSS) adopted by the South African Cabinet and launched by the Minister of Tourism Marthinus van Schalkwyk in March 2011.

South African Tourism's work incorporates the following regional director structure, ratified by the Board in February 2012, which came into effect from April 2012:

- UK and Europe
- Australasia
- Africa
- The Americas
- Country Manager: Southern Africa

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 among South Africans and to develop South Africa's potential as a major international business events destination.

South African Tourism's international marketing approach differs slightly in its scope: it is more focused, more cost-effective and more consumer-driven. We persistently undertake to "play smarter" in the increasingly competitive global tourism market by adopting, among other initiatives, ongoing segmentation research into key spend and volume markets that highlight areas where South African Tourism's marketing efforts will reap the greatest returns. As a result, the organisation has 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. A National Convention Bureau was set up in 2011 under the auspices of South African Tourism. Its function is to co-ordinate the country and industry's efforts to attract and host major and minor events and conferences in South Africa.

South African Tourism is governed by a Board of 15 members appointed by Minister Van Schalkwyk, which was in 2011/12 headed by the Chairperson, Jabu Mabuza. The organisation is led by Chief Executive Officer, Thulani Nzima, 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 and Sydney, while it also has a marketing presence in Angola. South African Tourism also works with South Africa's embassies and consulates all over the world to encourage the spread of tourism to South Africa.

Key focus areas of the NTSS

Arrivals



GDP

South Africa

The strategy will direct the achievement of increasing the number of foreign tourist arrivals to 15 million in 2020.

Increase tourism's

contribution to the GDP from an estimated R189.4 billion in 2009 to R499 billion by 2020.

Inspiring new ways

A national strategy

1 Our strategy

The national Minister of Tourism, Mr Marthinus van Schalkwyk, launched the National Tourism Sector Strategy (NTSS) in KwaZulu-Natal on 24 March 2011 in order to help position tourism as one of the fundamental pillars of the South African economy.

The South African Government has identified tourism as one of the key contributing sectors to the medium-term strategic priorities of growing the economy and creating decent work. Tourism's capacity to deliver on these priorities has been strengthened through the establishment of a dedicated National Department of Tourism (NDT).

The overall goal of the strategy rests on four pillars, namely:

- to drive the tourism economy;
- to enhance visitor experiences;
- to position South Africa as a destination of choice; and
- to sustain good governance in the industry.

“The vision of the NTSS is to position South Africa as one of the top 20 tourism destinations globally by 2020, and I believe our concerted and focused efforts as a sector will enable us to reach this goal.” Minister Van Schalkwyk.

For more information visit www.tourism.gov.za

Please see the key focus areas of the NTSS across pages iv to viii.

Job creation

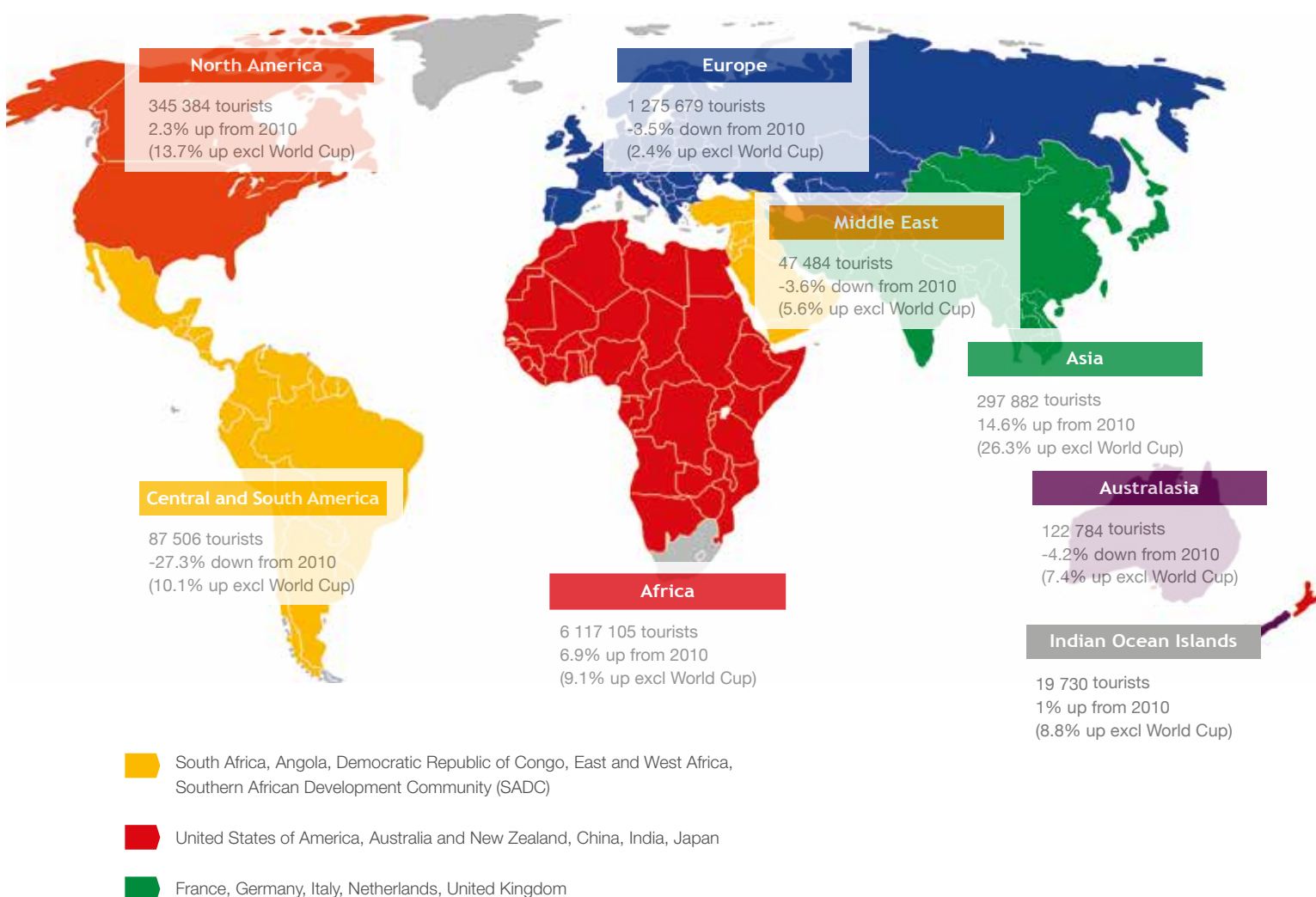


The tourism sector is committed to creating jobs and aims to create 225 000 jobs by 2020.

Responsibilities



The NTSS has responsibilities for every stakeholder segment in the sector. Its success will depend on the extent of co-ordination of its implementation. To ensure that there is a co-operative and collaborative approach to implementation, the NTSS provides for the establishment of a Delivery Forum. This is comprised of the public sector, private sector, organised labour, civil society and knowledge groups. The Director-General will convene the forum at least twice a year.



Domestic tourism development

In order to achieve these three overarching objectives, the NTSS will focus on the following: The department and its partners would like to promote a culture of travel among South Africans. Through the NTSS we aim to increase the number of domestic trips from 30.9 million in 2009 to 54 million by 2020.

Regional tourism development

It is becoming increasingly important that South Africa continue with its visible contribution to regional development, and the strategy is aimed at growing the value of regional tourism by establishing five South African Tourism offices within the continent by 2020. Statistics indicate that within Africa there are markets of which South Africa has not taken full advantage in terms the numbers of outbound tourists. Angola and Nigeria, for example, respectively recorded total outbound tourists of 264 000 and 741 000 in 2010.

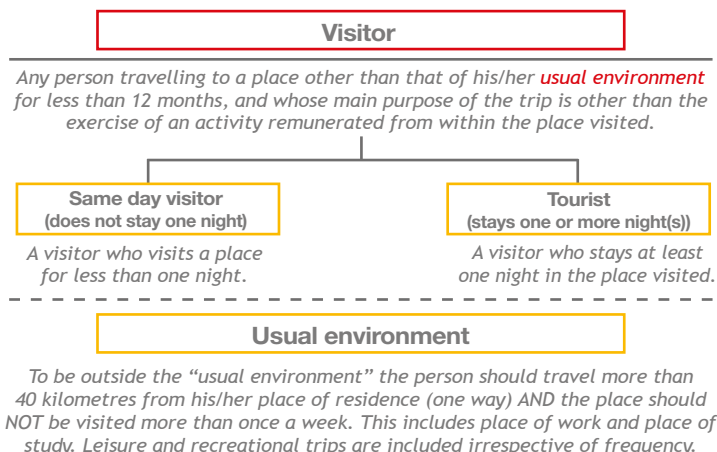


3 Important note

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.



Prior to 2010, South African Tourism could only report on international visitor arrivals as there was no way of separating day visitors from the overall arrivals. In 2009, Statistics South Africa for the first time was able to make the distinction between tourists and day visitors and so started a data series for tourist arrivals that was aligned to the globally accepted definition of a tourist.



Emerging
markets



Business
events

South Africa has joined the BRIC countries, and this gives us a competitive advantage on a number of economic development endeavours. The number of outbound tourists from these markets in 2010 was more than 73 million: Brazil (5 497 000), Russia (35 513 000), India (12 497 000) and China (31 664 000). Thus, the NTSS requires that in terms of the determination of target markets and marketing approaches we recognise the need to leverage on the platforms facilitated by BRICS.

The emerging international approach to growing tourism, and business tourism in particular, is an increased focus on business events. Business events include meetings, expos, incentives, congresses, conferences, exhibitions and trade fairs. South Africa has already secured 200 international conferences for the next five years, which is estimated to attract 300 000 delegates and provide an economic boost of more than R1.6 billion.

Highlights of the financial year

3.3%

growth in tourist arrivals to South Africa in 2011

8 339 354 tourist arrivals in 2011,
8 073 552 tourist arrivals in 2010

This growth was on top of a record

15.1% growth

in 2010, South Africa's FIFA World Cup year

There has been strong growth in all markets between 2009 and 2011, much faster than the global growth rate for the same period

7.4%

growth in 2011 – if the nearly 310 000 people who travelled to South Africa specifically for the 2010 FIFA World Cup are excluded – **significantly higher than the rate of global growth, which was 4.4%**

While South Africa's core markets in Europe and North America remain our main source of long-haul tourists, the country's overall growth was largely due to growth in the emerging markets of Asia and continued strong performance from Africa, with these markets growing by

14.6% and 6.9%

respectively

R218 million

allocated by the South African Government over the next three financial years to South African Tourism to grow the share of the regional African tourist market

India and China both saw double-digit growth, of

26% and 24%

while Nigeria and Tanzania also produced stellar growth rates of

37.5% and 46%
respectively

A decrease in domestic tourism numbers from **29.7 million in 2010 to 26.3 million in 2011**

However, travel for the primary purpose of holiday increased from

13% to 15%

1.2 billion

consumers reached through the second phase of the successful "20 Experiences in 10 Days" global campaign

128

joint marketing agreements in place across our key markets as part of the active role South African Tourism plays in supporting the tourism industry's conversion efforts

A strong commitment to developing South Africa as a business tourism and events destination with the setting up of the National Convention Bureau under the auspices of South African Tourism in 2011

Operating portfolio at a glance

Portfolio Total tourists 2011

Africa

Tourist arrivals from Africa markets increased by 6.9% in 2011 with massive growth of 37.5% from Nigeria and 45.8% percent from Tanzania driven by our digital campaigns together with extensive travel trade training and partnerships with the non-travel trade to drive travel to South Africa.	6 117 105 (excluding SA)
South Africa	26.3 million (domestic trips) 12.9% decrease
Angola	39 217 1.7% increase
Democratic Republic of Congo	32 582 4.1% increase
East and West Africa	30 279 (Kenya) 4.1% increase 64 402 (Nigeria) 37.5% increase
Southern African Development Community (SADC)	1 076 753 (Mozambique) 2.4% increase 477 937 (Botswana) 5.7% decrease

Americas, Asia and Australasia

Tourist arrivals continued to increase from this area on the strong foundation of the previous year.	853 556
United States of America	287 614 1.9% increase
Australia and New Zealand	103 506 (Australia) 4.7% decrease 18 859 (New Zealand) 4.7% decrease
China	84 883 24.3% increase
India	90 367 26.2% increase
Japan	26 285 4.5% decrease

Europe

While the Eurozone continues to grapple with economic pressures and instability, Europe remains an important deliverer of tourists, thus contributing significantly to the well-being of the industry.	1 275 679
France	105 420 8.6% decrease
Germany	235 774 9.3% increase
Italy	54 628 The same as last year
Netherlands	113 846 8.3% decrease
United Kingdom	420 483 7.2% decrease

Key fact in 2011

Outlook

Domestic tourism remains largest contributor to tourist volume in South Africa
Best tourism stand at Angola's biggest exhibition – FILDA
Further introduction of trade partners to the South African tourism industry
Nigeria was one of South Africa's leading growth markets in 2011

In Mozambique we launched our Portuguese mobi site which is linked to our Facebook page

We are determined to keep the momentum going and have identified ways to achieve this. We will open an office in Nigeria in the coming fiscal year and continue to utilise the existing partnerships and non-traditional travel channels.



Consumer demand for South Africa increased, fuelled by continuous global exposure
2011 saw an increase in our activities across all channels, generating huge media coverage

We hope the launch of SA Airways' non-stop flight between Johannesburg and Beijing will continue to increase growth
Record growth was characterised by customising our communication to suit the Indian audience
The earthquake that hit the east coast of Japan severely affected inbound tourism

We continue to partner and engage with tour operators and travel agents in-market and South African product to deliver holiday and business tourism experiences that are desired by our consumers.



2012/13 will be a year of hard work and diligence, to ensure we sustain our volume and grow in the rest of Europe.

We continue to proactively engage the media through various mediums to retain interest in South Africa
The German outbound travel market grew in 2011 and South Africa capitalised on this
Our consumer marketing reached new highs during 2011 with the launch of the Italian southafrica.net
We gained ground with more mature and experienced travellers
Despite higher inflation and no economic growth the UK remains a leading market for tourism



Awards and accolades

Travel Awards

Germany:

- Global Travel Awards Best Roadshow 2011

US: Destination Awards

- **TripAdvisor**, the world's largest travel website, voted Cape Town the #1 Destination in the World in the **2011 Travelers' Choice Awards**. May 2011

- Two of the Top Ten Hotels voted in **Travel+Leisure** magazine's **2011 World's Best Travel Awards** were in South Africa: Singita Sabi Sand Ebony Lodge, Boulders Lodge and Castleton Camp (#2) and Royal Malewane (#3). Four of the Top Ten Best City Hotels – Middle East/Africa hotels were also in South Africa: Cape Grace (#1); the Saxon Boutique Hotel & Spa (#5); Mount Nelson (#6); One&Only Cape Town (#10). Cape Town finished sixth in Top Cities overall and first in Middle East/Africa. **August 2011**



- Readers of **Condé Nast Traveler** once again voted Cape Town as the Top City in Africa/Middle East in the **2011 Readers Choice Awards**. Winning over 25 awards in various categories, two South African properties came in among the top five resorts in Africa/Middle East: Steenberg Hotel (#1) and Safari Lodges at Phinda Private Game Reserve (#2). Safari Lodges at Phinda Private Game Reserve was also voted the #3 Top Travel Experience in the World. **October 2011**



- In **Recommend Magazine's 15th Annual Readers' Choice Awards**, readers voted South Africa the Best Selling Destination in Africa for its sixth consecutive year and Sexiest Romance/Honeymoon Destination in Africa for the 10th time. **December 2011**



Tourism Board Awards/Recognition

- South African Tourism won **The M&M Global Award for Nation and Destination Branding** for its **Adventurers Wanted** campaign in partnership with National Geographic. **September 2011**

INCENTIVE

WHAT MOTIVATES

- South African Tourism won a **Platinum Partners Award for International Convention & Visitors Bureau** by **Incentive Magazine**. **September 2011**
- South African Tourism was nominated for the **Leading Tourist Board Award** at the World Travel Awards, an international event that rewards and celebrates excellence across all sectors of the global travel and tourism industry. **September 2011**



- South African Tourism won a **Gold Magellan Award** in the **Destination Marketing Category** from Travel Weekly magazine for its **"Love is in the Air"** campaign which supported its partnership with ABC's **"The Bachelor"**. **October 2011**



Feira Internacional de Luanda Africa:

South African Tourism in Angola won an award in July 2011 at the trade fair called FILDA – International Trade Fair of Luanda.

We have been awarded with a **Gold Lion Trophy** for the best stand representation in the Tourism sector.



India:

- **Best International Destination for Wildlife** by Lonely Planet.

Performance Information Report

Strategic outcome oriented goal	Objective	Indicator	Target	Performance results	Reasons for variance
Achieve total arrivals to South Africa	Invest only in selected markets to deliver volume and value	Number of arrivals in South Africa for the 2011 calendar year.	10 295 520	12 255 155	Growth in 2011 was driven by Asia (Foreign arrivals +15.3%/Tourists +14.6%) and Africa arrivals. (Foreign arrivals +9.8%/Tourists +6.9%)
Achieve average spend per arrival in SA		Average spend per arrival	R9 222	R8 600	Spend targets not met for air arrivals mainly due to global economic slowdown as well as exchange rate differences. Our Board has recommended using foreign exchange amounts in 2012/13 and not Rand-based value.
		• Land arrivals	R7 500	R7 900	
		• Air arrivals	R15 000	R11 100	
	Engage stakeholder to deliver quality visitor experiences that re-affirm the brand promise	Total graded properties	8 288	4 886	<ol style="list-style-type: none"> 1. The introduction of the new grading criteria resulted in a lot of concern and upset properties, which the TGCSA has addressed via the country-wide road shows that took place from August 2010 until the end of the year. 2. When implementing the new system from 1 October 2010, the TGCSA underwent a robust clean-up of the database. The stats used at the beginning of the year, it turned out, also included properties that had expired in 2007, e.g. the clean-up was quite extensive and all properties falling outside the three-month grace period after expiry date were taken off the database. A comprehensive strategy to follow up with those properties in partnership with the Assessors has been put in place. 3. 1 533 properties cancelled their grading during this financial year due to various reasons. Once again, a comprehensive cancellation strategy has been put in place to follow up on each of those properties directly. 4. December and January, being a holiday period means a very small number of properties being submitted. Moving forward, we see a lot of these properties slowly coming back into the system. Now that the benefit of the road shows is being felt and both establishments and assessors understand the new grading criteria and the new systems, we envisage an increase of submissions in the new financial year and Assessors are rewarded accordingly.
South Africa to be the most preferred Tourism Brand by 2014	Convince consumers that SA can be trusted to deliver memorable experiences	Average brand awareness percentage	78%	79%	Brand awareness on target in core markets – 79% but below target in investment markets – 66%.
		Average brand positivity	41%	37%	Positivity below target in Japan (9%), Australia (28%) and China (30%) mainly due to negative media reporting on safety and security. Positivity up by one percentage point in core markets versus February 2011
South African Tourism to be the best tourism organisation by 2014	Energise and empower the organisation to innovate and achieve excellence	Number of clean audit reports	15	9	The overall and Performance Information audit reports for the 2010/11 financial year were clean as no total breakdown of controls were noted in the reports.
		Ranking on Deloitte Best Company to Work for Survey	3.5	3.5	

1. Notes on the consolidated South African Tourism performance information report

¹ Spend targets not met for air arrivals mainly due to global economic slowdown as well as exchange rate differences. Our Board has recommended using foreign exchange amounts in 2012/13 and not rand-based value.

² Brand awareness on target in core markets – 79% but below target in investment markets – 66%.

³ Positivity below target in Japan (9%), Australia (28%) and China (30%) mainly due to negative media reporting on safety and security. Positivity up by one percentage point in core markets versus February 2011.

⁴ The reasons for the reduction of 2 356 properties overall in the previous financial year was due to the following:

- a. The introduction of the new grading criteria resulted in a lot of concern and upset properties, which the TGCSA has addressed via the country-wide road shows that took place from August 2010 until the end of the year.
- b. When implementing the new system from 1 October 2010, the TGCSA underwent a robust clean-up of the database. The stats used at the beginning of the year, it turned out, also included properties that had expired in 2007, for e.g. The clean-up was quite extensive and all properties falling outside of the three-month grace period after expiry date were taken off the database. A comprehensive strategy to follow up with those properties in partnership with the assessors has been put in place.
- c. 1 533 properties cancelled their grading during this financial year due to various reasons. Once again, a comprehensive cancellation strategy has been put in place to follow up on each of those properties directly.
- d. December and January, being a holiday period means a very small number of properties being submitted. Moving forward, we see a lot of these properties slowly coming back into the system. Now that the benefit of the road shows is being felt and both establishments and assessors understand the new grading criteria and the new systems, we envisage an increase of submissions in the new financial year and assessors are rewarded accordingly.

Reports in this section:

- Year-on-year change in tourist arrivals to each region
- Tourist arrivals to South Africa and the world, 2009 to 2011
- Tourist arrivals to South Africa and the world, 2009 to 2011 (excluding the World Cup)
- Tourist arrivals to South Africa by month
- Tourist arrivals to South Africa by month from Africa air markets
- Tourist arrivals to South Africa by month from Africa land markets
- Tourist arrivals to South Africa by month from long-haul markets
- Average length of stay and number of provinces visited
- Total foreign direct spend (excluding capital expenditure), 2009 to 2011
- Average length of stay in South Africa for total tourist arrivals, 2009 to 2011
- Total nights spent in South Africa by type of accommodation
- Average number of provinces visited by all tourists, 2009 to 2011
- Total nights spent in South Africa by province and by type of accommodation, 2011

American tourists relaxing and enjoying the magnificent views in Clarens, the Free State >

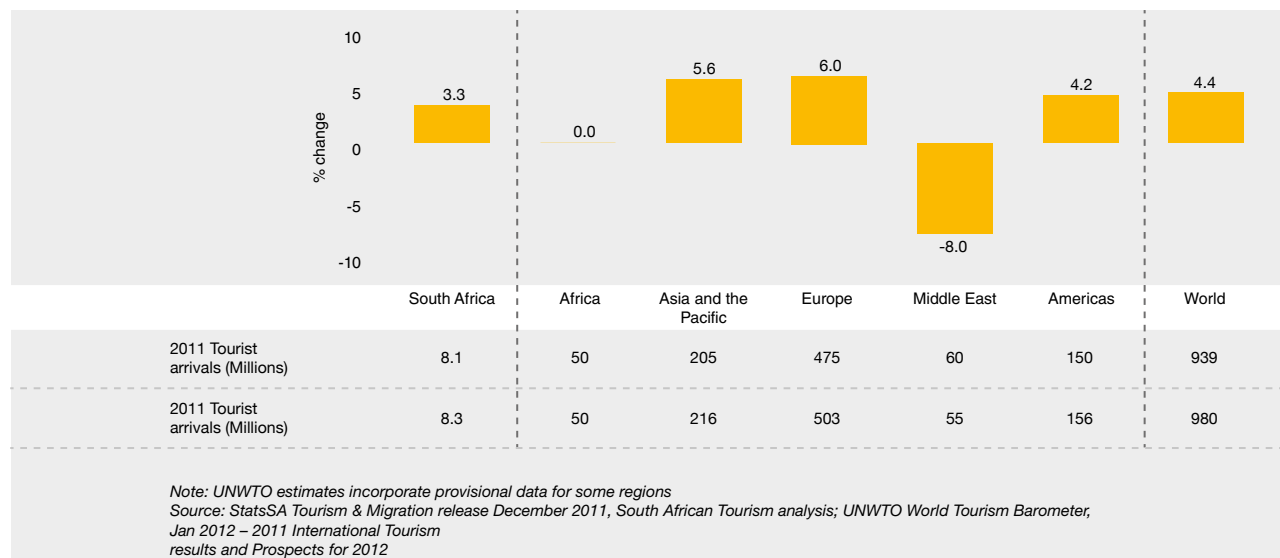




Tourism in South Africa at a glance

Tourist arrivals to South Africa grew by 3.3% in 2011, compared to the global growth of 4.4% for the same period

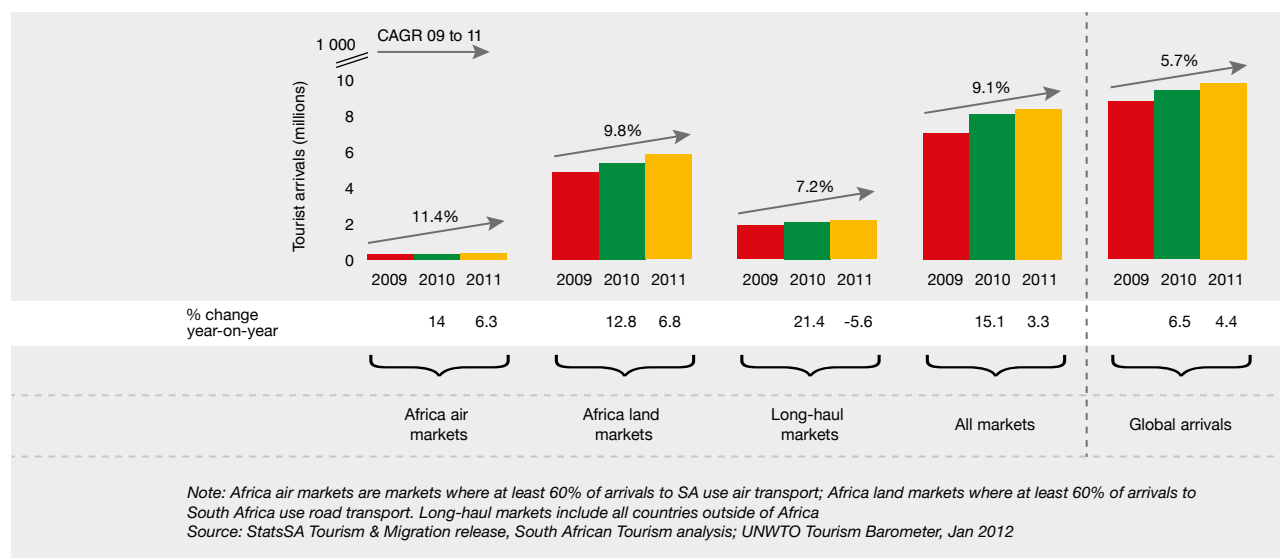
Year-on-year change in tourist arrivals to each region



There has been strong growth in all markets between 2009 and 2011, much faster than the global growth rate for the same period

Tourist arrivals to South Africa from long-haul markets decreased in 2011 following the strong growth in 2010 as a result of the World Cup

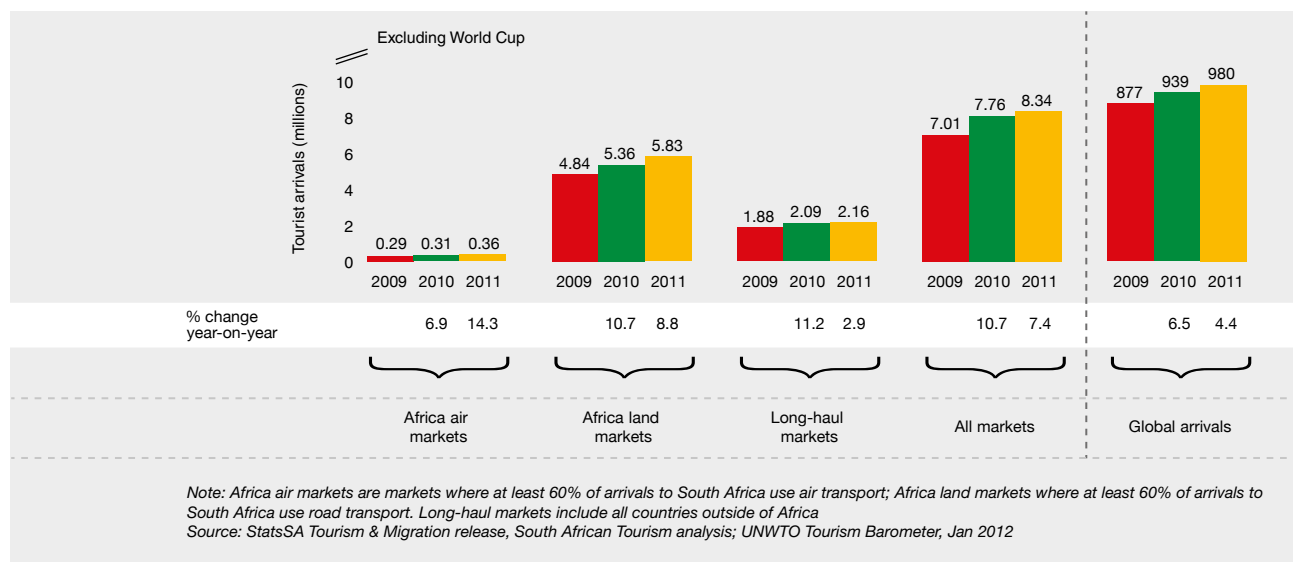
Tourist arrivals to South Africa and the world, 2009 to 2011



Excluding the effects of the World Cup, tourist arrivals to South Africa in 2011 grew by 7.4% outpacing global growth

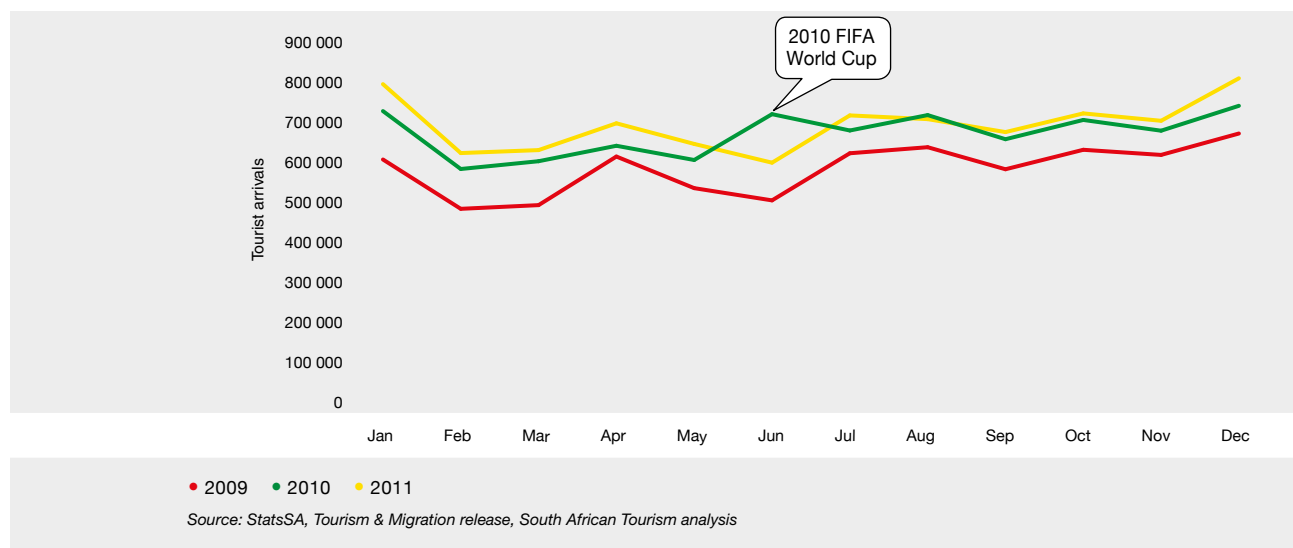
Tourist arrivals to South Africa from long-haul markets, excluding the World Cup effect, grew by 2.9% in 2011

Tourist arrivals to South Africa and the world, 2009 to 2011



Month-on-month tourist arrivals for 2011 generally exceeded previous years' levels with the exception of June and August

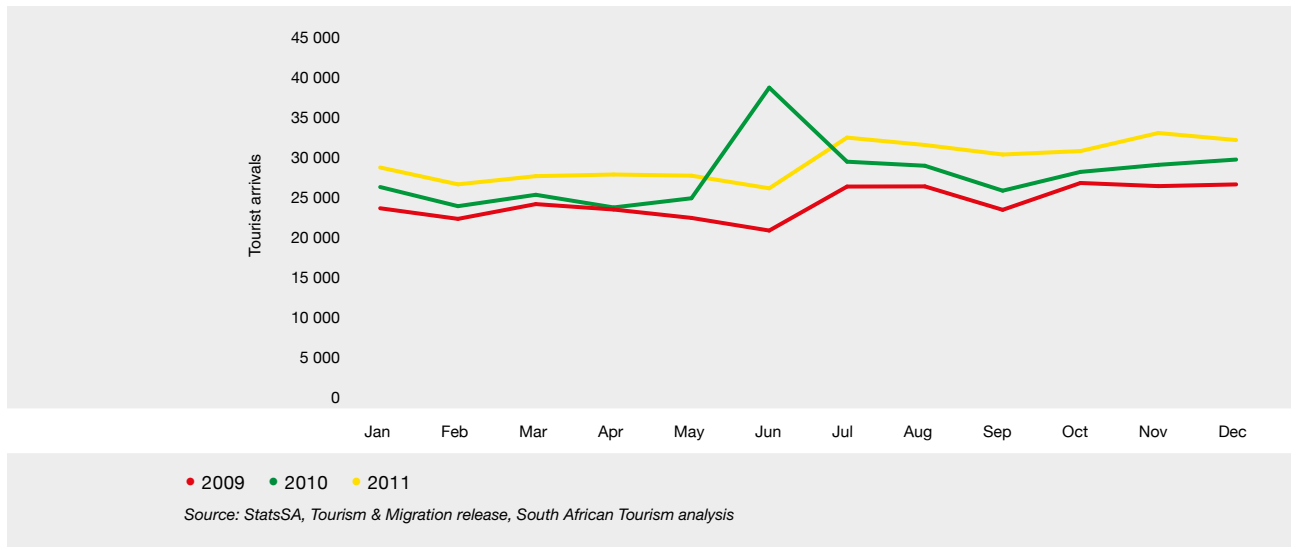
Tourist arrivals to South Africa by month



Tourism in South Africa at a glance continued

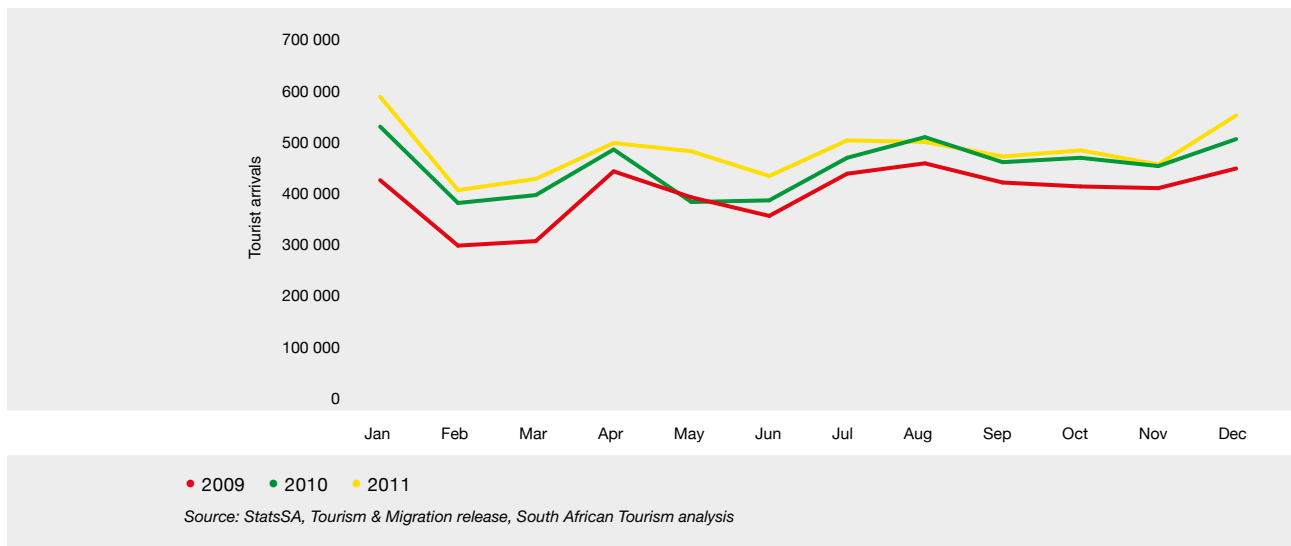
Month-on-month tourist arrivals from African air markets generally exceeded previous years' levels with the exception of June

Tourist arrivals to South Africa by month from Africa air markets



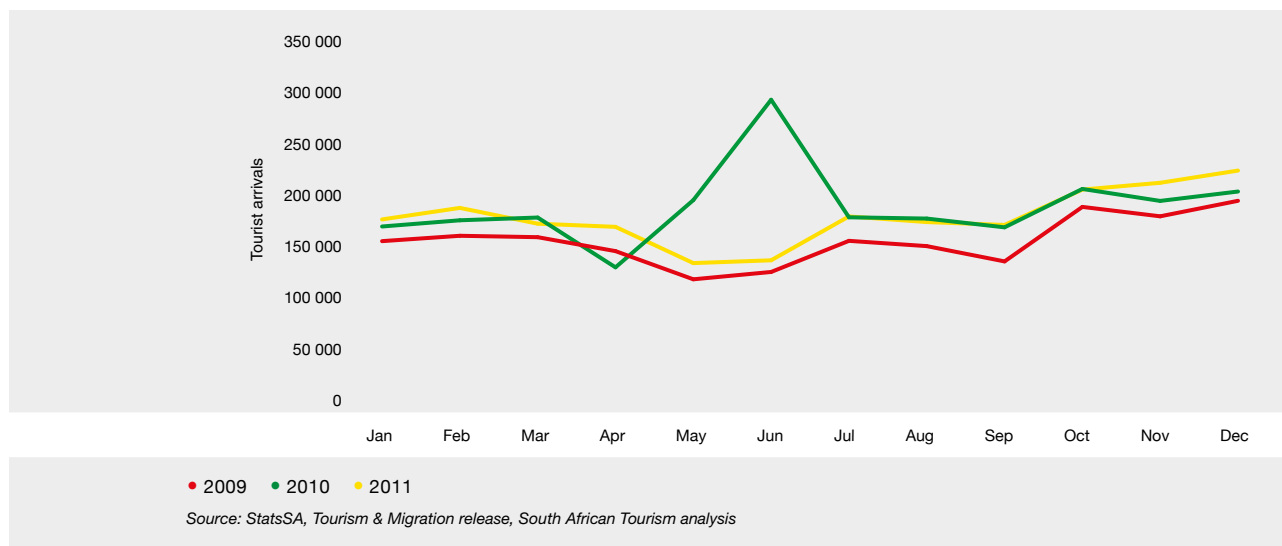
Month-on-month tourist arrivals from African land markets generally exceeded previous years' levels with the exception of August

Tourist arrivals to South Africa by month from Africa land markets



Month-on-month tourist arrivals from long-haul markets generally exceeded or tracked 2010 levels with the exception of April, May and June 2011

Tourist arrivals to South Africa by month from long-haul markets



There was an increase in tourist arrivals across all purposes of travel. Average length of stay and number of provinces visited decreased

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
Total volume (2011) (millions)	4.8	2.1	0.4	1.0	8.3
Volume growth (10% – 11% change)	2.7	3.0	6.2	5.7	3.3
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 length of stay (2011) (nights)	8.2	5.7	5.4	15.5	8.3
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
Average number of provinces visited (2011)	1.3	1.1	1.2	1.1	1.2

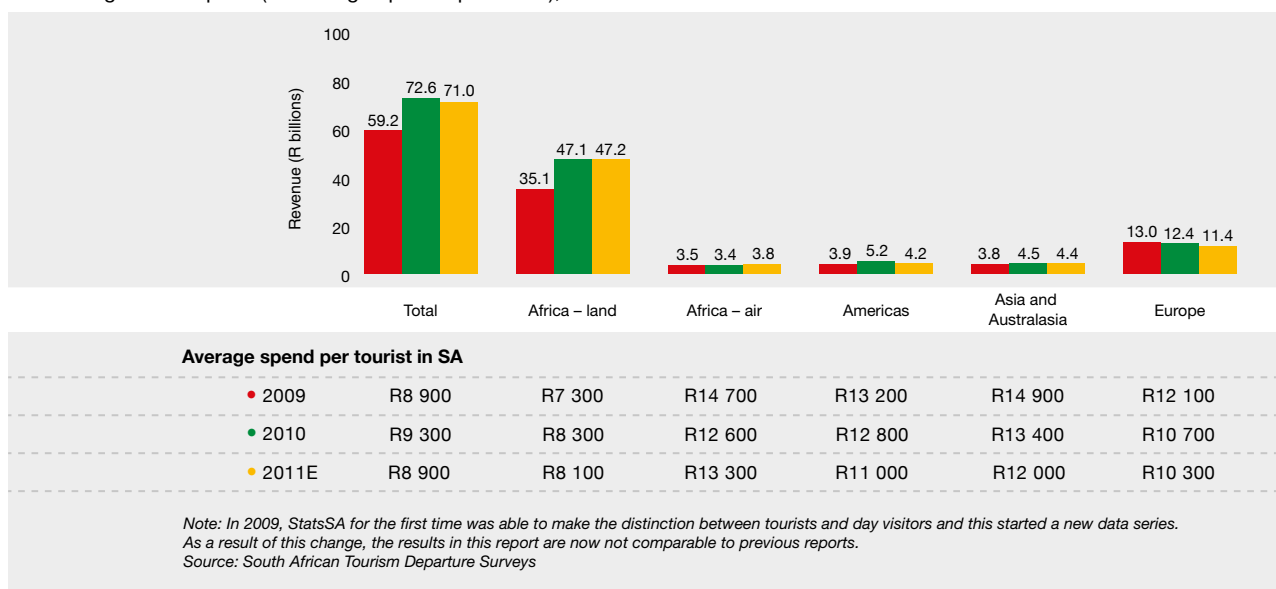
“Leisure” includes general holiday, VFR and personal shopping; “Business travel” includes business professional and business shopping; “Business tourism” includes business meetings, conferences and events; “Other” includes health purposes, education, religious purposes, etc.

Tourism in South Africa at a glance continued

Total foreign direct spend generated from tourist arrivals decreased by -2.2% between 2010 and 2011

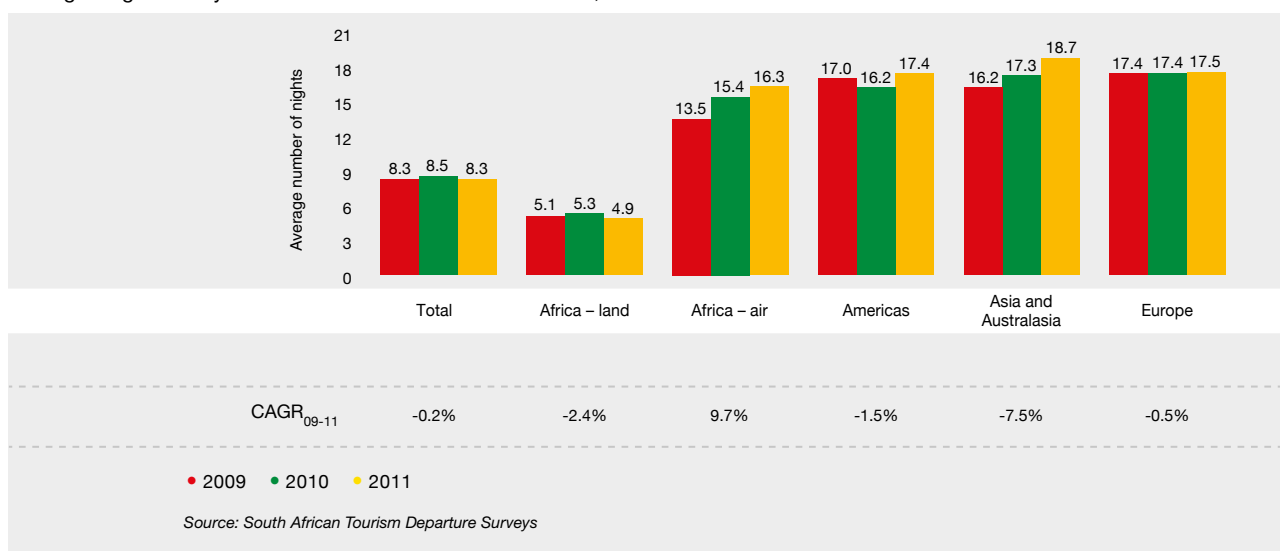
Africa – land and Africa – air were the only regions that posted an increase in revenue from 2010 to 2011

Total foreign direct spend (excluding capital expenditure), 2009 to 2011E



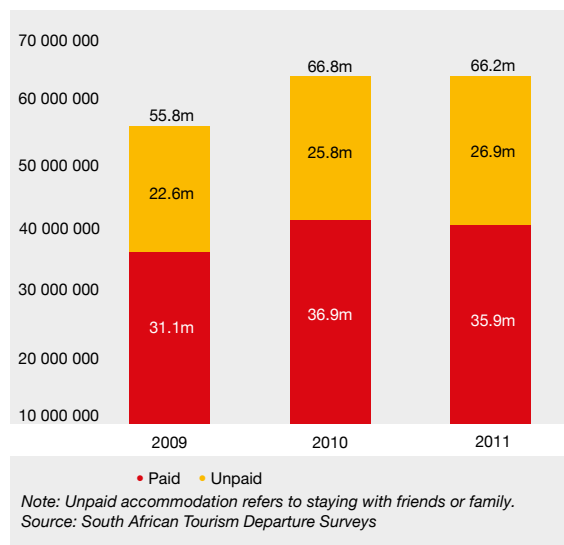
The average length of stay decreased slightly between 2009 and 2011 driven off shorter stays by tourists from Africa – land

Average length of stay in South Africa for total tourist arrivals, 2009 – 2011



The total number of bednights spent in South Africa by foreign tourists remained fairly flat between 2010 and 2011, but there were more nights spent in unpaid accommodation in 2011

Total nights spent in South Africa by type of accommodation



Gauteng and Western Cape are by far the most visited provinces, and account for the bulk of the bednights spent in South Africa

Total nights spent in South Africa by province and by type of accommodation, 2011



There has been a decrease in the number of provinces visited by all tourists

Average number of provinces visited by all tourists, 2009 – 2011



Reports in this section:

- Members of the Board
- South African Tourism high-level organogram
- Chairperson's report
- Chief Executive Officer's report
- Corporate Governance report

*Enjoying a night out on the town, in bustling
Melrose Arch, Johannesburg* >





Members of the Board



Jabu Mabuza

Tsogo Sun Gaming
Chairperson



Frank Kilbourn

Bright Equity (Pty) Ltd
Deputy Chairperson and Chairperson
of the Audit Committee



Zwelibanzi Mntambo

Xalam Performance



Yvonne Johnston

Marketer-at-Large
Chairperson of the Marketing Committee



Peter Bacon

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



Brett Dungan

FEDHASA



Iraj Abedian

Pan African Capital Holdings
(Pty) Ltd



Thandiwe January-McLean

CEO – until August 2011



Thulani Nzima

CEO – from 1 January 2012



Michael Lutzeyer

Grootbos Nature Reserve



Tumi Makgabo

Africa Worldwide Media



Amor Malan

Quad Para Association of
Gauteng South



Sizakele Mzimela

South African Airways



Johan van der Walt

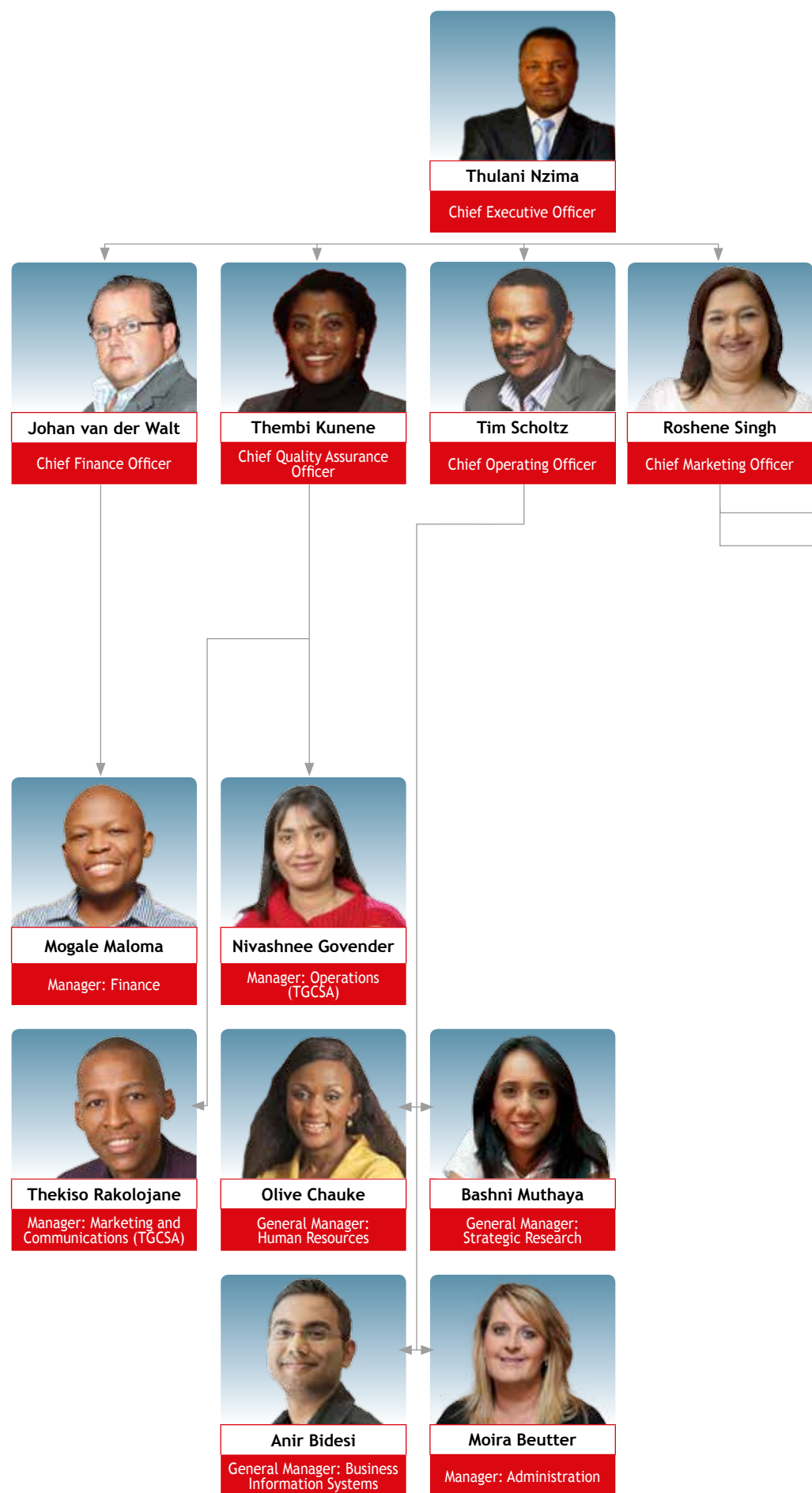
Chief Financial Officer

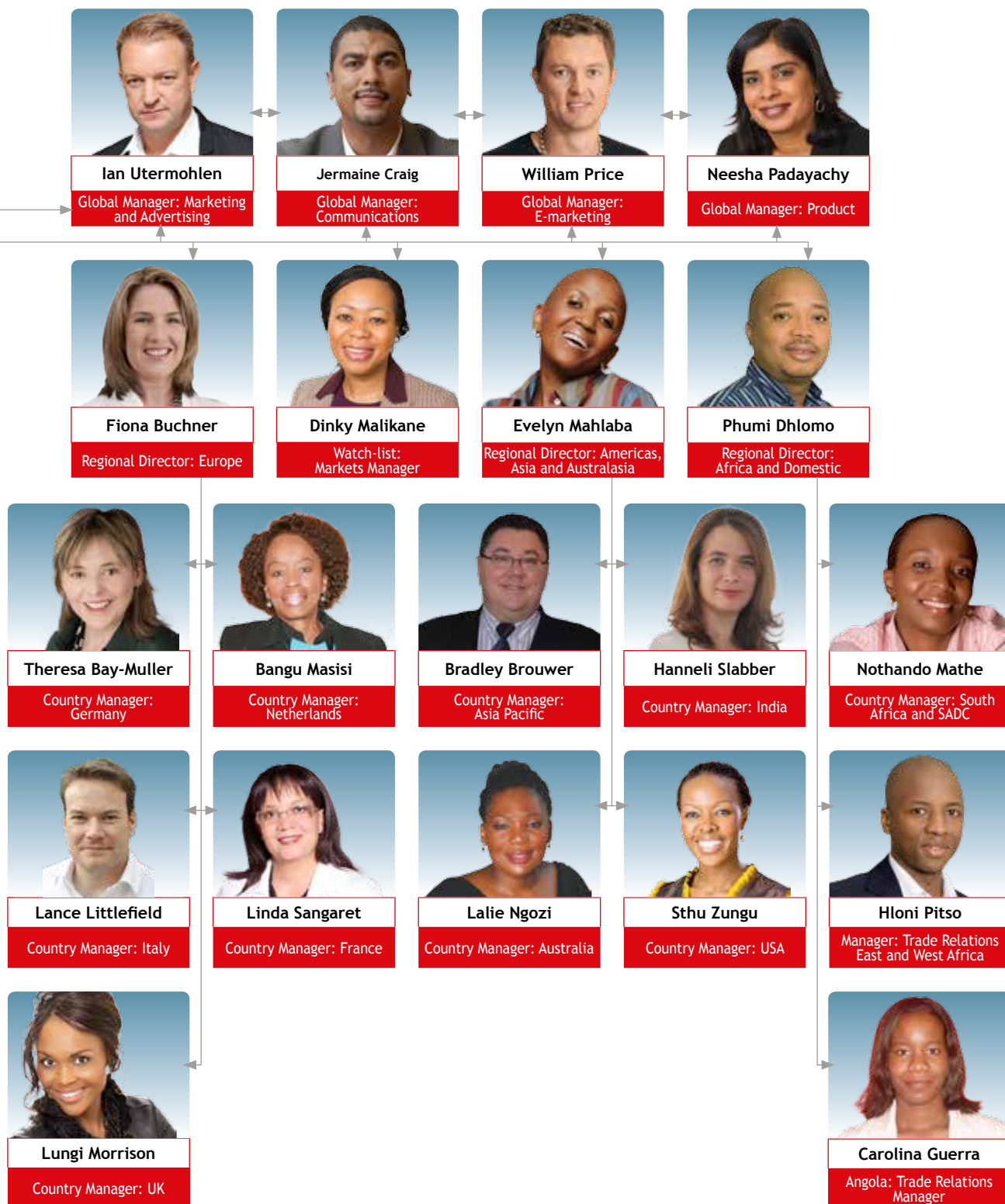


Dirk van Schalkwyk

National Department of Tourism

South African Tourism high-level organogram





Chairperson's report

From South African Tourism's perspective, I am heartened to see that our careful planning about where to invest every valuable rand to market our country in a globally competitive marketplace is paying off. Our decision to increase our focus on emerging markets is bearing fruit in Asia. Driven by excellent growth out of India and China, this key region grew by 14.6% in 2011

Jabu Mabuza
Chairperson



A record-breaking 2010 was always going to be a hard year to follow. However, despite the daunting benchmark set, South Africa again rose to the challenge in 2011. Instead of resting on our laurels after our country's successful hosting of the FIFA World Cup, the tourism industry used the country's enhanced global awareness to hold onto many of its World Cup gains, as well as record good growth in emerging markets and regional Africa in 2011.

In 2011, tourism to South Africa grew by 3.3%, up from 8 073 552 tourist arrivals in 2010 to 8 339 354 tourist arrivals in 2011. Total foreign direct spend generated from foreign tourist arrivals was R71 billion in 2011, comparable to 2010 figures. And in 2010, Statistics South Africa's Tourism Satellite Account indicated that tourism directly contributed 3% to South Africa's Gross Domestic Product (GDP) and accounted for 4.3% of total employment (a total of 567 378 jobs).

This performance is testament to the commitment of the sector, both public and private, to continue to grow South Africa's tourism industry, as outlined in the National Tourism Sector Strategy (NTSS). Launched in March 2011, the NTSS seeks to increase international tourist arrivals to 15 million and position South Africa as one of the top 20 tourist destinations globally by 2020.

On this note I would like to commend the National Department of Tourism for convening the National Tourism Stakeholder Forum. Attended by the public and private sector, the forum meets quarterly to look at NTSS progress, ensuring that this collective approach to growing South Africa's tourism industry is maintained.

Careful investment decisions paying off

From South African Tourism's perspective, I am heartened to see that our careful planning about where to invest every valuable rand to market our country in a globally competitive marketplace is paying off. Our decision to increase our focus on emerging markets is bearing fruit in Asia. Driven by excellent growth out of India and China, this key region grew by 14.6% in 2011.

Regional Africa also continues to drive growth, growing by 6.9% in 2011, with excellent growth out of our air markets, particularly Nigeria. Growth from our continent played a critical role in shielding South Africa's tourism industry from the worst of the global economic crisis and its importance in the long-term sustainability of the sector cannot be underestimated. Tourist spend from our African air markets is in line with the Americas and Asia, and well above that of their European counterparts.

I am therefore delighted by the decision by government to allocate an additional R218 million to South African Tourism over the next three financial years to grow our share of the regional African tourist market. This will help us considerably in achieving our target of opening five country offices in regional Africa over the next five years to promote growth in volume and value and to meet NTSS targets.

Tourism leading BRICS growth

South Africa's inclusion in the BRICS partnership can only benefit tourism growth in these important markets and we are already seeing progress in this regard. At a meeting in New Delhi in April 2012, the BRICS countries at head of state level committed to fostering closer integration – identifying the tourism sector as a key common growth area. We are confident and working hard to ensure these markets grow from emerging markets to fully fledged core markets soon.

Core markets still key

Despite our success in emerging markets, our core markets in Europe and North America remain crucial to our long-term growth plans. Unfortunately, continued economic uncertainty in Europe contributed to a decline in arrivals from three of our top five markets (the United Kingdom, France and the Netherlands), and a key challenge for us in the coming financial year is to turn these markets around. On the positive side, our second largest overseas market, the United States, held on to its massive World Cup gains and recorded even further growth in 2011, while Germany, our third biggest market, proved a real success story, growing by close to 10% for the second year in succession, albeit from a decline in 2009.

South Africa continued to market itself as a leading events and business tourism destination in this financial year, the highlight being the hosting of the United Nations COP 17 Climate Change Conference in Durban in December 2011. One of our big achievements was the setting up of the National Convention Bureau to co-ordinate the country and the industry's efforts to attract and host international events and conferences in South Africa.

Fiscal record

I would like to take the opportunity to thank all the members of the Board I have had the privilege to serve with, for their commitment and willingness to serve the industry and the country. I now hand over the baton to a new board under the leadership of Frank Kilbourn, my long-time deputy chairperson, who takes over as chairperson. He is an excellent choice with the expertise and considerable experience to ensure a smooth and seamless transition. I would also like to congratulate the members of the new board on their appointments and wish them a fruitful and productive tenure as they undertake this important responsibility.

I would also like to thank the Honourable Minister of Tourism, Mr Marthinus van Schalkwyk, Honourable Deputy Minister Tokozile Xasa, Director-General Kingsley Makhubela and everyone at the National Department of Tourism for continuing to guide and support the work of South African Tourism. Our work is also not possible without the support of the Tourism Business Council of South Africa, the TOMSA levy, which helps us to remain globally competitive, and the many other tourism stakeholders. I look forward to seeing our partnership strengthening in the years to come.

This financial year saw the departure of South African Tourism Chief Executive Officer Thandiwe January-McLean, who I would like to thank for her valuable contribution and for leading the organisation during a very important period for the tourism industry, the 2010 FIFA World Cup, which saw awareness of South Africa as a destination rise to unprecedented levels. The organisation is now under the leadership of Thulani Nzima, who has considerable experience and proven ability in the tourism industry. This will stand him in good stead to drive the organisation forward, as we strive to meet the ambitious targets we have set for the sector in the coming years.

Jabu Mabuza

Chairperson

Chief Executive Officer's report

With so many changes to the global tourism landscape in the wake of the global economic crisis, 2011/12 was a year in which South African Tourism deepened our market knowledge and consumer insights in several of our traditional and new markets



Thulani Nzima
Chief Executive Officer

The 2011/12 financial year was the year in which the world's leading emerging economies started showing just how important they will be to the global tourism industry in years to come.

As we reached our highest number of international tourist arrivals of 8.3 million in 2011, the developed markets of Europe and North America remained South Africa's major source of long-haul tourists, with the United Kingdom, United States, Germany, the Netherlands and France holding firm as South Africa's top five overseas tourist markets.

We are, however, very excited by major growth in 2011 from emerging markets such as China (which grew by 24.3%) and India (which grew by 26.2%), markets we are confident will soon become key core markets. Growth was also boosted by an increase in arrivals from regional Africa of 6.9% – with Nigeria in particular seeing huge growth of 37.5% in 2011 – as our key African air markets of Angola, the Democratic Republic of Congo, Kenya and Nigeria showed great potential in terms of tourist volume and spend.

If we exclude the 310 000 people who travelled specifically for the 2010 FIFA World Cup, our actual growth in 2011 was 7.4%, a remarkable achievement given the global growth rate of 4.4%.

Research charts the way forward

With so many changes to the global tourism landscape in the wake of the global economic crisis, 2011/12 was a year in which South African Tourism deepened our market knowledge and consumer insights in several of our traditional and new markets. We conducted extensive market segmentation for the first time in Brazil, while we also conducted a thorough analysis of the Indian market. These projects resulted in the development of marketing growth strategies for Brazil and India.

A new domestic marketing strategy was researched and work-shopped over eight months with our tourism industry and stakeholders in all nine provinces. After the success of our Sho't Left campaign, we will in 2012/13 broaden our target audience as we go about strengthening domestic tourism, encouraging South

Africans to explore their country's world-class tourist attractions and in so doing improve tourism's geographic spread, and contribution to job creation and the tourism economy.

Even bigger focus on regional Africa

Foreign direct spend generated from tourist arrivals from our Africa land and Africa air markets were the only regions to post an increase in revenue from 2010 to 2011. Africa land tourist arrivals contributed R47.2 billion in foreign direct spend and Africa air R3.8 billion, while the Americas contributed R4.2 billion, Asia and Australasia R4.4 billion and Europe R11.4 billion in 2011, proving our marketing investment in regional Africa is a sound, important one. To again better understand and tap into this market, we also did research in the land markets of Botswana, Mozambique and Namibia in the 2011/12 financial year and developed route-to-market strategies for these markets.

Balancing our budget to meet our needs

We have the job of using a limited budget to most effectively and successfully market the country, in a very competitive marketplace, to the world. This takes careful planning, strong partnerships, a thorough understanding of our markets and considerable expertise to ensure that every rand we spend is reaping dividends and creating demand for our destination.

We have to be very aware of what travellers are looking for in our key markets, how their travel expectations change over time, how and when they take holidays, which countries are travelling more and which nations are travelling less. Getting our spend right takes careful analysis of the numbers, to establish where our efforts are working, which markets will benefit from additional spend and which markets require more – or less – attention.

Big domestic push

Domestic tourism remained our industry's backbone in 2011, contributing 76% of total tourism volume and contributing R20.3 billion to our gross domestic product (GDP).

We decided during this financial year to build on our very successful Sho't Left domestic tourism campaign, which focused on the young and upcoming segment. In support of government's Domestic Tourism Growth Strategy, in 2012/13 we will roll out a campaign which extends its focus to a larger cross-section of the population and five new target segments (spontaneous budget explorers, new-horizon families, high-life enthusiasts, seasoned leisure seekers and well-to-do Mzansi families). In doing so we continue to stress the importance of getting South Africans to travel extensively in their own country by demonstrating to these potential travellers that "whatever you are looking for, it's right here in South Africa".

We will also continue to support and leverage events that profile the country as a lifestyle destination, alongside our more entrenched offerings of wildlife and adventure.

Staff movements

Amanda Kotze-Nhlapo joined us in November 2011 from Cape Town Routes Unlimited as the Executive Manager of the newly established South African National Convention Bureau (NCB). The South African Tourism business tourism and events units were incorporated into the NCB, with Global Events Manager Sugan Pillay and Global Business Tourism Manager Nomasonto Ndlovu leaving the organisation at the end of the 2011/12 financial year.

Our Europe Regional Director Fiona Buchner left the organisation in March 2012 after many years of service. Other departures in this financial year were those of UK Country Manager, Lebo Mokhesi, and Administration Manager Pulane Baloyi. Our new Country Manager in the UK is experienced marketer Lungi Morrison, while we promoted Moira Beutter to the position of Administration Manager. Sadiq Dindar has joined the organisation as Global Trade Relations Manager, critical as we strengthen our collaboration with the tourism trade.

Chief Executive Officer's report continued

"Inspiring new ways"

After extensive stakeholder consultation by Brand South Africa, Cabinet at the start of the 2012/13 financial year approved "Inspiring New Ways" as a new slogan for marketing South Africa. This new pay-off line is a culmination of five years of passionate work to have one unified brand key, positioning and pay-off line for Brand South Africa and will impact substantially on our marketing work. We believe by engaging visitors with the diversity, possibility and "ubuntu" in our people, place and culture, we will deliver breathtaking, life-changing travel experiences and inspire new ways to make a visit to South Africa a ground-breaking "break" for the leisure traveller.

Globally, our challenge is to continue to create consistent positive awareness about South Africa as a preferred destination, in a manner that is confident and credible in order to own a distinct space in the mind of the consumer. We again in 2011/12 won a number of international awards and accolades for our global and in-country marketing work and capitalised on heightened World Cup positivity and awareness, with our global "20 Experiences in 10 Days" advertising campaign that reached 1.2 billion consumers in this financial year, on platforms such as CNN, National Geographic and BBC.

One of our major accolades this year was winning the prestigious M&M (Media and Marketing) Global Award for Nation and Destination Branding in August 2011 for our "Adventurers Wanted" campaign in partnership with National Geographic. The M&M Global Awards recognise leading global advertising campaigns, the most innovative and effective work running in the international media, and the finest co-ordination of multiple advertising strategies.

Awareness of South Africa as a destination remained high, maintaining the 2010 figures of 79%, while positivity was up from 36% in 2010 to 37% in 2011.

Fiscal discipline

We remain proud of our strong commitment to compliance with the Public Finance Management Act (PFMA) and I would like to commend the South African Tourism team for their efforts in maintaining our high standards of fiscal discipline which has led to our eleventh consecutive unqualified external audit report.

Our Tourism Grading Council of South Africa graded 1 165 new properties in this financial year under the stricter and more comprehensive Grading Criteria launched in October 2010. We look forward to the continued implementation of this new policy.

As a company, we scored 3.55 out of five in 2011 in Deloitte's "Best Company to Work For" independent survey, a figure we constantly are looking to improve on.

We look to the future with confidence

As I begin my first full year at the helm of this organisation I look forward to forging stronger partnerships with all the stakeholders in the tourism industry. It is only through our collective strength that we will ensure tourism reaches its full potential and contributes substantially to our country's economic and job creation goals.

Thulani Nzima

Chief Executive Officer

*Chief Executive Officer of South African Tourism,
Mr Thulani Nzima, addresses the attendees at >
Meetings Africa 2012*

MEETINGS AFRICA
Africa's business tourism lekgotla



MEETINGS AFRICA

Africa's business tourism

Corporate Governance report

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



Johan van der Walt
Chief Finance Officer

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

South African Tourism views good corporate governance practice as integral to good performance. We at South African Tourism are committed to promoting sustained 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 within the organisation worldwide is responsible for promoting good corporate governance practices.

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

- Exercise effective review and monitoring of our activities.
- Enhance the world market's perception of us.
- Identify and mitigate significant risks, including reputational risk.
- Promote informed and sound decision-making.
- Protect our brand.
- Secure the trust and confidence of all stakeholders.

- Lead to effectiveness, efficiency, responsibility and accountability.
- Facilitate legal and regulatory compliance.
- Ensure sustainable business practices, including social and environmental activities.
- 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 and employees to behave with integrity, consistently and uncompromisingly displaying moral strength and conduct which promotes trust.

Sound corporate governance is implicit in our values, culture, processes, functions and organisational 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.

South African Tourism is guided in its commitment to the principles of good corporate governance by the King III Code and Report on Corporate Governance in South Africa 2009. South African Tourism's international business units operate in accordance with the corporate governance recommendations of their jurisdictions,

but with clear reference at all times to organisation's values and culture.

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

South African Tourism subscribes to values of good corporate governance, and to the requirements of the Public Finance Management Act. It also has sufficient finance systems in place to provide real-time and relevant information to business units, allowing them to make informed decisions.

Board and Directors

South African 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 directors are drawn from different backgrounds and bring a wealth of experience of professional skill to the Board. The role of the chair of the Board and the Chief Executive Officer (CEO) are separated and are filled by outgoing non-executive director Jabu Mabuza and executive director, Thulani Nzima, respectively.

During the reporting period, the CEO resigned with effect from 31 August 2011 and an Acting CEO was appointed internally until a replacement CEO could be appointed. The new CEO took office on 1 January 2012.

The Board is assisted by Board committees, duly formed according to the King III Report to Corporate Governance and Public Finance Management Act. The Board, in its capacity as the Accounting Authority of South African Tourism, is charged with the responsibility for the oversight of governance. The Board has the authority to lead, control, manage and conduct the business of South African Tourism.

The directors are individuals of high calibre with diverse backgrounds and expertise, facilitating independent judgement and effective deliberations in 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 chairman, the CEO and the senior management.

Non-executive directors bring with them diversity of experience, insight, business acumen, skills and independent judgement on issues of strategy, performance, resources and standards of conduct.

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 reappoint at least 50% of non-executive members who have previously served on the Board, to every new board. A procedure for appointment to the Board is formal and transparent and includes criteria such as racial and gender diversity.

The South African Tourism Board comprises 15 members, two of whom are executive and 13 non-executive members (of the 13 non-executive members, eight are independent non-executive members). The names and credentials of the directors are detailed on pages 12 and 13 of the annual report.

Board Charter roles and responsibilities

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

The Board's primary responsibilities, based on pre-determined assessment of materiality, include:

- Ensuring good corporate governance is applied within South African Tourism at all times. The criteria for this are 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

Corporate Governance report continued

consideration the latest market intelligence, research and appropriate risk parameters. South African Tourism's budgets and resources are limited, and demand creative and intelligent strategies for success.

- Determining, delegating and reviewing from time to time, certain levels of authority and responsibility to the executive and senior management of South African Tourism, pertaining to the negotiating of contracts, capital expenditure and operational matters.
- Monitoring compliance with the Public Finance Management Act, Treasury Regulations, Tourism Act, and other relevant legislation and regulations that are applicable to business in general, in South Africa.
- Approval of a performance bonus system including performance criteria for all employees of South African Tourism.
- Ensuring that a model for succession planning is introduced for all executive management, all business unit and sub business unit managers and all country managers.
- Approving the remuneration associated with the statutory external audit.
- Ensuring that South African Tourism has sound operational and financial systems in place and manages risk appropriately at all times.
- Ensuring the preparation of annual financial statements which fairly present the results of South African Tourism.
- Annually measuring its performance as a whole and also its committees and the executive(s).
- Monitoring compliance with the Delegation of Authority and other ethical guidelines underpinned in the organisation's policies.
- Ensuring that every South African Tourism Board member or staff member who sits on a South African Tourism tender committee (evaluation or adjudication committee) completes and signs a Declaration of Interest prior to the commencement of any South African Tourism Board meeting, South African Tourism Board sub-committee meeting or tender meeting.
- Ensuring that South African Tourism manages its risk appropriately at all times.
- Ensuring that suitably qualified and experienced individuals are appointed as executive management of South African 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, and has met during the following months where the main agenda points are detailed below:

February 2012 Board meeting	<ol style="list-style-type: none"> 1. Approval of Internal and External Audit reports. 2. Approval of updated Risk Register. 3. Approval of updated three-year rolling Internal Audit Plan. 4. Approval of updated Delegation of Authority.
May 2011 Board 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 CEO's report
September 2011 Board 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 South African Tourism based on latest market intelligence 3. Any changes requested to the Delegation of Authority, Remuneration and Supply Chain Policies 4. Review CEO's 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	May 2011	August 2011	February 2012	Attendance
Mr Jabu Mabuza	+ ^	✓	✓	✓	3/3
Mr Frank Kilbourn	+ ^	✓	✓	✓	3/3
Ms Yvonne Johnston	*	✓	✓	✓	3/3
Mr Johan van der Walt	* + ^	✓	✓	✓	3/3
Mr Zwelibanzi Mntambo	+ ^	✓	✓	✓	3/3
Mr Thulani Nzima	* + ^	N1	N1	✓	1/3
Mr Michael Lutzeyer	* ^	✓	✓	✓	3/3
Ms Amor Malan	^ *	–	✓	✓	2/3
Ms Sizakele Mzimela	^	✓	–	–	1/3
Mr Dirk van Schalkwyk	+ ^	✓	✓	✓	3/3
Ms Tumi Makgabo	*	✓	✓	✓	3/3
Mr Iraj Abedian	^	–	–	✓	1/3
Mr Brett Dungan	* ~	✓	✓	–	2/3
Mr Tim Scholtz	N1	N1	✓	✓	2/3
Mr Peter Bacon	~	✓	✓	–	2/3
Ms Thandiwe January-McLean	* + ^	✓	N1	N1	1/3

+ Member of the Remuneration Committee

^ Member of the Audit Committee. Zwelibanzi Mntambo is the Chairperson of Audit Committee

* Member of the Marketing Committee

~ Member of the Quality Assurance Committee

– Board member apologised for not attending the meeting

✓ Meeting was attended

^{N1} Thandiwe January-McLean resigned effective 31 August 2011 and Tim Scholtz took over as Acting CEO. Thulani Nzima was appointed as CEO, effective 1 January 2012.

Evaluation of performance

A formal evaluation of the Board's performance and effectiveness is carried out every year during the annual two-day Board Lekgotla in August. The Board assessment 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 makes a conclusion on whether the Board and its committees are operating effectively and what needs to be done to improve efficiencies.

Conflicts of interest

Directors are required to inform the Board timeously of conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors are obliged to withdraw themselves from discussions or decisions on matters in which they have a conflicting interest, unless resolved otherwise by the remaining members of the Board. Directors are required to disclose their shareholdings in the company, their other

directorships, and their interests in contracts that South African Tourism may conclude or may already have concluded, at least annually and as and when changes occur. Declarations of interest are tabled at each Board meeting, updated as and when necessary.

Board committees

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

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

Chairpersons' Committee

The Chairpersons' 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.

Corporate Governance report continued

Marketing sub-committee

The committee comprises five non-executive directors, all members of the executive committee and is chaired by Yvonne Johnston. Membership of this committee and attendance at these meetings are as follows:

Marketing sub-committee meetings 2011/12

Date	25 May 2011	20 September 2011	13 February 2012	Attendance
Yvonne Johnston	✓	✓	✓	3/3
Michael Lutzeyer	✓	✓	✓	3/3
Tumi Makgabo	✓	✓	✓	3/3
Brett Dungan	✓	✓	–	2/3
Amor Malan	✓	✓	✓	3/3
Thulani Nzima	N1	N1	✓	1/3
Tim Scholtz	✓	✓	✓	3/3
Thandiwe January-McLean	✓	N1	–	1/3
Roshene Singh	✓	✓	✓	3/3

– Board member was absent from the meeting

✓ Meeting was attended

^{N1} Thandiwe January-McLean resigned effective 31 August 2011 and Tim Scholtz took over as Acting CEO. Thulani Nzima was appointed as CEO, effective 1 January 2012

The following people are permanent invitees to all marketing sub-committee meetings:

- Chief Operating Officer of South African Tourism
- Chief Marketing Officer of South African Tourism
- Chief Quality Assurance Officer
- Executive Manager: National Convention Bureau

The marketing sub-committee reports on its activities and makes recommendations to the Board.

The committee has adopted the following terms of reference:

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

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

Remuneration sub-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 Chair of the Remuneration Committee. South African Tourism does not comply with this requirement as the Board of South African Tourism are of the opinion that it would be in the best interest of the organisation if the chair of the Board is also the chair of the Remuneration Committee. Membership of this committee and attendance at these meetings is disclosed below:

Remuneration sub-committee meetings 2011/12

Date	25 May 2011	21 September 2011	13 February 2012	Attendance
Jabu Mabuza	✓	✓	✓	3/3
Frank Kilbourn	✓	✓	✓	3/3
Sizakele Mzimela	✓	–	–	1/3
Zwelibanzi Mntambo	✓	✓	✓	3/3
Dirk van Schalkwyk	✓	✓	✓	3/3
Thandiwe January-McLean	✓	N1	–	1/3
Tim Scholtz	✓	✓	✓	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 Remuneration sub-committee meetings:

- Chief Operating Officer of South African Tourism
- Chief Financial Officer of South African Tourism
- Chief Quality Assurance Officer
- Executive Manager: National Conventions Bureau

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

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

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

It has adopted the following terms of reference:

- Review proposed changes to the approved organogram of South African Tourism and makes applicable recommendations to the Board.

- Review all primarily HR policies in South African Tourism that will have no financial implication or a financial implication covered by the approved budget.
- Review all primarily HR policies in South African Tourism that will have a financial implication not covered by the approved budget.
- Approve proposed remuneration changes within budget (annual inflation increases, designation increments and any other changes to total-cost-to-company packages).
- Recommend for approval to the Board proposed remuneration changes outside budget (annual inflation increases, designation increments and any other changes to total-cost-to-company packages) after having reviewed such changes.
- Review, discuss and approve all proposals from EXCO concerning the payment of performance bonuses.
- Review proposed parameters for the next MTEF period's Business Plan and budget of South African Tourism and make applicable recommendations to the Board (at the October meeting).

Audit sub-committee

The committee comprises six non-executive directors and is chaired by Zwelibanzi Mntambo. King III stipulates that the chair of the Board may not be a member of the Audit Committee. South African Tourism does not comply with this requirement as the Board of South African Tourism are of the opinion that it would be in the best interest of the organisation if the chair of the

Corporate Governance report continued

Board is also a member of the Audit Committee. Membership of this committee and attendance at these meetings is set out below:

Audit sub-committee meetings 2011/12

Date	25 May 2011	21 September 2011	13 February 2012	Attendance
Frank Kilbourn	✓	✓	–	2/3
Jabu Mabuza	✓	✓	–	2/3
Sizakele Mzimela	✓	✓	✓	3/3
Zwelibanzi Mntambo	✓	✓	–	2/3
Iraj Abedian	–	–	✓	1/3
Dirk van Schalkwyk	✓	✓	✓	3/3
Thandiwe January-McLean	✓	N1	–	1/3
Thulani Nzima	N1	N1	✓	1/3
Johan van der Walt	✓	✓	✓	3/3

– Board member was absent from the meeting

✓ Meeting was attended

^{N1} Thandiwe January-McLean resigned effective 31 August 2011 and Tim Scholtz took over as Acting CEO. Thulani Nzima was appointed as CEO, effective 1 January 2012.

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

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

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

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

Audit 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 South African Tourism's internal controls systems in respect of both the organisation's direct affairs in South Africa and at its offices abroad.
- To approve the remuneration and terms of engagement of the external auditors.
- To review annually the effectiveness of the internal audit function throughout the organisation, in the context of the organisation's overall risk management system, with particular focus on the Internal Audit Charter, annual work plans, activities, staffing, organisational and reporting structure and status of the function.
- To review the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- To review its terms of reference from time to time and make appropriate recommendations to the Board.
- To engage in ensuring that appropriate standards of governance, reporting and compliance are being met.

- To advise the Board on issues relating to the application of accounting standards as they relate to published financial information, in particular the transition to GRAP and in the absence of GRAP, SA GAAP.
- To review proposed changes to the Delegation of Authority and make applicable recommendations to the Board.
- To review all primarily non-HR and non-marketing policies in South African Tourism that will have a financial implication not covered by the approved budget.
- To review and discuss all Internal Audit reports, which should include management responses.
- To review and discuss the Internal Audit Business Plan and budget, which should include all planned audits to be undertaken during the next financial year
- To review and discuss the Internal Audit Framework, which should include the Internal Audit approach.
- To review and discuss the final management letter of the external auditors, including management's responses, following the statutory annual audit of South African Tourism's financial records (at the May meeting).
- To review new proposed accounting policies and approve them.

The Senior Internal Auditor has direct access to the chairperson of the audit committee.

An effectively functioning audit committee provides the following significant advantages to South African Tourism:

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

Based on its deliberations during the reporting period, the committee is satisfied with the level of independent assurance that it has received, and believes that South African Tourism's risk management

and internal control processes are adequate and are functioning effectively.

Executive Committee and Management Committee

The Executive Committee (Exco), assisted by the Management Committee (Manco), is responsible for the execution of the Board-approved Strategic Plan and Consolidated Business Plan and Budget of South African Tourism. The executive committee consists of 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 South African Tourism's Executive Committee changed during the year under review when Thandiwe January-McLean resigned and Thulani Nzima was appointed as the new chief executive officer, effective 1 January 2012.

Effective 1 April 2012, the Executive Manager Convention Bureau became a member of Exco with full voting rights.

The management committee consists of all business unit managers within South African Tourism. This committee has been established to make recommendations on the day-to-day business of South African Tourism to Exco. The executive committee is chaired by the chief executive officer whilst the management committee is chaired by the chairperson elected by this committee. These committees assist the CEO in the day-to-day management of the organisation's businesses and it also reviews strategic plans, capital expenditure projects, company operating and financial performance and the central and administrative functions of the organisation.

Quality assurance sub-committee

The Quality Assurance Committee has a maximum of 10 non-executive members and is chaired by Peter Bacon, who is an independent non-executive member.

Corporate Governance report continued

Membership of this committee and attendance at these meetings is set out below:

Quality assurance sub-committee meeting 2011/12

Date	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	At-tend-ance
Peter Bacon	–	–	✓	✓	✓	–	✓	✓	–	–	✓	–	6/12
Brett Dungan	✓	✓	✓	✓	✓	–	✓	–	–	✓	–	✓	8/12
Thembi Kunene	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12/12
Mzi Gcanga	✓	✓	–	–	✓	✓	✓	✓	✓	✓	✓	✓	10/12
Julian Smith	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12/12
Smangele Nhlapo	–	✓	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	11/12
Tony Hazel	✓	✓	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	10/12
Jegie Padmanathan	✓	✓	✓	–	✓	✓	–	✓	✓	✓	✓	✓	10/12
Alan Romburgh	–	✓	✓	✓	✓	✓	✓	–	✓	–	–	✓	8/12
Ahmed Chothia	–	✓	✓	✓	✓	✓	–	–	–	✓	✓	✓	9/12
Phillip Thompson	✓	✓	✓	✓	✓	✓	✓	–	–	✓	✓	✓	10/12

– Board member apologised for not attending 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 sub-committee in terms of section 18(5) of the Tourism Act i.e. 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 South African Tourism are required to subscribe to the spirit and principles of the code. In addition, the code is applied to all operating entities of the nature and size as identified in King III.

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

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

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

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

Internal control

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

Key features of the systems of internal control are:

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

Financial Reporting System

The entity's operating procedures include a comprehensive system for 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; and
- 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 South African Tourism in particular, great reliance is placed on information contained in its financial statements, not least by Parliament, stakeholders and every taxpayer in South Africa.

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

Corporate Governance report continued

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 South African Tourism operated in all business units throughout the organisation for the period under review. An internal audit plan was prepared and approved by the audit committee.

A Global Internal Audit Methodology has been developed and rolled out across South African 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 a continuous process of developing and enhancing its comprehensive risk and control procedures to improve the mechanisms for identifying and monitoring risks. A risk assessment is performed at least annually and addresses South African Tourism's exposure to the following risks:

- Physical and operational risks.
- Human resources risks.
- Technology risks.

- Business continuity and disaster recovery.
- 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; and
- an internal audit process review of the risk management system.

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

All procurement activities undertaken by South African Tourism during the year under review were consistent with the South African government's supply chain policies and guidelines.

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

The major operations of risk management are to:

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

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

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

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

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

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

Stakeholder management

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

Stakeholder management is responsible for sharing the benefits of the tourism boom, since everyone in South Africa is a stakeholder. From hotel staff to arts and craft hawkers, from tour guides to traditional dancers, everybody has a role to play in developing the tourism industry, even if our personal contribution is nothing more than a warm smile that makes a visitor feel at home. South African Tourism has made great strides in bridging the gap with the Department of International

Relations and Co-operation (DIRCO), by running workshops and hosting staff and ambassadors at the INDABA travel trade exhibition. The organisation has also been working with the National Department of Tourism to unblock barriers to growth, and with the assistance of Brand SA to promote innovative ways to market the country. South African Tourism will continue to explore synergies and build meaningful partnerships with government, provincial tourism bodies, and the private sector in order to unleash the benefits of tourism for all 49-million stakeholders.

Employee engagement

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

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

The Board has unrestricted access to senior management in an effort to enhance communication and achieve the vision of South African Tourism. Further communication with South African Tourism staff is through Board feedback sessions that are convened by the 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.

Corporate Governance report continued

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

Health and safety

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

- To establish and maintain a healthy and safe workplace for all employees, and to conduct its activities in an environmentally responsible manner to ensure the health and safety of people in the vicinity of its operations.
- To prevent personal injury or damage to the health of its employees and others on the premises.
- To identify, document and maintain processes within specified safety criteria, and to document the methods of control for those processes that have been identified to conform to the act.
- To ensure that all employees, at every level and in every function, are aware of their responsibility for their own health and safety and that of others.
- To ensure that employees who advise on occupational health, safety and environmental matters are appropriately trained.
- To demonstrate South African Tourism's active involvement in, and commitment to, occupational health and safety within its scope of services.
- South African Tourism has a health and safety representative as required by the Occupational Health and Safety Act. During the year employees from the different business units in South African Tourism attended emergency fire training courses as well as an emergency first-aid courses. These employees were provided with relevant certifications thus enabling them to perform emergency procedures if and when necessary.

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

Employee wellness

South African Tourism places great importance on employee wellness and in order to promote employee wellness, South African Tourism in partnership with Careways have provided our employees with initiatives such as Wellness Day, Counselling services, as well as health and fitness assessments. Careways also provides staff of South African Tourism with emails 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 of; and
- respect all peoples' culture and heritage.

Paper recycling

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

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

Water consumption

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

Energy management

Energy and emission management is an integral component of responsible environmental management. Energy, as electricity utilisation, is viewed within the context of the hazardous waste products (carbon

dioxide) derived from the generation of energy. South African Tourism has installed an electro sense proactive energy management system. This system has resulted in energy savings of approximately R5 000 per month. The system automatically switches off lights and the air-conditioning when there is nobody in a particular room. The reduction of the energy consumption will result in the reduction of carbon dioxide emissions attributable to South African Tourism.

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

Social transformation and human capital development

BEE Charter

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

The Tourism BEE Charter constitutes a framework and establishes the principles upon which BEE is based. The main objectives of the Charter are therefore to:

- empower black South Africans within the tourism industry;
- make the tourism sector more accessible, relevant and beneficial to black South Africans;
- contribute to the sector's growth and sustainability;
- introduce innovation into the sector through new players entering the sector, which will, in turn, attract new markets and stimulate new product development;
- provide international tourists with an integrated, authentic South African experience, which includes the management and ownership of products by the broader South African community;
- realise the potential of the tourism sector to grow significantly beyond its current size, which would facilitate the transition and entry of new black operators;
- ensure that tourism income penetrates both urban and rural areas, so that the distribution of wealth occurs across the nation; and

- use transformation as an instrument of nation-building and the breaking down of barriers between communities.

Fundi Programme

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

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

The course brings benefits 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 40 credits.

South African Tourism is in the process of ensuring accreditation to other professional bodies as well.

Strategic human capital planning

In today's technologically advanced age, where every competitor has access to the same technologies, networks and other resources, the only differentiator becomes people. South African Tourism recognises and acknowledges this by focusing on ensuring that South African Tourism recruit, train and retains the necessary skills that will ensure its sustainability and growth. The organisation has an intern program where eight interns were recruited from the University of Johannesburg. This program enables these interns to obtain valuable work experience, skills and knowledge especially to enable them to secure employment completion of their studies. It is also South African Tourism's aim to retain these skills within the organisation as and when vacancies become available, for example, in the previous year 50% of the interns were given permanent positions within the organisation.

Corporate Governance report continued

Talent management

The overall objective of talent management is to ensure that South African Tourism has the human capital capacity and capability to meet organisational goals:

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

Succession planning

One of organisation's most successful talent management initiatives is the implementation of a succession planning 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 using such as 360 degree feedback of experiential interactions, direct teaching of practical content and coaching.

Succession planning processes will address:

- ownership of management team;
- the value and contributions to business success (Measurable – e.g. 80% internal appointments);
- ability to search for and identify candidates;
- locate and compare candidates based on competency based assessment;
- organisation and successor charting;
- define and tract competency-based development plans for leadership; and
- integrate performance and multiple rating assessments.

Social Responsibility Project – Clarens Pre-Primary School and Intermediate School

At the 2012 Annual Finance Lekgotla, South African Tourism successfully executed its third annual social responsibility project at Clarens Pre-Primary as well as

Clarens Intermediate School in Clarens in the Free State. The total budget spent on our social responsibility projects was R384 783.

Clarens Pre-Primary

This pre-school serves the children from Kgubetswana. Approximately 80 children are taught by a single teacher conducting kindergarten and Grade R classes with the help of two assistants. The school was in need of certain repairs to its playground, educational toys, other toys and small desks and chairs.

South African Tourism provided the pre-school with 70 chairs and 18 tables, educational toys, stationery for each child, other toys (such as soccer set and hula hoops). In order to improve the image of the school and uplift the spirit of the learners, South African Tourism spent a day refurbishing the playground, by painting the play structures, refilling the sandpit, planting indigenous trees as well as providing lunch to the learners for the day.

Clarens Intermediate School

Clarens Intermediate School used to be an old model C school, but now serves the Kgubetwana community exclusively and caters for grades 1 – 7. As a result of the school having been an old model C school, the school receives approximately R20 per pupil in Funding from the Free State Provincial Department of Education. The school has its own feeding scheme and in many instances provides the kids with their own meal per day. Notwithstanding great financial difficulty, the school has managed to excel and place itself among the Top 100 Free State Primary School.

In order to assist the school, South African Tourism erected a school hall as the school did not have one. In the future, the school hall will be sub-divided to also house the school library as the current library will be converted into a classroom to house the increased number of students.

South African Tourism certainly made a huge difference in the lives of these children, especially the pre-primary pupils who were ecstatic to start the new year at school.

The impressive red-carpet entrance to the 2011 Tourism INDABA, once again held in Durban ➤



Reports in this section:

- Chief Marketing Officer's report
- Portfolio overview: Africa
- Portfolio overview: Americas, Asia and Australasia
- Portfolio overview: Europe
- Portfolio overview: Watch-list markets
- Tourism Grading Council of South Africa
- Research
- Operations report
- Finance report
- Internal Audit report

*Top South African celebrity chef, Reuben Riffel,
demonstrating the art of South African cuisine >
at a trade expo in Germany*





Chief Marketing Officer's report

Our brand communications focused on developing a stronger emotional connection. A key asset that we continue to leverage is the diversity and vibrancy of South Africans. Travellers encounter personal warmth, hospitality and a vibrant colourful approach to life that uplifts and inspires them in South Africa

Roshene Singh
Chief Marketing Officer



Winning in 2011/12 was about pushing harder and leveraging our phenomenal brand awareness and positivity from the World Cup. It took the United Kingdom 25 years to host the World Cup in cricket, rugby and football. South Africa has achieved this feat in 15 years.

Our marketing approach is built on valid data and consumer insights. Our consumer focused marketing approach allows us to always be relevant and able to meet consumer needs, therefore staying ahead of our competitors.

Although South Africans consider themselves warm and welcoming people, our research has shown the people from the rest of the world who haven't visited our country don't necessarily know this to be the case. All our marketing work in 2011/12 was therefore based around the "realness" of South Africa: getting our people to tell our story, and telling our story through our people. This extended into all aspects of our work and resonated especially with our focus on marketing South Africa as a lifestyle destination, alongside our wildlife and adventure destination leadership.

A key asset that we continue to leverage is the diversity and vibrancy of South Africans. Travellers encounter personal warmth, hospitality and a vibrant colourful approach to life that uplifts and inspires them in South Africa.

Around our core markets, South Africa loses consumers between awareness and likeability in the decision-making process on which destination to choose. Our 2011/12 creative idea unpacked our key brand benefit

and points of difference in a way that prompted people to engage in a personal and heartfelt way – creating a desire to experience South Africa. Our new idea aims to inspire future travellers to visit South Africa and that the best way to describe our country is that nothing about South Africa and its people is ordinary. We used "Leave Ordinary Behind" as a call to action/platform to build brand equity with our target market. Our call to action reinforced our brand proposition of the "you" who leaves South Africa won't be the same as the "you" who arrived.

To further build on South Africa's ability to successfully host the biggest and most complex of events, we set up the much-anticipated National Convention Bureau (NCB) to consolidate and coordinate efforts on a national scale to increase our capacity to bid for even more events, conferences and meetings, while also actively marketing Destination South Africa. Set up under the auspices of South African Tourism, this bureau will now drive the organisation's business and events tourism efforts.

The reduction of tourism focused products declined as the oversupply created in anticipation of the 2010 FIFA World Cup™ failed to take root in the market. This was in evidence in the reduction of the total number of products in the national tourism database of 13.26% to 53 637. Accommodation establishments remain the largest part of the database at 24 836 or 46.3% of the total. Our annual activities in quality assuring the data show that this decline is driven by young establishments, mostly established in 2008/9.

*A giant billboard at the Sandton Convention Centre
advertises Meetings Africa, the biggest business
tourism gathering on the African continent >*



Welcome to
MEETINGS AFRICA
Africa's business tourism lekgalla
www.meetingsafrica.co.za

South Africa

Chief Marketing Officer's report continued

We have trained 16 680 international Fundis to be better informed to sell South Africa as a travel destination on the new Fundi platform. A study by the University of Lugano, Switzerland, Faculty of Communication Sciences, on the Travel Agents' Perceptions on eLearning Courses offered by Tourism Destinations, ranked South Africa's online course 9th out of 69 for all destination marketing organisations' eLearning courses.

INDABA 2011 raised the bar in terms of digital innovation and industry creativity, proving again emphatically the ability of the South African tourism sector to continuously reinvent itself in line with global trends in destination marketing.

A total of 11 205 people passed through the Inkosi Albert Luthuli International Convention Centre's doors over the four exhibition days, with 1 610 exhibitors and over 7 210 exhibition personnel across all imaginable tourism-related business categories showcasing their products, and 661 local and international media registering to cover INDABA. The INDABA attendance figures included nearly 3 000 international buyers and visitors, an increase of 11% on the number of international delegates attending INDABA in 2010.

Feedback from exhibitors was that the digital aspect of INDABA 2011 stood out, with the content-rich interactive touch table proving to be one of the key highlights for visitors to the show. Poken™ technology, introduced to encourage efficient networking, facilitated more than 45 000 "pokes", or exchanges of contact details, proving INDABA remains the foremost and most innovative networking function in the travel and tourism industry in Africa. Tourism KZN's CEO Ndabo Khoza estimated that the four-day INDABA injected between R200 million and R250 million into Durban's economy.

Global Marketing and Advertising

Our key initiative was the phase two roll-out of our "20 Experiences in 10 Days" campaign. We launched the first phase of our campaign in September 2011 when four couples/friends (from India, USA, UK and Nigeria) experienced an incredible adventure in South Africa. Phase two of the campaign was launched globally in May 2011 and featured couples/friends from Angola, Brazil, China and Germany. The campaign was also driven online with a 360 degree integrated portal on www.southafrica.net, where consumers could learn more about the benefits of a journey through South Africa through the eight itineraries.

Our "Through The Lens" campaign with National Geographic continued to leverage the unique brand attributes of their media group and showcased South Africa through a collection of award-winning vignettes. Two new vignettes were produced in April 2011: "The Big Five" with National Geographic photographer Joel Sartore, one of the world's best wildlife photographers, and "Urban Art, Culture and Warm Welcome" in Johannesburg where National Geographic photographer Jodie Cobb captured the warm welcoming spirit of South Africans. Our partnership with National Geographic enables us to communicate in local languages such as German, Italian, French and Mandarin to further connect with our key target audience.

Our brand relationship with CNN continued to make a great impact through a targeted and message-specific campaign using our new creative concept, "20 Experiences in 10 Days". By making the most of CNN's varied international platforms, digital and broadcast, CNN ensured placement of our brand spots within relevant programming and content, maximising the exposure and relevancy of each commercial.

Our partnership with BBC Worldwide provided us with a fully integrated cross-media platform and creative solution in promoting the "20 Experiences in 10 Days" campaign to our global target audience.

A robust online solution was engaged to aggressively market the destination across BBC.com, Lonely Planet.com and Video on Demand, delivering over 31 million online impressions. Syndicated market research conducted by the BBC during the campaign showed audiences rating South Africa as Innovative (by 74%), Desirable (by 70%) and Safe (by 65%), confirming the positive results of our online campaign.

Our partnership with the Financial Times complemented our "20 Experiences in 10 Days" campaign with strategic print advertisements in their weekend magazine titles such as How to Spend It, Leisure & Travel, Pursuits and Life & Arts, reaching just over 2.1 million high net-worth consumers. The campaign was also integrated online, delivering over 2.2 million impressions.

The SA brand, through the "20 Experiences in 10 Days" campaigns, reached just over 1.2 billion consumers with 6 981 brand spots, 3 575 vignettes, 26 print ads and an estimated 130 million online impressions on our Global Media Platforms which include CNN, BBC World, National Geographic, Financial Times, Lastminute.com, Yahoo and Firefly, Trip Advisor and Expedia.

At the end of the 2011/12 financial year, our brand awareness was at 78%, meeting our target for the year, while our positivity levels were 37%, below our target of 41%.

The International Marketing Council (now called Brand SA), in conjunction with SA Tourism, embarked on a project to align Brand South Africa before the FIFA World Cup. We developed a single unified brand logo and positioning in 2009 and Cabinet approved the new aligned pay-off line, INSPIRING NEW WAYS, on 8 March 2012.

Global eMarketing

The year in review validated our consistent investment in our online platforms, returning pleasing results that show strong growth that we hope to consistently enjoy into the future.

Bookings to South Africa from our online booking partners topped R659 million bringing 159 795 arrivals to our shores through these fast-growing partnerships for the 2011 calendar year. Markets such as the USA and UK are leaders in online bookings to South Africa with 12.81% and 9.35% of arrivals for the 2011 calendar year being made through our online booking partners.

Our EXPEDIA partnership not only leads in volume and value but also in the return on investment category, returning more than R381 for each rand spent on our partnership. We continue to strengthen our efforts in this important category through ensuring our partnerships are with the leading online booking partners to South Africa, refining our messages to these various audiences, working with our partners to increase inventory and influencing them to package offers to South Africa in line with the varied needs of each of our markets.

Our WAYN.com and Trip Advisor partnerships continue to deliver beyond expectation:

- WAYN.com remains the world's largest travel focused social media community. On WAYN we served 199 024 440 impressions, generating 1 464 813 clicks at an impressive CTR of 0.74% with the friends of Mzansi (South Africa Profile Page on WAYN.com) breached the 234 000 mark in the year in review with a further 112 149 members of WAYN.com expressing a direct interest in visiting South Africa.
- The users of Trip Advisor, which is the world's largest travel site, with more than 50 million unique monthly visitors, 20 million members and more than 60 million reviews and opinions, revealed Cape Town as the

number one destination in its Travellers' Choice 2011 "best destinations in the world", again validating the importance of our partnership on this platform.

Our "Pay Per Click" search campaigns continue to be a stellar driver of traffic having delivered 427 815 208 impressions and 963 187 clicks, ensuring that our web sites are a primary provider of travel-related information to South Africa.

Visits to our information-rich www.southafrica.net site grew 7.10% to over the already impressive growth of the past year to 3 280 761. First-time visits to our web sites were an impressive 82.86% showing the broad reach and relevance of the platform as the definitive source of destination information, most useful to first-time visitors and considers of our destination.

Our mobile sites received 1 726 078 visits driven primarily by the adept information provision of the sites serving our regional African markets. In the year under review the call centre received 14 861 calls and 36 588 emails from both consumers and members of the trade.

The remarkable response to our online work gives us confidence that we laid solid foundations for the growth in all areas of awareness, positivity, consideration, planning and booking a trip to South Africa and as a result we continue to work diligently and with confidence that the growth we currently enjoy will be sustained and that there will, as in this period, be many pleasing areas of out-performance.

Global Communications

The year 2011/12 was a year that South Africa's qualities as a lifestyle destination was put on the international map.

While South Africa is renowned as a world-class wildlife destination famous for its Big Five, South African Tourism's involvement with events such as the three Fashion Weeks, the Cape Town International Jazz Festival, Johannesburg's Joy of Jazz Festival, the Design Indaba and even the inaugural Maloof Money Cup skateboarding competition provided international exposure of the country's design, music, fashion and arts.

Highlights during the course of the year were South African Tourism's hosting of top journalists such as Vanity Fair's fashion editor Michael Roberts at Africa Fashion Week in October 2011, resulting in global exposure of Joburg's status as Africa's fashion capital and a memorable Roberts photo spread in the Daily Telegraph.

Chief Marketing Officer's report continued

Other top international fashion journalists hosted at Africa Fashion Week were Elisabeta Tudor, who covered the event for UK Vogue, as well as the editor of Arise magazine, Helen Jennings.

Following on from the success of Chinese-based vocalist Hanjin's appearance at the 2011 Cape Town International Jazz Festival, the 2012 version saw an appearance by China's Xia Jia Trio, with South African Tourism hosting 55 journalists from China, India, the United Kingdom, United States, Netherlands, Germany, Kenya, Nigeria, Angola, Mozambique, the DRC and Botswana for a music festival that has earned global acclaim as one of the jazz world's best.

The inaugural Maloof Money Cup skateboarding competition in Kimberley showcased South Africa as an extreme sports destination, with South African Tourism instrumental in generating domestic coverage as well as global coverage through ESPN and SuperSport.

Our media partners were also critical in generating global awareness of South Africa and we maintained a good relationship in particular with CNN's three shows based in Johannesburg (Inside Africa, Marketplace Africa and African Voices). A partnership with Financial Times (FT) also enabled extensive global editorial coverage, coinciding with extensive lifestyle destination features focused on Cape Town and Johannesburg in the FT's popular "How to Spend It" weekend supplement.

Responding to the need for specialist hosts to accompany media tours to provide additional insight and depth, the Global Communications used prominent figures such as artists Lira, Simphiwe Dana, Freshlyground, AKA, Paul du Toit, designers Nkensani Manganyi, David Tlale and Thula Sindi to be part of media tours and projects undertaken by Global Communications and by our in-country offices.

South African Tourism's various communications and marketing teams generated over R7 billion worth of

public relations value for the destination in 2011/12, in the markets in which the organisation has a marketing presence.

Global Product

The role of the Global Product unit is to address the knowledge gap between South African product and trade and to highlight the wide variety of exceptional experiences, value for money, and range of accommodation options on offer in South Africa. The objective is to gain better value extraction and length of stay from tourists.

Hosting tailor-made itineraries taking into account the needs and desires of consumers in the markets in which South African Tourism operates; thus assisting trade to package South Africa in a way that is sought after by consumers, is another important component of the product unit's work.

The hosting unit designs and executes tailor-made itineraries for the hosting trade, media and stakeholders. The itineraries are designed with a deep understanding of the consumer needs in the relevant market. In 2012/13 there were 658 trade and 429 media hosted from over 22 countries around the world, an increase of 146% and 40% respectively. The trade familiarisation trips enable international outbound tour operators to effectively package South Africa to attract international visitors to the country.

ETEYA and the Welcome Campaign are two of the product unit's flagship projects. The aim of ETEYA is to transform our tourism industry by identifying and accelerating the market readiness of emerging black entrepreneurs. These entrepreneurs demonstrate the potential to meet consumer demand and create jobs through innovative, sustainable and responsible growth.

In 2011/12 there were 253 entries in total. This was an increase of 7% over the previous year.

Name of establishment	Contact person	Province
The Orchards Executive Accommodation	Salome Tshungu	Gauteng
Letona Guesthouse	Mamagowa Letaba	Northern Cape
Ituka Lodge	Katlego Mogafe	Mpumalanga
Maidenhead Country Lodge	Vivien Boboyi	Eastern Cape
Thaba Legae Guest Lodge	Millicent Shadi	North West
Sanchia Luxury Guesthouse	Jenny Govender	KwaZulu-Natal
Escape to the Cape	Shaheed Ebrahim	Western Cape
South African Reatswelela Travel Centre	Nkele Motsoaledi	Limpopo
Free-State Travel	Ntoko Moeletsi	Free State

The Welcome Awards rewards individuals and businesses who provide outstanding service in the tourism industry. The aim of the awards is to find and credit outstanding examples of businesses who are raising the standard of

customer service. The number of entries grew by over 100% with over 2 904 entries received. The awards were presented in partnership with First National Bank and other key tourism associations.

Welcome award winners 2011/12

Category	Establishment
Accommodation	The Cape Milner Hotel
Car rental	Economic Car and Bakkie Hire
MESE	The Plantation
Restaurants	Hemingways Restaurant at Leriba Hotel and Spa
Tour operators	Western Cape Tours
Tourist attractions	SAB World of Beer
Tourist guides	Greg Lederle
Travel agencies	Sure Zorgvliet Travel
Online	Sandton Sun

Business Tourism

Meetings Africa 2012 was the most successful to date, with 2 982 registered attendees in 2012, a 1% increase on the 2 948 registered attendees recorded in 2011.

Exhibitors (personnel) made up 839 of the total Meetings Africa 2012 attendees, an increase of 27% on 2011 figures, while the number of registered exhibiting companies were 236, an increase of 11% from 2011 (212). The number of industry associations attending

Meetings Africa 2012 increased by 43%, as the show continued to entrench its status as the biggest tourism gathering on the African continent.

The establishment of the National Convention Bureau (NCB) was the highlight of this financial year, along with the successful hosting of the United Nations' 17th Conference of the Parties (COP) Climate Change conference in Durban, which attracted more than 17 000 delegates.

Chief Marketing Officer's report continued

The NCB will be critical in harnessing national business tourism efforts as South Africa looks to aggressively pursue a bigger share of the global business events market.

The NCB will act as a one-stop solution for independent information and assistance and coordinate national bidding, undertake research, and collaborate with provincial convention bureaus and South Africa's business tourism industry to present a united front for Destination South Africa. It will provide pre- and post-bid support, destination expertise, convention planning support, on-site event services and more.

The NCB has prepared an 18-month implementation plan, including the preparation of a national bidding and subvention policy.

Events

The South African Tourism events unit in 2011/12 supported a number of key international events aimed at attracting visitors to South Africa and increasing the country's profile as a world-class sport and lifestyle destination. These events included the Vodacom Challenge, the Cape Town, Joburg and Africa Fashion weeks, Joburg Art Fair, Joy of Jazz, Design INDABA, Maloof Money Cup and World Cricket Legends.

A total of 46 international media was hosted during this period from countries including India, China, Brazil, UK,

USA and Africa. Altogether 30 international buyers were hosted of which 69% indicated that they will bring events to South Africa.

The World Cricket Legends "Cricket in the Wild" took place at the Phinda Private Game Park in KZN in November 2011, which saw Indian Cricket Legends including the likes of Kapil Dev and Roger Binny playing against South African Cricket Legends such as Graeme Pollock, Mike Procter and Peter Kirsten with the objective of promoting South Africa as a top tourist destination in the Indian market.

The inaugural Sports and Events Tourism Exchange was held in Cape Town in July 2011 with the objective of promoting South Africa as a major sports and events destination and getting the key industry and association roleplayers together. Over 1 400 people attended the event, including 30 hosted buyers. The success of the first event has resulted in SETE becoming an annual event. A major highlight in this financial year was South Africa being named "World's Best Sports Tourism Destination" at the World Travel Awards.

Roshene Singh

Chief Marketing Officer

*Winning the 2011 ETEYA award was a major boost for
Kagiso Legobe's adventure tourism company >*



Portfolio overview: *Africa*

Africa

Total tourists
2011: 6 136 835

Total tourists 2010: 5 741 177
Difference: 6.9%



Phumi Dhlomo

Regional Director
Africa and Domestic

Tourist arrivals from regional Africa markets increased by 6.9% in 2011 with massive growth of 37.5% from Nigeria and 45.8% from Tanzania.

This growth was driven by our digital campaigns together with extensive travel trade training and partnerships with the non-travel trade to drive travel to South Africa. Land arrivals grew by 5.83% as we hold onto past gains in neighbouring SADC.

The year started with the adoption of the regional strategy for East and West Africa and we engaged with Tanzania and Uganda trade partners during our workshops. This was also facilitated by our joint marketing agreement (JMA) with Kenya Airways, who transported these partners to workshops in Nairobi. This was part of a continental road show aimed at sharing with the trade partners in Angola, Nigeria, Kenya, Tanzania, Ghana and DRC our new insights and ways in which we should adjust our marketing to connect better with emerging consumer segments. We were also able to grow our relationships with trade while guiding them on new ways of servicing travellers to South Africa by selling new experiences to encourage their clients to come to our country continuously. The arrivals in 2011 show that our trade partnerships have yielded results.

We also looked beyond traditional trade partners to non-traditional travel partners who have shown great enthusiasm at being associated with the South African brand. We launched a partnership with Nakumatt, which is one of the biggest retail outlets in East Africa. In Nigeria, we launched our first campaign with the online

travel agency Wakanow capitalising on the strength of extensive mobile connectivity in this market. We also launched Fundi in East and West Africa, which was also well received by the trade consultants.

We have also pushed the use of mobile marketing in our campaigns to extend the travel message to segments we cannot reach with traditional marketing. This is yielding results out of Nigeria and Tanzania. We have also engaged with consumers on social media campaigns on Facebook and Twitter throughout the continent. As part of our annual mega familiarisation trip, we also conducted a workshop with all our PR agencies on the continent. The main aim of these workshops was to expose them to our new thinking on how we should connect with African travellers and in future they will be responsible for driving all our social media engagements.

We completed research in our markets that are driven by land arrivals as well as establishing new segments in our domestic research to find new ways to get South Africans to travel in their own country. These findings will be implemented as part of our new campaigns in 2012/13.

Top local rock band, BLK JKS, is treated to an afternoon donkey ride in the Northern Cape ➤



Unit report: *South Africa*

South Africa

**Total tourists
2011: 26.3 million**

Total tourists 2010: 29.7 million
Difference: -12.9%



Nothando Mathe
Country Manager
South Africa and SADC

There's no such thing as a wrong turn

Domestic tourism remains the largest contributor to tourist volume in South Africa, accounting for 76% of total tourist volume and contributing R20.3 billion to the national economy in 2011.

The desire to create a deeper emotional connection with South Africans and make travel a fun, enriching and relevant experience inspired us to embark on a year-long campaign focused on highlighting the hidden tourism gems in all nine provinces. In June 2011 we show-cased our revitalised Sho't Left campaign aimed at motivating a new generation of South Africans to explore their own country and put the spotlight on domestic travel.

Award-winning DJ, Black Coffee, popular Soweto rock band BLK JKS, SAMA-nominated pop duo The Arrows, television personalities and fashionistas the Cream Cartel, writer and poet Natalia Molebatsi, innovative graphic designers Am I Collective and acclaimed painter and artist Mary Sibande were the Sho't Left trend-setters whose travels to all corners of South Africa were featured in the new domestic tourism campaign.

From highlighting such hidden gems as Hotazel, Kuruman, Modjadji and Kosi Bay, this integrated marketing campaign supported provincial tourism

efforts and the domestic tourism trade by showing that whether you turn left or right, the wonder of our country awaits and "there really is no such thing as a wrong turn in Mzansi".

The artists who worked with us on this Sho't Left campaign have a considerable following in our target market and resonated with people looking to take a break from their everyday lives and travel, while having fun with friends.

The Sho't Left campaign in this fiscal year consisted of seven television commercials, which were abridged for use on Sho't Left's very own YouTube channel, www.youtube.com/shotleft. In addition the recently upgraded Sho't Left website (www.shotleft.co.za) and mobisite (www.shotleft.mobi) gave local travellers access to affordable travel packages, destination insights and the chance to engage with fellow travellers. The campaign was further driven through print adverts, radio spots, activations and public relations activities, giving the important domestic travel agenda a welcome boost.

Facebook (www.facebook.com/shotleft) and Twitter (www.twitter.com/shotleft) provided travellers with access to the latest news and exciting happenings around Sho't Left and within the domestic tourism industry.

*Minister Marthinus van Schalkwyk, at the launch of
World Tourism Month 2011 at Freedom Park* ➤

Tourism Linking Cultures

SCOV

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more of Mzo



← Sho't Left
Affordable Mzansi Holidays



Tourism Helpline 083 123 6789

www.shotleft.co.za or www.shotleft.mobi

Unit report: *South Africa* continued

Through our TollReach activations we further enticed all South Africans travelling home to visit friends and family over the holidays to be a tourist and to explore and enjoy the many different tourist experiences Mzansi has to offer in every corner of the country.

We partnered with a number of tourism establishments to print over one million booklets offering discount vouchers of up to 50% off on holiday activities such as sightseeing trips, meals, cultural attractions, city tours, thrilling adventure activities, educational experiences and pampering sessions as well as hotel accommodation and transport with major brands such as Southern Sun and SA Express. These discount vouchers were distributed from 9 December to 24 December 2011 at major toll roads and to long-distance bus and coach travellers.

New media partnerships with SABC's LIVE, Ses'khona and Espresso shows allowed us to bring a fresh new approach to travel. Traditional in-studio interviews were replaced with location interviews and saw presenters and their guests in beautiful scenic locations, each time participating in a leisure experience unique to the province they were visiting. The most memorable of these shows was when the popular Bonang (LIVE) and HHP conducted their interview on the Bloukrans Bridge in the Eastern Cape and ended with the world's highest bungee jump. The Espresso team on the other hand chose the road less travelled as they embarked on a road trip and viewers were enticed to discover South Africa's hidden gems. Each travel feature was supported by travel deals from Pick n Pay Travel.

Our JMAs with trade partners who are making affordable domestic travel deals readily available at their outlets included Thompsons Holidays, Computicket Travel, Flight Centre, Student Flights, STA Travel and Pick n Pay Travel.

Domestic tourism is critical in generating the bulk of the country's tourism revenue and also creating and sustaining much-needed jobs in the industry. Just as we are encouraging South Africans to travel more often, we also want to emphasise that our local travel industry plays a critical role in getting South Africans inspired to

go out there and explore by offering exciting, affordable and accessible packages all-year round.

Trendsetter's inspirational travel quotes:

"Get out of the city. Get out of your hood. Get off the grid. Get out of your head. Take a ride." **The BLK JKS inspired by the Northern Cape.**

"This has been an unexpected turn into a paradise I didn't know existed." **Natalia Molebatsi appreciating the Free State**

"There's always something amazing to discover just around the corner." **Am I Collective enjoying the Western Cape**

"I travel to paint colourful stories, these spaces are my canvas and the people I meet are my inspiration." **Mary Sibande inspired by Mpumalanga**

"The more we travel the more we realise, there's no place like Mzansi." **The Arrows painting Jozi red.**

"Sometimes you just gotta get out of town, you know, change your surrounds, do something new." **The Cream Cartel inspired by the Eastern Cape.**

"Whatever it is that you are searching for, it's right here on your doorstep." **Black Coffee inspired by the KZN Drakensberg**

Domestic tourism statistics:

- Domestic tourism contributed 76% of South Africa's total tourism volume in 2011.
- A total of 26.4 million domestic trips were taken in 2011, against 29.7 million in 2010.
- The number of adult South Africans who travelled domestically has grown with 13.9 million adults going on a domestic trip last year, 3% more than the 13.5 million who took domestic trips in 2010.
- The average spend per domestic trip grew in 2011 to an average of R780 per trip, from an average of R710 in 2010.
- 15% of all trips taken were for the purpose of going on holiday, this is 3% up on 2009 and 2% up on 2010.

Top international DJ, Black Coffee, taking in the magnificence of the Drakensberg mountain scenery ➤



Unit report: *Angola*

Angola

**Total tourists
2011: 39 217**

Total tourists 2010: 38 543
Difference: +1.7%



Carolina Guerra

Angola
Trade Relations Manager

At the coalface

South African Tourism used its presence in Angola to keep South Africa top of mind through a variety of channels including local campaigns, a wine tasting evening and participating in Angola's largest tourist exhibition.

The 1.7% growth in tourist arrivals from Angola was as a result of our strategy to focus more on travel trade initiatives. The year commenced with the hosting of some of Angola's top travel agencies at INDABA. The main focus of this fiscal year's hosting was to introduce them to as many South African products as possible so that they can start putting together holiday packages to South Africa, which is a different approach to selling South Africa as most partners still sell tickets only. We also used INDABA to expose the Angolan media to the show and we hosted five influential media.

We took a delegation of 15 South African products to Angola to attend Angola's biggest exhibition called FILDA, where we won an award for the best tourism stand. Through this project we managed to showcase South Africa as a destination but also used this opportunity to further introduce the Angolan travel trade to South African trade partners to encourage the selling of more holiday packages.

A relationship was established with the Angolan Travel Agency association called AAVOTA and together we hosted a breakfast for 60 travel agencies. This breakfast was welcomed by the industry and we have agreed to formalise our relationship with AAVOTA, with this breakfast forming part of our annual activities.

Our in-market research was completed and this assisted in understanding the volume and value drivers in the market. A group of 18 Angolan trade partners joined our annual Africa Mega Familiarisation trip and we presented the research to them. The trip exposed them to a variety of leisure activities, including a tour of

the KwaZulu-Natal Midlands meander, the Western Cape and Gauteng.

Our outdoor, television and print media campaigns were continued in 2011/12. These were brand campaigns aiming at connecting with the consumers by showcasing South Africa as a leisure destination with a variety of leisure activities to do in various provinces. Digital platforms were used once again to connect with consumers and these platforms performed well achieving over 25 000 hits within a three-month period.

Partnerships with Legend Tours and Eurostral enabled us to sell packages making use of our mobile platform. We also partnered with Wines of South Africa (WOSA) for a wine tasting evening with middle class Angolans who are our target segment. Our participation with WOSA afforded us extensive media coverage in national media publications and lifestyle Angolan magazines. *Chocolade*, which is one of the leading Angolan lifestyle magazines was hosted in South Africa for the Cape Town and Joy of Jazz festivals. Media were hosted at various other events in South Africa and we managed to achieve a PR value of over R12 million over the period under review.

Challenges remain which we intend addressing in the new fiscal year as a way of unleashing this market's potential. We are engaging the embassy to establish easier ways of processing visas. The research has also given us a better understanding of the market and the travel needs. Our new creative strategy will be launched in the market informed by this research. We will continue to work closely with trade partners to ensure we efficiently close the deals and we intend starting to introduce JMA activity in the market. We have also ventured into the social marketing space and our new PR agency will be assisting in seeding relevant content making use of these platforms. A fully fledged office will be in operation in Angola by the end of the fiscal year and we are confident that we will be able to further open this market and achieve impressive results in 2013/14.

Presenting South Africa to the trade in Angola ➤



Unit report: *Democratic Republic of Congo*

Democratic Republic of Congo

**Total tourists
2011: 32 582**

Total tourists 2010: 31 285
Difference: +4.1%



Phumi Dhlomo
Regional Director
Africa

In the media spotlight

A key focus for 2011 was on hosting DRC media to some of South Africa's premier events. Members of the trade and beauty finalists also got to experience South Africa first hand.

This fiscal year marks the second year of operation in the DRC as an investment market. We introduced our marketing activities last year focusing on creating brand visibility as well as identifying the major players in the travel industry.

Our activities this fiscal year commenced with a further introduction of trade partners to the South African tourism industry. We hosted five trade partners during INDABA 2011. We worked very closely with South African Airways to identify the partners who are already selling South Africa and we used the INDABA hosting as a way of encouraging these partners to continue their marketing of South Africa as a destination.

Our in-market research highlighted the need to create awareness of South Africa as a leisure destination. We realised that the majority of the Congolese people come to South Africa to do business and also to visit friends and relatives, however they do not view South Africa as a leisure destination even though they sample leisure activities during their visits. We continued with our above-the-line campaign aimed at promoting South Africa as a leisure destination. We realised that there was a need to demonstrate the ease of accessing these leisure activities and we partnered with Legend Tours, SAA, iCare in introducing packages to the DRC. This was done through making use of print and radio as well as pamphlet distribution at various consumer intercept points. We also used television and outdoor to create general awareness.

We identified 15 influential travel trade partners and hosted them at our annual Africa Mega Familiarisation trip. We started with trade workshops introducing these partners to the South African product and also sharing the insights obtained through our in-market research. This

was followed by a networking function and thereafter they visited the KwaZulu-Natal Midlands meander, and the Western Cape and concluded their trip in Gauteng.

We appointed PYGMA Communications as our in-country PR agency and they are not only assisting us in understanding the media landscape but to also in identifying organisations to partner with in our marketing activities.

Another opportunity identified in this market was the power of media hosting and thus media hosting trips were key in this financial year. DRC media were invited to familiarisation trips during the Cape Town International Jazz Festival and Joy of Jazz as well as for the J&B Met. The media was introduced to South Africa's leisure offering during these events, resulting in extensive in-market coverage which led to achieving PR value amounting to R3.2 million for the fiscal year under review.

The French version of the mobi site has been a great source of information enabling us to further connect with the Congolese travellers. We also used this to provide information on affordable packages and we achieved over 20 000 visits over a period of three months.

We continued our partnership with Vodacom during the Miss Vodacom pageant to increase brand awareness as well as interaction with the brand making use of social media platforms. The finalists, accompanied by a television crew, were hosted in South Africa. This footage will be flighted on key television stations in the DRC with an aim of showcasing South Africa's leisure offering.

Our focus in the next fiscal year will be to identify platforms to utilise in order to increase awareness of the destination in the DRC. We will further launch our social media initiatives linked to the new creative campaign we will be launching in the market. We will further work with trade to increase availability of packages as a way of increasing arrivals to South Africa.

*Keen discussions about tourism to
South Africa at a trade workshop for the DRC* ➤



Unit report: *East and West Africa*

Kenya

**Total tourists
2011: 30 279**

Total tourists 2010: 29 089

Difference: +4.1%

Nigeria

**Total tourists
2011: 64 402**

Total tourists 2010: 46 853

Difference: +37.5%



Hloni Pitso

East and West Africa
Trade Relations Manager

Building on the hype

Nigeria was one of South Africa's leading growth markets in 2011, growing by an impressive 37.5%, while Kenya saw growth of 4.1%, with the focus for the financial year on maintaining awareness and ensuring conversion.

The success of the World Cup was followed up in 2011 with growth out of both East and West Africa – and in particular Nigeria. We capitalised on the positivity created by the World Cup and also further nourished the trade partnerships that were created in 2010 fuelling further interest in South Africa as a leisure destination.

We hosted 11 managing directors of top travel agencies in both Kenya and Nigeria at INDABA. Following on from this we signed a total of 11 joint marketing agreements (JMA) in both countries. We also signed a memorandum of understanding (MoU) with the National Association of Nigerian Travel Agents (NANTA) and the Kenyan Association of Travel Agents (KATA). KATA boasts a membership 75 agents whereas NANTA has a total of 300 registered travel agencies under their wing. These associations gave us direct access to their database which we utilised to provide destination information and to explore various joint marketing activities which are starting to yield results.

In Kenya we hosted a KATA/South African Tourism breakfast which was attended by 70 travel agencies MDs and in Nigeria we hosted a South African Tourism/ NANTA annual conference which was attended by 200 Nigerian MDs.

In both markets we hosted very successful trade workshops. Due to the fact that we concluded our research in both markets, we made use of these trade workshops to share the insights about the emerging travellers in both countries. In Kenya we invited MDs from Tanzania and Uganda to these workshops as part of our regional hub strategy, using Kenya as a base to extend our marketing activities to these countries. A total of 82 travel agents attended the Kenya workshops and 138 attended the Nigerian workshops. The tactical implementation of the regional hub strategy is starting to yield results with Tanzania generating a total of 48.2% growth in tourist arrivals to South Africa.

We successfully implemented Fundi, the online destination course and a total of 58 consultants completed the course in Kenya and 67 in Nigeria. As part of the annual Trade Awards Gala Dinner, we selected 20 lucky winners to be hosted in South Africa. The hosting will enhance the knowledge gained in the course and, by coupling this with practical experience, we will enable them to sell the destination more effectively.

Part of our strategy was to introduce South Africa as a business tourism destination. We invited our JMA partners to Meetings Africa as most of them deal with corporate clients.

We embarked on various sales promotions with our JMA partners and supported them with radio and print advertising. We drove traffic to our mobi sites in both markets, where we placed deals throughout the year. We achieved 1.6 million mobi hits in Nigeria and 4.5 million mobi hits in Kenya.

We hosted media in South Africa at various events including the Cape Town International Jazz Festival and J&B Met. Through hosting media to these events we have popularised these events in the markets and are now looking at creating dedicated packages driving travellers to these events.

In the new fiscal year we intend implementing our regional hub strategy fully in East and West Africa and to open an office in Nigeria. Our relationship with travel agency associations has become a winning formula and we will capitalise on these to create a wider network of agents selling South Africa. We will continue training programmes making use of Fundi and workshops which will enable agents to sell and package the destination confidently. We are hard at work improving our information distribution mechanism and the digital platforms have proved to be very effective in reaching out to a wider audience, while utilising minimal resources.

*Delegates being registered to a trade workshop
in Nigeria* ➤



Unit report: *Southern African Development Community (SADC)*

Mozambique

Total tourists
2011: 1 076 753

Total tourists 2010: 1 051 502
Difference: +2.4%

Botswana

Total tourists
2011: 477 937

Total tourists 2010: 507 042
Difference: -5.7%



Nothando Mathe
Country Manager
South Africa and SADC

Dream holidays just around the corner

The start of the new fiscal year saw the launch of new and exciting marketing campaigns for Botswana and Mozambique. Botswana travellers were invited to “leave everyday behind and do more than they expected in South Africa”, while Mozambicans were enticed to take their “dream holiday” across the border.

These were consumer campaigns designed to increase volume to South Africa but also change the purpose of visit. The campaign in Mozambique was successful and led to an increase of 2.4% in tourist arrivals whereas Botswana saw a decline of 5.7%.

In these markets we do tactical travel trade activities and work very closely with the media to highlight activities taking place in South Africa. We commenced the year by hosting four trade partners and 10 media from Mozambique and Botswana to INDABA. In Botswana we had a shopping mall activation and invited four main travel trade partners to use this platform to highlight the leisure offering in South Africa. In Mozambique our tactical travel trade activity involved the formation of partnership with Avitum which is the biggest travel agency association in the country. Traditionally Mozambicans were only using travel agencies to obtain tickets but the formation of this partnership with Avitum will offer us an opportunity to use the network of travel agencies as an information distribution channel.

As we do not have a physical presence in these markets, a decision was taken to appoint in-market PR agencies to firm up relationships with media and to identify opportunities to leverage on in our pursuit of promoting leisure activities in South Africa. We participated in the Botswana Defence Force Women’s annual event where the theme was “rest and relaxation” and used this opportunity to highlight relaxation leisure activities on offer in South Africa. In Mozambique we leveraged the Women’s Day celebration working with the High

Commission and engaged affluent Mozambican women exposing them to leisure activities during their event. In Botswana we also participated in a week-long activation organised by the SA High Commission in Gaborone to further strengthen trade relations between Botswana and South Africa.

Seven popular South African DJs performed in Botswana during their “Woza Easter” event. This event attracted over 3 000 people and we used this opportunity to promote South Africa’s night life and also encouraged Botswana to travel to South Africa during Easter. In Mozambique we engaged potential travellers through the beach activation and also used this to distribute information on beach activities and various other leisure activities available in South Africa during the December period.

Furthermore, as part of our information distribution drive, we targeted over 120 000 travellers passing through Nkomazi toll gate from Mozambique and Brits toll gate from Botswana and offered them redeemable discount vouchers to 18 different product offering in South Africa.

Media from both of these countries were hosted during the Cape Town Jazz Festival and Joy of Jazz Festival. These events have become a hook enticing travellers from these markets to take a holiday in South Africa.

In Mozambique we launched our Portuguese mobi site linked to our Facebook to spark leisure discussions in both these markets. The digital campaign was supported by bus branding in Mozambique, as well as radio and television campaigns. In Botswana we supported the digital campaign with radio and print and in both countries we introduced packages for relevant events with information obtainable on the digital platforms. This has led to us achieving 1.1 million mobi hits in Botswana and 73 000 mobi hits in Mozambique.

Enjoying the Woza Easter Campaign in Botswana >

Leave everyday behind

and do more than you expected

Go to www.traveltoSA.mobi

10 am

2 pm

WOZA
EASTER
2012
SA MARCH OF TITANS AWARDS
CREW

Portfolio overview: *Americas, Asia and Australasia*

Asia

**Total tourists
2011: 297 882**

Total tourists 2010: 259 961
Difference: 14.6%



Evelyn Mahlaba
Regional Director
Americas, Asia and Australasia

On the up

Tourist arrivals continued to grow from the Americas, Asia and Australasia on the strong foundation of the previous year.

The biggest growth was from India and China with the increase of 26.2% and 24.3% respectively. We also got growth out of the USA of 1.9%, 4.5% in Canada, which is managed through the USA office, 0.8% in Brazil and 4.6% from South Korea, albeit from a low base of 17 489 tourist arrivals. The only exceptions were Australia which decreased by 4.1% and Japan by 4.7%.

Our strategy was to find innovative ways to market and promote our brand and grow arrivals. Digital was the platform that afforded us this opportunity. We used online and social media networks in all our marketing campaigns to increase positive word-of-mouth about South Africa, which is how our targeted consumers research and decide on their holiday destinations.

We continue to partner and engage with tour operators and travel agents in-market and South African product to deliver holiday and business tourism experiences that are desired by our consumers. These partnerships are activated through JMAs, trade workshops and road shows and through hosting and familiarisation trips. We increased our consumer reach, frequency of our advertising, information dissemination and brand positivity through partnering with media houses.

In the year under review we increased our marketing and promotion efforts in Brazil, which is serviced from head office. We signed three JMAs: with one of the biggest tour operators CVC, an online operator Delocar.com and the third with Designer, which is one of the SA specialist operators.

The Brazilian Portuguese website was launched in August and there have been 27 527 visitors to the site with 86% being new visitors. There was also a consumer campaign in cinemas, on TV and online. We trained 12 312 travel agents during the year under review.

We have completed segmentation research for both India and Brazil, which will inform our marketing campaigns for 2012/13.

North America

**Total tourists
2011: 345 384**

Total tourists 2010: 337 652
Difference: 2.3%

Australasia

**Total tourists
2011: 122 784**

Total tourists 2010: 128 149
Difference: -4.2%

American tourists take in the wonder that is the Maltese Cross, in the Cedarberg nature reserve, > 300km north of Cape Town



Unit report: *United States of America*

United States of America

**Total tourists
2011: 287 614**

Total tourists 2010: 282 377
Difference: +1.9%



Sthu Zungu

Country Manager
United States of America

SA is the place to be

Growth in tourist arrivals from the USA, fuelled by South Africa's hosting of a number of popular television shows and by A-list celebrity visits, was even more impressive given that it was on top of a massive 22.6% growth in arrivals in 2010.

South Africa proved its resilience in 2011 with steady growth of United States tourists in the traditional 35+ age group as well as impressive growth in the younger 18 – 34 age group despite the slow US economic recovery. We believe this is the result of our joint efforts in highlighting our country's value for money proposition.

Consumer demand for South Africa increased throughout the year fuelled by continuous global exposure through pop culture references, including "The Bachelor" and the "Real Housewives of Atlanta". More than nine million viewers tuned in to the first of a six-part series of "Jeopardy!" featuring South Africa and the day after the broadcast saw the most visitors ever to www.southafrica.net.

Well-publicised visits of US First Lady Michelle Obama, Oprah Winfrey, Shakira, Denzel Washington and dozens of other A-list celebrities to South Africa continue to increase South Africa's standing as a sought-after holiday destination for US travellers.

Social media was a driving force for consumer engagement. With more than 110 000 Facebook fans and over 13 000 Twitter followers, destination awareness of South Africa is at an all-time high in the US. Cape Town was named TripAdvisor's 2011 Travellers Choice #1 Best Destination by consumers,

which is a strong indication that we will continue to be on the rise. Additionally our new VisitSouthAfrica blogger programme is yielding ongoing digital buzz.

Our more mature and experienced travel segment was targeted through our "rekindle" campaign (inviting travellers to reinvigorate their love through a trip to SA). Regional radio and TV advertising in key markets resulted in over 111 million impressions, while media partnerships with leading publications such as the New York Times, the Los Angeles Times and Travel + Leisure magazine yielded a combined reach of over nine million people.

Education was the focus of our trade engagements this year. We launched our Ubuntu Expo featuring more than 20 South African products and trained 379 travel agents in New York, Los Angeles, Atlanta and Miami. We rolled out phase two of the "Have You Considered South Africa?" call centre campaign with 877 bookings among the three participating call centres. In addition, 1 552 call centre staffers were educated on South Africa's diversity of experiences. Tourism Minister Marthinus van Schalkwyk returned to the United States this year and hosted our annual Ubuntu Awards that recognise outstanding trade partners.

We made significant strides in the area of business tourism. Our targeted North America research uncovered several leads that were successfully converted, including the Wildlife Society International Conference and the Rotary International Convention 2019. These conferences alone are expected to attract as many as 44 000 international delegates and account for US\$100 million in tourism spend.

South African Tourism takes over the Nasdaq Stock Exchange in New York City in April 2011 ➤



NASDAQ OMX
WELCOMES
SOUTH AFRICAN
TOURISM

APRIL 8, 2011



NASDAQ



Unit report: *Australia and New Zealand*

Australia

**Total tourists
2011: 103 506**

Total tourists 2010: 107 905
Difference: -4.1%

New Zealand

**Total tourists
2011: 18 859**

Total tourists 2010: 19 801
Difference: -4.7%



Lalie Ngozi
Country Manager
Australia and New Zealand

Capitalising on sporting fever

2011 saw an increase in our activities across all channels generating huge media coverage and word-of-mouth marketing as we showcased the full spectrum of what South Africa has to offer, from a lifestyle leisure destination to a place for business tourism and events.

Activity generated significant ROI with a total PR value in 2011 of nearly R120 million across print, online and broadcast media reaching an accumulative consumer, trade and business tourism audience of nearly 82 million people.

We built on the foundations of the “Leave Ordinary Behind” campaign and capitalised on the global focus on 2011 IRB Rugby World Cup in the region, providing us with opportunities to give travellers insight into unique South African experiences and share our country’s flavour, sports, arts and culture through key partners and media. We were proud to host the Grammy Award-winning Soweto Gospel Choir, the Bala Brothers and the entire Springbok team at one event.

In July 2012, in partnership with leading radio network Mix 106.5, we gave five Australian listeners the ultimate fan trip to see pop icon Kylie Minogue in concert at Sun City. The promotion reached an audience of more than 135 000 Australians and follow-up coverage was secured across all mediums with OK! Magazine, Mornings with Kerri Anne TV and Yahoo 7 online joining the winners in South Africa.

Leading TV personality Kerri-Anne Kennerley allowed us to directly reach the mature market through her reviews in Golf Vacations and New Idea, reaching over 1.5 million Australians.

Through Channel Nine’s visit to South Africa in February 2012 a number of positive segments were aired nationally, achieving a PR value of more than R6 million. In addition, a targeted media trip focusing on self-drives across the country and the hosting of South African

ex-pats returning to South Africa for their honeymoon with friends from both Australia and New Zealand resulted in significant editorial and social media traction.

The strength of the Australian dollar kept this market travelling in 2011, especially the youth segment. To effectively reach our youth market, we ran a campaign in the summer months – directly targeting movie-goers with an inspiring call to action reach of cinema campaign.

As Australians and New Zealanders continue to research and book their travel destinations online, social media continues to be a major driver to create opportunities for consumers to engage and share their South African stories. In 2011, we attracted over 400 Twitter and more than 14 500 Facebook followers in Australia and over 650 Facebook followers in New Zealand.

The vast variety of activations by our trade partners through eight JMAs enabled a media reach of over 30 million and included above the line activity print, radio and an outdoor campaign across train stations, targeted EDMs and social media activity that promoted niche South Africa experiences.

We highlighted South Africa’s qualities as a conference and incentive destination at AIME, which was attended by 3 000 visitors over the two-day event. More than 500 hosted buyers and Asia Pacific media experienced South Africa through our sponsorship activation at the Globe Restaurant.

Tourism Minister Marthinus van Schalkwyk visited Australia in February to meet with key influencers and media to highlight our country as a value for money destination. His visit coincided with the launch of our consumer facing www.southafricanholidays.com.au website, a result of extended trade partner activity, promoting key travel package deals and opening another channel of conversion for the market.

*Promoting tourism in Australia and serving classic
South African drinks, Springboks* ➤



Leave
ordinary behind

Follow in the footsteps of giants
Go to www.southafrica.net

Leave
ordinary behind



Unit report: *China*



Bradley Brouwer
Country Manager
China



Up and up

Double-digit growth continued in 2011 with South Africa attracting 24.3% more Chinese tourist arrivals – reaffirming the importance of China as source market for our tourism sector going forward.

The opening of two new visa application centres in Beijing and Shanghai has allowed us to process the growing number of applications even faster. Another major development was the launch of the South African Tourism credit card. This dual-currency card makes spending in South Africa much easier and cardholders also receive tour information with preferential prices and top-quality services.

In 2012 famous Chinese singer Karen Mok and popular musician Gu Feng were invited by South African Tourism to join the Cape Town International Jazz Festival media tour. CCTV, CRI and Top Travel magazine accompanied them and massive media coverage was generated. Karen Mok wrote a series of diaries about this trip on her blog and posted her wedding pictures, which generated huge media interest.

World Traveller, China's leading media group in the travel sector, defined the "Top 100 Cape Town" as its main feature project in 2011 and we co-operated with them on a series of TV programmes, print and online coverage, and an iPhone App.

To better promote South Africa as a lifestyle destination, we invited Cosmopolitan to the Cape Town Fashion Week, which generated favourable media coverage and excellent photographs of the destination.

South Africa's growing popularity in China is evidenced by the number of awards the destination received in 2011 including:

- Better Homes & Gardens Magazine – South Africa Leisure Destination of the Year Award
- Business Travel Magazine – South Africa Best Destination for MICE Tourism
- China Travel Agent – South Africa Award for Destination Promotion in 2011
- Lifestyle Magazine and Grouptrip Magazine – South Africa Most Glamorous Travel Destination
- Luxury Travellers Magazine – South Africa the Most Favoured Travel Destination
- Sina.com – Sina Travel – South Africa the Best Partner
- Top Travel Magazine – South Africa the Best Destination for Vigorous Activities
- Travel Weekly Magazine – South Africa Leisure Destination of the Year Award
- World Traveller Magazine – South Africa the Best Destination for Outdoor Adventure.

Chinese tourists enjoy the lighthouse and unique fynbos flora at Cape Point ➤



Unit report: *China* continued

We participated in a number of tourism exhibitions in China in 2011 including the China Corporate Travel Forum 2011, Africa Day seminar, China Incentive, Business Travel & Meetings Exhibition, Guilin International Travel Expo and the 2011 China International Travel Mart.

With the trade we ran the second phase of our Trade Tribe Leader Campaign and co-operated with China Travel Agent magazine to run a photo competition for Chinese travel agents. In June we held trade workshops in Beijing and Guangzhou, attended by more than 30 SA trade partners and more than 600 Chinese attendees.

Our online campaign, “Happy Journey”, promoted our billboard and bus advertisements by inviting people to take creative pictures of these advertisements with the winner receiving a 10-day trip to South Africa.

A media road show, themed “Leave Ordinary Behind and Enjoy a colourful South Africa”, was held in Beijing, Shanghai and Guangzhou and attended by 100 people representing 92 different companies.

In the social media space, our Facebook page and micro-blogs on sina.com.cn, sohu.com and qq.comnow have more than 100 000 fans.

The launch of the SA Airways non-stop flight between Beijing and Johannesburg in January 2012 was big news for this market and we expect continuous good growth in this market in the coming year as a result.

*China-based jazz artist, Hanjin Tan, performs
at the Cape Town Jazz Festival >*



Unit report: *India*



Hanneli Slabber
Country Manager
India



Too good to ignore

As holidays climb higher on Indians' priority list and with 13 million of its citizens having travelled out of India in 2011, South African Tourism is working hard to ensure that we gain an increasing percentage of this rapidly growing market.

South Africa again recorded double-digit growth from India with an increase of 26.2% to 90 367 visitors in 2011 as we customised our communication to suit Indian audiences and showcased the wide variety of experiences on offer in South Africa.

Under the leadership of Hanneli Slabber, who was appointed the country manager for India in March 2011, we educated the trade on packaging South Africa as a premium destination that also catered for travellers across income classes.

With an increase in per capita income, Indian tourists can now afford to travel internationally and are no longer confined to domestic travel alone. Long-haul destinations are more common among the mature affluent Indian traveller, but the younger segment also has a growing appetite for unique holiday ideas and exotic destinations.

An outdoor advertising campaign was undertaken in 22 Indian cities, and an extensive cinema and television campaign reaching 15.7 million viewers was launched in 200 cinemas during blockbuster Bollywood movies. TV space was bought across various audience profiles including lifestyle, news and information.

Advertorials were also placed in a number of leading newspapers and magazines highlighting the variety of experiences on offer in South Africa and our friendly and welcoming people. We collaborated with India's largest general interest magazine, India Today, to attract the fast growing honeymoon market and secured two cover

pages with Vogue India, featuring Bollywood stars on location in Cape Town.

We hosted 27 media, representing 31 publications, to South Africa in 2011 for events including INDABA, the Vodacom Challenge, World Cricket Legends, Meetings Africa and Cape Town Jazz Festival, or specific experiences such as a self-drive holiday in South Africa. These trips generated a combined PR value of close to R20 million.

In total PR value for the financial year was more than R40 million while over 150 000 people visited the Indian southafrica.net website.

In collaboration with Lonely Planet India we released a special travel guide on South Africa by Jonty Rhodes, which is poised to be a huge success with the launch event alone covered by 30 different media.

To assist in increasing sales, six JMAs were signed in 2011/12. The Learn South Africa Module II was conducted across 14 cities in July 2011 and 102 Indian trade partners interacted with South African trade representatives from 62 companies on the eighth South African Tourism annual road show. We hosted 10 buyers at INDABA and 12 at Meetings Africa. Ten travel agents went on a Garden Route familiarisation tour and 12 travel agents from South India attended a regional familiarisation tour.

Our focus in 2012/13 is on a robust consumer campaign to focus on brand traction and sales in our chosen target segments. This increased consumer exposure is aimed at ensuring the sustained growth of arrivals from India to South Africa.

*Tourism Minister Marthinus van Schalkwyk
and cricket legend Jonty Rhodes, at the
India Trade Roadshow in Mumbai* ➤

It's Possible

www.southafrica.net



Unit report: *Japan*



Bradley Brouwer
Country Manager
Japan



Steady through the storm

In spite of the massive earthquake that hit Japan in 2011, the country's worst disaster since World War II, tourist arrivals to South Africa only decreased by 4.7% (from 27 577 in 2010 to 26 285 in 2011). If the World Cup months are excluded, the arrival numbers were sustained.

The Great East Japan Earthquake, which triggered a massive tsunami and the release of radioactive substances from the Fukushima No.1 nuclear power plant, severely affected in-bound tourism as arrivals decreased by 27.8% to 6.2 million. However, for a number of reasons – including a strong yen, a push to save electricity and the introduction of low-cost carriers into the Japanese market – the total number of out-bound Japanese travellers increased by 2.1% to nearly 17 million in 2011.

Marketing activities in the first half of the year included INDABA, trade workshops in Tokyo and Osaka, the launch of local Facebook and Twitter accounts, online promotion with 4travel, the hosting of Tarzan magazine at the Comrades Marathon and the JATA World Travel Fair. From October onwards our in-country marketing activities were in full swing to make up for the slowdown caused by the earthquake. These include local online activations of the “My South Africa Story”, “10 Experiences in 10 Days” and “Big Five” campaigns jointly promoted with Hankyu Travel (a JMA partner), SA Airways and TV Tokyo group media, including Inter-FM radio and BS Japan TV.

Two JMAs were signed and we hosted four southern Africa tourism promotion trade seminars on three familiarisation trips, which resulted in over 32 articles. The total ad value from hosting in 2010/2011 was R58 016 500 million.

There was a 12.5% growth in traffic to the local South African Tourism and a 36.5% year-on-year increase in the average time spent on the site.

The level of media interest in South Africa as a travel destination has been built up with a growing amount of exposure, especially on TV. Total ad value of PR exposure between April 2011 and March 2012 was R1.7 billion while the PR value was R5.3 billion.

The focus for 2012/13 will be on developing a stronger emotional connection with South Africans amongst Japanese travellers, with a special emphasis on Ubuntu, to improve perceptions of South Africa and our unique combinations of tourist experiences. We will also focus on South Africa as a welcoming destination to help build confidence in South Africa among Japanese travellers and increase sales through both “push” and “pull” consumer marketing activities.

*Enjoying the rhythm of South African song and dance
at a trade expo in Tokyo, Japan* ➤



Argentina

ay

B

Brazil

Have an extraordinary day
非日常の感動と

South

南アフリカの休日
それはまさに新しく
訪れるものを魅了し

自然との遭遇
文化の体験
歴史と冒険
自然と個性

Cape Town

Indian Ocean



Portfolio overview: *Europe*



Fiona Buchner
Regional Director
Europe



The market to defend

Europe remains a key driver of overseas tourist arrivals to South Africa, still accounting for approximately 50% of overseas air arrivals.

While the Eurozone continues to grapple with economic pressures and instability, Europe remains an important market for tourists who tend to make use of the traditional tourism value chain, thus contributing significantly to the well-being of the industry.

Overall, Europe has suffered the ongoing challenges of the economic crisis but it is encouraging that Europeans continue to travel. Destinations such as the USA have benefited from European travellers due to their eroded exchange rate – dialling up the USA's appeal as affordable. While this clutters our competitor landscape, it does provide us with the confidence that Europe, as a well established travel market, remains a key prospect for the future.

We had outstanding 9.3% growth from Germany in 2011, which has been in decline since 2008, on the back of a recovery in their economy, but also as a result of robust trade relationships and marketing campaigns through difficult times in the past. Austria, Norway, Switzerland and Belgium all experienced positive growth.

While markets like Italy have really suffered economic hardship, we managed to hold our gains in this market against a healthy delivery from the World Cup year of 2010. This shows that our marketing efforts have really paid off here and we are gaining in market share.

The UK remains a significant driver of volume, but we have lost brand traction here. To attempt to turn the tide we have just invested in detailed consumer insight research to allow us to rework our marketing plans to regain our numbers and secure growth from this market. 2012 is geared to be a solid one for the UK.

Our investment markets of Sweden and Belgium have weathered the economic storm well, with Sweden down slightly from 2010, but if we remove the World Cup effect – it is showing signs of being a stable market, and one that is sheltered from the European economic woes. Belgium grew by 3% in 2011. We continued to sign JMAs in our investment markets, which resulted in good trade education and marketing exposure for South Africa.

The 2012/13 financial year will be a year of hard work and diligence, to ensure we sustain our volume and grow in the rest of Europe.

< Popular South African designer, Bongiwe Walaza, at the ITB trade show in Germany



3D billboard in the French metro subway



Unit report: *France*



Linda Sangaret
Country Manager
France



Keeping the spotlight on South Africa

The economic crisis continues to impact negatively on the French travel industry and long-haul destinations such as South Africa.

Unemployment has continued to grow in France and there has been no increase in buying power. This has impacted negatively on long-haul travel as many French tourists have turned to domestic travel, visiting friends and relatives or to short-haul destinations.

To keep South Africa top-of-mind for French travellers, the South African Tourism office in Paris rolled out campaigns on radio, television, outdoor, cinema, print, online and in trade media that reached more than 62 million French citizens.

We kicked off the year with our most innovative project yet – a 3D campaign shown in cinemas across France and on TF1's 3D channel. The campaign was extended to a metro activation at the main train station in Paris with the largest ever 3D billboard measuring 134 metres and taking commuters on a virtual adventure in South Africa. This earned us more than 6 000 friends on Facebook and reached over eight million consumers.

In our efforts to showcase South Africa as a culturally rich and diverse destination we participated in the Douarnenez Film Festival dedicated to South African films and books.

The festival was attended by over 14 000 people. We hosted Deputy Minister of Tourism Tokozile Xasa and 10 South African film-makers at the event.

The trade partnership, "My Afrique du Sud" (My South Africa), was launched at the French travel trade exhibition Top Resa. A partnership with online operator, promoagv.com, enabled us to train 528 travel agents in a day and select the best of them for a familiarisation trip to South Africa. The trade continues to be volatile with tour operators buying and selling each other and high turnover of staff. But we still managed to train a total of 846 travel agents this year. Six familiarisation trips were organised and we entered into JMAs with 11 key trade partners.

We continue to proactively engage the media by hosting journalists, by proposing topics for features and assisting with the filming of documentaries in our country. This year we organised a mega press trip for 25 senior French news anchors and editors-in-chief. This trip earned us 25 influential ambassadors, who have since written extensively about our country and helped us to increase our word-of-mouth marketing efforts. The return on investment (ROI) of our PR work was the highest ever at ZAR2 736 110 950.

Unit report: *Germany*



Theresa Bay-Müller

Country Manager
Germany



Europe's shining light

While the economic crisis continued to impact negatively on European long-haul travel in 2011, Germany had a different story to tell growing by more than 9% for the second year in a row.

The German outbound travel market grew in 2011 and South Africa capitalised on this to grow by 9.3% in 2011.

The 2011 "Außergewöhnlich anders" (Leave Ordinary Behind) campaign struck a chord with the mature German traveller through the integration of South Africa's unique lifestyle tourism offering combined with our position as global leaders in wildlife and adventure.

As global travel continues to show a growing trend towards destinations that resonate more deeply with consumers on a more personal or emotional level rather than merely observation from afar, South African Tourism's office in Germany has used the power of four popular South Africans to serve as authentic voices for our country in this market.

Fashion Designer Bongiwe Walaza, game ranger Hendrik Fehsenfeld, surfer Andy Fermor and celebrity chef Reuben Riffel lured German consumers to the heart of South African living through their personal stories spread across print and online media, radio, outdoor campaigns and television shows.

Ranger Hendrik engaged with the public at Globetrotter stores and the promotion with outdoor retailer reached more than four million consumers. In an unprecedented coup, South Africa won the hearts of the public at the popular lifestyle event "Eat + Style" where Reuben Riffel cooked on central stage and more than 30 000 visitors enjoyed his culinary delights.

For the entire campaign a public relations value of €87 million was generated, including 20 hours of broadcasting and 233 112 Germans visiting the campaign website.

The brand campaign was promoted on three popular German television shows – "The Bachelor", the "Perfect Dinner" and the "Perfect Models". Securing these shows for South Africa on prime-time national television was a major breakthrough. In addition, 78 journalists were hosted on familiarisation trips in this financial year, generating a total of €5 million PR coverage for South Africa.

2011 was a breakthrough year for South Africa sales. JMAs with 17 tour operators and our partnership with South African Airways afforded us the opportunity to convert excitement, curiosity and willingness to travel with actual packages to explore South Africa. Furthermore, we trained 2 036 travel agents this year.

We used a comprehensive approach and we are confident our efforts in being dynamic, innovative and authentic will result in more Germans choosing to visit South Africa.

For the 2012/13 financial year, we have already signed deals with 14 tour operators and will build on the authentic stories of German travellers to South Africa to build positivity in the market and further drive conversion.

Promoting South Africa and the "leave ordinary behind" campaign at another successful trade show in Germany >

Südafrika erleben mit Wikinger Reisen & Robetrotter Ausrüstung



Unit report: *Italy*



Lance Littlefield
Country Manager
Italy

Winning over Italian hearts

Although South Africa did not have football to attract this soccer-loving nation in 2011, from honeymoon hotspots, to adventure, food, fashion and more, South Africa has enough going for it to keep the Italians coming back for more.

Despite the economic pressures in Italy, our market gains held firm in 2011. Growth was strong throughout the year and although we were unable to maintain the World Cup arrival levels in June and July, we were still able to get the same number of tourists as we did in 2010.

Our consumer marketing reached new highs during 2011 as we launched an Italian version of southafrica.net, which attracted 200 000 unique visitors to our different web presences. Our Facebook presence has over 22 000 “likes”, and has become an active and well-trafficked source of information-sharing on South Africa.

We partnered with a wedding portal, Nozzeclick, on a successful multi-faceted online promotion over a six-month period because honeymoons are an important sector in the Italian travel market. We also ran campaigns with Expedia and TripAdvisor.

We continued to strongly focus on enhancing our destination’s media exposure in Italy recording positive PR coverage worth almost €25 million in this financial year. It covered a variety of interests and themes such as design, fashion, sport and food and wine. One of the highlights was Radio Capital broadcasting a daily programme live from Cape Town for a week with a competition and listener phone-ins.

Through our consumer campaigns we reached almost 10 million Italians this year. We introduced a deal-driven campaign with tour operator Eden Viaggi. A special all-inclusive deal of €1 350 was launched in the market, which was supported by prime-time television adverts and online, outdoor and print advertising. The marketing was supported by a programme of trade training and workshops in 10 Italian cities. In partnership with South African Airways, we also ran an online campaign with a fare deal of €699 available through the trade or directly on flysaa.com. Consumer interest and uptake on both of these deals has been very positive.

We conducted our road shows in five Italian cities and engaged over 400 travel agents. During 2011, we hosted over 70 travel agents in 10 groups on 10 different educational itineraries around South Africa. In an effort to stimulate innovation in itinerary planning among travel agents, we were the proud lead sponsor of a competition called “Premio Cart’Orange” – with the trade magazine Travel Quotidiano and the Cart’Orange consultant’s network.

Going forward we will continue to focus on design, lifestyle, adventure and romance. Our focus will be to improve perceptions of value for money in the market, and further open our destination to a broader market in Italy.

*Excited Italians on a familiarisation
trip to the Cape* ➤



GOOD HOPE
SOUTH - WESTERN POINT
AFRICAN CONTINENT

18° 28' 26" EAST
34° 21' 25" SOUTH

Unit report: *Netherlands*

Netherlands

**Total tourists
2011: 113 846**

Total tourists 2010: 124 088
Difference: -8.3%

Bangu Masisi
Country Manager
Netherlands



Meet the locals

Despite low consumer confidence, South Africa is still top of mind in the Dutch market with positive awareness at an all-time high. Our challenge in the coming year is to use our people to bring our country to life for Dutch tourists who want to experience the “real” South Africa.

We have again gained ground with more mature and experienced travellers as the younger market is holding back on more expensive long-haul travel.

“Meeting South Africans” has been our primary consumer focus with Dutch travellers expressing the desire to experience “a day in a life of a South African local” when visiting our country. This demand saw the birth of an interactive community platform www.mijnzuidafrika.nl to connect Dutch travellers with South Africans. The platform has been a success to date with 96 700 page views, 32 376 visits, 3 387 members, 59 active locals and 24 active trade partners.

Social media penetration is at over 80% in our target market in the Netherlands and remains our key consumer engagement to create conversion. Our campaign for the younger travellers, “SpotTheBig5”, brought consumers closer to the destination by allowing them to share their South African experience with each other. To ensure conversion and 360 degree integration we partnered with a tour operator, a daily newspaper and a Dutch celebrity on a city safari. In total the campaign attracted 652 777 page views, 8.3 million radio listeners, 22.8 million online page impressions and 45 792 click throughs.

Our more mature and experienced travellers met 11 South Africans “Up Close” through short movie clips of sharing their stories and inviting them to upload their South African holiday wish list to win trip to our country. We partnered with three trade operators with three holiday themes to encourage conversion. Some 86 244 people viewed the video clips with the campaign featured on 75 buses in five key cities and featured on three regional radio stations. The campaign resulted in 53.9 million online page impressions and 109 888 click throughs.

In total we hosted 52 journalists in South Africa over the past financial year on themed experiences, which generated PR value of €46.5 million.

A total of 15 JMAs were signed in the Netherlands and one for Belgium. Partnering with trade in our consumer campaigns has seen a positive shift to address the conversion of the desire to travel and actually booking the trip.

Through our various platforms 6 679 members of the trade were educated with the tools to sell the destination with confidence and to highlight the destination’s value for money.

The focus on meeting South Africans will be carried forward into the new financial year. Trade education will be included in all JMAs and the Fundi roadshow will be taken to five cities in October/November 2012.

*A bus campaign in the Netherlands promoting
a competition to win a trip to South Africa* ➤

WIN EÉN VAN DE
3 REIZEN NAAR
ZUID-AFRIKA

WIN JE
DROOMREIS OP
ZUIDAFRIKAECHTDICTBIJ.NL



KUONI



Talisman
travel design



3921

NL **BT-NR-12**

Euro Service Nederland Houdt bedrijven in bedrijf

Reisinformatie
0900 - 9 2 9 2
(7oct/min)

Unit report: *United Kingdom*

United Kingdom

**Total tourists
2011: 420 483**

Total tourists 2010: 453 030
Difference: -7.2%



Lungi Morrison
Country Manager
United Kingdom

Highlighting our unique experiences

Despite the negative effect the global economic crisis had on arrivals in 2011, the United Kingdom remains South Africa's leading overseas tourist market.

Higher inflation and little economic growth has continued to put pressure on United Kingdom household budgets, while the Air Passenger Duty taxes has added pressure on the long-haul travel market.

Our tourist arrivals figures for the year were down 7.2%, but there is evidence that the market began to improve towards the end of the year as the decline slowed down from 11.4% in the first half of 2011.

In July 2011 we invited British travellers to make heartfelt connections with South Africans in the "My Mission" campaign, which enticed our target consumers to create their ideal holiday based on the experiences of our UK personalities: Monty Don, Gloria Hunniford, Jamie Theakston and Chris Packham. All four celebrities travelled to South Africa on their own journey to discover and highlight the country's varied and exceptional offerings. During the campaign, consumers had the opportunity to engage on our online platforms to win their chosen celebrity's "mission" and spend a day with one of our celebrities in South Africa. A total of 4 500 entries were received with four lucky couples travelling to South Africa.

We reached in excess of 42 634 000 consumers across multiple media channels, 6.4 million across print and 3.2 million Out Of Home channels in the 2011/12 financial year with The Telegraph and UK Vogue covering Africa Fashion Week in Johannesburg. The media coverage generated between April and February 2011, leading up to and at the end of the My Mission campaign in March 2012, resulted in PR value of R416 156 270 million.

The overarching strategic approach to drive conversion on online engagement saw the UK exceeding its annual target for web visits by 564% and reaching 423 472 website visits.

Despite the economic challenges, we signed 21 JMAs with our trade partners. During the World Travel Market in November 2011, Tourism Minister Marthinus van Schalkwyk announced 2by2 Holidays as the fourth Ubuntu awards winner. We hosted 10 road shows attended by 504 travel agents and we are currently developing an interactive sales toolkit based on Google maps.

To refresh our knowledge of the ever-changing UK market we embarked on qualitative research in January 2012 to review and evaluate our insights into our consumer target audience. These insights have been used to develop a compelling campaign for 2012/13 based on the needs for UK consumers for destinations that offer diversity and specialisation as well as promote responsible tourism.

Explaining a little more about South African wines at the My Mission event in London, United Kingdom ➤



SAWINES online

The largest range of
fine South African
wines in the UK

www.sawinesonline.co.uk



Watch-list markets

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

Dinky Malikane
Watch-list
Markets Manager



A focus on the trade

One of the most important functions in our watch-list markets is education to equip the trade with the tools to sell our destination confidently. South African Tourism, SAA and the South African embassy in Buenos Aires convened the Visit SA Expo, which provided B2B (business to business) opportunities for the 32 South African companies represented to interact with trade in Argentina and sell their products. The destination training seminar was attended by more than 120 travel agents.

Another major project was to bring together Switzerland's four major tour operators in our first mega-familiarisation tour for 60 agents in November 2011. Swiss arrivals to South Africa are expected to grow with the direct flight by Edelweiss Air from Zurich to Cape Town. We signed two JMAs in this market and will continue to look for new partnerships in 2012.

We continued to look for opportunities to raise the profile of South Africa through media partnerships and the extensive editorial coverage received in *Volta Oa Mundo* magazine in Portugal as a result of a media hosting was an excellent opportunity.

As a result of the World Cup, our brand awareness in Spain has improved. Despite being one of the countries most affected by the European economic crisis, we wanted to build on this awareness, so with our embassy in Spain we had the first-ever South African national pavilion at FITUR in Madrid and facilitated business to business interactions not only for the Spanish markets

but also for the Latin American agents who attend this show.

We continue to leverage platforms in the lifestyle arena and we participated in the International Golf Tourism Market (IGTM) in Turkey to position South Africa as a preferred golf destination.

South African Tourism understands the importance of creating marketing partnerships outside of the core markets. While some markets are not yet viable to establish a tourism office, every arrival to South Africa has an impact on our economy. One of our most important relationships is with the Department of International Relations and Co-operation (DIRCO) and its 130 missions abroad. South African Tourism again hosted 60 DIRCO officials at INDABA 2011, including ambassadors from six countries. The four-day DIRCO programme ended off with a joint marketing workshop and we are committed to growing this partnership.

There were mixed results from the watch-list countries in 2011. We saw growth from Austria (7.1%), Malawi (7.5%), Namibia (3.6%), South Korea (4.6%), Switzerland (2.5%), Zambia (1.7% and Zimbabwe 2.6%). But there were declines reported from Argentina (-36.3%), Denmark (-5%), Portugal (-0.9%) and Spain (-14.7%) as economic conditions impacted on our 2010 World Cup gains.



South African Ambassador to Argentina, Tony Leon, joins South African Tourism at a trade workshop in Buenos Aires ^

A Swiss trade mega-fam in Cape Town v



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

The fact that more than 1 000 properties have seen value in joining the TGCSA under the stricter and more comprehensive Grading Criteria launched in October 2010 is testament that South Africa is moving in the right direction in terms of the quality of tourism accommodation products

Thembi Kunene
Chief Quality Assurance
Officer



Graded establishments

While the Tourism Grading Council (TGCSA) did not meet its annual target of 6 051 graded establishments by the end of March 2012, we were encouraged that 1 165 of the 5 728 properties graded in this financial year were new properties.

Acquisition and retention strategy

Stakeholder engagement remains one of the pillars of the TGCSA. The countrywide road shows conducted during this financial year were well-received by the establishment owners and good progress has been made in terms of building stronger relationships with the provincial tourism authorities as well as various local tourism associations.

Liaison with various government departments to procure accommodation from graded establishments only, in line with a 2002 Cabinet decision, is proving beneficial. The TGCSA is now in discussions with the top three travel agents who manage bookings on behalf of the majority of government departments. Reports on the budgets spent by government departments on the type of accommodation establishments they utilise will be useful information to tell stakeholders about the business benefits of grading.

The annual assessor conference and refresher training, which included universal accessibility, took place in November 2011 and was used to refresh knowledge and skills in delivering accurate and consistent assessments. The keynote address by Tourism Minister Marthinus van Schalkwyk, a first in the history of TGCSA, was extremely well received and encouraged assessors to further commit themselves to the partnership with TGCSA in building a stronger Brand SA.

The Grading Council, at its road shows, commenced an aggressive recruitment drive which will see just over 18 000 ungraded accommodation establishments, currently listed on the South African Tourism national product database with a self-edited profile, being given a much lesser profile on the organisation's website. South African Tourism is serious about promoting South Africa as a preferred tourism destination that offers quality experiences and the quality grading of all accommodation establishments being promoted by South African Tourism thus becomes a critical matter. A creative communication campaign involving direct e-mails, telephones as well as social media will be used to build up the recruitment drive across the country.

The provincial spread of graded and ungraded establishments across the country is as follows:

	NC	EC	WC	FS	KZN	LP	MP	NW	GP	Total
Graded	233	738	1 927	148	819	292	335	269	967	5 728
Ungraded	695	1 695	7 042	716	2 932	668	986	606	2 658	17 998
Total establishments	928	2 433	8 969	864	3 751	960	1 321	875	3 625	23 726

These stats reflect all graded establishments with a LIVE status. They do not include any cancelled establishments



The TGCSA team with Accredited Grading Assessors at the 2011 Annual Assessors Conference



Thembi Kunene with the Minister of Tourism Marthinus van Schalkwyk at the 2011 Annual Assessors Conference



MEC of Economic Development and Environmental Affairs Mcebisi Jonas with the Chief Executive Officer of Eastern Cape Tourism and Parks Authority Sybert Liebenberg at the East London TGCSA Stakeholder Roadshow



Qedani Mahlangu, MEC of Economic Development and Tourism in Gauteng, addressing the TGCSA Stakeholder Roadshow at Gallagher Estate



Thembi Kunene, Chief Quality Assurance Officer, TGCSA and Ian Utermohlen, Global Manager Marketing and Advertising at the World Travel Market in London in 2011.



CNBC Africa interviews Thembi Kunene on the importance of South Africa maintaining its position as a quality assured destination of choice for local and international tourists

Unit report: *Research*

To consolidate our knowledge, we conducted a desktop study on the mega trends affecting the world and consumer behaviours. The study captured key indicators and trends pertaining to demographic, macroeconomic, political, technology, and outbound tourism-related factors for each region as well as the preferences of outbound tourists from each region and their perception towards South Africa

Bashni Muthaya

General Manager
Strategic Research



The global economic crisis has had a significant impact on travel and tourism and the behaviour of consumers. 2011/12 therefore presented opportunities to review and refine our understanding of the tourism landscape and our target consumers so we can continue to build our brand in this new era.

Leveraging our knowledge of mega trends affecting consumer behaviours, we conducted two qualitative projects to gain deeper insights into our target consumers in Germany and the UK. The project spanned four cities in both markets to gather research intelligence on their lifestyle, general attitudes, interests, needs, perceptions and expectations. The outcome of this project was a number of insights on the target consumer segments that have been used to inform the marketing communication for these markets.

The shifts witnessed in the economic axis of the world have seen rapid growth in markets such as India and Brazil. This sparked the conception of projects to understand the market dynamics and consumer triggers and develop marketing growth strategies for India and Brazil. 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.

The year also saw the completion of the domestic tourism marketing strategy – an exciting project which looked at the South African market with fresh eyes to research, develop segmentation and define route to market strategies. The project involved a thorough review of the market using both quantitative and

qualitative research techniques to understand consumer trends and behaviours and define and develop product and communication strategies to unlock the growth potential of the South African market.

We also expanded our knowledge in Africa by researching and developing route to market strategies for the Africa land markets.

Following the establishment of the National Convention Bureau, the SRU commenced with a project to develop an activation strategy and implementation plan backed by high-quality research to allow the NCB to achieve its goals in South Africa.

As the only source of data in South Africa 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 the entire airport and land sample to computer-assisted personal interviews from paper-based 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 is a key source of information for a number of stakeholders in the public and private sector.

On the domestic front, we continued to focus on establishing robust systems and methodologies to

measure the incidence of domestic tourism in South Africa as our Domestic Tourism Survey entered its 6th 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 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.

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 South African 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 received 41 533 visits.

Unit report: *Operations report*

Our vision of being the best tourism organisation, recognises that people are our competitive advantage. We believe in our people as individuals and that through growing and nurturing our staff, we can achieve this vision

Timothy Scholtz
Chief Operating Officer



Administration

The department's core function is to integrate processes within South African Tourism that maintain and develop the services that support and improve the effectiveness of the organisation's primary activities.

The department provides day-to-day services such as ensuring that the buildings' air-conditioning is operating efficiently, reliably and safely. Other services include ensuring that the building is cleaned properly and regularly or monitoring the performance of contracts (such as builders and electricians).

The implementing of the health and safety system is under way, 10 staff members have been trained for first-aid level 1, 10 staff members for basic fire training, and 4 from the 10 staff members completed the basic fire training (F2) course, which is the next level from the basic fire training.

The department's challenges for the year ahead is to create a greener building environment, starting with a rigorous recycling process and to create more space in the building through a space planning exercise.

Human resources

Our vision of being the best tourism organisation, recognises that people are our competitive advantage. We believe in our people as individuals and that through growing and nurturing our staff, we can achieve this vision.

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

Being the Best Company To Work For

The Best Companies To Work For survey is an independent survey administered by Deloitte, it allows South African companies to benchmark their human engagement processes against similar companies. In 2011, 10 dimensions were surveyed and each is given a score out of five. Scores below 3.37 represent a concern. The following are the dimensions surveyed with the scores indicated in brackets:

- sense of confidence in the organisation (3.93)
- ethics and integrity (3.33)
- operational effectiveness (3.63)
- manager (3.74)
- job satisfaction (3.90)
- inclusion in the company (3.56)
- career development (3.18)
- work life balance (3.57)
- performance and recognition (3.49)
- remuneration (3.03).

The company has continued to improve its score over the last year. Out of a total overall score of 5 the scores for the past three years have been as follows:

BCTW year-on-year dimension comparisons

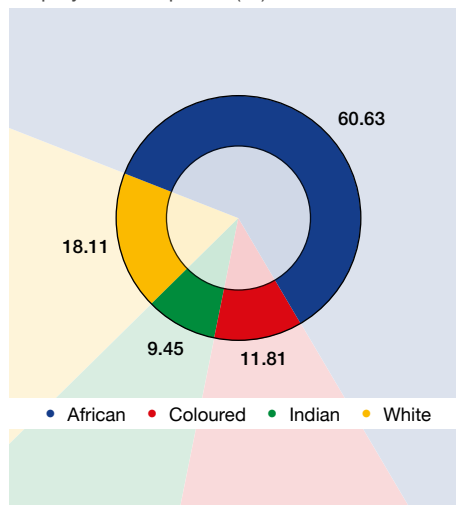
Year	Score
2011	3.55
2010	3.46
2009	3.30

South African Tourism exceeded its target of 70% participation in the annual Deloitte Best Company To Work For survey by recording a 91% employee participation in the survey.

Employee profile

Our culturally diverse staff reflects the richness and uniqueness of our country. Our staff complement, as at 31 March 2012, was 152 employees (including interns) of which 46 are based at the various international offices and 116 are based at the head office in South Africa.

Employee racial profile (%)



Training and development

A total of R850 229.00 was spent on training and development initiatives. This includes the learning programme “Marketing the South African Tourism Way”, which was attended by 14 new employees.

Internship programme

The objective of the learnership programme is to equip learners with experiential knowledge of the tourism sector which will allow them to pursue careers in tourism. In 2011/12 eight learners benefited from the learnership programme and two were subsequently appointed into fixed-term contract positions, a contribution to South African Tourism’s mandate of “sustainable job creation”.

Employee turnover

South African Tourism had a resignation rate of **2.5%** during the first and second six months of 2011/12 (2010/11: 4.61%), **2%** of staff resigned during the first six-month period of 2011/12 (2010/11: **1.98%**) and **3%** during the second six-month period (2010/11: **26.3%**). A total of 13 employees resigned during the financial year (2010/11: **11** employees). The turnover remains below the 7% norm.

Business Information Systems Unit (BIS)

Change is the only constant within a world driven by technology. Here at South African Tourism we have embraced this concept not only to have a competitive edge but also make us leaders in what we do.

The first technology venture we adopted to support our versatile business needs was the concept of cloud computing. This created a unified communications platform for South African Tourism enabling seamless messaging on one common platform around the globe.

The platform came to life when it allowed the business 0% downtime, online collaboration and document sharing with communication anywhere and everywhere from date of implementation.

Leveraging of virtualisation technology relates to another key business driver that South African Tourism has adopted.

This not only reduces the cost of operations but provides business with ability to meet the expectations of our customers. Technology is available for everyone but using it intelligently is what raises the bar and allows us that opportunity to deliver within time and budget thus achieving excellence.

Compliance was another key focus area. This incorporated various programmes to enhance and strengthen the Business Information Systems Portfolio. A special focus was King III and how best do we align ourselves to yet again aim for the stars.

A further partnership with giant Microsoft resulted in South African Tourism taking advantage of the latest products that help simplify business, at the same time ensuring that we are fully licensed and comply with legislation.

A big focus was green IT, which resulted in a paperless dashboard being implemented.

The special focus for the next year is integration using technology as an enabler to meet the needs of the organisation.

Unit report: *Finance report*



The South African Tourism team hard at work at the South African Tourism corporate social responsibility project in Clarens, the Free State



Officially opening Bojanala Hall in January 2012 ➤

Financial Management supports the operational activities of the organisation and is responsible for the accounting, consolidation and reporting of all transactions within the organisation



Johan van der Walt
Chief Financial Officer

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

- Financial Management (reporting to Manager: Finance – Head Office)
- Financial Compliance and Performance Information including Business Processes (reporting to Manager Financial Compliance and Reporting)
- Supply Chain Management (reporting to Supply Chain Manager)
- Legal (reporting to Contracts Attorney)
- Payroll Management (reporting to Manager Payroll).

Financial Management

Financial Management supports the operational activities of the organisation and is responsible for the accounting, consolidation and reporting of all transactions within the organisation. Reporting takes place to both internal business units and external stakeholders including the National Department of Tourism, National Treasury and the Tourism Business Council of South Africa (TBCSA).

During the financial year under review, the financial management unit of the Tourism Grading Council Business (TGCSA) unit was also incorporated fully into the Financial Management Business unit of the organisation and the Manager: Finance of the TGCSA now also reports to the Manager: Finance (Head Office) of South African Tourism.

Accounting unit	Purchase orders	Purchase order receipts	Accounts payable invoices processed	Accounts payable payments made	Accounts receivable invoices issued	Accounts receivable payments received	Total number of transactions
Head Office OU	3 096	3 699	8 485	4 794	1 043	1 968	23 085
Grading OU	741	696	1 568	1 061	9 946	5 331	19 343
Amsterdam OU	326	343	712	539	123	74	2 117
Angola OU	131	135	154	126			546
Beijing OU	233	227	595	389	93	47	1 584
Frankfurt OU	582	940	1 391	762	43	108	3 826
London OU	398	405	1 189	797	104	238	3 131
Milan OU	373	394	652	419	173	129	2 140
Mumbai OU	289	287	492	472	158	7	1 705
New York OU	484	369	1 074	572	80	125	2 704
Paris OU	600	607	1 245	625	110	207	3 394
Sydney OU	377	378	1 033	601	146	92	2 627
Tokyo OU	245	232	608	427	89	68	1 669
Total	7 875	8 712	19 198	11 584	12 108	8 394	67 871

Unit report: *Finance report* continued

Financial Management is also responsible for the enhancement of systems of internal control, recording of fixed-asset related transaction and Treasury management.

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

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

We reported during the previous financial year some challenges with deployment of the latest finance system, Oracle R12. All the issues have now been corrected and the system is working as intended. The next phase is to continue to take advantage of all the features it has to offer in making the organisation more efficient.

Financial Compliance and Performance Information Management including Business Processes

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

Government's objective to ensure delivery to the electorate: "what gets measured gets done" is the most valuable reason for 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 the 1 April 2009.

This unit has ensured that South African 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 continuous basis and that when an external audit opinion is expressed at the end of every financial year, South African 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 South African Tourism. This department has also streamlined all reporting processes which thus ensure consistency of all reports presented to stakeholders and funders.

South African Tourism commitment and vigorous compliance with all applicable financial legislations: including SA GRAP, PFMA and National Treasury Regulations, has ensured that we have achieved exceptional internal and external audit results. With the ever-changing challenges and complexity of accounting standards, South African Tourism has still managed to achieve its 11th 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.

Supply Chain Management

Like in any other government entity and in compliance with Treasury regulation, Supply Chain Management within South African Tourism falls under the Chief Financial Officer (CFO) and is managed by the Manager Supply Chain that reports to the CFO.

The primary objectives of the supply chain management is to ensure:

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

Logistics

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

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

Call Centre

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

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

Events Management

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

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.

Legal

Legal sub-business unit, headed by Marc Rabie and assisted by Thabo Malo, continued to improve their processes and procedures for the approval of contracts by updating the finalisation forms and developing a system of matrixes tracking the contracts approval processes on behalf of the CFO and COO. The system of contract reviews has also been extensively revised by the contracts attorney in an effort to avoid internal and external risks. The Intellectual Property Portfolio is currently also under review and Adams & Adams will be approached to assist in reviewing, updating and securing the portfolio. Litigation and contingent liabilities are also continually being reviewed and settled to the benefit of South African Tourism. Due to the proactive and continuous efforts of the contracts attorney and Bowman Gilfillan Attorneys current litigious matters is projected to dramatically decline within the next five years. The contracts attorney, when reviewing contracts attempt to provide comprehensive and in-depth analysis to avoid future litigation on an ongoing basis. Legal also continues to assessing internal and external risks and advise EXCO on the same.

Payroll Management

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

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

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

Finance award winners and their categories



Werner Maul-Pfeifer, International Finance Employee for 2011/2012



Adam Aphane, Head Office Finance Employee for 2011/2012



Sthembile Zulu, 1st Runner-up International Office 2011/2012



Nyambeni Nematatani, 1st Runner-up Head Office 2011/2012



Ajay Shah, 2nd Runner-up International Office 2011/2012



Sellwane Tsolo, 2nd Runner-up Head Office 2011/2012

Unit report: *Internal Audit report*

To ensure continuous professional development is in line with international practices, we engaged with international institutions where we share best practices to ensure that we are in line with international standards

Xoli Zwane
Senior Internal Auditor



Looking after the best interests of the organisation

During the 2011/12 financial year, the South African Tourism internal audit unit continued to achieve great success, which is evident by improved internal controls and good governance resulting from the implementation of meaningful recommendations made to management.

The goal is to improve the efficiency and effectiveness of everyday administration, to ensure that all necessary safeguards and controls are in place and working as intended.

We performed our internal audit assignments based on a risk-based approach outlined in the approved internal audit plan and also performed ad hoc assignments requested by those in-charge of governance. Our relationship and support with the Audit Committee and Auditor General added value on our effectiveness.

To ensure continuous professional development is in line with international practices, we engaged with international institutions where we share best practices to ensure that we are in line with international standards.

Annual financial statements

In this section:

- Statement of responsibility
- Report the Audit and Risk 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
- Glossary
- South African Tourism offices

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Statement of responsibility

Requirements of the Public Finance Management Act

The members are required by the Public Finance Management 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 was 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, 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; and
- that the annual financial statements are presented in terms of Generally Accepted Accounting Practice (GAAP).

Objective of the Statement of Responsibility

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

Responsibilities around annual financial statements

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

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

Basis for preparation

The annual financial statements have been prepared in accordance with GRAP, issued by the Accounting Standards Board, in accordance with the Public Finance Management Act, No 1 of 1999. The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. They are presented in South African Rands.

Going concern

The Board has reviewed the organisation's budgets and cash flow forecasts for the year ended 31 March 2012.

On the basis of this review, and in view of the current financial position, the Board has every reason to believe that the organisation will be a going concern in the year ahead and have continued to adopt the going-concern basis in preparing the financial statements.

Internal control and risk management

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

Internal financial and management controls have been maintained in accordance with section 38 of the Public Finance Management Act, 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 have been appointed to implement and maintain these controls. They are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework. The controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls. An effective system of internal control therefore aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, financial statement presentation. Furthermore, because of changes in conditions, the effectiveness of internal controls may vary over time. As part of the system of internal control, an internal audit function was in place for the entire period under review, and operational, financial and specific audits have been conducted in line with an internal audit plan approved by the Board. All such internal audit reports, which incorporate comments from management on audit findings, have been made available to external auditors, whose responsibility is limited to reporting on the financial statements.

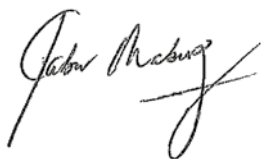
Board's opinion

The Board has reviewed the organisation's systems of internal control and risk management for the period 1 April 2011 to 31 March 2012. The Board is of the opinion that:

- the organisation's systems of internal control and risk management were effective for the period under review;
- save as otherwise disclosed in note 26, no material losses, irregular expenditure, fruitless expenditure or wasteful expenditure occurred in the period under review; and
- the annual financial statements fairly present the financial position of South African Tourism Board at 31 March 2012 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.

Approval of annual financial statements

The annual financial statements for the year ended 31 March 2012, set out on pages 121 to 144, were submitted for auditing on 31 May 2012 and approved by the Board in terms of section 51 (1) (f) of the Public Finance Management Act, No 1 of 1999, as amended, and is signed on its behalf by:



Jabu Mabuza
Chairperson
26 July 2012

Report of the Audit and Risk Committee

We are pleased to present our report for the financial year ended 31 March 2012 in terms of Treasury regulation 27.1.7 and 27.1.10.

Audit and Risk Committee members and attendance

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

Period: 1 April 2011 to 31 May 2011 – one meeting was held

Name of member	Number of meetings attended
F Kilbourn (Chairperson)	1
S Mzimela	1
J Mabuza	1
A Malan	1
I Abedian	0
D van Schalkwyk	1
ZV Mntambo	1
JN van der Walt	1
T January-McLean	1

Period: June 2011 to March 2012 – two meetings were held

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

* CEO was appointed with an effective date 1 January 2012

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, except for the one material audit finding raised in the audit report to the extent that quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury regulation 16A8.3. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

Management has been tasked to provide an action plan to implement the corrective action in addressing these findings.

Evaluation of financial statements

We have:

- reviewed and discussed the audited Annual Financial Statements to be included in the annual report, with the Auditor-General South Africa and the Accounting Authority;
- reviewed the Auditor-General South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed South African Tourism's compliance with legal and regulatory provisions; and
- reviewed all adjustments resulting from the audit.

We concur with and accept the Auditor-General of South Africa's report on the Annual Financial Statements, and are of the opinion that the audited Annual Financial Statements should be accepted read together with the report of the Auditor-General 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 South Africa

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



ZV Mntambo

Chairperson of the Audit and Risk Committee

26 July 2012

Report of the Auditor-General

to Parliament on South African Tourism

Report on the financial statements

Introduction

1. I have audited the financial statements of South African Tourism (SAT) set out on pages 121 to 144, which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

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

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of South African Tourism as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

Report on other legal and regulatory requirements

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

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on page 1 of the annual report.
9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information*.

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

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

Additional matter

11. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the matter below.

Achievement of planned targets

12. Of the total number of planned targets, only four out of nine were achieved during the year under review. This represents 55.6% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were based on a stable baseline, while external factors like the global economic slowdown influenced the actual results significantly.

Compliance with laws and regulations

13. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Annual financial statements

14. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 55(1)(a) of the PFMA. Material misstatements of other income and liabilities identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

15. Contracts procured through quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury Regulation 16A8.3.

Internal control

16. I considered internal control relevant to my audit of the financial statements, annual performance report of South African Tourism and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

17. Management and delegated officials do not always exercise oversight responsibility over compliance with laws and regulations and internal controls relating to the supply chain management (SCM) process.

Financial and performance management

18. There is a lack of appropriate means for monitoring compliance on a regular basis and compliance is not addressed in a timely manner. The already established internal controls for monitoring SCM compliance and to ensure that non-compliance matters are prevented, need to be improved.

Material adjustments were made to the annual financial statements submitted for audit purposes because the financial statements were not properly reviewed.

OTHER REPORTS

Investigations

19. An investigation is being conducted regarding alleged SCM irregularities. The investigation aims to establish whether the procurement processes were followed and if there were any irregularities. The investigation was still ongoing at the reporting date.

Auditor-General

Pretoria

31 July 2012



AUDITOR-GENERAL
SOUTH AFRICA

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 2012.

1. Corporate activity

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

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

2. South African Tourism business units and markets

Given its limited resources, most notably financial, South African Tourism has adopted and rolled out a Tourism Marketing Growth Strategy based on in-depth segmentation research including focus groups conducted around the world. This Tourism Marketing Growth Strategy was approved by Cabinet and focuses its marketing activities on specific segments of tourists in particular markets:

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

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

- 2.1 Core markets: These markets are very attractive and have easier access from a tourism-marketing point of view, deliver the "bread 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.
- 2.2 Investment markets: These markets are also very attractive, but more difficult to access from a tourism marketing point of view. Given the potential of these markets, it is of great importance for South African Tourism to invest in these markets, ahead of the future returns. Approximately 20% of the organisation's effort (in terms of human capital and budget) is deployed in these markets.
- 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.
- 2.4 Watch-list markets: These markets are less attractive and more difficult to do from a tourism-marketing point of view. However, limited exploratory marketing, largely in conjunction with South Africa's overseas missions and tour operators, is to be undertaken by South African Tourism in these markets as they might grow into future, more prominent markets for South Africa from a tourism point of view. Approximately 5% of the organisation's effort (in terms of human capital and budget) is deployed against these markets.
- 2.5 South African Tourism promotes South Africa generically in terms of its unique selling points as an all-season, year-round preferred tourist destination, utilising marketing initiatives that are guided by the Tourism Growth Strategy. The strategy incorporates three key market portfolios namely:
 - 2.5.1 Africa and Domestic;
 - 2.5.2 Americas, Asia and Australasia; and
 - 2.5.3 Europe and the UK.

3. Markets on which South African Tourism will focus during the period 1 April 2011 – 31 March 2014

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

The 4th Portfolio review process that took place during July/August 2009 and the outcome was implemented in full during April 2011



		2002 – 2004 2005 – 2007 2008 – 2010 2011 – 2014				
4th portfolio		South Africa and Middle East	UK and Americas	Asia and Australasia	Europe	
Responsibility	Regional Director	Core Markets	Angola Botswana Kenya Nigeria South Africa*	USA*	Australia* India	France Germany Netherlands UK*
		Investment Markets	DRC Mozambique	Brazil Canada	China (incl Hong Kong) Japan	Belgium Italy Sweden
		Tactical Markets	Lesotho Swaziland		New Zealand	Ireland
	Stakeholder Manager	Watch-list Markets	Malawi Namibia Zambia Zimbabwe	Argentina	Republic of Korea	Austria Denmark Portugal Spain Switzerland
		Strategic importance	Bahrain, Oman Qatar, Saudi Arabia			
		Global Channel Manager	Strategic Air Links/Hubs	Egypt, Ethiopia, Ghana, Mauritius, Tanzania Senegal, UAE		Malaysia Singapore

*Indicated Business Tourism Hubs

The abovementioned markets will be reviewed again during the latter part of the 2012 calendar year based on 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).

4. In line with its Tourism Marketing Growth Strategy, South African Tourism has executed a broad spectrum of segment-specific marketing activities and support activities through 16 business units, each with its own Business Plan and budget, reporting to a business unit manager. On 31 March 2012, these business units were as follows:
 - 4.1 Office of the CEO/COO (headed by both the CEO and COO).
 - 4.2 Finance (headed by the Chief Financial Officer).
 - 4.3 Research (headed by the Chief Research Officer).
 - 4.4 Human Resources (headed by the General Manager: Human Resources).
 - 4.5 Business Information Systems (headed by the General Manager: Business Information Systems).
 - 4.6 PR and Communication (headed by the Global Manager: Communication).
 - 4.7 e-Marketing (headed by the Global Manager: e-Marketing).
 - 4.8 Central Marketing (headed by the Chief Marketing Officer).

Report by the Accounting Authority to the Executive Authority continued

- 4.9 Domestic Tourism (headed by the Country Manager: South Africa) and which incorporates the previous Events business unit.
- 4.10 Product (headed by Global Manager: Product).
- 4.11 National Convention Bureau (headed by Executive Manager: National Convention Bureau) and which incorporates the previous Business Tourism business unit.
- 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 serves mentioning that South African 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, the Manager Finance at Head Office and the Manager Research at Head Office and the Manager Global Advertising at Head Office
Junior management	Any other person working for South African Tourism and who has the title of “manager” as part of his/her designation on South African Tourism’s approved organogram in South African Tourism’s Delegation of Authority
General staff	All staff members not indicated above

5. Components of South African 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 Public Relations and Communications has two sub-units and assumes the responsibility for the project management of the annual report:
 - Public Relations
 - Stakeholder Management

- 5.7 Electronic marketing has no sub-units and assumes the responsibility for the management of the outsourced international call centre in South Africa as well as the Fundi programme.
- 5.8 Central Marketing consists of three sub-units:
- Central Marketing, Advertising and Marketing Management, and 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
- 5.9 Domestic Tourism has no two sub-units:
- Domestic Marketing
 - Events
- 5.10 Product Management has two sub-units:
- Guest relations
 - Welcome Awards and ETEYA
- 5.11 National Convention Bureau has no sub-units.
- 5.12 Europe and United Kingdom Portfolio consists of six sub-units: Germany, Italy, France, Netherlands, United Kingdom and Head Office.
- 5.13 Americas, Asia and Australasia Portfolio consists of six sub-units: India, Japan, Australia, China, USA and the Regional Head Office.
- 5.14 Africa and Domestic Portfolio consists of five sub-units, namely Kenya/Tanzania/Uganda, Nigeria/Ghana, Angola, Domestic Marketing and Neighbouring Southern African Development Community.
- 5.15 Tourism Grading Council has no sub-units.
- 5.16 Watch-list markets has no sub-units.

6. South African Tourism international offices

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

Two additional offices will be opened during the 2012/13 financial year in Brazil and Nigeria.

7. Review of operations

Among other activities that South African Tourism has successfully executed during the 2011/12 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 2011 calendar year total arrivals target of 10 295 520 and recorded total actual arrivals of 12 255 155 during 2011 (2010: 11 395 700). Although this growth was largely driven by arrivals from Africa, it should be taken into consideration that growth in global travel of 4.4% as per UNWTO, was less than that achieved by South Africa in 2011. It should also be taken into consideration that arrivals to South Africa grew on the high basis of 2010 where we received almost 310 000 2010 FIFA World Cup visitors.

Report by the Accounting Authority to the Executive Authority continued

- 7.2 During the 2011/12 financial year, South African Tourism signed 128 (2010/11: 143) joint marketing agreements (JMAs) with a number of trade partners around the world. The actual number of JMAs signed exceeded the target of 105.
- 7.3 South African Tourism continued to work closely with the South African tourism trade in the aggressive promotion of domestic tourism. During the 2011/12 financial year, South African Tourism's domestic tourism TV campaign reached 76 681 609 viewers.
- 7.4 South African Tourism managed to achieve R109.9 million positive or neutral coverage value during the 2011/12 financial year, 19.5% more than the R92 million achieved during the 2010/11 financial year. There were 153 257 visits to the Media Extranet site in the 2011/12 financial year.
- 7.5 According to Dow Jones Media Monitoring, South Africa obtained the following international media coverage globally:

Period	Negative %	March 2012 Neutral %	Positive %	Negative %	Neutral %	March 2011 Positive %
April	5	55	40	5	35	60
May	2	28	70	18	32	50
June	10	55	35	5	40	55
July	18	42	40	0	38	62
August	10	60	30	0	70	30
September	1	49	50	0	40	60
October	10	60	30	0	50	50
November	2	60	38	15	50	35
December	0	70	30	20	50	30
January	10	48	42	5	55	40
February	2	16	82	20	40	40
March	5	60	35	5	35	60
Average	6	50	44	8	45	48

South African Tourism 2011/12 target of obtaining an average of 45.9% neutral coverage and 43.5% positive/very positive coverage was achieved.

South African Tourism 2011/12 target of obtaining at least 80% neutral or positive coverage was therefore exceeded. The average neutral or positive coverage achieved during 2011/12 was 94%.

- 7.6 South African Tourism had, despite the global recession, 11 312 and 2 982 registered attendees at Indaba 2011 and Meetings Africa 2012 respectively, a 1.9% decrease and 1% increase respectively in the prior year.
- 7.7 During 2011/12, South African Tourism continued with the re-induction of all its employees using the new Induction Programme that was developed.
- 7.8 South African Tourism continued with its global media campaign on Cable News Network (CNN), British Broadcasting Corporation World, National Geographic Channel, Lastminute.com, Yahoo, Firefly, Trip Advisor & Expedia aimed at, among others, substantially raising positive awareness of Brand South Africa post the 2010 World Cup. By 31 March 2012, our campaign has reached just over 1.2 billion consumers around the world through a combination of with 6 981 brand spots, 3 575 vignettes, 26 print ads and an estimated 131 million online impressions.

- 7.9 South African Tourism received 253 entries for the annual Emerging Tourism Entrepreneur of the 2011/12 Year Award (ETEYA 2010/11: 237), four more than its target of 249.
- 7.10 During the financial year, South African Tourism continued to update its comprehensive database of all South African Tourism skills which was originally completed by 31 January 2009.
- 7.11 In addition to 14 742 calls received at South African Tourism's international call centre in Johannesburg during the 2011/12 financial year (2010/11: 29 340), the call centre also received 228 fax- and 24 721 email enquiries (2010/11: a total of 16 907 fax- and e-mail enquiries).
- 7.12 South African Tourism won the prestigious and highly sought-after M&M Global Award for Nation and Destination Branding for its "Adventurers Wanted" campaign in partnership with *National Geographic*. The Media and Marketing Global Awards recognise and celebrate leading global advertising campaigns; the most innovative and effective work running in the international media; and the finest co-ordination of multiple advertising strategies.
- 7.13 South African Tourism continued to meet its employment equity targets in 2011/12:

Details	Situation as at 31 March 2012	Situation as at 31 March 2011	Situation as at 31 March 2010
Total number of permanent South African Tourism employees including those locally recruited overseas	158	158	149
Total number of permanent South African Tourism employees excluding those locally recruited overseas (A)	116	116	112
Total number of interns included in (A)	12	4	4
Total number of HDI employees included in A above (referred to as B below)	93	82	94
Employment equity % (B as a % of A)	75.27%	70.7%	83.9%

- 7.14 South African Tourism had a resignation rate of 2.5% during the first and second six months of 2011/12 (2010/11: 4.61%). 2% of staff resigned during the first six-month period of 2011/12 (2010/11: 1.98%) and 3% during the second six-month period (2010/11: 2.63%). A total of 13 employees resigned during the financial year (2010/11: 11 employees).
- 7.15 Thulani Nzima was appointed as Chief Executive Officer with effect from 1 January 2012.
- 7.16 South African Tourism exceeded its target of 70% participation in the annual Deloitte Best Company to Work For Survey by recording a 93% participation rate in the 2011 survey (2010: 81%). It also improved its overall rating score from 3.46 in 2010 to 3.55 in 2011.

More details on South African Tourism's projects and activities have been included in the performance information management report of South African Tourism.

8. Results of activities

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

- 8.1 to outperform the average 2011 global growth rate in international arrivals and grow international arrivals to South Africa by 7.5% from 11.4 million in the 2010 calendar year to 12 255 155 million in the 2011 calendar year;

Report by the Accounting Authority to the Executive Authority continued

- 8.2 to achieve an estimated average foreign direct spend per land market arrival of R8 600 for 2011/12 (2010/11: R8 100 which excluded prepaid expenditure), which exceeds the target of R7 500 per land market arrival for 2011/12 (spend excludes capital expenditure);
- 8.3 to achieve an average foreign direct spend per air market arrival of R11 100 per person (2010/11: R11 700), which was unfortunately less than the R15 000 per person target set for 2011/12;
- 8.4 to achieve 26.3 million domestic trips inside South Africa during 2011/12 (2010/11: 29.7 million) despite the tough economic climate in the country;
- 8.5 to receive R71 billion in foreign direct spend from foreign arrivals in the 2011/12 calendar year (2010/11: R72.6 billion); domestic tourism spending for the 2011/12 calendar year was R20.2 billion, slightly below the 2010/11 total domestic tourism spend figure of R21.0 billion;
- 8.6 to maintain its global awareness levels of South Africa as a tourist destination for all overseas markets at 2011/12 79% (2010/11: 79%);
- 8.7 to improve positivity towards South Africa in overseas markets at 37% (2010/11: 37.5%) in 2011/12;
- 8.8 to meaningfully increase the total number of unique visitors to its website www.southafrica.net during the 2011/12 financial year from 3 063 406 in the 2010/11 financial year to 3 280 761 in the 2011/12 financial year; in the process a total of 10 293 835 page views took place compared to the 10 403 966 page views in 2010/11 (source: Google Analytics and SiteCatalyst”);
- 8.9 to reach, for the seventh consecutive year, the target of spending 40% of its available spend on HDI organisations; and
- 8.10 to completely rebuild its South African expert online training course known as “FUNDI”. A lot of new content has been created and this new course will be formally launched shortly and a campaign is planned to get previously qualified FUNDI experts to go through the new version (all translations). As at 31 March 2012, South African Tourism had 132 131 FUNDI registrations (31 March 2011: 1 836) and 16 680 FUNDI graduations (31 March 2011: 562).

9. General review of the state of financial affairs

South African Tourism incurred total operating expenses of R862.3 million during the 2011/12 financial year (2010/11: R855.29 million), leaving a R34.3 million deficit (2010/11: R21.68 million deficit) for the year under review.

A total of R668.61 million (2010/11: R631.69 million) of South African Tourism’s funding, representing 79% (2010/11: 76%) of total income of R828.98 million (2010/11: R834.40 million), came from government. Other income of R62.19 million (2010/11: R97.75 million), which has been included in total revenue, was earned from, among others, interest received, exhibitions, grading activities, sale of marketing items, sale of advertisement space in publications and raising sponsorships.

10. Key performance areas for the 2012/13 financial year and onwards

The Board approved the following official targets and projections for South African Tourism against which management will be measured against for Performance Information Management purposes. It will also be subjected to a Performance Information audit by the Auditor-General effective 2011/12:

South African Tourism official targets and projections

Indicator	2011/12	2012/13	2013/14
Number of international arrivals per year	10 295 520 (in 2011 calendar year)	11 922 201 (in 2012 calendar year)	12 343 (in 2013 calendar year)
Domestic tourists	13.92 million	14.44 million	14.5 million
Average spend per arrival in the country	R9 222	R12 536 (in 2012) NITS = Net Inbound Tourist Spend (Total foreign Direct Spend less Capital Expenditure plus Prepaid Spend less commission.	R13 162 (in 2013) NITS = Net Inbound Tourist Spend (Total foreign Direct Spend less Capital Expenditure plus Prepaid Spend less commission.
Percentage of global brand awareness	78%	79%	79%
Percentage of brand positivity	41%	n/a	n/a
Total number of accommodation establishments graded	8 288	6 172 (as at 31/3/2013)	6 789 (as at 31/3/2014)
Compliance with policies and procedures	15 clean audit reports	Unqualified annual external audit report	Unqualified annual external audit report
	n/a	Spend no less than 98% or no more than 102% of consolidated annual approved budget for 2012/13	Spend no less than 98% or no more than 102% of consolidated annual approved budget for 2013/14
Average annual staff turnover rate	10%	10%	10%
Average score on Deloitte Best Company To Work For Survey	Ranking on Deloitte Best Company To Work For Survey of 35	3.30	3.60

Notes

Percentage of brand positivity will no longer be a key performance indicator for SA Tourism.

It serves mentioning that SA Tourism will, once it has 5 years of data, set annual arrival and spend targets per tourist (and not arrivals which include a component of same-day visitors).

Report by the Accounting Authority to the Executive Authority continued

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

11.1 The Board of South African Tourism

The Board, which served during the 2011/12 financial period, 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 sub-committee during 2011/12:

Name	Designation	Remuneration	Bonuses and performance payments	Company contribution	Total cost
PD Bacon	Awards Committee member	R37 599.00	R0.00	R375.99	R37 974.99
A Chothia	Awards Committee member	R48 729.00	R0.00	R487.29	R49 216.29
B Dungan	Awards Committee member	R43 164.00	R0.00	R431.64	R43 595.64
M Gcanga	Awards Committee member	R54 294.00	R0.00	R542.94	R54 836.94
T Hazel	Awards Committee member	R59 859.00	R0.00	R598.59	R60 457.59
SS Nhlapo	Awards Committee member	R59 859.00	R0.00	R598.59	R60 457.59
J Padmanathan	Awards Committee member	R48 729.00	R0.00	R487.29	R49 216.29
A Romburgh	Awards Committee member	R27 825.00	R0.00	R278.25	R28 103.25
JD Smith	Awards Committee member	R65 424.00	R0.00	R654.24	R66 078.24
PA Thompson	Awards Committee member	R50 085.00	R0.00	R500.85	R50 585.85
Total		R495 567.00	R0.00	R4 955.67	R500 522.67

11.2 Executive Management (Exco)

The Exco generally has responsibility for proposing strategy and for making and implementing operational decisions on running South African Tourism.

The following employees served on Exco as at 31 March 2012:

Thandiwe January-McLean:	Chief Executive Officer (resigned from South African Tourism effective 31 August 2011)
T Nzima:	Chief Executive Officer (effective 1 January 2012)
T Scholtz:	Chief Operating Officer
R Singh:	Chief Marketing Officer
T Kunene:	Chief Quality Assurance Officer
JN van der Walt:	Chief Financial Officer

11.3 Remuneration of South African Tourism's Exco and Manco members

During the 2011/12 financial year, South African Tourism paid total remuneration of R29 937 432 to Exco and Manco members, details of which are as follows:

Name	Designation	A Basic salary	B Other earnings	C Total company contributions	A+B+C Total cost
TS Profit-McLean*	Chief Executive Officer	R1 117 710.00	R1 247 353.35	R126 096.12	R2 491 159.47
T Nzima**	Chief Executive Officer	R316 890.00	R156 300.90	R28 486.51	R501 677.41
T Scholtz	Chief Operating Officer	R856 500.00	R655 972.46	R79 914.41	R1 592 386.87
R Singh	Chief Marketing Officer	R1 093 036.91	R322 164.14	R217 964.31	R1 633 165.36
JN van der Walt	Chief Financial Officer	R1 339 320.00	R620 764.16	R254 025.93	R2 214 110.09
T Kunene	Chief Quality Assurance Officer	R1 153 500.00	R290 455.16	R108 514.75	R1 552 469.91
P Baloyi***	Manager: Administration	R25 600.00	R121 412.91	R3 597.29	R150 610.20
M Beutter	Manager: Administration	R350 040.00	R297 225.96	R49 162.87	R696 428.83
A Bidesi	GM: Business Information Systems	R332 930.00	R297 866.30	R32 406.12	R663 202.42
FG Buchner	Regional Director (RD): Europe/UK	R835 560.00	R535 360.09	R114 847.09	R1 485 767.18
BNO Chauke	General Manager: Human Resources	R614 220.00	R697 625.50	R63 672.79	R1 375 518.29
J Craig	Global Manager: Communications	R594 960.00	R356 107.21	R58 785.96	R1 009 853.17
PE Dhlomo	Regional Director: Africa and Domestic	R701 150.00	R591 136.32	R66 401.41	R1 358 687.73
N Govender	Operation Manager – SATGC	R495 150.00	R115 387.00	R47 352.12	R657 889.12
A Kotze-Nhlapo [#]	Executive Manager: Convention Bureau	R408 650.00	R93 572.05	R53 455.72	R555 677.77
EM Mahlaba	RD: Americas, Asia and Australasia	R783 240.00	R695 719.17	R87 527.37	R1 566 486.54
M Malikane	Global Manager: Watch-list Markets	R440 730.00	R418 595.54	R45 383.41	R904 708.95
MP Maloma	Manager: Finance	R900 600.00	R219 512.05	R119 907.60	R1 240 019.65
B Muthaya	Manager: Strategic Research	R693 000.00	R401 051.59	R143 069.41	R1 237 121.00
NC Ndlovu	Global Manager: Business Tourism	R663 300.00	R738 164.39	R75 618.39	R1 477 082.78
N Padayachy	Global Manager: Product	R610 490.00	R142 009.38	R108 457.11	R860 956.49
S Pillay	Global Manager: Events	R706 770.00	R651 623.66	R67 111.37	R1 425 505.03
WAF Price	Global Manager: E-Marketing	R779 900.00	R330 349.38	R83 556.87	R1 193 806.25
TF Rakolojane	Marketing and Communications Manager: SATCG	R381 630.00	R335 936.46	R36 850.64	R754 417.10
IR Utermohlen	Global Manager: Marketing and Advertising	R975 540.00	R233 860.50	R129 323.69	R1 338 724.19
Total		R17 170 416.91	R10 565 525.63	R2 201 489.26	R29 937 431.80

Notes

* TS Profit-McLean resigned on 31 August 2011.

** T Nzima was appointed as South African Tourism's Chief Executive Officer effective 1 January 2012.

*** P Baloyi resigned on 30 April 2011.

[#] A Kotze-Nhlapo was appointed as Executive Manager: Convention Bureau effective 1 November 2011.

Report by the Accounting Authority to the Executive Authority continued

11.4 South African Tourism's Retirement Fund Board of Trustees

The following employees served on the South African Tourism Retirement Fund Board of Trustees as at 31 March 2012:

JN van der Walt (Chairperson and employer representative)
F van der Spuy (employee representative)
O Chauke (employer representative)
M Maloma (employee representative)
F Shawe (employee representative)
F Buchner (employee representative)

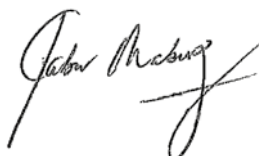
12. Events subsequent to 31 March 2012

12.1 The Minister of Tourism, Mr Marthinus van Schalkwyk, has announced the appointment of the new board members of South African Tourism effective 1 June 2012:

- Chairperson – Frank Kilbourn: Deputy Chairperson of the previous South African Tourism Board.
- Deputy Chairperson – Zwelibanzi Mntambo: Chairperson of the Audit Committee of the South African Tourism Board.
- Siza Mzimela: Chief Executive Officer (CEO) of South African Airways.
- Kananelo Makhetha: Managing Director (MD) of Connex Travel and the former President of the Association of South African Travel Agents (ASATA).
- Tumi Makgabo: Executive Producer of Tumi & Co, a broadcast and media production company.
- Graham Wood: Deputy Chairperson of the Tourism Business Council of South Africa (TBCSA) and Managing Director (MD) of Southern Sun Hotels and Resorts.
- Ayanda Ntsaluba: Executive Director of Discovery Holdings and former Director-General of DIRCO.
- Nomaxabiso Majokweni: Chief Executive Officer (CEO) of Business Unity South Africa (BUSA) and former Chief Executive Officer of the Sandton Convention Centre.
- Alan Moore: Chief Executive Officer (CEO) of the Board of Airline Representatives of South Africa (BARSAs).
- Thebe Ikalafeng: Founder of Brand Leadership Group, South Africa.
- Chairperson of the Tourism Grading Council of South Africa (ex officio) to be appointed in due course.
- Dirk van Schalkwyk: Chief Operating Officer – National Department of Tourism.

12.2 The Executive Committee resolved to include the Executive Manager: Convention Bureau in the Exco structure effective 1 April 2012 with voting powers.

12.3 Ian Utermolen was appointed as the chairperson of the Management Committee effective 1 April 2012.



Jabu Mabuza

Chairperson
31 May 2012

Statement of financial position

as at 31 March 2012

	Notes	2012 R	2011 R
Assets			
Current assets			
Trade and other receivables	2	8 422 781	29 845 226
Staff advances – current	6	105 734	327 677
Cash and cash equivalents	3	170 298 420	269 999 054
		178 826 935	300 171 957
Non-current assets			
Property, plant and equipment	4	70 119 548	62 180 250
Intangibles	5	7 929 503	6 049 025
		78 049 051	68 229 275
Non-current assets		78 049 051	68 229 275
Current assets		178 826 935	300 171 957
Total assets		256 875 986	368 401 232
Net assets and liabilities			
Current liabilities			
Other financial liabilities	8	990 364	735 407
Trade and other payables	7	154 120 780	230 355 416
Income received in advance	10	39 965 955	50 241 437
Provisions	9	9 771 546	8 790 691
		204 848 645	290 122 951
Non-current liabilities			
Provisions	9	20 686 929	12 352 000
Other financial liabilities	8	1 578 185	1 907 306
		22 265 114	14 259 306
Non-current liabilities		22 265 114	14 259 306
Current liabilities		204 848 645	290 122 951
Total liabilities		227 113 759	304 382 257
Assets		256 875 986	368 401 232
Net assets and liabilities		(227 113 759)	(304 382 257)
Net assets		29 762 227	64 018 975
Net assets			
Reserves			
Accumulated surplus		12 413 285	46 729 335
Revaluation reserve		17 349 144	17 289 640
Total net assets and liabilities		29 762 429	64 018 975

Statement of financial performance

for the year ended 31 March 2012

	Notes	2012 R	2011 R
Revenue			
Government grants		668 613 000	631 685 000
Other grants		98 169 485	104 972 583
	11	766 782 485	736 657 583
		766 782 485	736 657 583
Other income		–	–
Sundry income		48 190 930	72 621 059
Grading income	12	5 284 180	6 375 801
Interest received		8 721 120	11 205 708
Foreign currency gains		–	7 543 510
		62 196 230	97 746 078
Operating expenses			
Marketing expenses	14	(629 760 135)	(691 744 268)
Employee costs		(121 990 139)	(103 627 559)
Auditors' remuneration	13	(3 470 022)	(3 331 175)
Other operating expenses	16	(43 763 538)	(41 417 990)
Depreciation, amortisation and impairments		(13 240 621)	(14 341 441)
Loss on disposal of assets		(1 135 741)	(827 578)
Foreign currency losses		(48 987 258)	–
		(862 347 454)	(855 290 011)
Finance costs	15	(947 312)	(797 752)
Deficit/surplus before taxation		(34 316 052)	(21 684 097)

Statement of changes in net assets

for the year ended 31 March 2012

	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				
Total recognised income and expenses for the year	2 651 816	638 162	–	3 289 978
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 1 April 2010	16 874 987	638 162	65 165 780	85 678 929
Transfer to/from general reserve	662 305	(638 162)	–	24 143
Deficit for the year	–	–	(21 684 097)	(21 684 097)
Transfer revalued depreciation	(247 652)	–	247 652	–
Balance at 1 April 2011	17 289 640	–	46 729 335	64 018 975
Changes in net assets				
Revaluation of assets	–	59 504	–	59 504
Transfer from general reserve	59 504	(59 504)	–	–
Net income/(expenses) recognised directly in net assets	59 504	–	–	59 504
Deficit for the year	–	–	(34 316 050)	(34 316 050)
Total recognised income and expenses for the year	59 504	–	(34 316 050)	(34 256 546)
Total changes	59 504	–	(34 316 050)	(34 256 546)
Balance at 31 March 2012	17 349 144	–	12 413 285	29 762 429

Cash flow statement

for the year ended 31 March 2012

	Notes	2012 R	2011 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		53 475 110	78 996 860
Grants		766 782 485	736 657 583
Interest income		8 721 120	11 205 708
		828 978 715	826 860 151
Payments			
Employee costs		(121 990 139)	(103 627 559)
Suppliers		(780 524 127)	(667 700 131)
Finance costs		(947 312)	(797 752)
		(903 461 578)	(772 125 442)
Total receipts		828 978 715	826 860 151
Total payments		(903 461 578)	(772 125 442)
Net cash flows from operating activities	17	(74 482 863)	54 734 709
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(17 655 391)	(3 892 862)
Proceeds from sale of property, plant and equipment	4	(950 435)	–
Purchase of other intangible assets	5	(5 590 269)	(5 238 474)
Net cash flows from investing activities		(24 196 095)	(9 131 336)
Cash flows from financing activities			
Finance lease payments		(1 021 476)	(261 553)
Net increase/(decrease) in cash and cash equivalents		(99 700 434)	45 341 820
Cash and cash equivalents at the beginning of the year		269 999 054	224 657 234
Cash and cash equivalents at the end of the year	3	170 298 620	269 999 054

Accounting policies

for the year ended 31 March 2012

1. Basis of preparation

The Annual Financial Statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Public Finance Management Act (Act 1 of 1999). These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African rand.

These accounting policies are consistent with the previous period.

1.1 Significant judgements

In preparing the 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 have an 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 19.

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 20.

1.2 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The

Accounting policies continued

for the year ended 31 March 2012

expenditure is classified in accordance with the nature of the expense and, where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.3 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and, where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.4 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government and National Treasury Practice Note No 4 of 2008/2009.

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 funds administrators.

Payments to defined contribution retirement benefits plans are expensed to the income statement under salaries and employee benefits in the period in which service was rendered by employees.

Post-retirement healthcare benefit

The liability recognised in the balance sheet in respect of a defined pension plan is the present value of the defined benefit obligation at the balance sheet date less the value of plan assets, together with adjustments for unrecognised actuarial gains 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 rands, 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 rands 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 of land, buildings and artwork. Land is stated at fair value and not depreciated. Buildings and artwork are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. All other categories of property, plant and equipment are stated at historical cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Accounting policies continued

for the year ended 31 March 2012

When an item of PPE is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. South African Tourism revalues land, buildings and artwork once every three years. The latest revaluation was conducted in the current financial year.

The revaluation surplus in equity related to land, buildings and artwork is transferred directly to retained earnings when the assets are derecognised.

The revaluation surplus in equity related to buildings and artwork is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

PPE 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 South African Tourism does not obtain ownership thereof. Finance lease payments are allocated, using the effective interest rate method, between the finance cost of the lease, which is included in the financing costs, and the capital repayment, which reduces the liability to the lessor. The corresponding rental obligations, net of finance charges, are included in short-term and long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant period rate of interest on the remaining balance of the liability for each period.

Operating leases – lessor

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

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

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

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

1.12 Deferred funds

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

1.13 Provisions

Provisions are recognised when 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.

Accounting policies continued

for the year ended 31 March 2012

Trade and other receivables are classified as loans and receivables.

Effective interest rate method

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

AFS financial assets

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

Derecognition of financial assets

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit – held for trading.

Financial liabilities

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

1.15 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:

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

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 property, plant and equipment. For all other PPE items 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 21). Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operational decisions. A related-party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

1.17 General reserve

South African Tourism participates and holds numerous exhibitions, seminars, workshops and other functions where various marketing material is utilised. In some instances South African Tourism obtains assets, e.g. artwork that stems from these events. These assets are subsequently brought onto the fixed assets register with a value of R1. At year-end all assets reflected in the assets register with a cost of R1 are reviewed by management and updated to current market values. At year-end management decided to reclassify general reserve to revaluation reserve.

Notes to the annual financial statements

for the year ended 31 March 2012

	2012 R	2011 R
2. Trade and other receivables		
Trade debtors	5 861 202	20 084 435
Impairment of trade receivables	(3 238 939)	(9 282 824)
Deposits and other receivables	3 605 543	6 305 833
Prepaid expenses	2 194 975	12 737 782
	8 422 781	29 845 226
<p>Total trade receivables (net of impairment) held by the entity at 31 March 2012 amounted to R2.6 million (2011: R5.7 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.</p> <p>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.</p> <p>South African Tourism's debtors consist mainly of staff debtors and funders, i.e. provincial tourism authorities and government departments. South African Tourism does not impair these debtors because settlements of monies owed takes longer than usual. Recovery of these monies is not regarded as high risk because contracts are in place between the parties. The human resources department performs credit checks on all staff, hence loans are granted to them based on this information.</p> <p>The creation and release of provision for impairment receivables have been included in operating expenses in the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The entity does not hold any collateral as security.</p> <p>The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.</p> <p>Movement in the allowance for debtors</p>		
Opening balance	9 282 824	3 320 355
Increase/decrease in the provision	(6 043 885)	5 962 469
Closing balance	3 238 939	9 282 824
Ageing of impairment		
91 – 180 days	387 645	–
181 – 360 days	1 253 086	2 595 597
361+ days	1 598 208	6 687 227
	3 238 939	9 282 824
<p>South African Tourism believes that there is no further credit provision required in excess of the current allowance for doubtful debts.</p>		
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	170 298 420	269 999 054

4. Property, plant and equipment

R	2012			2011		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Land	8 131 482	–	8 131 482	8 131 482	–	8 131 482
Buildings	30 101 293	(2 224 228)	27 877 065	30 013 014	(935 468)	29 077 546
Furniture and fixtures	37 981 747	(14 395 687)	23 586 060	27 178 029	(12 480 183)	14 697 846
Motor vehicles	1 699 634	(1 052 763)	646 871	1 699 634	(781 557)	918 077
Computer equipment	9 706 588	(5 513 049)	4 193 539	12 937 284	(9 995 437)	2 941 847
Leasehold improvements	5 220 077	(2 177 803)	3 042 274	5 220 077	(1 928 527)	3 291 550
Leased assets	9 928 924	(7 286 667)	2 642 257	11 106 963	(7 985 061)	3 121 902
Total	102 769 745	(32 650 197)	70 119 548	96 286 483	(34 106 233)	62 180 250

Reconciliation of property, plant and equipment – 2012

R	Opening balance	Additions	Disposals	Depreciation	Total
Land	8 131 482	–	–	–	8 131 482
Buildings	29 077 546	–	(185 306)	(1 015 172)	27 877 065
Furniture and fixtures	14 697 846	12 905 779	–	(4 017 565)	23 586 060
Motor vehicles	918 077	–	–	(271 207)	646 871
Computer equipment	2 941 847	4 064 882	–	(2 813 191)	4 193 539
Leasehold improvements	3 291 550	203 031	–	(452 307)	3 042 274
Leased assets	3 121 902	481 699	–	(961 344)	2 642 257
	62 180 250	17 655 391	(185 306)	(9 530 786)	70 119 548

Reconciliation of property, plant and equipment – 2011

R	Opening balance	Additions	Disposals	Depreciation	Total
Land	8 131 482	–	–	–	8 131 482
Buildings	29 780 127	–	(53 108)	(649 473)	29 077 546
Furniture and fixtures	18 407 453	782 794	(197 874)	(4 294 527)	14 697 846
Motor vehicles	1 381 041	–	–	(462 964)	918 077
Computer equipment	4 069 926	2 327 454	(184 679)	(3 270 854)	2 941 847
Leasehold improvements	3 381 641	781 786	–	(871 877)	3 291 550
Leased assets	4 791 254	829	–	(1 670 181)	3 121 902
	69 942 924	3 892 863	(435 661)	(11 219 876)	62 180 250

5. Intangible assets

R	2012			2011		
	Cost/ Valuation	Accumulated amortisation	Carrying value	Cost/ Valuation	Accumulated amortisation	Carrying value
Marketing rights	2 500 000	(1 900 000)	600 000	2 500 000	(1 750 000)	750 000
Computer software	11 643 308	(4 727 524)	6 915 784	6 520 076	(1 980 461)	4 539 615
Website costs	754 938	(341 219)	413 719	2 170 001	(1 410 591)	759 410
Total	14 898 246	(6 968 743)	7 929 503	11 190 077	(5 141 052)	6 049 025

Notes to the annual financial statements continued

for the year ended 31 March 2012

5. Intangible assets continued

Reconciliation of intangible assets – 2012

R	Opening balance	Additions	Amortisation	Total
Marketing rights	750 000	–	(150 000)	600 000
Computer software	4 539 617	5 590 269	(3 216 333)	6 915 784
Website costs	759 410	–	(343 460)	413 719
	6 049 027	5 590 269	(3 709 793)	7 929 503

Reconciliation of intangible assets – 2011

R	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

	2012 R	2011 R
6. Staff advances		
Staff advances – current	105 734	327 677
In order to manage credit risk, South African Tourism has a policy of ensuring that any advance made to South African Tourism employees is deducted in full in the month subsequent to the date which the advance was made. The carrying amount of R105 734 best represents the maximum exposure to credit risk.		
7. Trade and other payables		
Trade payables and other payables	46 069 135	70 502 842
Accrued liabilities	105 848 752	159 852 574
Deposits received	2 202 893	–
	154 120 780	230 355 416

	2012 R	2011 R
8. Other financial liabilities		
Minimum lease payments due		
• within one year	1 224 580	1 425 439
• in second to the fifth year inclusive	2 652 102	2 731 666
	3 876 682	4 157 105
Less: Future finance charges	(1 308 133)	(1 514 392)
Present value of minimum lease payments	2 568 549	2 642 713
Non-current liabilities	1 578 185	1 907 306
Current liabilities	990 364	735 407
	2 568 549	2 642 713

8. Other financial liabilities continued

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 finance lease:

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

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

Staff and other guarantees

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

9. Provisions

Reconciliation of provisions – 2012

R	Opening balance	Additions	Total
China tax liability	–	8 031 544	8 031 544
Provision – input VAT credits	8 790 691	980 855	9 771 546
Post-retirement healthcare benefits	12 352 000	303 385	12 655 385
	21 142 691	9 315 784	30 458 475

Reconciliation of provisions – 2011

	Opening balance	Exchange rate difference	Settlements in the current year	Increase in provision	Total
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
Non-current liabilities				20 686 929	12 352 000
Current liabilities				9 771 546	8 790 691
				30 458 475	21 142 691

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 provision for the China tax liability represents the amount of tax which the Chinese tax authorities are claiming from South African Tourism. The office is a non-profitable office but the tax authorities insist that the South African Tourism Beijing office has to pay tax on total expenses incurred.

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

Notes to the annual financial statements continued

for the year ended 31 March 2012

	2012 R	2011 R
10. Income received in advance		
Movement during the year		
Balance at the beginning of the year	50 241 437	56 572 147
Additions during the year	39 965 955	46 516 624
Income recognition during the year	(50 241 437)	(52 847 334)
	39 965 955	50 241 437
Income received in advance comprises revenue received from TBCSA in terms of contractual commitments where services will be rendered in the 2012/13 financial year.		
11. Revenue		
Government grants	668 613 000	631 685 000
Other grants	98 169 485	104 972 583
	766 782 485	736 657 583
12. Grading income		
Grading income	–	–
Total grading revenue	12 988 533	14 755 031
Assessors' fees	(7 704 353)	(8 379 230)
Grading income	5 284 180	6 375 801
13. Auditors' remuneration		
Fees	3 470 022	3 331 175
14. Marketing		
Consultants' fees	69 290 846	64 960 934
Other marketing expenditure	560 469 289	626 783 334
15. Finance costs		
Finance leases	947 312	797 752
16. Other operating expenses		
Administration and management fees	32 702 270	26 053 009
Bad debts	465 000	5 962 469
Lease rentals on operating lease	10 596 268	9 402 512
	43 763 538	41 417 990

	2012 R	2011 R
17. Cash (used in)/generated from operations		
Deficit	(34 316 052)	(21 684 097)
Depreciation and amortisation	13 240 572	14 341 441
Loss on sale of assets and liabilities	1 135 741	827 578
Gain/loss on unrealised foreign exchange	175 719	(773 619)
Finance costs – finance leases	947 312	797 752
Movements in provisions	9 315 784	1 376 131
Other non-cash items	–	–
Changes in working capital:		
Trade and other receivables	21 422 445	45 529 117
Staff advances – current	105 734	67 888
Trade and other payables	(76 234 636)	20 583 228
Income received in advance	(10 275 482)	(6 330 710)
	(74 482 863)	54 734 709
18. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	6 158 000	12 202 000
Operating leases – as lessee (expense)		
Contracted for		
Minimum lease payments due		
• within one year	6 366 676	5 309 178
• in second to fifth year inclusive	5 336 829	9 989 186
	11 703 505	15 298 364
Operating leases relate to rental of premises, with lease terms varying between four to eight years, and rental of office equipment with lease terms varying between two to three years. All operating lease contracts contain market review clauses taking economic factors into consideration in increasing operating lease rentals. The entity does not have an option to purchase the leased asset at maturity of the lease period.		

Notes to the annual financial statements continued

for the year ended 31 March 2012

	2012 R	2011 R
19. 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 2012 was valued at R69 204 366 (2011: R58 742 666) and has been allocated to the following investment portfolios:		
Allan Gray Equity	6 687 912	4 763 524
Coronation Absolute	31 760 495	9 594 602
Old Mutual Profile Pinnacle	8 389 835	6 291 391
Allan Gray Money Market	–	28 780 202
Satrix 40	20 182 447	7 634 650
Current account	2 183 677	1 678 297
Total fund value	69 204 366	58 742 666
South African Tourism also offers post-retirement healthcare benefits to all eligible domestic retired employees. Retirees share in the cost of their healthcare benefits through service-related contributions. Post-retirement healthcare benefits are unfunded.		
Accounting provision for healthcare liabilities		
Liability at 1 April	12 352	10 843
Expenses:		
Service cost	780	598
Benefits	(960)	(828)
Interest cost	309	1 044
Actuarial gain	175	695
Liability at 31 March	12 656	12 352
The movement in provision for post-retirement healthcare benefits is included in the statement of financial performance.		
Assumptions	10%	8.04% p.a.
Assumed medical aid inflation	8.9%	2% p.a.
Net discount rate	Projected unit	Projected unit
Actuarial method	Credit	Credit

20. Financial instruments

Interest rate risk

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

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

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

Foreign currency risk

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:

	2012 R	2011 R
USD	7.62085	6.8456
GBP	12.2008	10.9761
JPY	0.09331	0.08262
EUR	10.2437	9.6537
INR	0.14742	0.1512
AUD	7.97366	7.0583
CNY	1.20155	1.0451

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 among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

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.

Notes to the annual financial statements continued

for the year ended 31 March 2012

20. Financial instruments continued

	2012 R	2011 R
Financial assets		
Loans and receivables		
Trade and other receivables	8 422 781	29 845 226
Available for sale financial assets		
Cash and cash equivalents	170 298 420	269 999 054
Financial liabilities		
Carrying amount of financial liabilities	156 689 150	232 998 139
Other financial liabilities		
Finance lease obligation – non-current portion	1 578 185	1 907 306
Finance lease obligation – current portion	990 185	735 407
Trade and other payables	154 120 780	230 355 426

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

21. Related parties

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

South African Tourism is 100% controlled by its shareholder, the government, represented by the National Department of Tourism. South African Tourism constitutes a Schedule 3A public entity in terms of the Public Finance Management Act. 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 R668 613 000 (2011: R631 685 000). No amounts were due to NDT by South African Tourism as at 31 March 2012 (2011: 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:

	2012 R	2011 R
Related-party transactions		
Public entity		
Telkom	308 836	409 032
South African Airways	534 313	282 091
SA National Parks Board	263 560	140 567
SARS	19 256 446	17 474 476
	20 363 155	18 306 166

	2012 R	2011 R
21. Related parties continued		
Key management personnel compensation		
Short-term employee benefits	8 677 181	7 275 915
Post-employment benefits	1 187 639	989 925
Equity compensation benefits	–	–
Other long-term benefits	35 277	27 282
	9 900 097	8 293 122
Related-party balances		
Public entity	–	15 915
SA National Parks Board	–	–
UIF	–	–
Robben Island Museum	–	–
SARS	–	–
South African Airways	–	–
	–	15 915
22. Taxation		
South African Tourism is exempt from income tax in terms of section 10(1)(CA)(1) of the Income Tax Act.		
23. 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.		
24. 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:		
Net deficit per the statement of financial performance	(34 316 052)	(21 684 097)
Adjusted for:		
Depreciation and amortisation	13 240 621	14 341 441
Impairments recognised/reversed	–	–
Loss on disposal of assets	1 135 741	–
Increases/decreases in provision	9 012 399	1 376 131
Unrealised foreign exchange losses/gains	(438 692)	612 301
Over/(under) expenditure	11 365 983	5 354 224
	–	–

Notes to the annual financial statements continued

for the year ended 31 March 2012

25. Standards and amendments to standards issued but not effective

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

Standard	Summary and impact	Effective date
GRAP 23 – Revenue from Non-exchange Transactions	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

The following standards and amendment to standards, **not** applicable to South African Tourism have been issued but are not effective:

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

	2011/12 R	2010/11 R
26. Irregular expenditure		
Opening balance	–	–
Add: Irregular expenditure – current year	6 898	–
Less: Amounts condoned	6 898	–
Less: Amounts recoverable (not condoned)	–	–
Less: Amounts not recoverable (not condoned)	–	–
Irregular expenditure awaiting condonation	–	–
Analysis of expenditure awaiting condonation per age classification		
Current year	–	–
Prior years	–	–
Total	–	–

Details of irregular expenditure – current year

Details of irregular expenditure not recoverable, condoned

Incident 1

The motivation for selecting H&B cleaning which was approved by the CFO indicates that three quotes were obtained, however, proof of the quotes could not be obtained. As the contract is from 1 April 2011 to 31 March 2012 for GBP585 per month, the total contract value is GBP7 020. As the contract value amounts to more than GBP2 000 and no proof of the three quotations could be obtained, the supply chain management policy has been contravened.

This constitutes irregular expenditure GBP7 020 (ZAR87 259).

Corrective action

Disciplinary action and Board condonement.

Incident 2

The Italy office has a contract with Simone Raso to the value of EUR294 000 for three years. The services of Simone Raso were obtained by getting three quotations instead of procuring through a competitive bidding process.

The impact is non-compliance with the PRMA, TR 16A and the Supply Chain Management Policy. This constitutes irregular expenditure of EUR294 000 (ZAR3 151 680).

Corrective action

Disciplinary action and Board condonement.

Incident 3

The contract with Beijing Tongzhou Lianda Science & Technology Co. Limited for the construction and maintenance of the South African Tourism China website was renewed for the period 1 April 2011 to 31 March 2012. The renewal was done without obtaining three quotations as stated in the supply chain management policy. PN 8 of 2007/08, paragraph 3.3.3, was also contravened as a motivation for deviating from the policy and Treasury Regulations was not submitted for approval.

The impact is non-compliance with the Supply Chain Management Policy and National Treasury Practice Note 8 of 2007/08. This is considered to be irregular expenditure of CNY 299 600 (ZAR 313,112).

Corrective action

Disciplinary action and Board condonement.

Notes to the annual financial statements continued

for the year ended 31 March 2012

26. Irregular expenditure continued

Incident 4

The contract awarded to Infox USA in April 2003 expired in March 2007. Management did not renew the contract through tender processes, but Infox USA is still providing the warehouse services without a valid contract, thus all expenditure incurred without a valid contract constitutes irregular expenditure in accordance with the PFMA.

The impact is non-compliance with the Supply Chain Management Policy, laws and regulations and is considered to be irregular expenditure of USD473 135.01 (ZAR3 345 847.80).

Corrective action

An independent expert, approved by the Board, was appointed to further examine the circumstances pertaining to the conclusion and extension of the warehouse and management contracts in the USA and Europe, and payment of management fees to Infox.

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	UIA	Union of International Associations
King II	King Committee on Corporate Governance in South Africa, 2002	UIF	Unemployment Insurance Fund
King III	King Code and Report on Governance for South Africa that became effective on 01/03/2010	UK	United Kingdom
		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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