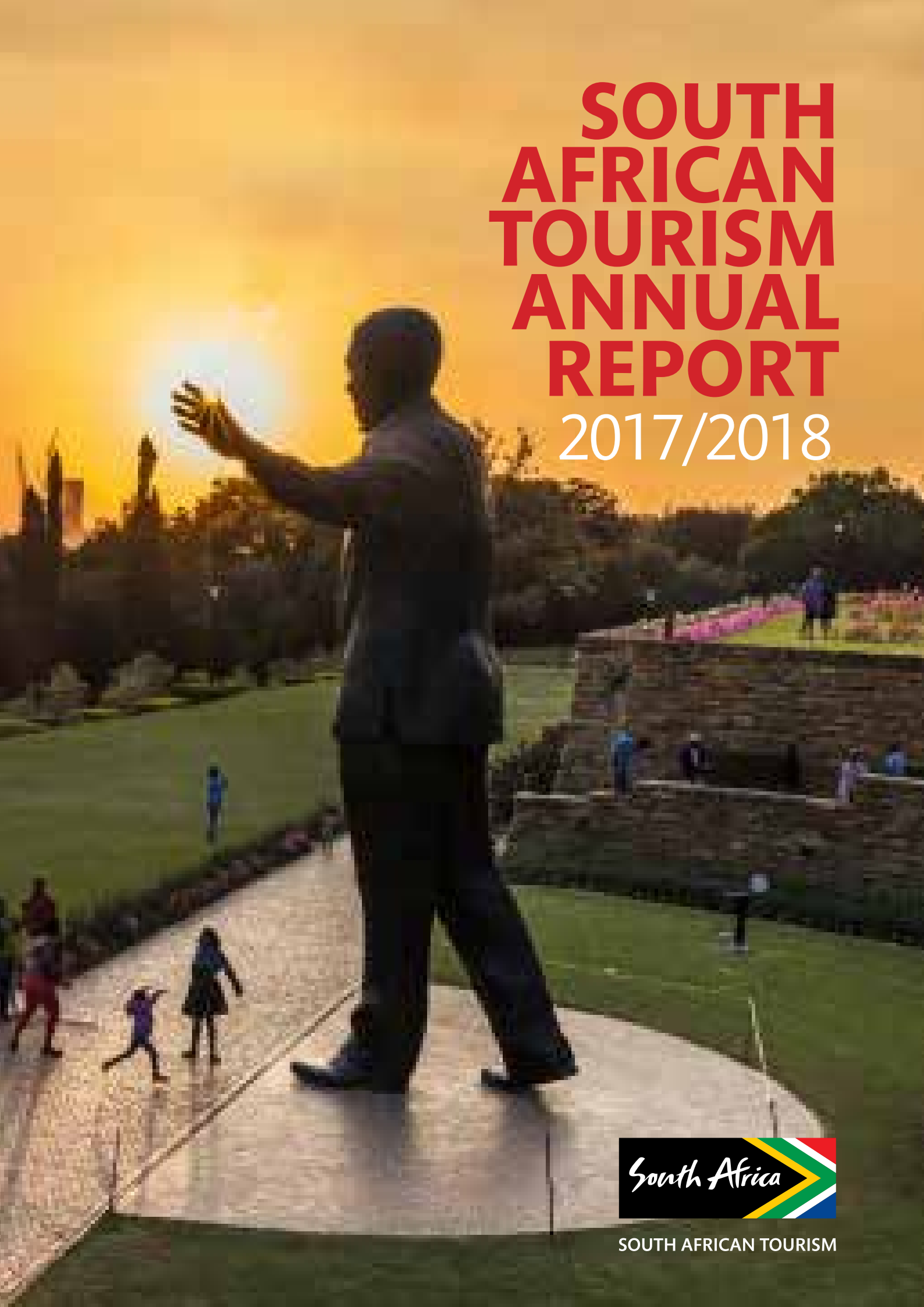


SOUTH AFRICAN TOURISM ANNUAL REPORT

2017/2018



SOUTH AFRICAN TOURISM

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*"Education is the most powerful weapon which
you can use to change the world."*

- Nelson Rolihlahla Mandela

A

**GENERAL
INFORMATION**

SOUTH AFRICAN TOURISM GENERAL INFORMATION

**Name of Public Entity:**

South African Tourism

**Registered Office Address:**

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South Africa

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**External Auditor's Information:**

Auditor-General of South Africa

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0001

**Company Secretary:**

Amritha Mahendranath (April to October 2017);

Takalani Ndou (acting since November 2017)

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11

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SOUTH AFRICAN TOURISM BANKERS' INFORMATION

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

LIST OF DEFINITIONS, ABBREVIATIONS AND ACRONYMS

DEFINITIONS

5-in-5 strategy – South African Tourism’s Enhanced Strategy for Growth, which aims to add five million more international arrivals and domestic holiday trips within five years, by the end of 2021.

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

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

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

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

Brexit – the United Kingdom’s planned withdrawal from the European Union.

Deputy Minister – the Deputy Minister of Tourism.

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

Minister – the Minister of Tourism (Executive Authority).

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

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

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

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

Portfolio Committee on Tourism – the parliamentary committee on tourism deliberates on Bills covering that department’s area of jurisdiction, and scrutinises and reports on its annual budget and strategic plan.

Project iGnite – South African Tourism’s internal restructuring exercise aimed at transforming the organisation into one that is optimally positioned and resourced to achieve its 5-in-5 strategy.

Sho’t Left – South African colloquialism, originally derived from the taxi industry, which in the travel sector refers to a short trip or getaway to explore your own country.

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

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

Staff categories:

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

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

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

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

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

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

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

ABBREVIATIONS AND ACRONYMS

AGSA	Auditor-General of South Africa	MOU	Memorandum of Understanding
APP	Annual Performance Plan	MRRSAT	Ministerial Review Report on South African Tourism
ARCO	Audit and Risk Committee	MTEF	Medium-Term Expenditure Framework
B-BBEE	Broad-Based Black Economic Empowerment	MTSF	Medium-Term Strategic Framework
BCM	Business Continuity Management	NDP	National Development Plan
BRICS	Brazil, Russia, India, China and South Africa	NPC	Non-Profit Company
CCBO	Chief Convention Bureau Officer	NT	National Treasury
CEO	Chief Executive Officer	NTSS	National Tourism Sector Strategy
CFO	Chief Financial Officer	OHS	Occupational Health and Safety
CMO	Chief Marketing Officer	PFMA	Public Finance Management Act (Act No. 1 of 1999)
COO	Chief Operating Officer	POPI	Protection of Personal Information Act (Act No. 4 of 2013)
CPI	Consumer Price Index	PR	Public Relations
CQAO	Chief Quality Assurance Officer	PTA	Provincial Tourism Agencies
CSI	Corporate Social Investment	ROI	Return on Investment
DG	Director-General of the Department of Tourism	SADC	Southern African Development Community
DIRCO	Department of International Relations and Co-operation	SANCB	South Africa National Convention Bureau
DMC	Destination Management Companies	SDL	Skills Development Levy
DPME	Department of Planning, Monitoring and Evaluation	StatsSA	Statistics South Africa
DTGS	Domestic Tourism Growth Strategy	SMME	Small, Medium and Micro-Sized Enterprise
EE	Employment Equity	TBCSA	Tourism Business Council of South Africa
EXCO	Executive Management Committee of South African Tourism	TDDS	Total Domestic Direct Spend
GDP	Gross Domestic Product	TEP	Tourism Enterprise Partnership
GRAP	Generally Recognised Accounting Practice	TIP	Tourism Incentive Programme
HR	Human Resources	TGCSA	Tourism Grading Council of South Africa
ICCA	International Congress and Convention Association	TTFDS	Total Tourist Foreign Direct Spend
IIA	Institute of Internal Auditors	TOMSA	Tourism Levy South Africa
JMA	Joint Marketing Agreement	UK	United Kingdom
KPA	Key Performance Area	UNWTO	United Nations World Travel Organisation
KPI	Key Performance Indicator	US	United States
MICE	Meetings, Incentives, Conferences and Exhibitions	VFM	Value for Money
MIF	Marketing Investment Framework	VFR	Visiting Friends and Relatives
MINMEC	Ministers and Members of Executive Councils Meeting	WSP	Workplace Skills Plan
MIPTEC	Ministerial Provincial Technical Committee	WTTC	World Travel and Tourism Council

MESSAGE FROM THE MINISTER OF TOURISM



Last year was a year in which South Africans faced political and economic uncertainty, strong global headwinds and a drought that had a significant impact on our tourism economy. One of our many assets is our resilience as South Africans - as we bring our country towards greater political cohesion and stronger economic stability, so too have the rains come, and the South African landscape is looking far greener with possibility.

Tourism performed well under extremely difficult circumstances last year. International arrivals (especially from overseas markets) were up, despite a slowdown in arrivals from our neighbouring countries due to depressed economic conditions. On the home front, a sluggish economy led to fewer South Africans being able to afford to take their usual seasonal trips to visit their friends and family members. On the upside, more South Africans with means took holiday trips, but we are still concerned that the majority of our citizens are unable to explore their own country because they lack the disposable income to do so.

Our credit ratings have improved, investment is coming in and tourism continues to be one of the country's top-performing sectors. Thanks to the passion, commitment and hard work of players in the tourism industry, we have weathered the storms together.

Further good news is that the Departments of Tourism and Home Affairs are working together to facilitate greater ease of access by making our visa regulations more tourist-friendly. Arrivals from newly visa-exempt countries, such as Russia, have grown impressively, and this informs our initiatives towards creating a more convenient and streamlined entry process.

According to the latest World Travel and Tourism Council (WTTC) 2018 Report for South Africa, the tourism sector directly contributed 2.9% to South Africa's Gross Domestic Product in 2017.


South African Tourism estimates that tourists spent R102.8-billion in our economy last year. However, the total direct and indirect economic contribution could be multiplied by a factor of four, according to the WTTC, by including pre-paid expenditure, some of which is remitted to South Africa, and the knock-on benefits of tourism and its revenue-generating ability across other sectors, from agriculture to manufacturing.

While technological advances are displacing workers in many sectors, tourism remains dependent on people to provide services. It is an employment intensive sector. The WTTC report estimates that our tourism sector offers employment, either directly or indirectly, to more than 1.5 million people. This is why tourism is so important to our economy.

Strides are being made to encourage a more equitable spread of tourism to all nine provinces, particularly those that are traditionally less popular with local and international tourists. Effectively marketing these “hidden gems” generates much-needed jobs and economic opportunities for poor communities. There should be no reason for people to leave their family homes to look for work in the major centres when tourism should present opportunities for employment.

We congratulate South African Tourism on forging ahead on a path that prioritises inclusive, responsible and sustainable tourism growth across all nine provinces, to small businesses and emerging entrepreneurs, to young people and women, and to rural communities, while marketing South Africa as a must-visit destination for the world to discover and enjoy.

There is still much work to be done to realise the ambitions of the National Development Plan, the Domestic Tourism Growth Strategy and the National Tourism Sector Strategy. But, with the collaboration of all role-players across the private and public sectors, as well as civil society, we are confident that we can turn tourism into a powerful engine that drives our economy forward.



Derek Hanekom, MP

Minister of Tourism

FOREWORD BY THE CHAIRPERSON



As the tenure of the current South African Tourism Board draws to a close, we can look back with pride on a successful four years marked by organisational stability, good governance, improved stakeholder communication and solid tourism growth.

We commend the executive of South African Tourism on achieving its 17th successive unqualified audit report, underscoring our entity's commitment to upholding the highest standards of reporting, accountability, transparency, and fair and equitable business practices.

As a Board, we have been privileged to draw from an extensive repository of skills and insights in both the private and public sectors. These individuals have helped to steer the entity with confidence towards fulfilling its mandate of achieving inclusive economic growth through the marketing of South Africa as a destination.

It's a pleasure to report that tourism in South Africa is in a healthy space. We have proudly taken our place at the table as one of the world's most desirable destinations, coveted by seasoned travellers, adventurous millennials and those seeking memorable, meaningful and even life-changing moments that extend beyond snapshots and selfies.

All is not rosy, though. We still have a long way to go to achieve our vision of maximising the economic potential of our sector and thereby extending the fruits of our tourism bounty to all our people, but we are making steady progress towards that goal.

With this in mind, South African Tourism embarked on an internal restructuring exercise named Project iGnite in the 2017/2018 financial year. This will help the entity to optimise its financial resources and human capital to better deliver on our 5-in-5 strategy, which aims to add five million more domestic and international tourism trips to the current base within five years.

This has entailed us upscaling our use of research and data to invest our marketing budget in selected core markets, identified for their potential to deliver sustained tourism growth or "quick wins", and to set up regional hubs from which to implement this strategy on the ground.

The new organisational structure forms part of this broader plan, helping South African Tourism to become more focused, agile and responsive in an ever-changing global tourism landscape. We also seek to foster a workforce and workplace that is more energised, motivated and empowered to effect positive change in our tourism economy.

As I step down as chairperson and assume the position of deputy chairperson of the Board, I wish to thank the previous Board members for their sterling service, and extend my congratulations and support to the new Board, under the very capable custodianship of Monwabisi Fandesio.

In his capacity as chairperson of the Tourism B-BBEE Charter Council, he was instrumental in highlighting the need for the accelerated transformation of our sector by developing the Amended Tourism B-BBEE Sector Code to drive broad-based black economic empowerment. With Mr Fandeso's invaluable knowledge and expertise at the disposal of South African Tourism, we are ideally placed to accelerate our drive to achieve the kind of meaningful transformation and grassroots development the sector needs.

We also look forward to bolstering our engagements with all stakeholders, including industry bodies and public sector players, to nurture co-operation and partnerships for the common good of tourism and our broader economy.

Tourism is an exciting and ever-evolving arena to be playing in. This means we need to be nimble and deliver informed responses to global concerns over sustainable and ethical tourism, the dilemma of "overtourism", the threats posed by climate change and the positive and negative effects of market disruptors and the shared economy, to name but a few areas.

We are confident that we have what it takes to rise to these challenges with aplomb, and look forward to continuing to play a role in helping our tourism sector to truly take flight and soar.



Dr Tanya Abrahamse

Chairperson: South African Tourism Board

CHIEF EXECUTIVE OFFICER'S OVERVIEW



At South African Tourism, we cannot help but be buoyed by the new wave of optimism sweeping over our country. This upbeat outlook has been reinforced by the government reaffirming its faith in the value of tourism to the economy, and increasing South African Tourism's budget allocation to R1.23-billion. This will greatly enhance our destination marketing efforts, with one of our priorities being to stimulate domestic tourism by highlighting accessible and affordable travel options for all pockets.

We were further encouraged when President Cyril Ramaphosa, in his maiden State of the Nation address, commended the tourism sector's growth and highlighted its ability to provide the country with "incredible opportunities to, quite literally, shine".

Indeed, it is fortuitous that President Ramaphosa's Thuma Mina ("send me") rallying call, citing a song by the late Hugh Masekela, echoes the ethos of South African Tourism's people-centric We Do Tourism movement.

The six main "pillars" on which we sell South Africa as a destination extol the virtues of our breathtaking beaches, our unrivalled scenery, our abundant wildlife, our adventure offerings, our cultural drawcards and our buzzing city lifestyle. But, as we all know, each of these experiences is amplified and magnified by tourists' memorable personal interactions with our people.

Our We Do Tourism movement is an inspiring call to action for all South Africans to play a meaningful role in "doing" tourism in thought and deed. We want to entrench our country as a tourist-friendly haven of welcoming smiles, helping hands and incredible experiences – placing our people squarely at the centre of our distinctive appeal as a tourism destination.

In 2018, we are celebrating the remarkable life of our late president, Nelson Mandela, during the year marking the centenary of his birth. At this time, we urge South Africans to embody the #BeTheLegacy theme and "do" tourism by walking in his footsteps – both literally, by visiting the places across our country that nurtured and shaped our beloved icon, and symbolically, by living his values and demonstrating our love for our beautiful country.

Because the fortunes of our tourism economy are closely interlinked with those of the continent, it is gratifying to see that tourism in Africa is booming, with an 8% surge in international tourist arrivals in 2017. This remarkable growth is above the global average of 7%, as reported by the United Nations World Tourism Organisation for the last calendar year.

South Africa is ideally positioned to capitalise on the unprecedented global travel boom, as we seek to unleash our country's full potential to bring about inclusive growth through tourism.

In pursuit of this, last year South African Tourism rolled out its 5-in-5 strategy, which aims to add five million more tourist trips (domestic and international) by 2021. We used industry insights and smart data to map out a marketing investment framework to inform where and how we invest our marketing budget. We also restructured our organisation, ensuring the right people were in the right positions to execute our growth strategy effectively.

In 2017, South Africa welcomed 10.29-million foreign tourists (visitors who stayed overnight), which was up 2.4% compared to 2016. While this is a laudable increase, it is lower than what we had hoped for and worked hard to achieve, and lags behind the global tourism performance.

The largest proportion of our international tourists last year – 74%, or 7.6-million – were from the African continent. But these visitors only make up 38% of our foreign tourism revenue. Of that number, 50% hail from three source markets alone: Zimbabwe, Mozambique and Lesotho. Currency shortages and depressed economies resulted in a decline in the number of people from these countries travelling to South Africa in 2017. As a result, our arrivals from Africa only recorded modest growth of 0.8% over 2016.

However, despite setbacks such as the Knysna wildfires and the water shortages in the Western and Eastern Cape, the number of tourists coming to South Africa from the rest of the world (excluding Africa) grew by 7.2%, to 2.7-million. This group, despite constituting only 26% of the total number of our international arrivals, was responsible for 62% of our foreign tourism revenue generated last year.

This growth from overseas markets can be seen as solid, given other potential deterrents to travellers such as the listeriosis outbreak in South Africa, as well as incidences of plague and Ebola elsewhere on the continent.

Visa processing issues, as well as travellers' perceptions of inadequate safety and security in South Africa, also had an impact on our international arrivals. In addition, fewer people from our traditionally strong source markets opted to travel abroad due to economic uncertainty at home, such as Brexit in the United Kingdom.

During the period under review, domestic leisure holiday trips rose significantly, by 12%, but visits to friends and relatives (VFR) were sharply down. This shows us that South Africans with disposable income are seeing the value in taking a "sho't left", but the majority of our people are unable to take even the shortest of trips, given the tough economic climate and rising fuel costs. This stark contrast – between those who can afford to travel locally for leisure and those who cannot even afford to go and visit their loved ones – is a manifestation of the extreme inequality gap in the country, as illustrated by our high Gini coefficient.

Encouragingly, our efforts to market South Africa as a business events destination of choice are paying dividends. Through the efforts of our South Africa National Convention Bureau division, as well as their provincial and city counterparts, global meeting planners are increasingly taking advantage of our world-class facilities and professional services. We are also redoubling our delegate-boosting efforts to entice more people to come to conferences here, to bring their spouses, partners and family members along, and to add a leisure component to their business trips.

A destination succeeds or fails on the fulfilment of its brand promise, and this is where quality assurance, driven by our Tourism Grading Council of South Africa unit, comes in. The number of South African establishments opting to become graded came under pressure during the past financial year, partially due to market disruptors in the accommodation space. However, we are now starting to reap the rewards of an intensive marketing and communications campaign around the value and importance of being star-graded.

Through initiatives such as the Hidden Gems, which gives small and emerging businesses a vital platform through which to access the tourism market and promotes the geographic spread of tourism throughout South Africa, we are striving to help bring about transformation in our sector and create sustainable job opportunities. This philosophy of inclusive growth entails growing our country's tourism pie by adding more diversity to our bouquet of tourism offerings, complementing existing players and products.

There is still much left for us to accomplish as an organisation and as a country but, in the industrious spirit of our global icon, let us strive to find the Mandela in all of us as we proudly "do" tourism in 2018 and beyond.



Sisa Ntshona

Chief Executive Officer: South African Tourism



STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2018

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

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

In my opinion, the performance information fairly reflects the operations of South African Tourism for the financial year ended 31 March 2018.



Dr Tanya Abrahamse

Chairperson

31 July 2018

STRATEGIC OVERVIEW

South African Tourism, South Africa's destination marketing organisation, is mandated by the Tourism Act (Act No. 3 of 2014) to market South Africa as a domestic and international tourist destination by promoting the country's tourism products, services and facilities.

As a government entity, the purpose of South African Tourism is to ultimately improve the lives of South Africans by contributing to the inclusive growth of the South African economy through tourism.

To ensure a unified direction and synergised efforts towards achieving this envisaged growth, South African Tourism developed its five-year Enhanced Strategy for Growth (known as the 5-in-5 strategy), which has set a strategic goal of increasing the base of tourism by five million arrivals or trips during the period 2017 to 2021. This goal is made up of four million additional international tourist arrivals and one million more domestic holiday trips.

With this end in mind, the following strategic objectives were identified:

- **Strategic Objective 1:** To contribute to inclusive economic growth by increasing the number of international and domestic tourists;
- **Strategic Objective 2:** To contribute to an enhanced, recognised, appealing, resilient and competitive tourism and business events brand for South Africa across the target markets and segments;
- **Strategic Objective 3:** To enhance stakeholder and partnership collaboration, both local and international, to better deliver on South African Tourism's mandate;
- **Strategic Objective 4:** To contribute to an improved tourist experience in line with the brand promise;
- **Strategic Objective 5:** To position South African Tourism's corporate brand to be recognised as a tourism and business events industry leader in market intelligence, insights and analytics; and
- **Strategic Objective 6:** To achieve operational efficiencies in all activities, including human, marketing and other resources available to South African Tourism.

The 2017/2018 financial year marked the beginning of implementing the 5-in-5 strategy.



VISION

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



MISSION

To contribute to inclusive economic growth by increasing the volume of tourists and the value they add to the South African economy.



VALUES

- **Respect:** Everyone will be treated with the utmost dignity, inclusiveness, openness, tolerance and a sense of appreciation of diversity;
- **Integrity:** Duties will be carried out consistently and with an ethical underpinning, no matter what the circumstances are;
- **Authentic caring:** South African Tourism staff will show genuine care for each other, as well as for customers, shareholders, partners, suppliers and businesses;
- **Responsibility:** South African Tourism employees will take personal ownership for delivering work that exceeds internal and external customers' expectations; and
- **Excellence:** Staff members will take pride in, and commit to, always meeting tourists' needs and exceeding their expectations.

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

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

LEGISLATIVE AND OTHER MANDATES

Tourism Act (Act No. 3 of 2014)

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

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

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

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

The Board must perform any function imposed on it, in accordance with a policy directive of the Minister, and not in conflict with the Act.

The functions of the Tourism Grading Council have been delegated by the Minister to the South African Tourism Board. According to Chapter 4 of the Tourism Act, a function of the Tourism Grading Council is to implement and manage the national grading council for tourism, as contemplated in Section 28.

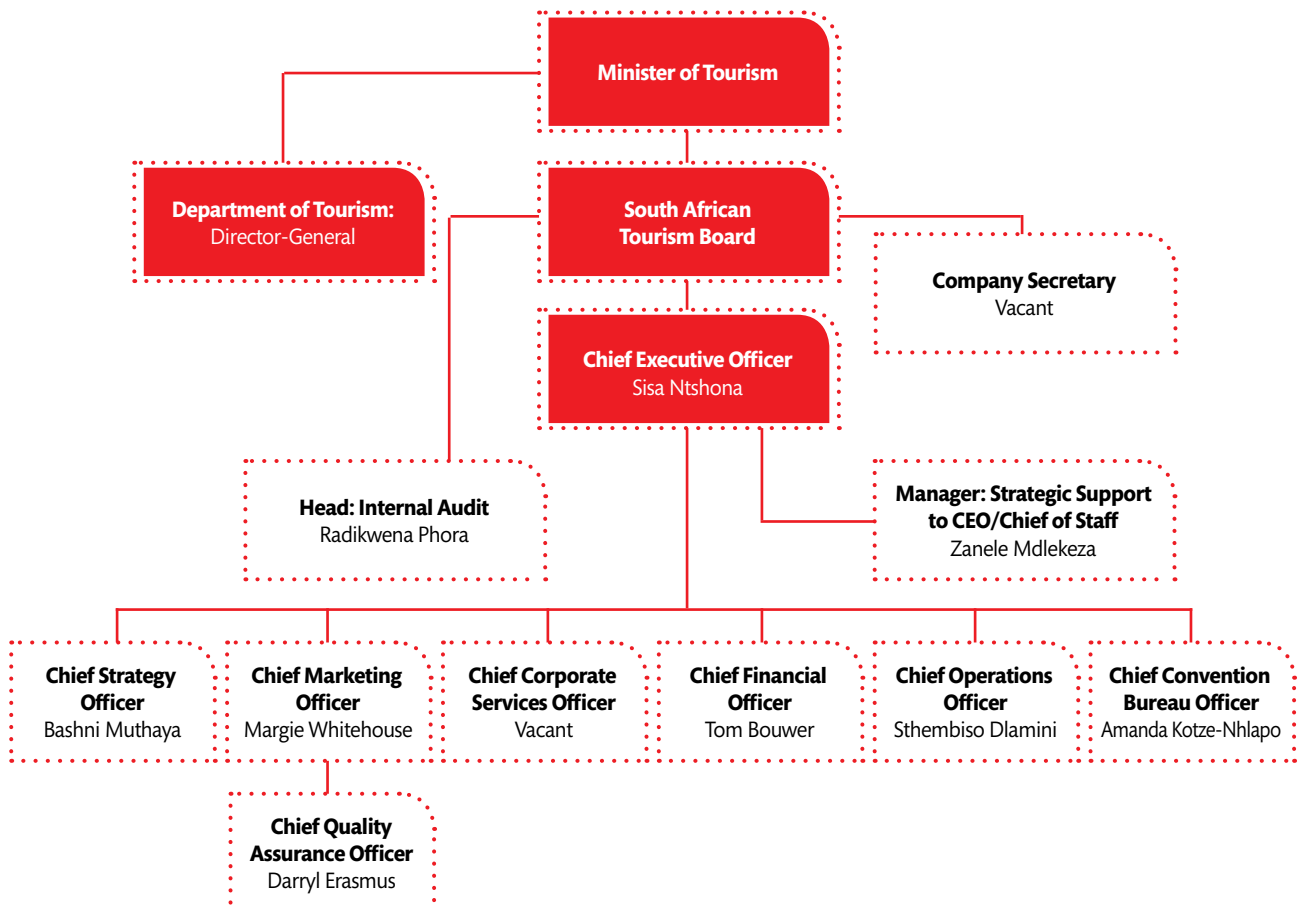
The South African Tourism Board must oversee the functioning of the Tourism Grading Council, and the Board is, in this respect, accountable to the Minister for the proper implementation and management of the national grading system.

Other Mandates

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

Priorities articulated in the Medium-Term Strategic Framework were embodied in the 2017/2018 plans and targets set by the tourism industry. The National Tourism Sector Strategy (NTSS) and the Domestic Tourism Growth Strategy (DTGS) further reinforced this.

ORGANISATIONAL STRUCTURE





"The brave man is not he who does not feel afraid, but he who conquers that fear."

- Nelson Rolihlahla Mandela



SOUTH AFRICAN TOURISM'S BOARD AND EXCO



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



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



*"There is nothing like returning
to a place that remains unchanged
to find the ways in which you
yourself have altered."*

- Nelson Rolihlahla Mandela



B

**PERFORMANCE
INFORMATION**

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

International Operating Context

Geopolitical Landscape

From a geopolitical point of view, 2017 could certainly be viewed as one of the most eventful in modern history. Several developments held the potential to have a major impact on global economics and tourism.

In the United States, sweeping changes were made to US trade and immigration policies, among others. This, coupled with the strong dollar, negatively affected inbound tourism as the rest of the world experienced a tourism boom.

Terror attacks failed to have a major impact on tourism in countries such as the United Kingdom and Spain, however, with travellers seeing these as largely isolated incidents. Tourism to Britain was up 7% in 2017, despite the Manchester and London attacks, and international arrivals in Spain rose 8.9%, in the face of the Barcelona attacks and amid political uncertainty in the secessionist Catalonia region.

The year in review also saw a tightening or closing of borders, as the instability in the Middle East, particularly in Syria, resulted in mass migration and a resulting surge in neo-nationalist sentiment in some states.

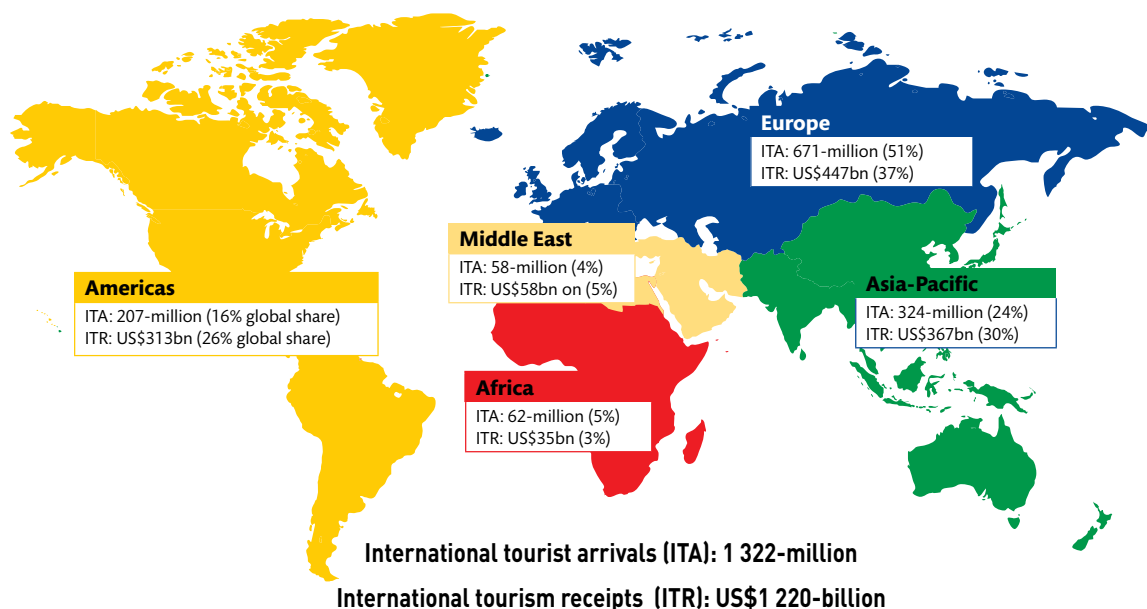
Migration was one of the major reasons that March 2017 saw the formal notification by the UK to withdraw from the European Union. Brexit saw inflation increasing in 2017, leading to an increase in interest rates and to consumer uncertainty – with many people altering their travel plans as a result. Further afield in Europe, a number of countries held national elections, with many new leaders strongly supporting the protection of the European Union.

As the US withdrew from the Paris Agreement on Climate Change, changing weather patterns and ecosystems were already beginning to seriously affect tourism, as was evident by the ongoing drought in South Africa's Western Cape and Eastern Cape provinces.

Despite this turbulence in the geopolitical landscape, the global economy recorded a significant upswing, with GDP growth of 3.8% in 2017. According to the International Monetary Fund's *World Economic Outlook* – April 2018 report, this growth was driven by a recovery in investment, with expectations exceeded in the euro area, Japan, the US and China. This rate of growth in global GDP is the highest since 2011, boding well for the further growth of the already booming international travel industry.

Global Tourism Performance

INTERNATIONAL TOURISM PERFORMANCE BY REGION (2017)



Source: UNWTO highlights (2017)

The strength of the global economy in 2017 had a beneficial effect on travel and tourism, with the World Travel and Tourism Council (WTTC) reporting direct GDP growth in the sector of 4.6%, once again outpacing global economic growth. According to the WTTC, this robust performance was supported by low interest rates across most advanced economies, strong consumer spending, falling unemployment rates and low oil prices, which kept airfares down.

According to the United Nations World Tourism Organisation (UNWTO), international tourist arrivals grew by 7% in 2017, to 1.3-billion, the highest in seven years. The organisation predicted this strong performance would continue in 2018, albeit at a more moderate growth rate of 4% to 5%. Tourism to Africa was projected to rise by between 5% and 7% in 2018.

Tourism contributed US\$1.220-billion in revenue across Europe, Africa, the Americas, the Middle East and the Asia-Pacific region. The European market received a higher proportion of tourists compared to other markets: about half of the world's tourists gravitate towards Europe every year, and in 2017 this figure grew by 8.4% compared to 2016.

The world's second-largest region, Asia-Pacific, accounted for about a quarter of all tourist arrivals in 2017, and achieved 5.8% growth. The Americas grew at a much slower pace – 2.9% compared to the previous year. The Middle East saw its inbound arrivals grow by 5%.

For Africa, even though it is the world's fastest-growing market, with a 7.8% surge in tourist numbers, this is off a low base as the continent still only attracts 5% of global tourist arrivals. Africa's noteworthy performance was driven by North Africa, which grew by 9.1%. Certain destinations in the region such as Tunisia and Egypt rebounded strongly from the effects of terror attacks in 2015 and 2016, and recorded impressive growth in 2017.

Sub-Saharan Africa achieved 5.1% growth compared to 2016, but South Africa grew at a slower pace, with a 2.4% increase in international arrivals in 2017.

The UNWTO's *World Tourism Barometer* attributed this sustained growth in some destinations, and recovery in others, to the global economic upswing and robust demand from traditional and emerging source markets, particularly Brazil and Russia.

Of the 185 countries covered in the WTTC research, only 37 recorded declines in visitor exports (spending by foreign visitors) in 2017. These included Hong Kong, South Korea and Taiwan, largely due to changes in the travel patterns of people from their largest source market, China.

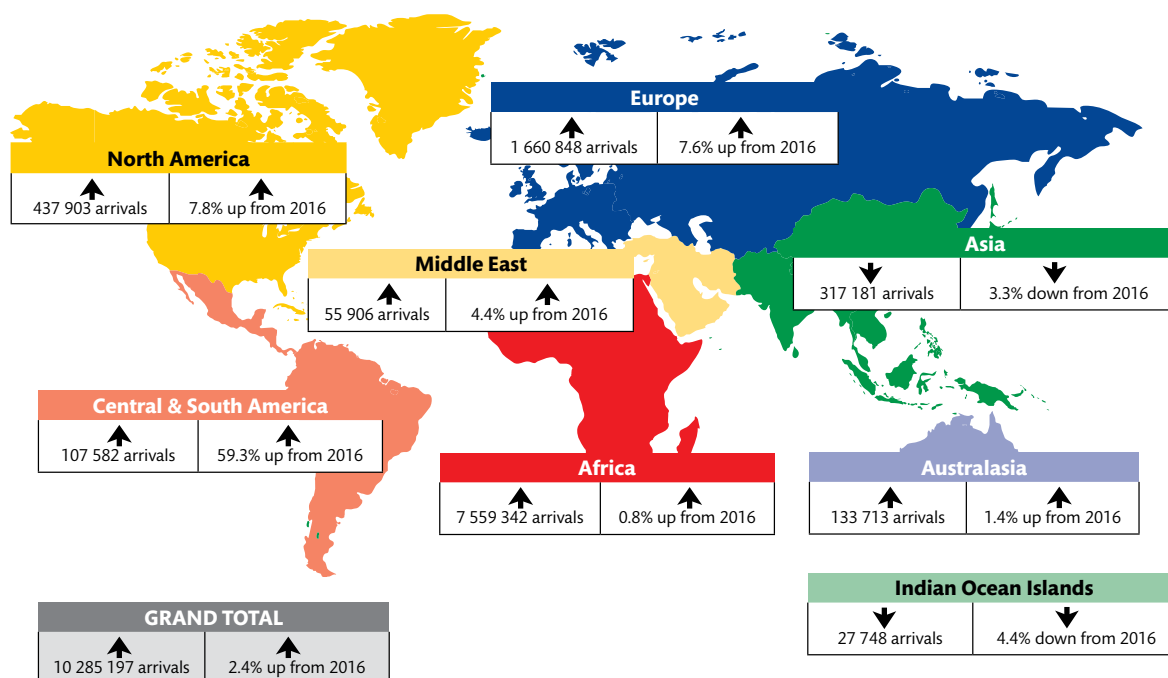
Europe accumulated over a third of the world's total tourism revenue in 2017. Achieving just under a third of global revenue was the Asia-Pacific region, followed by the Americas, which made up a quarter of the world's tourism revenue. The Middle East accounted for 5% of global tourism revenue in 2017.

Africa, on the other hand, received just 3% of global tourism revenue. South Africa's tourism receipts made up about one-sixth (18%) of Africa's total tourism revenue in 2017, which is less than 1% of the global revenue derived from this sector.

South Africa's Tourism Performance

International Tourism

SOUTH AFRICA'S INTERNATIONAL ARRIVALS BY REGION OF ORIGIN (2017)



Source: StatsSA Tourism and Migration release (December 2017)

South Africa witnessed a 2.4% increase in international tourist arrivals in 2017, growing from 10.04-million in 2016 to 10.29-million. Direct revenue from international tourism rose by 6.9% to R80.7-billion in 2017, compared to R75.5-billion in 2016.

In terms of arrivals, South Africa's international tourism performance in 2017 was behind the rate of regional, continental and global tourism growth. The lower-than-expected international tourist numbers can be attributed, in part, to the strength of the rand against major currencies, depressed economic conditions in many of South Africa's African source markets, perceptions of crime, and the water shortages in the Western Cape and Eastern Cape.

Tourists from international air markets (these are defined as overseas and African countries where more than 60% of arrivals in South Africa are by air) accounted for approximately 30% of the total international tourist arrivals to South Africa in 2017, growing by 5.9% compared to the previous year.

Growth was recorded from Europe (+7.6%), the Americas (+15%), Australasia (+1.4%) and the Middle East (+4.4%) in 2017. However, declines in tourist numbers were recorded from Asia (-3.3%) and African air markets (-3.8%).

Data gathered in-country suggests that South Africa's visa processes had a negative impact on attracting tourists from China, India and Nigeria – some of the world's largest outbound travel markets.

African land markets (regional and neighbouring countries, where more than 60% of arrivals in South Africa are by road) make up 70% of South Africa's international arrivals, and grew by only 1% in 2017.

The only markets in this region that recorded higher numbers of travellers coming to South Africa during this period were Malawi (+13.6%) and Mozambique (+5.6%). Tourist inflows from Botswana and Zimbabwe recovered from losses earlier in the year and managed to close the year at 0.2% and 0.5% higher, respectively.

According to the International Monetary Fund, economic growth in Sub-Saharan Africa in 2017 was 2.8%, following the region's slow growth of 1.3% in 2016. This growth was supported by increasing commodity prices, favourable global financing conditions and falling inflation.

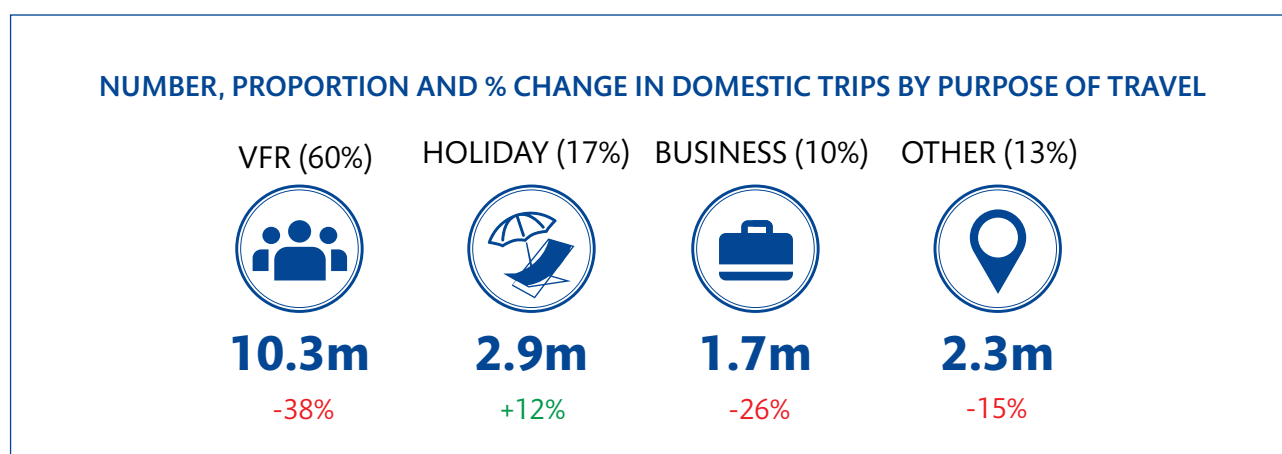
Research undertaken by South African Tourism shows that South Africa's revenue from international tourism increased by 6.9% to R80.7-billion in 2017, which can primarily be attributed to the 33.1% increase in tourists' length of stay.

The 2.4% growth in tourist arrivals also contributed to the increase in revenue, but the 21.3% contraction in the amount of money that international tourists spent per day slowed down the overall revenue growth. In other words, there was modest growth in international tourist numbers in 2017, and those tourists who did come to South Africa stayed longer but spent less per day on average.

Furthermore, the rand strengthened against most major currencies in 2017, which saw a massive increase in prepaid spend by tourists. This means that international tourists spent more on certain personal items and consumables in their home country prior to their trip, instead of buying them when they arrived in South Africa. Prepaid spend increased by 41.6% compared to 2016, and this trend is expected to continue in 2018 as the rand continues to rally.

Domestic Tourism Performance

In South Africa, 17.2-million domestic trips were taken in the country during the course of 2017, marking a decline of 29.3% compared to the 24.3-million trips taken in 2016. This figure represents a mixed bag of results, with the visiting friends and relatives (VFR) category of travel dramatically down, but leisure holiday trips showing a healthy increase.



The number of domestic trips has been in decline since 2015, mainly due to the unfavourable economic conditions prevailing in the country. VFR is the most common reason for domestic trips undertaken in South Africa, and travel for this purpose plummeted by 38% during 2017. This was the main driver for the overall decrease in domestic trips during the year under review.

Conversely, holiday trips increased from 2.6-million in 2016 to 2.9-million in 2017. The three provinces that were visited the most were Limpopo (24% of all trips), Gauteng (17%) and KwaZulu-Natal (16%). South Africa's least-visited provinces were the Free State (5% of all domestic trips) and the Northern Cape (2%).

The overall decline in domestic trips was driven by fewer people being able to afford to travel. For many years, this has remained the main reason cited for South Africans not taking a trip, according to surveys conducted by South African Tourism. Other respondents mentioned barriers such as having no reason to travel (23%) and being unemployed (19%).

Income from employment, family contributions and pensions contracted in 2017, leaving consumers strained financially. One in four economically active South Africans is unemployed, with the unemployment rate rising to one in three for 18- to 24-year-olds, contributing to the dependency ratio. This has far-reaching effects, especially when it comes to spending on discretionary items and activities such as travel.

Furthermore, consumer confidence in South Africa declined in the second half of 2017 on the back of concerns about the future outlook of the economy. Food prices were high, especially for low-income households, which is where a fair share of the VFR market sits.

The negative impact of having less personal disposable income, coupled with the high rate of unemployment and South Africa's poor economic growth, has forced consumers to re-evaluate their household expenditure.

According to the Nielsen South African Consumer Confidence Index study, published in January 2018, 86% of South Africans had reduced their spend on household expenses compared to the year before. They were spending 63% less on takeaway meals and 62% less on buying new clothes, while 55% were choosing cheaper brands of groceries off the retail shelves. Spending on holidays and out-of-home entertainment was also adversely affected.

However, the same index pointed to a five-point increase in consumer confidence among South Africans, the highest level since 2016.

Business Events

The global Meetings, Incentives, Conferences and Exhibitions (MICE) industry recorded a positive year in 2017, with a total of 12 558 meetings held around the world, according to the International Congress and Convention Association (ICCA). This represents an increase of approximately 3% in the number of meetings held worldwide compared to 2016.

In 2017, South Africa hosted 122 ICCA-registered international and regional meetings and conferences, which attracted 73 884 association professionals to the country. This performance led to South Africa being ranked 34th worldwide by ICCA in terms of the number of meetings held in the country in 2017, maintaining the same ranking as 2016.

When also factoring in those conferences not accredited by ICCA, the figure rose to 206 events hosted in South Africa during 2017, attracting 91 740 delegates. This far exceeded the South Africa National Convention Bureau's (SANCB's) target of 145 for the year.

South Africa is also ranked in the world's top 15 long-haul business events destinations, above countries such as Chile, Malaysia and Russia. On the continent, South Africa is the number one-ranked market in terms of the number of meetings held, hosting more than four times as many meetings in 2017 than the second-placed African country, Morocco.





In the MICE sector, South Africa mainly attracts meetings and conventions, with incentives and exhibitions accounting for a smaller share of the country's business events. This national pattern extends to the provinces, where meetings and conventions accounted for more than 90% of business events hosted in 2017.

Positive news is that the regional spread of the ICCA-qualifying conferences that took place in South Africa improved during 2017, with several cities, towns and locales outside the major centres hosting international association meetings. These included Stellenbosch, the Kruger National Park, Port Elizabeth, Bloemfontein, George, Nelspruit, Skukuza and Vanderbijlpark.








With the assistance of the Bid Support Fund, allocated by the National Treasury to help South Africa bid more aggressively to host international and regional business events, the SANCB supported 94 bids in the 2017/2018 financial year. This far exceeded the target of 58. Most bids submitted in 2017 were in the fields of medicine, science and the creative industries, in line with the government's prioritised economic sectors for growth and development.

BUSINESS EVENTS

INTERNATIONAL ASSOCIATION CONFERENCES HOSTED BY SOUTH AFRICA IN 2017

206		International and regional meetings and conferences hosted in 2017
91 740		Number of delegates
762		Number of combined conference days
R2.2-billion		Estimated economic impact

SOUTH AFRICA'S BID SUBMISSIONS 2017/2018 FINANCIAL YEAR

94		Number of international and regional MICE bids submitted
16		Increase over the 2016/2017 bid submission figure of 78
R32.8-million		Amount committed towards the 94 bids
R1.9-billion		Estimated economic impact of the bids (ROI)
88 673		Number of potential delegates
382		Estimated number of conference days
13		Number of bids (out of 94) submitted for smaller cities/towns

Quality Assurance

Globally, quality assurance in the travel and hospitality industries is being affected by the entrance of market disruptors such as Airbnb and non-commercial peer assessment platforms such as TripAdvisor. This increased competition arguably makes the role of the Tourism Grading Council of South Africa (TGCSA) more important than ever, in setting and maintaining globally benchmarked service and quality standards in the tourism industry.

According to Statistics South Africa (StatsSA), South Africa has more than 10 000 accommodation establishments. Approximately 50% of these facilities are graded.

The TGCSA reports that in 2017, there were 5 058 graded establishments in South Africa, resulting in a total of 118 497 graded rooms. This represents a decline of 6.1% in the number of graded establishments and a 0.8% drop in the number of graded rooms.

Of the total number of graded establishments in South Africa, only 15% are large hotel chains, as well as facilities for meetings, exhibitions and special events. The majority - 85% - are smaller, non-hotel establishments such as guesthouses. However, the large hotel groups and conference facilities account for 50% of graded rooms, with the remainder located in small to medium-sized establishments.

The TGCSA, a business unit of South African Tourism, experienced a difficult year in terms of membership numbers, with most months reflecting a downward trend. A significant disruptor in this area was Airbnb, which has grown in the South African market.

However, it is encouraging to note that there was a net increase in graded establishments in February and March 2018. This turnaround coincides with the implementation of an integrated marketing and communications campaign to educate the travel trade as well as consumers on the benefits of being star-graded and of staying in such establishments.

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

During the year under review, the administration of the Department of Tourism's Tourism Incentive Programme (TIP), which offers substantial grading discounts to small establishments, was transferred to the TGCSA and automated. This has allowed for greater accessibility and a higher uptake in funding support for new grading applications and annual membership renewals.

The Department of Tourism offers the Service Excellence Programme, aimed at improving service levels in the entire tourism value chain. This programme, which targets frontline staff in establishments serving the travel industry, is independent of the grading system. It is expected that its integration into the quality assurance system will improve the impetus for grading.

Key Issues Impacting on Performance

South African Tourism's research and analytics unit has identified a number of issues that have had an adverse effect on leisure tourism in particular. These include:

- **Negative perceptions of the country:** Alarm has been raised in markets such as Europe and Asia over the safety and security of international visitors. Furthermore, some governments have issued travel advisories for South Africa, warning travellers to exercise caution due to what are described as high levels of crime. In response, safety monitors are being rolled out in certain high-traffic tourist zones in South Africa, such as walking and hiking trails and inner-city precincts.
- **Water shortage:** The drought and resulting water crisis affecting the Western Cape and Eastern Cape had a demonstrable effect on bookings during the peak summer holiday season. South African Tourism embarked on an education drive and roadshow to emphasise that the country remained open for business and to encourage the tourism trade to embrace #WaterWise tourism practices.
- **Visa processing issues:** Challenges relating to the processing of visas, including limited in-country capacity, delays and red tape, continued during the year in review. This has negatively affected bookings from major source markets such as China, Nigeria and India. Ease and convenience of travel will be greatly enhanced should the online visa application process (e-visas) and visas on arrival be implemented. A special visa dispensation is also being considered for African Union member states.
- **Supply-side constraints:** Insufficient accommodation options are being reported in high-demand areas such as Cape Town and the Kruger National Park. This lack of supply, coupled with significant accommodation price hikes of up to 40%, is proving to be a deterrent to travel. South African Tourism is engaging with the industry in this regard, and the TGCSA is ramping up its efforts to increase the number of affordable one- and two-star establishments, particularly for the domestic traveller.
- **Airlift:** There is insufficient air access to South Africa from certain African and overseas markets. The grounding of SA Express, SAA discontinuing certain routes and using smaller aircraft for others, plus other airlines reducing the frequency of their flights, have all had an impact on international and domestic travel.
- **Wildlife issues:** The related phenomena of wild animal interactions and canned hunting have damaged the country's brand as a champion of wildlife conservation. A proactive campaign to address these issues is being planned.
- **Other issues:** The lack of quality foreign-language tour guides in South Africa is a deterrent to travellers, making the professionalisation of the practice a priority. In addition, film permits are proving cumbersome to obtain, despite the high return on investment and employment opportunities that film productions provide, but talks are underway with the National Film and Video Foundation to remedy this.

Organisational Environment

Internal Restructuring

In the 2017/2018 financial year, South African Tourism concluded Project iGnite, an organisational review that resulted in the reconfiguration of the entity's operating model.

This included the development and introduction of a robust human capital strategy to enhance South African Tourism's competitiveness.

Project iGnite aimed to reawaken passion among all employees by creating a high-performance culture within South African Tourism to contribute to achieving its goals, as set out in its five-year Enhanced Strategy for Growth (the 5-in-5 strategy). The new structure will also enable South African Tourism to respond with more agility to developments and opportunities in the changing global tourism landscape.

The new human capital strategy further serves to attract, engage, nurture and retain talent while building leadership capability that will inspire and steer the organisation towards achieving its goals. This firmly supports the strategic pillar of "building an inspired and energised organisation", as envisaged by the 5-in-5 strategy.

The review resulted in the reconfiguring of the organisation and the placement of employees to deliver optimally on its growth strategy. Change management principles have been entrenched and will continue to form part of organisational development.

Key Policy Developments and Legislative Changes

South African Tourism performs a periodic review of its compliance in respect of any Act, standard or best practice. To keep abreast of all developments, the organisation has insight into all relevant legislation pertaining to its operations. It tracks legislative developments and monitors any regulatory changes in order to note, comply with and/or effect the necessary changes to its day-to-day operations on an ongoing basis.

At a corporate level, South African Tourism's governance framework complies with the King IV recommendations, which came into effect on 1 April 2017. The organisation believes that the new code represents a positive step forward, in that it is principles-based and outcomes-based, and it takes the challenges and realities of today's business world into account.

The organisation continues to follow the developments around the enactment of the Protection of Personal Information Act, 2013 (Act No. 4 of 2013), also known as POPI. This Act has resulted in major changes to various South African Tourism policies and will greatly affect the manner in which the organisation processes personal information.

South African Tourism continued conducting a human capital review during the financial year, to maintain a regulatory universe that abides by the relevant legislation and to assess internal policies to address the identified gaps.

The following human capital policies were reviewed during the 2017/2018 financial year:

- Guaranteed Remuneration and Performance Incentive Policy
- General Human Resources Policy
- Bursary Policy
- Hub Head Appointment Policy

STRATEGIC OUTCOME-ORIENTED GOALS

As a government entity, the purpose of South African Tourism is to ultimately improve the lives of South Africans by contributing to the inclusive growth of the South African tourism economy. The organisation's Enhanced Strategy for Growth, also known as the 5-in-5 strategy, lays down the direction for South African Tourism to work towards fulfilling this purpose by achieving two strategic goals:

1. Increase the tourism sector's contribution to inclusive economic growth

South African Tourism's aim is to implement its marketing strategies to attract five million additional international tourist arrivals (including business delegates) and domestic holiday trips that will contribute approximately R117-billion to the economy per year by 2021, helping to grow the economy in an inclusive and sustainable manner that creates jobs. Tourism contributed R102.8-billion in direct revenue to the South African economy during 2017.

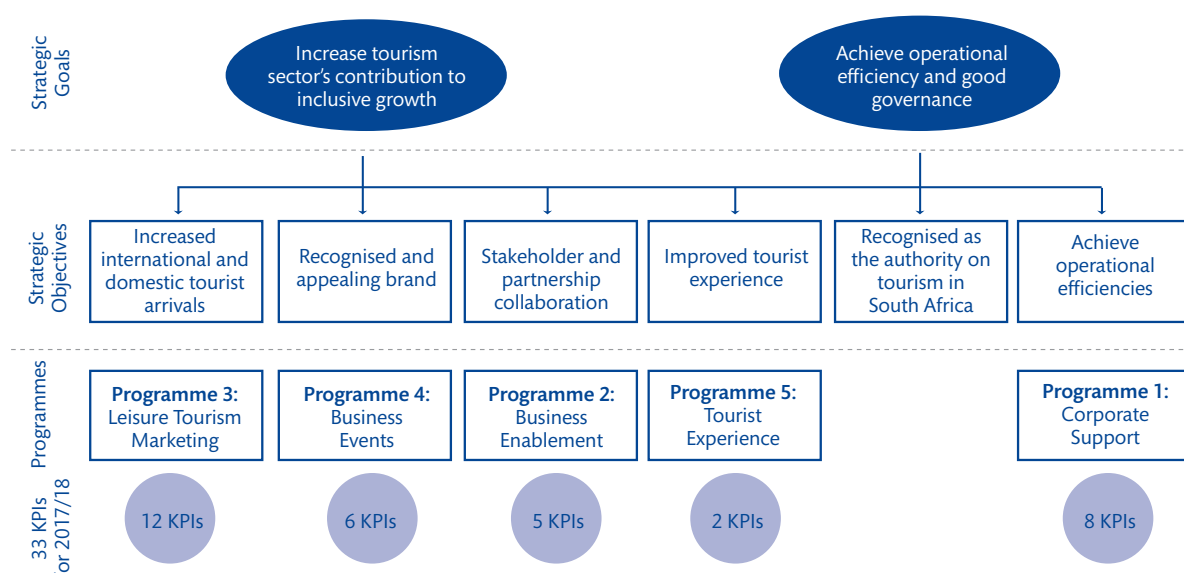
2. Achieve operational efficiency and good governance

South African Tourism works towards optimising the use of existing resources and streamlining its underlying processes, while continuing to improve its internal controls to achieve an unqualified audit. South African Tourism has identified the need to be more agile in terms of its operations to tap into any opportunities, while adapting to the rapidly evolving macro-environment. This has included the implementation of Project iGnite, South African Tourism's organisational review, which is detailed under the Organisational Environment section.

The key strategic objectives that support the achievement of South African Tourism's goals are:

1. To contribute to inclusive economic growth by increasing the number of international and domestic tourists;
2. To contribute to an enhanced, recognised, appealing, resilient and competitive tourism and business events brand for South Africa across the target markets and segments;
3. To enhance stakeholder and partnership collaboration, both local and international, to better deliver on South African Tourism's mandate;
4. To contribute to an improved tourist experience in line with the brand promise;
5. To position South African Tourism's corporate brand to be recognised as a tourism and business events industry leader in market intelligence, insights and analytics; and
6. To achieve operational efficiencies in all activities, including human, marketing and other resources available to South African Tourism.

South African Tourism's work is organised around five programmes, each with relevant key performance indicators (KPIs) to measure the success of each programme's implementation in the reference period, as follows:



In 2017/2018, South African Tourism achieved 21 out of its 33 KPIs.






Despite not achieving all of its KPIs, South African Tourism can report positive growth of 2.4% in international tourist arrivals in 2017, with 10.3-million overnight visitors.

Direct revenue from international tourism also rose by 6.9% compared to 2016, to R80.7-billion. Combined with the R22.1-billion derived from domestic tourism, tourism's direct contribution to the South African economy in 2017 totalled R102.8-billion. This does not take into account the indirect economic benefits accrued throughout the broader tourism value chain.

The sluggish economy continued to have a negative impact on domestic tourism, as the majority of South Africans lacked the disposable income to travel to visit friends and relatives. Holiday trips taken by locals were, however, up to 2.9-million and exceeded the target set.

On the international leisure tourism front, the water shortage in Cape Town adversely affected arrivals over the peak holiday season. Another constraint to tourism growth was the widespread concern over safety and security in South Africa following attacks on foreign tourists. The country's visa regulations have also been cited as a barrier to attracting tourists in search of a destination that is easy and convenient to travel to.



PROGRAMME	KPIs	PERFORMANCE
1. Corporate Support 	<ul style="list-style-type: none"> • Staff satisfaction score • Percentage staff turnover maintained • Percentage vacancy rate maintained • Percentage implementation of Workplace Skills Plan (WSP) • Percentage representation of employees with a disability • Percentage staff migration from old to new structure • Unqualified report by AGSA • Percentage of spend from B-BBEE-compliant suppliers 	5/8 (63%) 2/8 (25%) 1/8 (12.5%)
2. Business Enablement 	<ul style="list-style-type: none"> • Stakeholder satisfaction score • Trade webinars conducted • Approved tourism growth strategy • Number of strategic reports approved • Number of market intelligence reports produced 	4/5 (80%) 1/5 (20%)
3. Leisure Tourism Marketing 	<ul style="list-style-type: none"> • Number of international tourist arrivals • Total tourist foreign direct spend (R-billion) • Percentage geographic spread of international tourist arrivals • Percentage seasonality of international tourist arrivals • Percentage brand positivity • Percentage brand awareness • Number of total domestic trips (millions) • Number of domestic holiday trips • Total domestic direct spend (TDDS) (R-billion) • Domestic holiday revenue (R-billion) • Geographic spread of domestic tourists • Seasonality of domestic tourists 	6/12 (50%) 2/12 (16.7%) 4/12 (33.3%)
4. Business Events 	<ul style="list-style-type: none"> • Number of business events hosted in South Africa • Number of international delegates hosted in South Africa • Number of bids supported for international and regional business events • Number of market access platforms that South African Tourism manages • Number of international tourism market access platforms where South Africa participates • Number of provincial signature events supported 	6/6 (100%)
5. Tourist Experience 	<ul style="list-style-type: none"> • Number of graded accommodation establishments • Number of graded rooms 	1/2 (50%) 1/2 (50%)



Target achieved and / or exceeded



Not achieved but significant progress made (90-99%)



Not achieved

PERFORMANCE INFORMATION BY PROGRAMME

Programme 1: Corporate Support

Purpose:

To provide support services to the organisation, as well as ensure compliance with statutory requirements.

Sub-programmes:

- Office of the CEO
- Human Capital
- Finance
- Supply Chain Management

Strategic Objectives:

Strategic Objective 6: To achieve operational efficiencies in all activities, including human, marketing and other resources available to South African Tourism.

Overview:

In delivering on its mandate of building an inspiring and energised organisation, and to improve operational efficiency, South African Tourism implemented a new human capital strategy. This was aimed at creating a high-performance culture and attracting, engaging, nurturing and retaining high-calibre talent and building leaders. This renewed strategy is supported by an improved structure, driven by the Project iGnite organisational review, that places employees at the forefront of delivering South African Tourism's 5-in-5 strategy.

The following feedback sessions and interventions were carried out during the year under review, resulting in employee engagement increasing from 58.5% (2.9) to 62.5% (3.1):

- Conducting focus groups aimed at gleaned further insights, following the employee engagement survey conducted in the previous review period;
- Revamping the SATElite Awards into the new Living the Values Awards, aimed at rewarding employees for living the organisation's values;
- Commissioning a service provider to administer the employee engagement survey; and
- Holding an Employee Wellness Day in partnership with a service provider.

Acknowledging the importance of providing excellent training and development opportunities for staff members, South African Tourism instituted personal development plans for all employees following an internal skills audit. The training interventions that were identified were effectively executed.

South African Tourism's overall investment in training for the year under review was R2.3-million. The skills development levy (SDL) contribution for the financial year was R1.1-million. This means that South African Tourism invested more than 200% of its SDL for the 2017/2018 financial year.

South African Tourism applies a four-pronged approach to drive transformation within the organisation and the sector as a whole. This hinges on improving employment equity to build an inclusive, professional skills base; ensuring that all marketing activities reflect South Africa's diverse array of cultures and reach a wide range of South Africans; adopting supply chain practices that prioritise enterprise and supplier development; and providing emerging businesses and entrepreneurs with developmental and market access opportunities. Exceptional progress has been made towards entrenching B-BBEE in the organisation's practices as it strives to achieve inclusive economic growth.

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/2018	COMMENT ON DEVIATIONS
Staff satisfaction score	Not a KPI	2.9	3.8	3.1	-18.4%	The significant organisational restructuring programme (iGnite) led to some uncertainty among employees. However, South African Tourism has strived to maintain engagement on a positive trajectory by entrenching a culture of recognition through the revised Living the Values Awards. This has helped to increase engagement by 4% for the period in review. The organisation expects a steady increase in engagement as it embeds a high-performance culture through a number of initiatives.
Percentage staff turnover maintained	Not a KPI	6.6%	7%	5%	+2%	Target achieved
Percentage vacancy rate maintained	Not a KPI	Not a KPI	7%	13%	-6%	During South African Tourism's Project iGnite, there was a moratorium on appointments, to freeze positions until all internal placements were completed. The process of filling vacancies started in the second quarter of this fiscal year and is underway.

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/2018	COMMENT ON DEVIATIONS
Percentage implementation of Workplace Skills Plan (WSP)	Not a KPI	Not a KPI	100%	100%	-	Target achieved
Percentage representation of employees with a disability	Not a KPI	Not a KPI	1%	1.7%	+0.7%	Target achieved
Percentage staff migration from old to new structure	Not a KPI	Not a KPI	100%	99%	-1%	A total of 154 out of the 155 (99%) permanent employees were directly or alternately placed in the new organisational structure. Only one employee was outstanding.
Unqualified report by AGSA	Not a KPI	Target achieved. South African Tourism received an unqualified audit report from the AGSA	Unqualified audit report	Target achieved. South African Tourism received an unqualified audit report for the 2017/18 financial year from the AGSA	-	Target achieved
Percentage of spend from B-BBEE-compliant suppliers	Not a KPI	Not a KPI	75%	104.1%	+29.1%	Target exceeded

Programme 2: Business Enablement

Purpose:

To ensure strategy development and integration with business performance monitoring, governance and evaluation.

To provide centralised research insights and analytics to support the core business and provide an open source for information-sharing with the tourism sector.

Sub-programmes:

- Insights and Analytics
- Performance Evaluation
- Regulatory Affairs
- Stakeholder and Partnership Management

Strategic Objectives:

Strategic Objective 3: To enhance stakeholder and partnership collaboration, both local and international, to better deliver on South African Tourism's mandate.

Strategic Objective 5: To position South African Tourism's corporate brand to be recognised as a tourism and business events industry leader in market intelligence, insights and analytics.

Overview:

South African Tourism's journey to become the authority on tourism intelligence in South Africa commenced with the resourcing of its newly created Strategy, Insights and Analytics Unit. The increased capacity in this unit meant that a number of vacancies had to be filled, in addition to the internal placement of existing employees in the new structure.

While the transition to the new operating model was underway, the unit's focus on the tracker studies continued. The key tracker studies, the Departure Survey, the Domestic Tourism Survey and the Brand Tracker Survey, remain the bedrock of South African Tourism's body of knowledge. Market intelligence reports were produced describing the performance of tourism in South Africa, with South African Tourism's website being the primary point for accessing the reports.

While South African Tourism's leadership team steers the organisation in line with its 5-in-5 strategy, it is imperative to engage with various stakeholders in the tourism value chain. To assess the effectiveness of the organisation's existing engagement initiatives, South African Tourism conducted a baseline study of stakeholder satisfaction in 2017. The study identified effective information dissemination mechanisms and platforms through which to enhance the stakeholder engagements.

Trade engagements remained a priority for South African Tourism. Apart from a series of webinars held in partnership with Tourism Update (aimed at interacting with the tourism trade on key matters of common concern and interest) during the year, the CEO embarked on a #WaterWise global roadshow and participated in the Joint Association Members' Meeting Sessions (JAMMS), during which numerous initiatives to help tourism stakeholders with managing the water shortages in the Western Cape and Eastern Cape were discussed.

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/2018	COMMENT ON DEVIATIONS
Stakeholder satisfaction score	Not a KPI	Not achieved	Maintain stakeholder satisfaction score	Not achieved	-100%	South African Tourism conducted its first stakeholder survey in Quarter 1 and scored 3.1 among respondents. The organisation then started the process of implementing recommendations through stakeholder engagements and roadshows.
Trade webinars conducted	Not a KPI	Not a KPI	10	10	-	Target achieved
Approved tourism growth strategy	Not a KPI	Not a KPI	Approved tourism growth strategy	The Enhanced Strategy for Growth (also known as the 5-in-5 strategy) was approved and has been implemented.	-	Target achieved
Number of strategic reports approved	Not a KPI	Not a KPI	Seven strategic reports approved: <ul style="list-style-type: none"> • 2018-2023 Strategic Plan • 2018/19 Annual Performance Plan • 2016/17 Annual Report, including Annual Financial Statements • Four quarterly performance reports 	All strategic reports were approved. Given that the 2017-2022 Strategic Plan (tabled in Parliament in February) was aligned to the draft tourism growth strategy, there was no requirement to submit a new Strategic Plan.	-	Target achieved

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/2018	COMMENT ON DEVIATIONS
Number of market intelligence reports produced	Not a KPI	Not a KPI	Seven market intelligence reports: <ul style="list-style-type: none"> • Four quarterly tourism industry performance analysis reports (South African Tourism Index) • One annual 2015/16 tourism industry performance analysis report (South African Tourism Index) • Two Global Brand Tracker reports 	Seven market intelligence reports were produced.	-	Target achieved

Programme 3: Leisure Tourism Marketing

Purpose:

To provide destination tourism marketing, targeting leisure tourists in both the international and domestic markets.

Sub-programmes:

Tourism Operations

- International Leisure Marketing
- Africa Leisure Marketing
- Domestic Leisure Marketing
- Marketing Strategy

Strategic Objectives:

Strategic Objective 1: To contribute to inclusive economic growth by increasing the number of international and domestic tourists.

Strategic Objective 2: To contribute to an enhanced, recognised, appealing, resilient and competitive tourism and business events brand for South Africa across the target markets and segments.

Overview:

The Brand and Marketing Business Unit is responsible for developing a global brand and marketing strategy that incorporates all aspects of the South African Tourism business. This includes the competencies of brand and marketing, digital, public relations and global trade.

In the year under review, South African Tourism began implementing its 5-in-5 strategy, informed by a Marketing Investment Framework that directed where best to invest its tourism marketing budget to deliver maximum returns. This is aimed at attracting five million more high-value leisure travellers and business events delegates within five years, made up of both international and domestic travellers, to contribute to inclusive economic growth in South Africa. Due to various external factors detailed elsewhere in this report, the first year of rolling out this tourism growth strategy yielded mixed results.

In 2017, the organisation's massive digital renovation project was also concluded, consolidating 74 digital sites into a single infrastructure system to provide consistency and access to more centralised data, and to inform decision-making.

The organisation's global brand and marketing strategy was rolled into a global campaign, driven by a 60-second trailer, a 10-minute video and other audiovisual elements. More than 350 content pieces were created to ensure that localised content regarding South Africa as a destination was always relevant across all platforms and markets. A highly effective digital marketing media buying plan was implemented.

The public relations and communications team not only focused on positioning South Africa as a preferred travel destination across all markets, but also on optimally positioning the South African Tourism brand and driving the We Do Tourism movement.

The domestic hub team responsible for the marketing and promotion of leisure and business experiences to locals, led by a new hub head, revised the business plan and communication strategy. A holistic Sho't Left marketing campaign, "It's Your Country - Enjoy It", was launched to show South Africans how easy, affordable and accessible local travel can be. It was supported by a television commercial and social media, with strong calls to action directing viewers to discounted holiday deals on the Sho't Left website.

During the year in review, a massive public relations and crisis communications project was undertaken in response to the water shortages in the Eastern Cape and Western Cape. The global #WaterWise roadshow, driven by the CEO, spread the word that despite the drought and water restrictions, South Africa was still open for business and Cape Town was to be seen as a new leader in the field of responsible tourism.

The newly created Global Trade Unit, which is yet to become fully operational, focused on international trade research during the period under review.

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

UNITED KINGDOM & IRELAND

STRATEGIC FOCUS

Inspire travellers to consider South Africa as a welcoming, diverse and value-for-money holiday destination. Partner with the travel trade to sell South Africa.

CAMPAIGN HIGHLIGHTS

Successful Fuel the FOMO (fear of missing out) campaign was screened on YouTube and 4 on Demand, with celebrities taking a road trip to showcase South Africa's range of attractions and its welcoming locals.

TRADE ACTIVITY

A total of 55 trade representatives were hosted in five provinces, with 13 joint marketing agreements (JMAs) signed to enable training, increase bookings and grow the geographic spread of tourism. South African Tourism and 29 South African exhibitors took part in the World Travel Market in London, after which 16 exhibitors met agents during the SATSchool roadshow in four cities.

NORTH EUROPE

STRATEGIC FOCUS

Intensify marketing efforts to deliver a fresher view of the destination, and highlight "hidden gems" to create more hands-on and new experiences while capitalising on the warmth of South Africa's people.

CAMPAIGN HIGHLIGHTS

Three brand content partnerships driven by influencers were executed, highlighting South Africa's scenic beauty, wildlife, food and wine, as well as authentic experiences with locals. This included a partnership with Talpa TV involving a Dutch influencer, the filming of Belgian comedy *FC De Kampioenen* in the Golden Gate National Park, and a TV programme shot in the Cape winelands.

TRADE ACTIVITY

Roadshows were held in the Dutch and Nordic markets, showcasing South African products and training travel agents. JMAs were signed with partners to increase reach to consumers and inspire bookings, and media trips were held for the Dutch and Belgian media. A mega-familiarisation trip saw 84 Nordic travel agents being exposed to multiple South African itineraries with a wide geographic spread, with 40% of the products being SMMEs.

SOUTH EUROPE

STRATEGIC FOCUS

Increase South Africa's market share among tour operators through innovative methods. Maximise consumer reach by partnering with all types of distribution channels, ranging from online deals to travel agencies.

CAMPAIGN HIGHLIGHTS

Partnerships ranging from TV and radio to editorial coverage, advertising campaigns and activations showcased South Africa's diverse experiences. This included a partnership with *Top Gear* France, whose presenters took a road trip to the "ostrich capital" of Oudtshoorn, as well as capitalising on the South Africa-France rugby Test with trade partners. In Spain, a highlight was a partnership with a leading ecotourism magazine, and in Italy, an online campaign showcased South African wildlife.

TRADE ACTIVITY

More than 1 200 travel agents were trained and five JMAs were signed. In France, Spain and Italy, South African Tourism participated in the Fitur trade show, as well as trade roadshows (targeting honeymooners, among others), webinar training and an exclusive event called the South African Table.

NORTH & SOUTH AMERICA

STRATEGIC FOCUS

In North America, create a vivid picture of South Africa in the mind of the traveller as a cool, "safari-plus" destination by showcasing activity-rich experiences that inspire people to travel. In South America, build on the strong market position of South Africa as a value-for-money destination that surprises with authentic, easy-to-do experiences.

CAMPAIGN HIGHLIGHTS

The New York team continued its #Wow-SouthAfrica campaign by creating strategic partnerships with the likes of Citi Bike, *Conde Nast Traveller*, Essence Festival, Afropunk Brooklyn and the *New York Times* to showcase South Africa's variety of experiences in close proximity. In South America, the Meet South Africa campaign and a high tea networking event to highlight Nelson Mandela's centenary year were highlights.

TRADE ACTIVITY

In North America, 4 200 agents and operators were trained to package and sell a range of experiences that demonstrate geographic spread, affordability and value. In addition, 90 key trade members were hosted in-country. The South American office organised two trade familiarisation trips to South Africa for 10 travel agents, and 29 exhibitors showcased their products during a well-attended roadshow in Brazil and Argentina.

MISSION SUPPORT PORTFOLIO

STRATEGIC FOCUS

To achieve its 5-in-5 tourism targets, South African Tourism needs to leverage on its partner network, including the Department of International Affairs and Co-operation (DIRCO), and all its missions across the globe. South African Tourism therefore created a portfolio to help strengthen relations with DIRCO and work with the missions to raise awareness of South Africa as a tourism destination.

CAMPAIGN HIGHLIGHTS

South African Tourism conducted visits to Central Europe to discuss areas of co-operation with DIRCO missions in Bulgaria, the Czech Republic, Hungary and Poland, and to provide tourism training to staff.

TRADE ACTIVITY

South African Tourism conducted a trade seminar for 35 agents in the Czech Republic, in support of the South African embassy.

CENTRAL EUROPE

STRATEGIC FOCUS

The focus was on promoting the diversity of South Africa's scenic beauty, adventure attractions and welcoming people to entrench the destination as a true "safari" of experiences from beginning to end.

CAMPAIGN HIGHLIGHTS

Millions of television viewers were taken on a "music safari" on shows such as German *Idols* and *Sing my Song*. Big FM presenter and *Idol* Lola reported live on air from her South African odyssey, *National Geographic* photographer Dirk Bleyer presented a South African photographic exhibition, and celebrity influencer Ranger Gesa blogged about her bush experience. Seventy-five journalists were hosted, generating 5 600 articles.

TRADE ACTIVITY

Trade roadshows were held across Central Europe, including travel agent sessions and booking incentives, and South African Tourism took part in trade shows such as the Fernwehfestival, the Photo-Adventure Event and the African Angels Show. JMAs were signed with 15 trade partners, who participated in a trailblazing communications campaign called Buschfunk.

ASIA-PACIFIC

STRATEGIC FOCUS

Partner with and educate the trade in China, Japan and Korea to package, promote and sell South Africa in a manner that will improve tourist arrivals and build brand awareness. Drive consumer demand by showcasing a variety of South Africa's authentic, iconic experiences and events, including scenic beauty. Convince jet-setters and worldly travellers that South Africa should be their next stop.

CAMPAIGN HIGHLIGHTS

Media were hosted at Africa's Travel Indaba, and South Africa participated in the popular *Home Shopping* television programme in South Korea. Deal-driven campaigns were initiated in Japan with travel portals to increase awareness and arrivals, leading to direct bookings. In China, the Little Marine Ranger programme was launched, offering 10-day eco-adventures for young children and driving home the message that South Africa is a safe destination for families. A showcase of South Africa's booming coffee culture in tandem with its marine tourism offering in Southern China aimed to broaden South Africa's international appeal.

TRADE ACTIVITY

Trade representatives were invited to Africa's Travel Indaba, and 22 stakeholders took part in a trade workshop to facilitate co-operation between South African inbound operators and product suppliers in the Korean market. JMAs were signed with key Japanese and Chinese trade partners to encourage their customers to purchase tour products for South Africa, and more than 20 consumer seminars were held to raise awareness of South Africa as an attractive leisure destination. In China, partnerships were initiated with banks and airlines to drive arrivals and increase tourism revenue, and trade workshops were held with travel agencies.

MEISEA (MIDDLE EAST, INDIA AND SOUTH-EAST ASIA)

STRATEGIC FOCUS

Position South Africa as a preferred holiday destination by showcasing family-friendly experiences such as wildlife, scenic beauty and adventure. Partner with the trade in new and engaging ways to sell and promote South Africa.

CAMPAIGN HIGHLIGHTS

A Northern Cape familiarisation trip highlighted the Namaqualand region, promoting geographic spread and seasonality, and another trip with *National Geographic* helped to showcase South Africa as an adventure capital.

TRADE ACTIVITY

The Learn SA initiative trained a number of travel agents, focusing on taking longer trips and visiting smaller towns, promoting a geographic spread of travel experiences as well as travelling during off-peak season. South African exhibitors (including SMMEs) participated in the Arabian Travel Market in Dubai and the EMITT Travel Show in Turkey; Saudi Arabia's Crown Prince was hosted in South Africa and signed an MOU with the Tourism Minister.

AUSTRALASIA

STRATEGIC FOCUS

Inspire Australians and New Zealanders to consider South Africa as a desirable destination by showcasing a variety of authentic local experiences that make the country relatable, highlight adventure offerings and demonstrate value for money. Amplify positivity through thought leaders and media to dispel negative perceptions.

CAMPAIGN HIGHLIGHTS

Television partnerships were leveraged to reach a mass, engaged audience and showcase compelling reasons to visit South Africa while alleviating concerns. This was achieved by targeting prime-time free-to-air TV audiences, with locally produced reality TV shows such as *Travel Guides* generating "talkability". The Come Home Bru campaign encouraged South African expatriates to show off South Africa to their Aussie mates.

TRADE ACTIVITY

Airline partnerships with time-sensitive, deal-driven campaigns were initiated; travel agents were trained; and an airfare incentive programme was launched with an airline to encourage travel agencies to sell as many tickets to South Africa as possible.



AFRICA AIR AND LAND MARKETS MARKETING HIGHLIGHTS






The Africa portfolio is made up of four hubs – the West Africa, Central Africa, East Africa and Land Markets hubs. A fully-fledged office in Lagos, Nigeria, services the West Africa hub, while a team of seven based at head office and one person stationed in Luanda, Angola, service the other three hubs.

South African Tourism actively markets South Africa as a leisure, business events and lifestyle destination to 16 African countries based on the best projected returns on investment. However, when the opportunity arises, marketing efforts are extended to other countries on the continent. The team is also intensifying its marketing efforts on digital and social media in particular.

In the year under review, arrivals in South Africa from the rest of Africa grew by 0.8% compared to 2016. However, this growth was not enough to meet the annual targets. Only four markets exceeded their target – Angola, Ghana, Mozambique and Malawi. Total tourist foreign direct spend by Africans travelling to South Africa also declined during this period.

In the Africa air markets (whose travellers generally access South Africa by air), the positive brand results (Nigeria recorded a 91% total brand awareness of South Africa) indicate that South African Tourism's marketing efforts are yielding fruit.

	WEST AFRICA HUB Hosting the Nigerian "wedding of the year" between rapper Banky W and actress Adesua Etomi (#BAAD17) in Cape Town, with after-parties in North West Province and Gauteng. The wedding received extensive coverage across both traditional and social media channels.
	Hosting trip with the Nigeria-South Africa Chamber of Commerce and the Department of Trade and Industry's South African mission in Abuja, to showcase how business travel can be extended to leisure experiences.
	Presenting a trade workshop at the Wine Bar in Soweto with West African and South African product and experience owners.

	CENTRAL AFRICA, EAST AFRICA AND LAND MARKETS HUBS Promoting South African lifestyle events through event packages and the hosting of influencers and media at the DStv Delicious Festival, Afropunk, Sun Met, Cape Town International Jazz Festival and Vodacom Durban July.
	Promoting South African experiences through features in <i>Selamta</i> , <i>Msafiri</i> and <i>Places</i> , which are the Ethiopian Airlines, Kenya Airways and Fastjet in-flight magazines respectively, with calls to action that drove consumers to their holiday deals website. Furthermore, joint initiatives with South African Airways promoted special discounted leisure packages.
	Promoting the South African leisure tourism brand, including attractions in the different provinces, through billboards in Luanda, Dar-es Salaam, Mozambique and Nairobi.
	Showing brand and destination footage as part of the on-board entertainment on Greyhound, Intercape and Luciano Buses on Mozambique routes; distribution of consumer brochures highlighting affordable attractions and experiences.
	Hosting a 10-day mega-familiarisation trip and workshop, during which 80 members of Africa's travel trade were given a taste of seven of the nine provinces, showcasing 26 South African tourism product owners, mostly SMMEs, and providing the travel agents with exciting ideas for their clients' itineraries and travel packages to South Africa.

DOMESTIC MARKETING HIGHLIGHTS

In the year under review, the domestic hub team responsible for the marketing and promotion of South African leisure and business experiences to locals, led by a new hub head, revised the business plan and communication strategy in an endeavour to realise the benefits of domestic tourism.

The total number of domestic trips declined considerably in 2017 to 17.2-million, largely due to adverse macro-economic conditions, with the sharpest drop occurring in the visiting friends and relatives (VFR) category. By contrast, domestic holiday trips increased in 2017 to 2.9-million after declining during the preceding four years.

The amount spent on domestic trips overall dropped to R22.1-billion in 2017, with revenue from the sub-category of holiday trips falling to R6.8-billion. Gauteng was the largest source market for domestic trips, at 37% of the total. Limpopo was the most-visited province at 27% of the total.



A holistic marketing campaign, “It’s Your Country, Enjoy It because Nothing’s More Fun than a Sho’t Left”, showcased local travel as being accessible and affordable for all South Africans. The accompanying television advert, flighted on 18 channels, featured the target segment enjoying diverse leisure experiences throughout the country, with a very strong call to action directing viewers to the Sho’t Left website for discounted travel deals. The radio elements included DJs engaging with their listeners on travel and travelling around the country with them, and involved nine commercial stations and 13 community radio stations. The out-of-home elements included billboards at 13 taxi ranks and five airports across the country.



This campaign was supported by the Sho’t Left website, on which the travel trade loaded more than 1 000 deals for South Africans. The most popular deals on the website were those for less than R2 000, indicating the importance of correct packaging and pricing by members of the travel trade – 58 of which were SMMEs that were trained as part of the campaign.



South African Tourism took part in the Holiday Expo and the Travel Expo, with 20 SMMEs being trained to promote, package and sell domestic travel prior to showcasing their offerings at the trade shows.



Joint marketing initiatives promoting domestic travel included partnerships with Isuzu, Absa, Kulula Holidays, SANParks, Tsogo Sun and Flight Centre Stokvel.



The “It’s Your Country” campaign performed well by reaching 63% of the target segment. Domestic holiday trips increased by 12% during the same period and an increasing number of people are indicating that they intend to take a holiday trip in South Africa in the future. The second phase of the campaign will entail increasing marketing efforts to drive conversion.



PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/2018	COMMENT ON DEVIATIONS
Number of international tourist arrivals	8 903 773	10 044 163 (January-December 2016)* Financial year: 9 945 373 (April 2016 – March 2017)+	10.9-million	10.3-million (January-December 2017)* Financial year: 10.4-million (April 2017 – March 2018)+	-6% -5%	<p>The top three source markets for South Africa are Zimbabwe, Lesotho and Mozambique, which (combined) accounted for 50% of total international tourist arrivals. These markets recorded a mere 1.9% growth in 2017.</p> <p>The recovery of the Africa land markets in Quarter 4 (4.0%) was not sufficient to offset the losses recorded from the region earlier in the year.</p> <p>There was a 2.4% growth in overall international tourist arrivals compared to the previous year.</p> <p>Europe, the Americas, Asia and Australasia accounted for 26% of total tourist arrivals. Tourist arrivals from the rest of the world (excluding Africa) grew by 7.2% in 2017, comparable to the growth in global tourist arrivals.</p>
Total tourist foreign direct spend (billion rand)	R68.1-billion	R75.5-billion (January-December 2016)* Financial year: R72.1-billion (April 2016 – March 2017) +	R80.3-billion	R80.7-billion (January-December 2017)* Financial year: R82-billion (April 2017 – March 2018) +	+0.5% +2.1%	Target was exceeded due to a recorded increase in the per capita spend in South Africa by tourists. Tourists also stayed on average longer (12.2 nights), which also contributed to the increased revenue.
Percentage geographic spread of international tourist arrivals		Not a KPI	Set percentage improvement on the baseline	Baseline has been developed and set at 19%	-	Target achieved

* UNWTO-aligned (January–December)

+ Financial year-aligned (April–March)

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/2018	COMMENT ON DEVIATIONS
Percentage seasonality of international tourist arrivals	Not a KPI	Not a KPI	Set percentage improvement on the baseline	Baseline has been developed and set at 1.35%	-	Target achieved
Percentage brand positivity	Not a KPI	38%	40%	38%	-2%	Brand awareness and brand positivity were negatively impacted on by a number of incidents of crime against tourists in 2017. South Africa scored significantly below average on safety and security among its target audience in 2017. India, Kenya and Nigeria saw notable declines in brand positivity towards South Africa in 2017. These markets do not rate South Africa highly as a welcoming destination and this is another factor contributing to the poor brand performance.
Percentage brand awareness	78%	Not a KPI	80%	77%	-3%	Brand awareness and brand positivity were negatively impacted on by a number of incidents of crime against tourists in 2017. South Africa scored significantly below average on safety and security among its target audience in 2017.

* UNWTO-aligned (January–December)

+ Financial year-aligned (April–March)

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/2018	COMMENT ON DEVIATIONS
Number of total domestic trips (millions)	Not a KPI	Not a KPI	24.9-million	17.2-million (January-December 2017)* Financial year: 16.6 million (April 2017 – March 2018) +	-30.9% -33.3%	In 2017, 17.2-million domestic trips were taken, a decline of 29% compared to trips taken in 2016 (24.3-million). The number of domestic trips has been declining since 2015, mainly due to unfavourable economic conditions. Visiting of friends and relatives (VFR) is the most common reason for domestic trips, and South Africa recorded a 39% decline in VFR trips in 2017. This was the main driver for the decrease in total domestic trips.
Number of domestic holiday trips	2 700 000	2 600 000 (January-December 2016)* Financial year: 2 950 000 (April 2016 – March 2017) +	2 906 000	2 937 000 (January-December 2017)* Financial year: 2 641 000 (April 2017 – March 2018) +	+1.1% -9%	Target was exceeded
Total domestic direct spend (TDDS) (billion rand)	R23.6-billion	R26.5-billion (January-December 2016)* Financial year: R23-billion (April 2016 – March 2017) +	R24.8-billion	R22.1-billion (January-December 2017)* Financial year: R21.8-billion (April 2017 – March 2018) +	-10.9% -12.1%	Target not achieved. The large decrease in total domestic trips was the reason that the revenue target was not achieved. There was, however, an increase in the spend per trip in this period, indicating that South Africans were rationalising their domestic travel by travelling less, but spending more on those trips that they did take.

* UNWTO-aligned (January–December)

+ Financial year-aligned (April–March)

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/2018	COMMENT ON DEVIATIONS
Domestic holiday revenue (billion rand)	Not a KPI	Not a KPI	R7.6-billion	R6.8-billion (January-December 2017)* Financial year: R6.2-billion (April 2017 – March 2018) +	-10.5% -18.4%	Domestic tourists took shorter holiday trips in 2017, with the length of stay declining from 4.9 nights in 2016 to 3.4 nights in 2017. This was the major reason for the decline in revenue. The 12.0% growth in holiday trips and the 36.9% increase in spend per day were not sufficient to raise revenue to the target level.
Geographic spread of domestic tourists	Not a KPI	Not a KPI	Set percentage improvement on the baseline	Baseline has been developed and set at 11%	-	Target achieved
Seasonality of domestic tourists	Not a KPI	Not a KPI	Set percentage improvement on the baseline	Baseline has been developed and set at 22%	-	Target achieved

* UNWTO-aligned (January–December)

+ Financial year-aligned (April–March)

Programme 4: Business Events

Purpose:

To market South Africa as a business events destination.

Sub-programmes:

- South Africa National Convention Bureau (SANCB)
- Strategic Events and Exhibitions

Strategic Objectives:

Strategic Objective 1: To contribute to inclusive economic growth by increasing the number of international and domestic tourists.

Overview:

South Africa hosted 206 international and regional association-linked conferences in 2017. These events attracted 91 740 delegates to South Africa. The SANCB has created a mechanism for members of the local business events industry to report on the international, regional and national conferences they have hosted, which resulted in improved reporting on the events hosted in 2017.

In the 2017/2018 financial year, the SANCB, in conjunction with the provincial and city convention bureaus, submitted 94 bids for international and regional meetings, incentives, conferences and exhibitions, an increase of 16 bids compared to the previous financial year. The improvement was largely due to the SANCB being able to utilise the R90-million bid support programme approved by the National Treasury in 2017, which enabled South Africa to target leads that the country was unable to bid for previously.

The 94 submitted bids have a combined economic value of R1.9-billion, and the potential to attract 88 673 delegates to South Africa and generate 382 event days. Thirteen of the 94 bids submitted were for smaller cities outside the major centres, including Kimberley, Port Elizabeth, Stellenbosch and Pilanesberg (North West Province), as well as Mpumalanga, ensuring the geographical spread of business across South Africa. The main sectors for bid submissions were medical sciences, sciences, manufacturing and the creative industries.

Emerging travel businesses and entrepreneurs are provided with market access and development opportunities at major international exhibitions and platforms, at subsidised rates. Through the Department of Tourism's International Market Access Support Programme, funding is provided for selected small, medium and micro-sized enterprises (SMMEs) to exhibit at these tourism trade events. In 2017/2018, a total of 15 SMMEs from across the country were hosted on these international platforms. The programme aims to broaden and facilitate access to specific international tourism markets. SMMEs also receive training that is customised to ensure they generate maximum value from their participation.

Africa's Travel Indaba (previously known as Indaba) is a business-to-business platform created by South African Tourism to encourage global dialogue to sell South Africa as a preferred leisure tourism destination. Africa's Travel Indaba is the largest and most prestigious travel and tourism exhibition in Africa, and is widely regarded as one of the top three "must-visit" events of its kind on the global calendar.

The 2017 edition of the trade show was officially launched by then-President Jacob Zuma, who acknowledged the importance of the tourism industry in driving the economy.

Last year's Africa's Travel Indaba (at which the new branding was unveiled) also saw the launch of the We Do Tourism movement, which calls on all members of the tourism trade to pledge their commitment to the industry, and encourages all South Africans to participate in the tourism value chain and contribute to each traveller's experience of the country.

To ensure the right product mix was available to attract buyers, the SMME tier of products was developed to be trade show-ready, in the form of the Hidden Gems and Speed Marketing initiatives. A total of 90 SMMEs from all nine provinces participated in Africa's Travel Indaba, with market readiness training provided prior to the show.

South African Tourism's other annual trade show, Meetings Africa, is the only exhibition on the continent to offer marketing solutions for the entire business tourism industry, attracting conference organisers, meeting planners, corporate travel agents, associations and government departments from all over the world. Meetings Africa 2018 showcased the value of shared economies as a tool for collaborative growth. With its emphasis on developing market access, the trade show saw the number of participating SMME products increasing from 10 to 15 exhibitors.

The Lilizela Tourism Awards were held for the fifth time, to recognise and reward service excellence among South Africa's tourism and hospitality products, as well as celebrating the individuals behind them.

EXHIBITIONS AND STRATEGIC EVENTS

During the year in review, South African Tourism represented the South African tourism industry at eight major international trade shows, which were strategically selected to maximise the business opportunities available to South African exhibitors.

These leisure tourism and business events trade shows were IMEX Frankfurt, IBTM China, IMEX America, IBTM World in Barcelona, FITUR in Spain, ITB Berlin, the World Travel Market in London and EMITT in Turkey.

These shows gathered the best of global buyers, influencers, media and exhibitors to do business, innovate and network. Through the Department of Tourism's International Market Access Programme, South African SMMEs received funding to exhibit on these vital market access platforms.

The South Africa National Convention Bureau (SANCB) also supported trade exhibitions in South Africa, including The Hotel Show, and South African Tourism presented its two annual travel trade shows, Africa's Travel Indaba and Meetings Africa, focusing on leisure tourism and business events, respectively.







AFRICA'S TRAVEL INDABA 2017



- A total of 90 SMMEs exhibited at the rebranded Africa's Travel Indaba in Durban, in addition to hundreds of larger tourism products
- The 2017 show was officially opened by then-President Jacob Zuma
- The We Do Tourism movement was launched
- Attendance numbers declined marginally, as exhibitors scaled down on the numbers of personnel to manage costs
- Overall travel buyer numbers declined due to a more stringent accreditation process to ensure more "quality" international buyers
- Hosted buyers rose by 3.4%, and buyers from previously untapped markets such as the Middle East, South-East Asia and the Nordic countries were also in attendance
- The number of exhibiting African countries rose to 19
- Media representatives rose by 5.8% to 710, with a large delegation of African journalists in attendance
- About 40 000 diary meetings were scheduled and 16 500 appointments were confirmed
- The speed marketing events for scenic beauty, luxury and award-winning products were fully subscribed, attended by more than 1 000 delegates
- The average meeting ratio per person rose to 9.5 in 2017






MEETINGS AFRICA 2018



	A total of 15 SMMEs were among the 306 exhibitors at Meetings Africa in Johannesburg
	Exhibitor targets were exceeded, including 21 exhibitors from the rest of Africa
	The number of international hosted buyers and African association buyers increased
	Media numbers grew to 167 in 2018
	More than 12 000 meetings were scheduled, at an average of 18 meetings per person, with 6 000 confirmed appointments
	The SANCB hosted 52 African association representatives at Meetings Africa, to help grow this segment of the business events industry

LILIZELA TOURISM AWARDS 2017



	The fifth annual Lilizela Tourism Awards, South Africa's premier accolades recognising excellent service in the tourism sector, were held in Johannesburg in September and October
	<p>The following number of entries were received per category:</p> <ul style="list-style-type: none"> • Accommodation and meetings, exhibitions and special events – 1 240 • Universal accessibility – 19 • Tourist guides – 131 • Tour operators – 34 • Visitor experiences – 189 • Emerging young entrepreneurs – 36
	Provincial awards ceremonies were held, followed by the national event hosted by the Minister of Tourism and attended by 800 industry stakeholders and guests
	A total of 65 national winners were honoured at the national awards ceremony
	Five women tourism trailblazers received the Minister's Award, with Ms Mpho Cornelius from the Workshop ko Kasi in the Northern Cape receiving an Emerging Young Entrepreneur Award and world-renowned Ndebele artist Ms Esther Mahlangu being inducted into the Lilizela Hall of Fame

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/2018	COMMENT ON DEVIATIONS
Number of business events hosted in South Africa	108	125*	145	206*	+42.1%	Target exceeded. The increased capacity in the SANCB team, as well as the implementation of the Bid Support Fund, has improved South Africa's ability to attract international association meetings.
Number of international delegates hosted in South Africa	Not a KPI	73 866*	81 678	91 740*	+12.3%	
Number of bids supported for international and regional business events	Not a KPI	Not a KPI	58	94+	+62.1%	Target exceeded. The implementation of the Bid Support Fund has improved South Africa's ability to attract international association meetings.
Number of market access platforms that South African Tourism manages	Not a KPI	Not a KPI	2 Market access platforms: • Africa's Travel Indaba • Meetings Africa	2 Market access platforms: • Africa's Travel Indaba • Meetings Africa	-	Target achieved
Number of international tourism market access platforms where South Africa participates	Not a KPI	Not a KPI	6	8+	+33.3%	Target exceeded as South African Tourism identified more platforms that align to the outcomes of its Marketing Investment Framework in the implementation of the 5-in-5 strategy.
Number of provincial signature events supported	Not a KPI	Not a KPI	11	16+	+45.5%	Target exceeded due to more collaboration with Provinces

* UNWTO-aligned (January–December)

+ Financial year-aligned (April–March)

Programme 5: Tourist Experience

Purpose:

To deliver a quality experience expected by international and domestic tourists through:

- Grading establishments
- Product capacity building
- Itinerary building

Sub-programmes:

- Tourism Grading Council
- Global Product

Strategic Objectives:

Strategic Objective 1: To contribute to inclusive economic growth by increasing the number of international and domestic tourists.

Overview:

Following positive growth the previous year, the Tourism Grading Council of South Africa (TGCSA) experienced a difficult trading year in 2017, characterised by a number of external challenges that led to a decrease in its membership numbers.

For a number of smaller enterprises that are members, the adverse general trading and economic conditions resulted in these properties having to adapt their businesses in order to ensure their sustainability. Unfortunately, their voluntary membership of the TGCSA was often one of the services that were surrendered.

The decline in graded establishments during the year under review was also underpinned by the notable slowdown in domestic trips taken, as this had a direct impact on accommodation providers in the sector.

The TGCSA team interrogates the cancellations of membership every month, with a view to limiting these as far as possible. During this process, the business received feedback from a plethora of property owners and managers, who cited business closures, changing business models from overnight rooms to longer-term rental properties, as well as the effect of the new sharing economy players, as reasons for cancelling their membership.

During the year in review, the TGCSA continued to implement the Department of Tourism's Tourism Incentive Programme (TIP) grading support scheme. Grading in South Africa remains voluntary and levied, and this programme aims to help properties to afford grading fees. During the year, more than 1 529 properties were assisted, with substantial discounts applied to their annual grading fees. The TGCSA closed the year with 118 497 graded rooms in South Africa, representing a 0.3% decline in graded rooms for the year.

It is also worth noting that there was positive growth during January, February and March 2018 in the metrics for both graded establishments and graded rooms. This trend was expected to continue into the new fiscal year, as the remedial sales activities and above-the-line marketing campaigns began taking effect. The uptake of the TIP funding programme is also growing significantly when comparing the first three months of 2018 to the same period in 2017.

To further understand the complexities of the market changes, the TGCSA conducted research to assess perceptions of grading in the country. Some of the take-outs from the study are that graded establishments see the benefit of grading, and that many of these establishments have been in business for between two and 12 years. The ungraded establishments cite the cost of grading as the biggest barrier to becoming graded. Here is a sample of the findings.

Graded establishments

Importance of TGCSA grading

73%

regard the TGCSA as being an important contributor to the tourism industry in South Africa

88%

state that they would encourage other establishments to get graded

66%

believe that their guests regard star gradings as being important

Benefits of being graded

8%

cite guidance from a knowledgeable assessor as a benefit



6%

say being graded results in better-quality guests



5%

view the free advertising on the South African Tourism website as a benefit



5%

say grading enables them to increase prices to match their service quality



4%

report an increase in bookings as a result of being graded



4%

cite the ability to advertise to a large database of clients as being beneficial



Ungraded establishments

Reasons for not being graded

54%

say it is too expensive to become graded

41%

say they already have a good client base

20%

believe the requirements are too stringent

10%

are unaware of the benefits of being graded

Motives to become graded

50%

say if getting graded was "cheaper", they would consider it

34%

want "more benefits" to be provided

25%

believe "fewer requirements" should be set for grading

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/2018	COMMENT ON DEVIATIONS
Number of graded accommodation establishments	5 230	5 354+	5 932	5 058	-14.7%	Target not achieved, as nationally membership-based organisations were under strain. A
Number of graded rooms	Not a KPI	118 869+	128 821	118 497	-8.0%	marketing campaign to educate consumers on the benefits and value of grading was launched, as was a recruitment campaign for establishments to become graded. While targets have not been met, a recovery trend has been detected. A net increase in graded establishments was achieved in February, March and April 2018.

+ Financial year-aligned (April–March)

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

South African Tourism will achieve its five-year strategy by:

- Optimising its marketing investments to allow it to focus on prioritised markets and segments;
- Reassessing and realigning the brand to be an appealing, resilient and competitive tourism and business events brand across the target markets and segments;
- Developing effective stakeholder partnerships to collaborate with partners, both local and international, to maximise synergies, enhance traveller experience and close sales;
- Utilising resources effectively to drive operational efficiencies in all activities, including optimising human, marketing and other resources; as well as
- Building an inspired and energised organisation that is motivated to meet the defined goals.

KEY PERFORMANCE INDICATOR	STRATEGY
Staff satisfaction score	Implementation of the human capital strategy
Percentage staff migration from old to new structure	South African Tourism has strived to maintain employee engagement on a positive trajectory by reinforcing a culture of recognition through the revised Living the Values Awards. This has helped the organisation to increase engagement by 4% for the period in review. A steady increase in engagement can be expected as South African Tourism embarks on embedding a high-performance culture through a number of initiatives
Percentage vacancy rate maintained	
Stakeholder satisfaction score	
Number of international tourist arrivals	Proactive and continuous engagement of key stakeholders to improve service delivery and review the implementation of MOUs signed
Percentage brand positivity	
Percentage brand awareness	
Number of total domestic trips	Partner with booking aggregators for information dissemination and bookings
Total domestic direct spend (TDDS)	Promote experiences that are varied and new, with attractive, affordable deals that are easily accessible to encourage holiday travel, using the distribution aggregators and Sho't Left deals platforms
Domestic holiday revenue	
Number of graded accommodation establishments	Continue with the marketing and communications campaign for grading launched in Quarter 4 of 2017-2018
Number of graded rooms	A review of the TGCSA operating model is planned that will ensure that resources are better aligned to the expected outcomes

Linking Performance with Budgets

	2016/2017			2017/2018		
PROGRAMME	BUDGET	ACTUAL EXPENDITURE	(OVER)/ UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/ UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Corporate Support/Administration	95 539	102 127	(6 588)	139 991	151 212	(11 221)
Business Enablement	84 194	99 907	(15 713)	81 295	60 926	20 369
Leisure Tourism Marketing	903 964	846 955	57 009	959 217	955 996	3 221
Business Events	84 103	154 552	(70 449)	119 000	172 123	(53 123)
Tourist Experience	54 035	54 035	-	64 106	49 596	14 510
Total	1 221 835	1 257 576	(35 741)	1 363 609	1 382 958	(26 244)

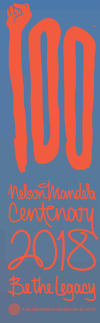
Capital Investment

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

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

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





"There is no passion to be found playing small – in settling for a life that is less than the one you are capable of living."

- Nelson Rolihlahla Mandela



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GOVERNANCE

INTRODUCTION

South African Tourism is a Schedule 3A public entity. It subscribes to and is committed to complying with the principles and standards of integrity and accountability expressed in the Public Finance Management Act (PFMA) (Act No.1 of 1999), the relevant Treasury Regulations and, where applicable and practical, the King IV Report on Corporate Governance.

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

The organisation's values and philosophies are the framework against which behaviour, practices and activities are measured to assess whether it is adhering to the precepts of good governance.

South African Tourism's corporate values require directors and employees to behave with integrity, and to consistently and uncompromisingly display moral strength and conduct that promote trust.

Parliamentary Committees

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

South African Tourism met with the Portfolio Committee on Tourism as follows:

DATE	PURPOSE
12/05/2017	Five-Year Strategic Plan (2017-2022) and Annual Performance Plan (2017/18)
18/08/2017	Tourism on the Oxford Economic Framework – Marketing Investment Framework (2017-2021)
25/08/2017 08/09/2017	South African Tourism Quarter 4 (2016/17) Performance Report South African Tourism Annual Report 2016/17
27/10/2017	South African Tourism Quarter 1 (2017/18) Performance Report
07/03/2018	South African Tourism Quarter 2 and Quarter 3 (2017/18) Performance Report

South African Tourism met with the Select Committee as follows:

DATE	PURPOSE
28/06/2017	Five-Year Strategic Plan (2017-2022) and Annual Performance Plan (2017/18)
29/11/2017	Annual Report presentation

Executive Authority

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

Meetings were held to discuss the following:

DATE	PURPOSE
MINMEC	DISCUSSION POINTS
08/05/2017	5-in-5 strategy implementation report, including latest statistics
15/05/2017	2018 Africa's Travel Indaba and Meetings Africa report Unpacking radical economic transformation in tourism through: <ul style="list-style-type: none">• National Tourism Sector Strategy (NTSS)• Domestic Tourism Strategy• National Tourism Transformation Plan (NTTP)• Oceans Economy (Coastal and Marine Tourism – CMT)• Enhanced Strategy for Growth (the 5-in-5 strategy) INDABA 2017 and beyond update
MIPTEC	DISCUSSION POINTS
06/09/2017	Marketing Working Group report Consolidated outcomes of provincial roadshows Lilizela Tourism Awards



The Accounting Authority (South African Tourism Board)

The Minister of Tourism, in terms of the Tourism Act of 2014, appoints the South African Tourism Board members. The Board consists of no fewer than nine, and no more than 13 members. The Board further includes an official representing the Department of Tourism, also appointed by the Minister.

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

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

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

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

DATE OF BOARD MEETING	MAIN AGENDA ITEMS
May 2017	<ul style="list-style-type: none"> • Approval of Annual Financial Statements, Statement of Responsibility, Corporate Governance Report, Performance Information Report, and Audit & Risk Report • Approval of the new organisational structure and target operating model • Approval of remuneration increases and performance bonuses • Approval of policies within the ambit of the Board • Medium-Term Expenditure Framework (MTEF) • Organisational review project • Monitoring of the implementation of the Internal Audit Plan
September 2017	<ul style="list-style-type: none"> • Board strategy session • Approval of 2018/19 Annual Performance Plan • Approval of exhibition management company for Africa's Travel Indaba and Meetings Africa • Approval of policies within the ambit of the Board • Approval of Internal Audit Charter • Staff performance bonuses
November 2017	<ul style="list-style-type: none"> • Approval of second draft of Annual Performance Plan • Approval of Marketing Investment Framework • Approval of Employment Equity Plan and Workplace Skills Plan • Organisational review structure and target operating model
January 2018	<ul style="list-style-type: none"> • Approval of Annual Performance Plan and budget
March 2018	<ul style="list-style-type: none"> • Approval of Internal Audit Plan • Approval of policies within the ambit of the Board • Review of Board and committee terms of reference

The Role of the Board and the Board Charter

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

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

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

The Board shall, as prescribed by the PFMA, after the end of each financial year submit:

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

The operations of the organisation are guided by the corporate Strategic Plan, the Annual Performance Plan and policies, inter alia.

Composition of the Board

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

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

The Board members for the period 1 April 2017 – 31 March 2018:

NAME	DESIGNATION	DATE APPOINTED	END OF TERM	QUALIFICATIONS	EXPERTISE	OTHER BOARD DIRECTORSHIPS
Tanya Abrahamse (Dr)	Chairperson (appointed Acting Chairperson 27 October 2016 and Chairperson 7 April 2017)	1 June 2015	31 May 2018	MSc, PhD	Public- and private-sector management and leadership experience in development, environment, biodiversity and tourism – policies, processes and institutions, including international engagements	CEO and Board member: South African National Biodiversity Institute; Board member: Mapungubwe Institute for Strategic Reflection; Member: Inaugural Science Advisory Board of the United Nations Secretary-General
Thebe Ikalafeng (Mr)	Deputy Chairperson (appointed 7 April 2016)	1 June 2012	31 May 2018	BSc, MBA , CM (SA)	Management, marketing and branding	World Wide Fund – SA (WWF), Brand Leadership Group (Pty) Ltd, Ikalafeng & Associates CC, The Brand Leadership Academy (Pty) Ltd, Ihop World (Pty) Ltd; Trustee: Kwena Trust and Jabari Trust
Graham Wood (Mr)	Non-Executive	1 June 2012	31 May 2018	B Compt Hons CA(SA)	Finance, management, strategic travel and tourism	Atela Investments (Pty) Ltd, Eco-Navitas (Pty) Ltd
Ayanda Ntsaluba (Dr)	Non-Executive	1 June 2012	31 May 2018	MBChB, FCOG (SA), MSc: Health Policy, Planning and Financing, MBA: International relations, political economy and philosophy	Management, finance, philosophy, health and international relations	Discovery Ltd, Discovery Life Ltd, Discovery Health (Pty) Ltd, Discovery Vitality (Pty) Ltd, Clinix Health Group (Pty) Ltd, Discovery Holdings Europe Ltd, Vitality Health Ltd, Vitality Health Insurance Ltd, Vitality Corporate Services Ltd, Council member: Council of University of KwaZulu-Natal

NAME	DESIGNATION	DATE APPOINTED	END OF TERM	QUALIFICATIONS	EXPERTISE	OTHER BOARD DIRECTORSHIPS
Judi Nwokedi (Ms)	Non-Executive	1 June 2015	31 May 2018	BSoc, Leadership training at Harvard and GIBS	Broadcasting, telecommunications and nuclear energy. Public sector experience (Australia) Multinational experience (US and France)	Consolidated Infrastructure Group, Nwokedi Consultants, the International Women's Forum South Africa, ArcBlue – Afrika (Pty) Ltd, Hitricon (Pty) Ltd, JNPV, Tourvest Group, Tourvest Holdings, Tourvest Financial Services
Colin Bell (Mr)	Non-Executive	1 June 2015	31 May 2018	BCom	Nature conservation, tourism, photography, writing and public speaking	Trustee: WWF South Africa, Southern Africa Tourism Services Association, Conservation Action Trust; Director: Natural Selection Safaris (Pty) Ltd, Mkambati Matters (Pty) Ltd, Beach Lodge (Pty) Ltd
Chichi Maponya (Ms)	Non-Executive	1 June 2015	31 May 2018	BCom	Communication, business management and marketing	CEO: Maponya Group; former Chairperson: Brand South Africa; Deputy Chair: South African Council on International Relations; Trustee: Dr Richard Maponya Institute for Skills and Entrepreneurship; Trustee: Marina Maponya Memorial Fund; Director: Barloworld Maponya; Trustee: Kgalema Motlanthe Foundation; Chairperson: Opera Africa; Board member: Consumer Goods Council of South Africa
Amor Malan (Ms)	Non-Executive	1 June 2015	31 May 2018	BCom Honours, MCom, MBA BTEC Project Management, Diploma: Education Training and Practitioner Centre for Accessible Environments Universal Access Certificate, Australia Institute for Access Training: Access Audit Consultant Certificate – current	Formulating strategy, project management, stakeholder engagement, community network development, special needs passengers insight, training (universal accessibility), governance	Health Professions Council of South Africa: Occupational Therapy and Orthotics Board

NAME	DESIGNATION	DATE APPOINTED	END OF TERM	QUALIFICATIONS	EXPERTISE	OTHER BOARD DIRECTORSHIPS
Oregan Hoskins (Mr)	Non-Executive	1 June 2015	31 May 2018	BA, LLB, MBA	Legal, leadership, management, sport and recreation	President: South African Rugby Union, Vice-Chairperson: International Rugby Board
Michelle Constant (Ms)	Non-Executive	1 June 2015	31 May 2018	BA, Perf.Dip Social Entrepreneurship Programme (GIBS)	Arts and culture, business management, media and marketing	CEO: Business and Arts South Africa (NPC); Presenter: weekly SAFM lifestyle show; Advisory Committee member: French Institute of South Africa, Artist Proof Studio, Arts Investment Forum
Mmaditlonki Setwaba (Ms)	Non-Executive	1 June 2015	31 May 2018	BProc LLB (Postgraduate) Certificate in Legislative Drafting	Legal	Admitted Attorney; Member: Audit and Risk Management Committee of the Department of Tourism; in-house counsel: Department of Tourism
Yacoob Abba Omar (Mr)	Non-Executive	19 November 2015	31 May 2018	Currently reading for his PhD on 'Sovereignty and National Identity in South Africa' through Wits University	Strategy, communications and diplomacy	Trustee: South African National AIDS Council; Advisory Committee member: University of the Witwatersrand's Institute for Diversity Studies; Advisory Board member: Institute for International Management Practice, Anglia Ruskin University, Cambridge
Enver Duminy (Mr)	Non-Executive	26 August 2016	31 May 2018	BSc (Computer Science & Mathematical Statics) Microsoft Certified Professional IBM Systems Professional Certificate in Management Studies	Information technology, research and knowledge management, finance and marketing	Cape Town Tourism, Cape Town Commercial (Pty) Ltd, Tourism Grading Council of South Africa
Mmatšatši Ramawela (Ms)	Non-Executive	26 August 2016	31 May 2018	Honours Bachelor of Administration Postgraduate Diploma in Marketing Management	Business strategy management	IDC – Auspex, B-BBEE Charter Council, School of Tourism and Hospitality at the University of Johannesburg, Regional Tourism Organisation of Southern Africa

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

	BOARD MEETING 29 MAY 2017	BOARD LEKGOTLA 11-12 SEPTEMBER 2017	BOARD MEETING 22 NOVEMBER 2017	SPECIAL BOARD MEETING 23 JANUARY 2018	BOARD MEETING 28 MARCH 2018
NAME					
Tanya Abrahamse <i>Chairperson</i>	✓	✓	x	✓	✓
Thebe Ikalafeng <i>Deputy Chairperson</i>	✓	✓	✓	✓	✓
Ayanda Ntsaluba	✓	✓	✓	✓	x
Graham Wood	x	x	✓	✓	✓
Chichi Maponya	✓	✓	x	x	✓
Oregan Hoskins	✓	✓	✓	✓	✓
Michelle Constant	✓	✓	x	x	✓
Colin Bell	✓	✓	✓	✓	x
Amor Malan	✓	✓	✓	✓	x
Judy Nwokedi	✓	✓	✓	✓	x
Mmaditonki Setwaba	x	✓	x	✓	✓
Yacoob Abba Omar	✓	✓	x	x	x
Enver Duminy	✓	✓	✓	✓	✓
Mmatšatši Ramawela	✓	✓	✓	✓	✓

Board Committees

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

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

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

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

Marketing Committee

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

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

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

NAME	29 MAY 2017	11-12 SEPTEMBER 2017	21 NOVEMBER 2017	28 MARCH 2018
Michelle Constant <i>Chairperson</i>	✓	✓	x	✓
Colin Bell	✓	✓	✓	x
Thebe Ikalafeng	✓	✓	✓	✓
Oregan Hoskins	✓	✓	✓	✓
Yacoob Abba Omar	✓	x	x	x
Enver Duminy	✓	✓	✓	✓
Mmatšatši Ramawela	✓	✓	✓	✓

Human Capital and Remuneration Committee

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

The committee operates in accordance with approved terms of reference. It is also mandated to ensure that, in taking decisions pertaining to remuneration and employee-related matters, due care is exercised. The business operations of the committee are aligned with the compliance requirements of relevant prescripts such as the Basic Conditions of Employment Act (No. 75 of 1997).

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

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

The roles and responsibilities of this committee include:

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

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

NAME	29 MAY 2017	11-12 SEPTEMBER 2017	21 NOVEMBER 2017	27 MARCH 2018
Judy Nwokedi (Chairperson)	✓	✓	✓	✓
Ayanda Ntsaluba	✓	✓	x	x
Graham Wood	✓	✓	✓	✓
Tanya Abrahamse	✓	✓	x	✓
Yacoob Abba Omar	✓	x	x	x
Mmatšatši Ramawela	x	✓	✓	✓

Audit and Risk Committee

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

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

The committee is also vested with the powers to examine any financial, operational and strategic matters relating to the operations of South African Tourism. This includes reviewing and approving the Annual Financial Statements and accounting policies, as well as compliance and regulatory matters. The Internal Audit unit is fully accountable to this committee, to which it also reports directly on its business operations, both administratively and functionally.

The roles and responsibilities of this committee include:

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

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

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

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

NAME	SPECIAL		10-12 SEPTEMBER 2017	21 NOVEMBER 2017	27 MARCH 2018
	24 MAY 2017	26 JULY 2017			
Ayanda Ntsaluba (Chairperson)	✓	x	✓	✓	x
Chichi Maponya	x	✓	x	x	✓
Judy Nwokedi	x	✓	✓	x	x
Mmaditlonki Setwaba	✓	✓	✓	x	✓
Amor Malan	✓	✓	✓	✓	x
Oregan Hoskins	✓	✓	✓	✓	✓
Enver Duminy	✓	✓	✓	✓	✓

Tourism Grading Council Awards Committee

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

The roles and responsibilities of this committee include:

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

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

NAME	19 MAY 2017	6 SEPTEMBER 2017	14 NOVEMBER 2017	13 FEBRUARY 2018
** Graham Wood (Chairperson)	✓	✓	✓	✓
** Amor Malan	x	✓	✓	✓
** Mmaditlonki Setwaba	✓	x	x	x
** Enver Duminy	✓	x	✓	✓
Hapiloe Sello	✓	x	x	x
Jegie Padmanathan	✓	x	✓	✓
Rosemarie van Staden	✓	✓	✓	✓
Lindiwe Sangweni-Siddo	x	✓	x	x
Lindiwe Rakharebe	✓	✓	x	✓
Nombeko Rwaxa	✓	✓	✓	✓
Tshifhiwa Tshivhengwa	✓	✓	✓	✓
Wendy Alberts	✓	✓	✓	x
Johanna Mukoki	x	✓	✓	✓
Ravi Nadasen	✓	x	x	x

** South African Tourism Board members

The committee was appointed after the functions of the Tourism Grading Council were assigned to the South African Tourism Board with effect from 1 July 2015. The committee was appointed on 1 July 2016, with its tenure ending on 31 May 2018, in line with the tenure of the South African Tourism Board.

South Africa National Convention Bureau Committee

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

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

The roles and responsibilities of this committee include:

- Establishing a strong collaborative industry approach to market South Africa as a preferred destination for business events, and to reach its full potential through industry participation;
- Providing stakeholders with advice and input from the South African business events industry, including all aspects of organising business events in South Africa;
- Facilitating participation from the industry in terms of co-operative programmes that will maximise the positioning of South Africa as a preferred business events destination;
- Providing input and guidance in terms of reviewing the destination's performance in relation to the national targets set for the South African business events industry;
- Co-ordinating input and industry support for South African business events development activities. These inputs focus on factors that the South African business events industry regards as being important to grow the sector;
- Providing industry input into the organisation/operation of Meetings Africa;
- Advising on and reviewing the SANCB brand essence and development of collateral;
- Advising on and reviewing the SANCB policies on lead distribution and bidding;
- Advising on and reviewing the strategic direction of the South Africa's business events team, to support its aim of establishing South Africa as a preferred international business events destination;
- Advising on and reviewing the five-year Strategic Plan, Annual Performance Plan and marketing plan for the SANCB through participation in the annual strategic meeting and/or other interventions;
- Acting as a collaborative forum of industry stakeholders that will advise the SANCB on the positioning of South Africa as an international business events destination;

- Assessing the activity levels of the South African business events industry, and providing programme support for the industry, as well as guidance and input in terms of the positioning of South Africa in the global business events market; and
- Focusing on all elements related to the business events value chain in order to contribute to the development of the complete industry.

Four meetings were held during the year under review. The third meeting was held at Meetings Africa during February. The attendance of meetings was as follows:

NAME	13 JUNE 2017	2 NOVEMBER 2017	28 FEBRUARY 2018	26 MARCH 2018
** Thebe Ikalafeng (Chairperson)	✓	✓	x	x
** Michelle Constant	✓	✓	✓	✓
** Oregan Hoskins	✓	✓	x	✓
Dirk Elzinga	✓	x	✓	✓
Sean Bradley	✓	✓	✓	✓
Ravi Nadasen	x	x	x	x
Eleanor Bloem	✓	✓	x	x
Denise Kemp	✓	✓	✓	✓
Craig Newman	x	x	✓	x

** South African Tourism Board members

Executive Management Committee

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

The Executive Management team is composed as follows:

- Chief Executive Officer
- Chief Operating Officer
- Chief Financial Officer
- Chief Marketing Officer
- Chief Convention Bureau Officer
- Chief Strategy Officer

The General Manager: Human Capital, Chief Quality Assurance Officer and Head: Internal Audit have been appointed *ex officio* members of EXCO, and the Chief of Staff and Company Secretary are attendees at the committee meetings.

Remuneration of Board Members

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

1 April 2017 to 31 March 2018

NAME	TRAVEL (R)	REMUNERATION (R)	OTHER (R)	TOTAL (R)
Tanya Abrahamse (Chairperson)	58 121.29	28 645.38	3 150*	89 916.67
Thebe Ikalafeng (Deputy Chairperson)	75 655.04	69 974.78		145 629.82
Ayanda Ntsaluba	8 884.86	66 756.78		75 641.64
Graham Wood	53 275.35	51 242.64		104 517.99
Chichi Maponya	14 995.97	24 824.15		39 820.12
Oregan Hoskins	64 704.31	62 065.06		126 769.37
Judy Nwokedi	14 608.37	56 089.67		70 698.04
Michelle Constant	25 651.05	48 640.78		74 291.83
Colin Bell	40 419.96	52 134.23		92 554.19
Amor Malan	5 036.00	42 463.40		47 499.40
Mmaditlonki Setwaba	13 305.52	-		13 305.52
Yacoob Abba Omar	4 420.66	37 236.23		41 656.89
Enver Duminy	81 794.55	52 394.23		134 188.78
Mmatšatši Ramawela	19 554.17	49 652.98		69 207.15
TOTAL	480 427.10	642 120.31	3 150*	1 125 697.41

* Institute of Directors South Africa membership fees

The following amounts were paid to members of the Grading Council Awards Committee for the period 1 April 2017 to 31 March 2018:

NAME	TRAVEL (R)	REMUNERATION (R)	OTHER (R)	TOTAL (R)
Graham Wood (Chairperson)	**	31 884		31 884
Amor Malan	**	14 668		14 668
Mmaditlonki Setwaba	**	-		-
Jegie Padmanathan	3 952.34	9 930.83		13 883.17
Lindiwe Rakharebe	-	14 895.66		14 895.66
Wendy Alberts	4 102.20	14 895.66		18 997.86
Johanna Mukoki	-	14 896.83		14 895.66
Ravi Nadasen	4 691.12	4 964.83		9 655.95
Lindiwe Sangweni-Siddo	-	-		-
Hapiloe Sello	-	-		-
Rosemarie van Staden	3 313.94	19 861.66		23 175.60
Nombeko Rwaxa	3 439.34	19 861.66		23 301
Enver Duminy	**	9 672		9 672
Tshifhiwa Tshivhengwa	2 067.86	19 861.66		21 929.52
TOTAL	21 566.80	175 392.79		196 959.59

** Board members' travel all included in Board travel costs

Risk Management

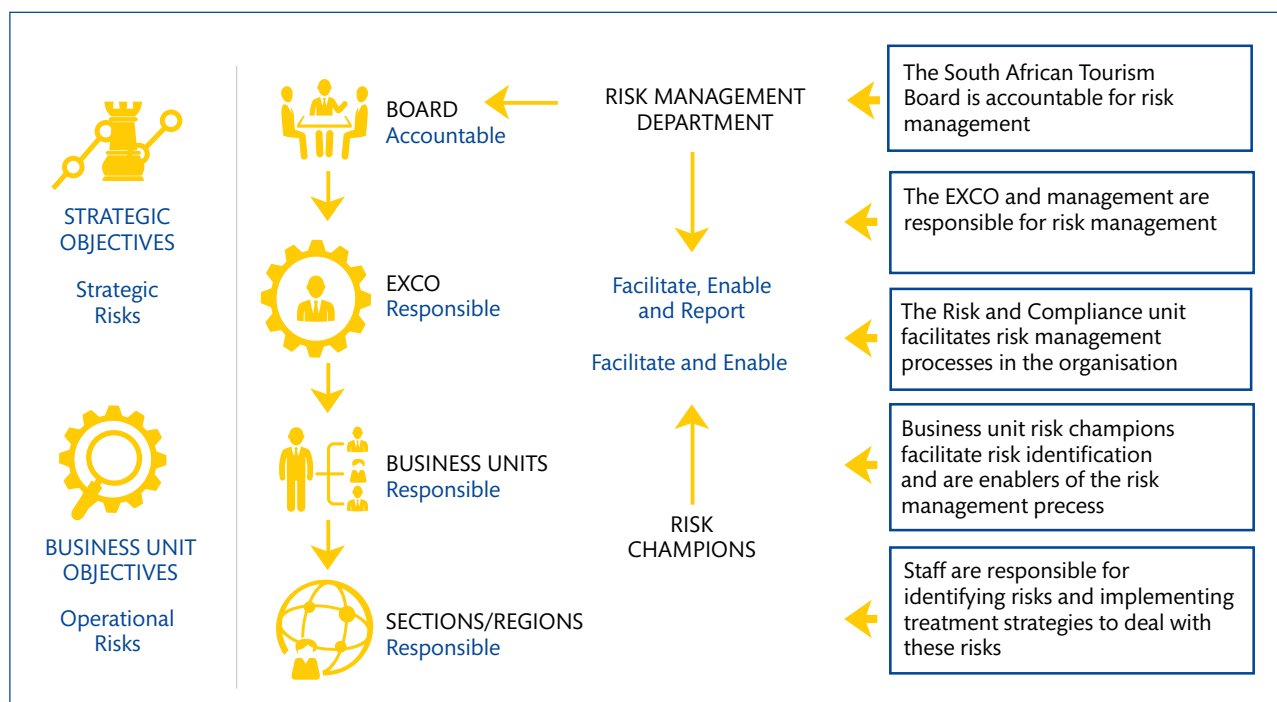
Risk management is an essential part of South African Tourism's business strategy and operations. Risk management initiatives within South African Tourism are implemented to ensure that the strategic objectives set by the Board and approved by the Minister are achieved, while effectively and efficiently protecting the organisation, including its brand, against reputational and financial risks or damage. Risks are viewed and assessed holistically and not in isolation, since a single transaction or event may have a number of risks, and one category of risk can trigger other risks.

Risk Governance

The South African Tourism Board has promoted a "risk-matured and risk-intelligent" culture and set the risk management tone through the approval of the Risk Management Policy and Framework. The Board, in discharging its risk management responsibilities, is supported by the Audit and Risk Committee (ARCO), whose main responsibilities are to ensure that South African Tourism has implemented an effective Risk Management Strategy that will enhance the organisation's ability to achieve its strategic objectives.

An annual risk assessment is conducted in respect of the strategic, tactical, operational and project risks and is aligned to the strategic planning process of the South African Tourism. The risks are documented utilising risk management software and monitored on an ongoing basis in relation to risk mitigation strategies or plans, the relevance and adequacy of existing controls, and the identification of key emerging risks.

Below is a high-level view of Risk Management Governance at South African Tourism:



Risk Maturity

South African Tourism strives to have a risk-matured and risk-intelligent culture by 31 March 2021. South African Tourism has elevated risk management as a strategic enabler and has implemented the following:

- Year one of the three-year Risk Management Strategy is underway, to assist South African Tourism in achieving the desired maturity level. Maturity is also being monitored quarterly.
- The Board has revised and approved the Risk Management Policy and Framework to incorporate improvements identified in the Risk Maturity Assessment and other developments in the risk management industry. Business Continuity Management (BCM) is also incorporated in the policy.
- Risk assessments are conducted at a strategic, tactical and operational level as part of inculcating a risk culture in all South African Tourism employees. In addition, a Risk Appetite Framework (which includes a risk-bearing capacity) has been established and forms part of the risk reporting and monitoring philosophy. This includes the escalation process of risks to the relevant governance structures and is monitored and reported on a monthly basis to EXCO and quarterly to ARCO.
- Data analytics and cost of risk to gauge risks/ business decisions against the risk appetite limits, including quantification of loss events, have been implemented.

Internal Controls

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

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

Internal Audit

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

In terms of King IV, Internal Audit is required to provide the South African Tourism Board with a written assessment of

the effectiveness of the system of internal controls and risk management. The purpose of this assessment is to inform the Board of the effectiveness of the system of internal controls, for inclusion in the integrated report.

1.1 Annual assessment

The Institute of Internal Auditors (IIA) standards require that Internal Audit complies with ethical and performance standards requirements, and plans and performs internal audit work to obtain a reasonable assurance that governance, risk management and systems of internal controls are effective.

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

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

The 2017/2018 financial year opinion for South African Tourism provided below is limited to the scope of work performed, documents reviewed and meetings attended.

1.2 Audit coverage

Internal Audit completed the planned audits for the 2017/2018 financial year, except for the following reviews:

- Revenue and Budgeting Audit
- Insight and Analytics Business Unit Review
- Brand and Marketing Business Unit Review

In addition, Internal Audit completed several ad hoc assignments contributing to the basis for the overall assessment and conclusion on the effectiveness of governance, risk management and internal control systems.

1.3 Ethics hotline report

Ethics-related allegations have been submitted via the ethics hotline. Other sources include specific management requests and results of Internal Audit reviews.

Two key investigations were executed and the results thereof were shared with EXCO and the Board. The findings were reported to management and have been considered in determining the overall opinion.

1.4 Overall opinion

Based on the results of our audit engagements, as well as the conclusions given on governance, risk management and internal controls (financial and non-financial), our overall opinion is that, in all significant respects, South African Tourism's control environment is adequate and/or effective enough to be relied upon, except for specific areas that require improvements.

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

1.5 Audit committee oversight

During the 2017/2018 financial year, South African Tourism Internal Audit presented reports to the Audit and Risk Committee. These reports covered significant audit findings (where applicable), progress against the audit plan and Internal Audit administrative processes.

The Audit and Risk Committee continued to fulfil its oversight role over the Internal Audit function. Through the approval of the audit plan, the Audit and Risk Committee provided guidance and direction on Internal Audit's approach to the organisation's key priorities and risks.

Compliance with Laws and Regulations

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

In line with the above, the focus for the new fiscal year will be on embedding a compliance culture within the organisation, and the compliance function will assist and support top management and the organisation in discharging their responsibility to comply with regulatory requirements by:

- Assessing compliance risks;
- Evaluating compliance risks;
- Monitoring compliance risks;
- Reporting compliance risks;
- Conducting compliance training and awareness programmes; and
- Facilitating the management of compliance risks.

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

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

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

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

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

Fraud and Corruption

South African Tourism's organisation-wide practice for managing fraud and corruption arises from the Prevention and Combating of Corrupt Activities Act (Act No. 12 of 2004), and all other legislated laws and regulations available to assist in combating fraud and corruption.

The risk management environment within and around South African Tourism is undergoing a review as part of the continuous business improvement drive, to further enhance governance practice and to ensure compliance with the necessary statutory requirements. South African Tourism has developed and implemented other policies and procedures to promote good governance. The review under consideration strives to align the South African Tourism fraud prevention plan with the latest risk management strategy, risk management framework, and risk management policy, methodology and approach.

South African Tourism continues to use its ethics hotline, which is externally managed by Deloitte Tip-offs Anonymous. Under the auspices of one of the leading independent global whistle-blowing service providers, the facility enables employees and stakeholders to report unethical behaviour and perceived misconduct in the workplace, anonymously as well as confidentially. The ethics hotline has an escalation protocol that ensures that the appropriate level of attention is received by the queries logged. A complaints handling line has also been introduced to deal with service delivery- and supply chain-related matters.

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

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

Minimising Conflict of Interest

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

All Board members must also declare their interests

annually and at every Board meeting. Records in this regard are filled and maintained by the Company Secretary. Interests must also be disclosed in committees such as Bid Evaluation Committees, Bid Adjudication Committees, and Recruitment and Selection Panels/Committees.

Code of Conduct

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

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

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

Health, Safety and Environmental Issues

The Board of South African Tourism is vested with the responsibility of ensuring that all employees work in a safe and healthy environment. This requires giving assurance to other stakeholders that South African Tourism conducts its business in compliance with the occupational health and safety standards and requirements as prescribed in the Occupational Health and Safety Act (Act No. 85 of 1993).

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

South African Tourism undertook due diligence on occupational health and safety (OHS) in South Africa and countries in which the organisation operates. All recommendations will be implemented and risks mitigated. Compliance risk on OHS is aimed at:

- Providing and maintaining a healthy and safe workplace for all employees;
- Conducting activities in an environmentally friendly manner to ensure the health and safety of people in the vicinity of the entity;
- Preventing personal injury and protecting the health of employees and others on the premises;
- Identifying, documenting and maintaining processes

within specified safety criteria, and documenting the methods of control for those processes that have been identified to conform with the requirements of the Occupational Health and Safety Act;

- Ensuring that all employees, at every level and in every function, are aware of their responsibility for their own health and safety and that of others;
- Ensuring that employees who advise on occupational health, safety and environmental matters are appropriately qualified, trained and accredited; and
- Demonstrating South African Tourism's active involvement and commitment in relation to occupational health and safety within its scope of operations.

Company Secretary

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

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

Social Responsibility

South African Tourism, through its corporate social investment (CSI) programme, remains committed to supporting small businesses by providing them with a market access platform through its national and international trade exhibitions.

This includes bringing small businesses into the Sustainability Village at Meetings Africa and Africa's Travel Indaba, enabling local vendors to sell their products directly to hosted buyers and exhibitors without incurring exhibition costs. The village allows South African Tourism to do away with "traditional" gifting; instead, hosted buyers receive vouchers to redeem on the exhibition floor. Similarly, South African Tourism is also giving small businesses the opportunity to have their products showcased on international travel trade platforms.

South African Tourism is in the process of finalising a framework to identify outreach projects that seek to remedy some of the major challenges facing the country, through the organisation's corporate social responsibility programme. The framework will ensure that the CSI programmes supported by South African Tourism are aligned with its mandate and are also sustainable.

Remuneration of South African Tourism's EXCO Members

During the 2017/2018 financial year, South African Tourism paid total remuneration of R12.7-million to EXCO members, details of which are as follows:

NAME	DESIGNATION	START DATE	BASIC SALARY	13TH CHEQUE BONUSES	PERFORMANCE BONUS	OTHER EARNINGS	TOTAL COMPANY CONTRIBUTIONS	TOTAL COST (RAND VALUE)
Sisa Ntshona	Chief Executive Officer	03/10/2016	1 759 855.01	0.00	0.00	827 870.69	154 014.87	2 741 740.57
Darryl Erasmus	Chief Quality Assurance Officer	07/09/2015	1 200 693.14	0.00	0.00	574 220.87	105 548.40	1 880 462.41
Thomas Bouwer	Chief Financial Officer	17/10/2013	1 424 686.83	0.00	74 576.29	661 211.04	139 525.61	2 299 999.77
Sthembiso Dlamini	Chief Operating Officer	01/08/2014	1 405 399.66	0.00	38 873.88	537 735.37	258 710.32	2 240 719.23
Amanda Kotze-Nhlapo	Chief Convention Bureau Officer	01/11/2011	1 706 891.43	0.00	69 437.24	38 652.76	218 535.60	2 033 517.03
Bashni Muthaya	Chief Strategy Officer*	14/01/2002	1 095 598.78	84 711.76	218 949.03	578 866.72	109 331.98	2 087 458.27
Margie Whitehouse	Chief Marketing Officer	01/03/2015	1 352 572.76	0.00	0.00	642 286.10	118 844.41	2 113 703.27
			8 185 842.60	84 711.76	401 836.44	3 032 972.86	950 496.32	12 655 859.98

* Effective from 1 October 2017

AUDIT AND RISK COMMITTEE REPORT

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

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

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

The Effectiveness of Internal Controls

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

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

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

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

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

Evaluation of Financial Statements

The following have been executed:

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

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

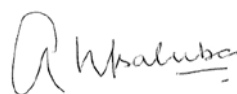
Internal Audit

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

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

Auditor-General of South Africa

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



Dr Ayanda Ntsaluba

Chairperson of the Audit and Risk Committee
31 July 2018

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Nelson Mandela
Centenary
2018
Be the legacy

*"Man's goodness is a flame that can
be hidden but never extinguished."*

- Nelson Rolihlahla Mandela



D

**HUMAN RESOURCES
MANAGEMENT**

INTRODUCTION

In delivering on its mandate of building an inspiring and energised organisation, as well as improving operational efficiency, South African Tourism focused on ensuring that all of its actions, at an organisational and an employee level, were aimed at meeting the defined goals. This could only be achieved by ensuring that South African Tourism and its employees clearly knew and understood their role in achieving these goals. In order to ensure this, the following initiatives were undertaken during the period under review:

Human Capital Strategy

The development and introduction of a robust Human Capital Strategy was aimed at reawakening passion among all employees by creating a high-performance culture within South African Tourism to contribute to achieving its goals. It further serves to attract, engage, nurture and retain talent while building leadership capability that will inspire and steer the organisation towards the set goals.

Project iGnite

The conclusion of Project iGnite resulted in the internal placement of 154 out of 155 employees (the remaining employee was due to be placed shortly after the period under review) through reconfiguring the organisation to optimally deliver on the strategy. Change management principles have been entrenched and will continue to be part of organisational development.

Human Resources Information System (HRIS)

In keeping with South African Tourism's goal to become operationally efficient, the HRIS project was a key focus in the period under review. After the implementation of the Oracle HR system, the development and implementation of the Oracle Performance Management System commenced. South African Tourism's human capital strategic intent was key to developing and implementing the principles that will be used to guide key components within the performance management system.

Employee Engagement

Employee engagement positively contributes to staff morale, productivity and a sense of belonging. For this reason, South African Tourism endeavours to promote open communication at all levels. The following feedback sessions and interventions were carried out during the year under review:

- Focus groups were held, aimed at obtaining further insights following the employee engagement survey conducted in the previous review period;
- The SATElite Awards were revamped into the Living the Values Awards, aimed at rewarding employees for embodying the South African Tourism values;
- A provider was commissioned to administer the employee engagement survey; and
- An Employee Wellness Day was held, in partnership with a service provider.

Consequently, employee engagement has increased from 58.5% (2.9) to 62.5% (3.1) for the period reviewed.

Human Capital Compliance Review

Human Capital continued, during the year under review, to maintain a regulatory universe of human capital-related legislation and review policies to address the identified gaps.

The following human capital policies were reviewed:

- Guaranteed Remuneration and Performance Incentive Policy;
- Hub Head Appointment Policy;
- General HR Policy; and
- Bursary Policy.

Human Resources Oversight Statistics

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

Personnel cost by objective

PROGRAMME	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXPENDITURE AS A % OF TOTAL EXPENDITURE (R'000)	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Administration/ Corporate Support	139 991	74 502	53%	52	974
Business Enablement	81 295	3 386	4%	7	1 472
Leisure Tourism Marketing	1 045 702	96 229	9%	79	841
Business Events	119 000	9 737	8%	16	754
Tourist Experience	76 621	10 526	14%	21	984
TOTAL	1 462 609	194 380	13%	175	899

Personnel cost per salary band

LEVEL	PERSONNEL EXPENDITURE (R'000)	% OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST (R'000)	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top management	13 618	7.26%	7	1 945
Senior management	10 849	5.79%	14	775
Professional qualified	112 536	60.01%	80	1 407
Skilled	37 678	20.09%	62	608
Semi-skilled	5 337	2.85%	12	445
Unskilled	-	-	-	-
Other* (internships)	7 505	4.00%	1	7 505
TOTAL	187 523	100.00%	176	1 065

Performance Management

As part of building an inspiring and energised organisation, South African Tourism has developed and implemented an automated performance management system. This is aimed at ensuring the organisation's alignment with its deliverables, all the way down to individual objectives. The system ensures the efficient management of standardised, high-quality data and information that will enable a better decision support capability across the business.

The performance management system is supported by a set of principles and behaviours that are derived from South African Tourism's values.

Performance Incentive System

South African Tourism utilises a three-tier performance management system to monitor and evaluate its organisational and employee performance. The primary objective of this system is to incentivise all employees to proactively and consistently contribute to the organisation exceeding its short- and long-term key performance areas and targets, as contained in its five-year Strategic Plan, Annual Performance Plan and budget, approved by the Board of South African Tourism.

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

The table below represents the performance rewards per salary band:

LEVEL	PERFORMANCE REWARDS (R'000)	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST (R'000)
Top management	721	13 618	5.29%
Senior management	1 405	10 849	12.95%
Professional qualified	3 922	112 536	3.48%
Skilled	1 429	37 678	3.79%
Semi-skilled	298	5 337	5.58%
Unskilled	-	-	0%
Other	-	-	0%
TOTAL	7 775	180 018	4.3%

Skills Development

South African Tourism acknowledges that providing excellent training and development opportunities to staff members benefits employees in terms of their professional development and prospects for advancement within the business, and is central to the success of the business itself.

For South African Tourism, the ultimate objective of training and development is to create a learning organisation where employees are able to perform their jobs effectively. Over and above this, these interventions are geared towards allowing employees to gain a competitive advantage, to seek self-growth and to enhance organisational development. This requires a commitment by leadership to ensure that all employees have equal access to training and development opportunities, in order to continuously improve their skills and competencies.

Workplace Skills Plan and Training Cost for 2017/2018

Following the Skills Audit, personal development plans were put in place for all employees. The identified training interventions were effectively executed. The overall investment in training for the year under review was R2.3-million. The Skills Development Levy (SDL) for the financial year was R1.1-million. This meant that South African Tourism invested more than 200% of its SDL for the 2017/2018 financial year. To this end, training and development interventions were undertaken per programme as follows:

TRAINING COSTS PER PROGRAMME	PERSONNEL EXPENDITURE	TRAINING EXPENDITURE	TRAINING EXPENDITURE AS A % OF PERSONNEL COST	NO. OF EMPLOYEES TRAINED	AVERAGE TRAINING COST PER EMPLOYEE (R'000)
	(R'000)	(R'000)			
Programme 1: Administration/ Corporate Support	74 502	687	0.9%	48	14
Programme 2: Business Enablement	3 386	141	4.16%	7	20
Programme 3: Leisure Tourism Marketing	96 229	1 014	1.05%	52	20
Programme 4: Business Events	9 737	194	2%	16	12
Programme 5: Tourist Experience	10 526	310	2.9%	17	18
TOTAL	194 380	2 346	1.2%	140	17

* Personnel expenditure source: EMP 201

Employment and Vacancies

To maintain South African Tourism's equity targets, it endeavours to fill all vacancies that may arise. The Board-approved structure has 202 positions, versus the headcount of 175 positions. The table below summarises the South African Tourism employment vacancies report. As a result of Project iGnite, external recruitment was put on hold to ensure the organisation was aligned with the target operating model while Project iGnite-related internal recruitment was being finalised.

PROGRAMME	2016/2017	2017/2018	2017/2018	2017/2018	% OF VACANCIES
	NUMBER OF EMPLOYEES	APPROVED POSTS	NUMBER OF EMPLOYEES	VACANCIES	
Programme 1: Administration/ Corporate Support	50	57	52	5	8.77%
Programme 2: Business Enablement	6	16	7	9	56.25%
Programme 3: Leisure Tourism Marketing	78	85	79	6	7.06%
Programme 4: Business Events	10	17	16	1	5.88%
Programme 5: Tourist Experience	12	27	21	6	22.22%
TOTAL	156	202	175	27	13.37%

LEVELS	2017/2018	2017/2018	2017/2018	% OF VACANCIES
	APPROVED POSTS	NUMBER OF EMPLOYEES	VACANCIES	
Top management	7	7	0	0%
Senior management	16	14	2	12.5%
Professional qualified	94	80	14	14.9%
Skilled	71	62	9	12.7%
Semi-skilled	14	12	2	14.3%
Unskilled	-	-	-	-
Total	202	175	27	13.4%

South African Tourism is operating at an 86.63% occupancy rate against the approved staff establishment, with the remaining 13.37% recorded as a vacancy rate. There are no vacancies at senior management level.

Staff Movement

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

LEVELS	EMPLOYMENT AS AT 31 MARCH 2016	TERMINATIONS	APPOINTMENTS	EMPLOYMENT AS AT 31 MARCH 2017
Top management	6	-	*_	7
Senior management	5	-	**_	14
Professional qualified	71	5	**15	80
Skilled	54	3	**13	62
Semi-skilled	18	1	**_	12
Unskilled	2	-	**_	-
TOTAL	156	9	28	175

* Internal promotion ** iGnite movements

Reasons for Staff Leaving

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

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	-	-
Resignation	6	3.4%
Dismissal	3	1.7%
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Subtotal	9	5.1%
Other	-	-
TOTAL	9	5.1%

As at 31 March 2018, a staff turnover rate of 5.1% was recorded. This is a decrease on last year's turnover for the same period, which was 14.1%. The main reason for staff turnover, as reported above, is due to employee resignation. Overall, a total of nine employees have left South African Tourism.

Industrial Relations: Misconduct and Disciplinary Action

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal warning	7
Written warning	3
Final written warning	0
Dismissal	3
TOTAL	13

Three disciplinary cases leading to dismissal were reported, while a total of 10 warnings were recorded.

Equity Target and Employment Equity Status

The employment equity (EE) figures are based on all South African employees. While international offices have the promotion of diversity as part of their labour laws, EE targets are not binding on them and South Africa's EE legislation does not affect them. For the period under review, the EE targets for South African Tourism were determined in consideration of EE legislation, and the Employee Assistance Programme (EAP) profile for South Africa as a guideline. In total, 79.43% of South African Tourism's staff members are South African.

Females represent 64.02%, while males represent 35.98% of South African employees across South African Tourism. In total, 68.54% of the South African female employees are African, while 72% of the South African male employees are African.

OCCUPATIONAL LEVEL	MALE						FEMALE						FOREIGN		
	AFRICAN	COLOURED	INDIAN	WHITE	SUBTOTAL		AFRICAN	COLOURED	INDIAN	WHITE	SUBTOTAL		MALE	FEMALE	TOTAL
Top management - excluding non-executive directors	1	0	0	2	3		1	0	1	2	4		4	0	7
Senior management	3	2	1	1	7		4	1	1	1	7		7	0	14
Professionally qualified and experienced specialists and middle management	17	0	1	3	21		26	4	2	4	36		7	16	80
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	11	1	0	3	15		22	4	4	4	34		4	9	62
Semi-skilled and discretionary decision-making	4	0	0	0	4		8	0	0	0	8		0	0	12
Unskilled and defined decision-making	0	0	0	0	0		0	0	0	0	0		0	0	0
TOTAL PERMANENT	36	3	2	9	50		61	9	8	11	89		11	25	175
Contract labour (including interns)	5	0	0	0	5		7	0	1	0	8		0	1	14
TOTAL	41	3	2	9	55		68	9	9	11	97		11	26	189

Staff with a Disability

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

LEVELS	DISABILITY PROFILE			
	MALE		FEMALE	
	CURRENT	TARGET	CURRENT	TARGET
Top management - excluding non-executive directors	1	1		
Senior management				
Professionally qualified and experienced specialists and middle management	1	1		
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	1	1		
Semi-skilled and discretionary decision-making				
Unskilled and defined decision-making				
TOTAL	3	3		

Currently, South African Tourism has three certified employees with a disability, which equates to 1.7%. This is a 1.06% improvement from the previous year. The organisation's demographic employee profile complies with the employment equity plans.



"Everyone can rise above their circumstances and achieve success if they are dedicated to and passionate about what they do."

- Nelson Rolihlahla Mandela



E

**FINANCIAL
INFORMATION**

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE REPORT

Requirements of the Public Finance Management Act

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

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

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

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

Objective of the Statement of Responsibility

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

Responsibilities Around Annual Financial Statements

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

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

Basis for Preparation

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

Going Concern

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

Internal Control and Risk Management

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

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

- The safeguarding of assets against unauthorised use or disposition; 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 2017 to 31 March 2018. 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 39, no material losses, irregular expenditure, fruitless expenditure or wasteful expenditure occurred in the period under review; and
- The Annual Financial Statements fairly present the financial position of the South African Tourism Board at 31 March 2018, and the results of its operations and cash-flow information for the year ended 31 March 2018.

Approval of Annual Financial Statements

The Annual Financial Statements for the year ended 31 March 2018, set out on pages 99 to 139, were submitted for auditing on 31 May 2018 and approved by the Board in terms of Section 51(1)(f) of the Public Finance Management Act (Act No. 1 of 1999), as amended, and are signed on its behalf by:



Dr Tanya Abrahamse

Chairperson

31 July 2018

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of South African Tourism set out on pages 99 to 139, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the South African Tourism as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Generally recognised accounting practice (GRAP) and the requirements of the Public Finance Management Act (PFMA) of South Africa, 1999 (Act No. 1 of 1999).

Basis for opinion

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

Responsibilities of the accounting authority for the financial statements

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

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

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 3 – Leisure Tourism Marketing	46 – 49
Programme 4 – Business Events	53

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
 - Leisure Tourism Marketing
 - Business Events

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 34 to 57 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) 10 to 14 of this report.

Report on the audit of the annual performance report

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. The material findings on compliance with specific matters in key legislations are as follows:

Expenditure Management

19. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R4 181 159 as disclosed in note 39 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with Treasury Instruction Note 32. Irregular expenditure amounting to R2 429 550 was incurred on the N1H contact.

Other information

20. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the foreword by the chairperson of the Board, the CEO's overview, the audit committee's report and the company secretary's certification. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
21. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
22. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
23. If, based on the work I have performed, I conclude that there is a material misstatement in this other information; I am required to report that fact.

Internal control deficiencies

24. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Financial and Performance Management

Compliance Monitoring

25. Management did not review and monitor compliance with applicable laws and regulations relating to effective and appropriate steps being taken to prevent irregular expenditure.

Auditor-General

Pretoria

31 July 2018



Annexure – Auditor-general's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control;
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority;
 - conclude on the appropriateness of the board of directors, which constitutes the accounting authority use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the South African Tourism's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern; and
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

South African Tourism

Financial Statements for the year ended 31 March 2018

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	NOTE(S)	2018 R	2017 R
Assets			
Current Assets			
Trade and other receivables	2	34 680 717	20 713 573
Staff advances - Current	6	49 962	8 056
Cash and cash equivalents	3	573 801 590	551 260 679
		608 532 269	571 982 308
Non-Current Assets			
Investment property	32	-	5 953 634
Property, plant and equipment	4	85 610 007	89 677 825
Intangible assets	5	4 037 362	5 703 576
		89 647 369	101 335 035
Total Assets		698 179 638	673 317 343
Net Assets and Liabilities			
Current Liabilities			
Finance lease liability - Current	8	54 067	150 187
Trade and other payables	7	455 081 357	310 884 705
Income received in advance	10	1 192 975	9 852 579
Provisions	9	19 618 823	19 670 066
		475 947 222	340 557 537
Non-Current Liabilities			
Finance lease liability - Non-Current	8	25 442	56 241
Provisions	9	23 474 058	23 923 000
		23 499 500	23 979 241
Total Liabilities		499 446 722	364 536 778
Reserves			
Revaluation reserve	22	70 626 045	70 589 216
Accumulated surplus		128 106 871	238 313 861
Total Net Assets		198 732 916	308 903 077

South African Tourism

Financial Statements for the year ended 31 March 2018

STATEMENT OF FINANCIAL PERFORMANCE

	NOTE(S)	2018 R	2017 R
Revenue			
Government grants & subsidies	24	1 129 288 000	1 024 847 000
Voluntary TOMSA levies		116 840 783	137 577 643
		1 246 128 783	1 162 424 643
Other Income			
Sundry income	11	74 659 007	83 275 802
Grading revenue	12	20 645 627	20 569 006
Interest received	21	27 571 619	28 278 533
Gains on disposal of assets		1 070 120	-
		123 946 373	132 123 341
Operating Expenses			
Administration and management fees	27	(43 235 163)	(54 871 017)
Auditors' remuneration	13	(5 039 260)	(4 020 225)
Bad debts	28	(1 633 389)	(90 327)
Depreciation, amortisation and impairments		(11 997 825)	(11 104 185)
Employee costs	26	(194 379 638)	(186 255 024)
Lease rentals on operating lease		(17 756 455)	(20 521 452)
Loss on disposal of assets		-	(265 301)
Loss on exchange differences		(45 081 791)	(51 256 969)
Marketing expenses	14	(1 056 177 444)	(914 003 647)
Grading expenses	12	(14 551 763)	(15 065 437)
		(1 389 852 728)	(1 257 453 584)
Operating (Deficit) Surplus		(19 777 572)	37 094 400
Finance costs	15	(11 887)	(33 287)
Fair value adjustments	35	-	645 665
		(11 887)	612 378
(Deficit) surplus for the year		(19 789 459)	37 706 778

South African Tourism

Financial Statements for the year ended 31 March 2018

STATEMENT OF CHANGES IN NET ASSETS

	REVALUATION RESERVE R	ACCUMULATED SURPLUS R	TOTAL NET ASSETS R
Balance at 01 April 2016	70 536 793	139 307 499	209 844 292
Currency translation differences	-	58 792 847	58 792 847
Adjustments	-	2 506 737	2 506 737
Net income (losses) recognised directly in net assets	52 423	61 299 584	61 352 007
Surplus for the year	-	37 706 778	37 706 778
Total changes	52 423	99 006 362	99 058 785
Balance at 01 April 2017	70 589 216	238 313 861	308 903 077
Net income (losses) recognised directly in net assets	36 829	(90 866 473)	(90 829 644)
Prior year adjustment		448 942	448 942
Loss for the year	-	(19 789 459)	(19 789 459)
Total changes	36 829	(110 206 990)	(110 206 990)
Balance at 31 March 2018	70 626 045	128 106 871	198 732 916
Note(s)	22		

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CASH FLOW STATEMENT

	NOTE(S)	2018 R	2017 R
Cash Flows from Operating Activities			
Receipts			
Sale of goods and services		198 733 119	230 788 303
Grants		1 129 288 000	1 024 847 000
Interest income		27 571 619	28 278 533
		1 355 592 738	1 283 913 836
Payments			
Employee costs		(177 881 639)	(186 255 024)
Suppliers		(1 156 079 242)	(1 001 188 021)
Finance costs		(11 887)	(33 287)
		(1 333 972 768)	(1 187 476 332)
Net Cash Flows from Operating Activities	16	21 619 970	96 437 504
Cash Flows From Investing Activities			
Purchase of property, plant & equipment	4	(4 325 986)	(3 747 441)
Proceeds from sale of property, plant & equipment		-	(21 070)
Proceeds from sale of investment property		7 652 448	-
Purchase of other intangible assets	5	(2 266 714)	(623 527)
Net Cash Flows from Investing Activities		1 059 748	(4 392 038)
Cash Flows from Financing Activities			
Finance lease payments		(138 807)	(142 709)
Net Increase/(Decrease) in Cash and Cash Equivalents		22 540 911	91 902 757
Cash and cash equivalents at the beginning of the year		551 260 679	459 357 922
Cash and Cash Equivalents at the End of the Year	3	573 801 590	551 260 679

ACCOUNTING POLICIES

1. Presentation of Financial Statements

The financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), as issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act No.1 of 1999).

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgments and sources of estimation uncertainty

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

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

Trade receivables

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

Provisions

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

Post-retirement benefits

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

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-retirement obligations.

ACCOUNTING POLICIES

1.3 Significant judgments and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis.

Trade receivables over 90 days are provided for, as significant days outstanding are deemed to be an indicator of impairment. The exceptions to this are government entities due to past trend analysis.

Depreciation and amortisation

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

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

Pension and other post-employment benefits

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

The post-retirement healthcare liability is valued by an independent actuary. The liability is presented in the Statement of Financial Position, while the movement is accounted for in the Statement of Financial Performance.

1.4 Investment property

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

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

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

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

Fair value

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

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

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the surplus or deficit in the period of retirement or disposal.

ACCOUNTING POLICIES

1.5 Property, plant and equipment

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

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

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and the cost of the item can be measured reliably.
- Property, plant and equipment is initially measured at cost.

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

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

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

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

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

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

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

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

ACCOUNTING POLICIES

1.5 Property, plant and equipment (continued)

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

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

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

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

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

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

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	4-40 years
Motor vehicles	Straight line	4-15 years
IT equipment	Straight line	3-20 years
Leasehold improvements	Straight line	Period of lease or shorter
Lift	Straight line	5-50 years
Airconditioning	Straight line	5-20 years
Leased assets	Straight line	Period of lease or shorter
Electrical installation	Straight line	5-20 years

ACCOUNTING POLICIES

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or

- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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

An intangible asset is recognised when:

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

ACCOUNTING POLICIES

1.6 Intangible assets (continued)

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life. The catch-up amortisation/depreciation method is used to account to changes in accounting estimates resulting from extension of useful lives.

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

Marketing rights	20 years
Computer software	10 to 12 years
Website costs	2 to 12 years

Intangible assets are derecognised:

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

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

1.7 Financial instruments

Classification

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

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

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

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

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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

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

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

Receivables from exchange transactions

Trade receivables are measured at initial recognition at cost, and are subsequently measured at amortised cost using the effective interest rate method unless the effect of discounting is immaterial. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (90 days overdue) are considered indicators that the trade receivable is impaired.

1.7 Financial instruments (continued)

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

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ACCOUNTING POLICIES

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

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

Cash and cash equivalents

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

1.8 Related parties

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

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

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

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

1.9 Events after reporting date

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

- those that provide evidence of conditions that existed

at the reporting date (adjusting events after the reporting date); and

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.10 Leases

Finance leases – lessee

Recognition

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

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

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

1.10 Leases (continued)

Measurement

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

South African Tourism

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ACCOUNTING POLICIES

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

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

Derecognition

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

Operating leases - lessor

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

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

Income for leases is disclosed under revenue in the Statement of Financial Performance.

Operating leases

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

Operating lease rentals with fixed escalation clauses are charged to the Statement of Financial Performance on a straight-line basis over the term of the lease.

1.11 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 health-care benefit

The liability recognised in the balance sheet in respect of 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 costs 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.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.12 Provisions

Provisions are recognised when:

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

ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised.

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

and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

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

1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.14 Revenue from exchange transactions

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

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

ACCOUNTING POLICIES

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

Measurement

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

Sale of goods

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

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

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

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

Interest, royalties and dividends

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

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

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

1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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ACCOUNTING POLICIES

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.16 Interest

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

1.17 Translation of foreign currencies

Foreign currency transactions

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

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

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

1.18 Comparative figures

Current year comparatives (Budget)

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

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

Prior year comparatives

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

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

ACCOUNTING POLICIES

policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

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

1.19 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state and expenditure in the form of a grant that is not permitted.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as income in the Statement of Financial Performance.

1.20 Fruitless and wasteful expenditure

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

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (PFMA). Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Segment Information

A segment is an activity of an entity:

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

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

Measurement

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

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

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NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
2. Trade and Other Receivables		
Trade debtors	17 697 197	8 137 295
Deposits	8 568 819	6 926 897
Prepaid expenses	8 414 701	5 649 381
	34 680 717	20 713 573

Trade receivables (net of allowance for doubtful debts) held by the entity at 31 March 2018 amounted to R 18.4 m (2017: R 8.1 m). Short-term receivables with no stated interest rate is measured at original invoice amount if the effect of discounting is immaterial. Accounts receivable discounting procedures were performed and the results showed that the effect of discounting is immaterial.

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

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

Included in the entity's trade receivable balance are debtors with a carrying amount of R 10.8 m which are past due at the reporting date which the entity has not impaired because they fall in the category of debtors and are still considered recoverable after 90 days. The entity does not hold any collateral over these balances.

The creation and release of provision for impairment receivables have been included in operating expenses in the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of recovering outstanding debts. The entity does not hold any collateral as security.

Movement in the allowance for debtors		
Opening balance	1 285 233	2 448 788
Increase in provision / (Reversal of provision)	47 102	(1 163 555)
Closing balance	1 332 335	1 285 233
Ageing of allowance for doubtful debts		
91 -180 days	408 684	340 831
181 - 360 days	487 963	7 817
361+ days	435 688	936 585
	1 332 335	1 285 233

3. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Petty cash	61 803	65 756
Bank balances including call accounts	573 739 787	551 194 923

Qualitative aspects of banking arrangements include a Westpac Banking Corporation Security over term deposit (Business) held by SA Tourism. Credit du Nord Pledge 21 shares with an estimated value of EUR 21 545.03 (R 314 277.35). Sub (Pty).

NOTES TO THE FINANCIAL STATEMENTS

4. Property, Plant and Equipment

		2018 R		2017 R			
		COST / VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST / VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Land		10 690 000	-	10 690 000	10 690 000	-	10 690 000
Buildings		73 157 726	(8 335 122)	64 822 604	73 084 208	(4 862 440)	68 221 768
Furniture & Fixtures		10 537 662	(7 870 063)	2 667 599	10 491 195	(6 894 657)	3 596 538
Motor vehicles		2 168 358	(1 317 931)	850 427	2 168 358	(847 941)	1 320 417
Computer equipment		15 084 685	(9 466 011)	5 618 674	11 587 615	(7 696 600)	3 891 015
Leasehold Improvements		7 418 475	(6 565 499)	852 976	8 331 158	6 581 830)	1 749 328
Leased Assets		508 645	(400 918)	107 727	562 774	(354 015)	208 759
Total		119 565 551	(33 955 544)	85 610 007	116 915 308	(27 237 483)	89 677 825

Reconciliation of property, plant and equipment - 2018

	OPENING BALANCE	ADDITIONS	DISPOSALS	OTHER CHANGES, MOVEMENTS	DEPRECIATION	TOTAL
Land	10 690 000	-	-	-	-	10 690 000
Buildings	68 221 768	111 345	-	-	(3 510 509)	64 822 604
Furniture & fixtures	3 596 538	200 803	-	-	(1 129 742)	2 667 599
Motor vehicles	1 320 417	-	-	-	(469 990)	850 427
Computer equipment	3 891 015	3 968 578	-	-	(2 240 919)	5 618 674
Leasehold Improvements	1 749 328	-	(197 749)	(131 157)	(567 446)	852 976
Leased Assets	208 759	45 260	-	-	(146 292)	107 727
	89 677 825	4 325 986	(197 749)	(131 157)	(8 064 898)	85 610 007

NOTES TO THE FINANCIAL STATEMENTS

4. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment - 2017

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

Revaluations

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

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

NOTES TO THE FINANCIAL STATEMENTS

5. Intangible Assets

	2018 R			2017 R		
	COST / VALUATION	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE	COST / VALUATION	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE
Marketing rights	2 579 189	(1 761 548)	817 641	2 500 000	(2 375 000)	125 000
Computer software	14 495 761	(12 510 219)	1 985 542	13 828 117	(10 765 996)	3 062 121
Website costs	8 111 733	(6 877 554)	1 234 179	8 111 733	(5 595 278)	2 516 455
Total	25 186 683	(21 149 321)	4 037 362	24 439 850	(18 736 274)	5 703 576

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Marketing rights	125 000	79 189	613 452	817 641
Computer software	3 062 121	2 187 525	(3 264 104)	1 985 542
Website costs	2 516 455	-	(1 282 276)	1 234 179
Total	5 703 576	2 266 714	(3 932 928)	4 037 362

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Marketing rights	375 000	-	(250 000)	125 000
Computer software	3 377 493	623 527	(938 899)	3 062 121
Website costs	2 305 960	-	210 495	2 516 455
Total	6 058 453	623 527	(978 404)	5 703 576

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NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
6. Staff Advances		
Staff advances - Current	49 962	8 056
The staff advances balance of R 49 962.17 relates to educational busarries given to employees.		
7. Trade and Other Payables		
Trade payables and other payables	189 384 858	81 797 670
Accrued liabilities	265 696 499	229 087 035
	455 081 357	310 884 705
8. Finance Lease Liability - Non-current		
Minimum lease payments due		
• within one year	59 543	164 622
• in second to fifth year inclusive	27 002	60 034
	86 545	224 656
Less: future finance charges	(7 030)	(18 227)
Present value of minimum lease payments	79 515	206 429
Present value of minimum lease payments due		
• within one year	54 067	150 187
• in second to fifth year inclusive	25 442	56 241
	79 509	206 428

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

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

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

Staff and other guarantees

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

South African Tourism

Financial Statements for the year ended 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
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9. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Reversed during the year	Total
Provision - Input vat claims	19 670 066	(51 243)	19 618 823
Post retirement health care benefits	23 923 000	(448 942)	23 474 058
	43 593 066	(500 185)	43 092 881

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Legal proceedings	2 444 155	(2 444 155)	-
Provision-Input VAT credits	24 532 363	(4 862 297)	19 670 066
Post retirement health care benefits	26 287 000	(2 364 000)	23 923 000
	53 263 518	(9 670 452)	43 593 066
Non-current liabilities		23 474 058	23 923 000
Current liabilities		19 618 823	19 670 066
		43 092 881	43 593 066

Provision for Input VAT

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

Employee benefit cost provision

The post retirement medical aid liability as this date is R 23.5 million. The discount rate in the current valuation has been revised to 9.96% p.a from the 9.80% p.a used in the 2017 projection, with medical scheme assumption rate increasing from 8.28% p.a. to 9.04% p.a. This resulted in an increase in the real discount rate from 0.94% p.a. to 0.84% p.a. with an actuarial gain of R 2.7 million. Retirement age is 65 with assumed maximum survival age of 115.

Liability at 1 April	23 923	26 287
Service Cost	1 270	1 659
Benefits paid	(1 431)	(1 376)
Interest Cost	2 383	2 582
Actuarial loss/ (gain)	(2 670)	(5 229)
Liability at 31 March	23 475	23 923

The total closing balance of the post-employment health care liability as at 31 March 2018 is in line with the liability as at 31 March 2017. The past service liability increased for active members and decreased for in payment pensioners due to the different mix of plans selected by active members. An amount of R 448 942 relating to movement in post retirement health liability was recognised in Statement of Financial Performance.

The valuation was conducted by MM Geringer in capacity as Director of SolveCo (Pty) Ltd. MM Geringer is a Fellow of the Institute of Actuaries and Fellow of the Actuarial Society of South Africa. MM Geringer was assisted by W du Toit, Actuarial Manager at SolveCo (Pty) Ltd. There is no conflict of interest.

South African Tourism

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NOTES TO THE FINANCIAL STATEMENTS

2018
R

2017
R

10. Income Received in Advance

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

Movement during the year

Balance at the beginning of the year	9 852 579	25 507 146
Additions during the year	1 192 975	9 455 365
Reversed during the current year	(9 852 579)	(25 109 932)
	1 192 975	9 852 579

11. Revenue

Sundry income	74 659 007	83 275 802
Grading income	20 645 627	20 569 006
Interest received - investment	27 571 619	28 278 533
Government grants & subsidies	1 129 288 000	1 024 847 000
Voluntary TOMSA levies ((TBCSA)	116 840 783	137 577 643
	1 369 005 036	1 294 547 984

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

Sundry income	74 659 007	83 275 802
Grading income	20 645 627	20 569 006
Interest received - investment	27 571 619	28 278 533
	122 876 253	132 123 341

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

Taxation revenue

Transfer revenue

Government grants & subsidies	1 129 288 000	1 024 847 000
Voluntary TOMSA levies	116 840 783	137 577 643
	1 246 128 783	1 162 424 643

Nature of sundry income

Sundry income is income generated mainly generated from exhibitions such as INDABA.

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
12. Grading Income		
Grading revenue	20 645 627	20 569 006
Grading Expenses	(14 551 763)	(15 065 437)
	6 093 864	5 503 569

13. Auditors' Remuneration

Fees	5 039 260	4 020 225
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14. Marketing

Retainer and management fees	327 191 939	208 532 172
Marketing expenditure	722 090 388	705 471 475
	1 049 282 327	914 003 647

Consultants fees includes retainer fees for above and below the line marketing advertising agencies, PR agencies, exhibition management services and market research. SA Tourism has a put a consultancy reduction plan for 2017/18 financial year, as mandated by National Treasury through its Treasury Instruction 1 of 2014: Cost containment measures.

Other marketing expenses relates to marketing expenses such as marketing development, reasearch and campaigns, incurred by SAT during the 2017/18 financial in order to fullfil its mandate of marketing South Africa both domestically and internationally.

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

15. Finance Costs

Finance leases	11 887	33 287
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NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
16. Cash Generated from Operations		
(Deficit) surplus	(19 789 459)	37 706 778
Depreciation and amortisation	11 997 825	11 104 185
(Gain)/ Loss on sale of assets	(1 070 120)	265 301
(Gain)/ Loss on unrealised foreign exchange	(92 724 120)	61 233 829
Fair value adjustments	-	(645 665)
Finance costs - Finance leases	11 887	33 287
Debt impairment	-	-
Movements in provisions	1 633 389	(9 670 452)
Other non-cash items	(949 127)	(122 515)
Changes in working capital:		
Trade and other receivables	(13 967 144)	23 574 409
Staff advances-Current	41 907	8 056
Trade and other payables	144 196 652	(11 395 142)
Income received in advance	(8 659 604)	(15 654 567)
	21 619 970	96 437 504

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NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
17. Commitments		
Authorised capital expenditure		
Approved but not yet contracted for		
Property, plant and equipment	23 918 000	22 852 000
Already contracted for		
Property, plant and equipment	-	-
Total capital commitments		
Approved but not yet contracted for	23 918 000	22 852 000
Authorised operational expenditure		
Already contracted for but not provided for		
Subvention funding	2 468 466	9 455 365
Not yet contracted for and authorised by members		
Subvention funding	1 530 000	-
Total operational commitments		
Already contracted for but not provided for	2 468 466	9 455 365
Not yet contracted for and authorised by members	1 530 000	-
	3 998 466	9 455 365
This committed expenditure relates to plant and equipment and will be financed by available bank facilities. In addition to the above R 2 580 000 subvention funding was approved but not yet contracted for.		
Operating leases – as lessee (expense)		
Contracted for		
Minimum lease payments due		
• within one year	10 616 644	16 765 176
• in second to fifth year inclusive	16 542 119	25 271 217
• later than five years	4 864 742	9 569 144
	32 023 505	51 605 537

Operating leases relate to rental of premises, with lease terms varying between 4 to 10 years, and rental of office equipment with lease terms varying between 2-5 years. The entity does not have an option to purchase the leased asset at maturity of the lease period.

NOTES TO THE FINANCIAL STATEMENTS

18. Financial instruments

Interest rate risk

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

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

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

Foreign currency risk

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

The entity does not hedge foreign exchange fluctuations.

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

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

SA Tourism is sensitive to fluctuations in major currencies as the entity operates in different countries with a ZAR denominated government grant. The Rand strengthened by 1% against GBP and 12 % against the USD but weakened by 2% against EUR.

Exchange rates used for conversion of foreign items were:

	Budget rates		Actual rates	
	2018	2017	2018	2017
GBP	17,10	24,68	16,59	16,78
JPY	0,11	0,12	0,11	0,12
EUR	15,07	17,00	14,59	14,35
USD	12,26	14,12	11,84	13,44
AUD	9,83	11,18	9,09	10,27
CNY	0,42	0,40	1,00	0,51

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NOTES TO THE FINANCIAL STATEMENTS

18. Financial Instruments (continued)

Credit risk

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

Liquidity risk

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

Financial Assets

Loans and receivables at amortised cost		
Trade and other receivables	34 680 717	20 713 573
Financial assets at fair value		
Cash and cash equivalents	573 801 590	551 260 679
Financial liabilities at amortised cost		
Carrying amount of financial liabilities	455 160 866	311 091 133
Other financial liabilities at amortised cost		
Finance lease obligation - Non current portion	25 442	56 241
Finance lease obligation - Current portion	54 067	150 187
Trade and other payables	455 081 357	310 884 705

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

South African Tourism

Financial Statements for the year ended 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

19. Related Parties

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

South African Tourism is 100% controlled by its shareholder, the government, represented by the Department of Tourism. South African Tourism constitutes a Schedule 3A public entity in terms of the Public Finance Management Act. During the financial year South African Tourism received grant income of R 1 129 288 000 (2017: R 1 024 847 000). No amounts were due to NDT by South African Tourism as at the 31 March 2018.

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

Related party transactions

Public Entity		
Telkom	296 418	297 011
South African Airways	1 367 135	-
SARS	33 653 505	22 518 828
	35 317 058	22 815 839

GRAP 20 has been approved however it is not yet effective as no effective date has been determined by the Minister of Finance, thus the balances disclosed above are for comparative purposes, as required by GRAP 1.

Compensation to members and other key management

Short-term employee benefits	14 293 089	13 880 735
Post-employment benefits	1 104 511	810 581
	15 397 600	14 691 316

NOTES TO THE FINANCIAL STATEMENTS

20. Contingent Liabilities

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

The entity currently has contingent liabilities relating to a trademark infringement and labour related matters. The estimated cost of total contingent liabilities is approximately R 8 mil.

21. Investment Revenue

Interest revenue

Interest revenue		
Bank	27 571 619	28 278 533

The amount of R 27 256 974 relates to income from call accounts.

22. Revaluation Reserve

The balance of revaluation reserve, which arised due to the revaluation of property, plant and equipment, is:

Revaluation reserve	70 626 045	70 589 216
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23. Accumulated Surplus

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

24. Government Grants and Subsidies

Government grant	1 129 288 000	1 024 847 000
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NOTES TO THE FINANCIAL STATEMENTS

25. General Expenses

Auditors remuneration	5 039 260	4 020 225
Consulting and professional fees	14 551 763	15 065 437
Marketing	1 056 177 444	914 003 647
	1 075 768 467	933 089 309

26. Employee Related Costs

Basic	115 028 930	107 135 084
Bonus	10 939 126	2 256 099
Medical aid - company contributions	2 732 654	2 626 315
UIF	392 534	749 730
SDL	2 460 074	980 420
Leave pay provision charge	4 660 989	1 481 627
Other short term costs	5 445 419	3 625 907
Defined contribution plans	8 025 453	7 509 697
Overtime payments	9 839	125 887
Allowances	34 126 627	31 515 805
Social Insurance	3 731 188	4 565 214
Other HR costs	6 826 805	23 683 239
	194 379 638	186 255 024

27. Administrative Expenditure

Administration and management fees - third party	41 721 578	53 770 357
Administration and management fees - related party	1 513 585	1 100 660
	43 235 163	54 871 017

Administration and management fees balance mainly consist of legal fees, IT support and licensing fees.

Administration and management fees-related parties relates to expenses incurred by the Board during the execution of their duties as South African Tourism board members. The board was remunerated a total of R 817 000 during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

28. Debt Impairment

Bad debts written off

1 633 389

90 327

29. Reconciliation Between Budget and Statement of Financial Performance

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

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

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

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

Net surplus / (deficit) per the statement of financial performance	(19 789 459)	37 706 778
Adjusted for:		
Fair value adjustments	-	(645 665)
Gain (loss) on the sale of assets	1 070 120	265 301
Increases/ decreases in provisions	(500 185)	(9 670 452)
Depreciation and amortisation	11 997 826	11 104 185
Gain/ Loss on foreign exchange	45 081 791	61 156 077
Over/ under expenditure	(37 860 093)	(99 916 224)
Net surplus per approved budget	-	-

NOTES TO THE FINANCIAL STATEMENTS

30. Segment Information

General Information

Identification of Segments

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

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

Aggregated segments

The entity operates in South Africa with branches in 10 countries. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout International offices were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

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

South African Tourism

Financial Statements for the year ended 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

30. Segment Information (continued)

Segment surplus or deficit, assets and liabilities

2018

	Figures in Rand			
	Segment 1	Segment 2	Eliminations	Total
Revenue				
Revenue from non-exchange transactions	1 246 128 783	-	-	1 246 128 783
Interest revenue	27 319 400	252 219	-	27 571 619
Sundry income	68 921 954	5 737 053	-	74 659 007
Grading revenue	20 645 627	-	-	20 645 627
Gain on disposal of assets	(197 748)	1 267 868	-	1 070 120
Total segment revenue	1 354 955 838	7 257 140	-	1 370 075 156
Entity's revenue				1 370 075 156
Expenditure				
Salaries and wages	137 459 580	56 920 057	-	194 379 637
Marketing expenses	713 083 473	343 093 971	-	1 056 177 444
General expenses	46 243 353	33 430 629	-	79 673 982
Foreign exchange loss	2 035 119	43 046 672	-	45 081 791
Grading expense	14 551 763	-	-	14 551 763
Total segment expenditure	906 478 175	476 491 329	-	1 389 852 728
Total segmental surplus/(deficit)				(19 789 459)
Assets				
Segment assets	448 899 530	248 313 046	-	697 212 576
Total assets as per Statement of financial Position				698 179 638
Liabilities				
Segment liabilities	357 671 318	643 778 246	(502 002 841)	499 446 722
Total liabilities as per Statement of financial Position				499 446 722

South African Tourism

Financial Statements for the year ended 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

30. Segment Information (continued)

2017

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

NOTES TO THE FINANCIAL STATEMENTS

31. New Standards and Interpretations

31.1 Standards and interpretations effective and adopted in the current year

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

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

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

31.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2018 or later periods but are not relevant to its operations:

GRAP 20: Related parties

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31. New Standards and Interpretations (continued)

A person or a close member of that person's family is related to the reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.

An entity is related to the reporting entity if any of the following conditions apply:

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

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

The standard elaborates on the definitions and identification of:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31. New Standards and Interpretations (continued)

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

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

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

32. Investment Property

	2018 R			2017 R		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	-	-	-	5 953 634	-	5 953 634

Reconciliation of property, plant and equipment - 2018

	Opening balance	Disposals	Total
Investment property	5 953 634	(5 953 634)	-

South African Tourism

Financial Statements for the year ended 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
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Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	5 307 970	645 664	5 953 634

De Bosporus 50 te Amstelveen was used as owner-occupied property and disclosed as part of Property, plant and equipment until 2014. The property was recognised as Investment Property as at 31 March 2015 as fair value of the asset could be measured reliably as at that date. This property was sold during the financial year. The sale of the Amstelveen property was concluded during December 2017. The market value of the property at disposal was EUR 435,000 and the selling price was EUR 480 000 resulting in a profit on sale of asset of EUR 45 000.

33. Employee Benefits

Post-retirement contribution plan

South African Tourism has a defined benefit contribution pension plan covering all of its employees. Retirement benefits are based on the growth of each member's investment. South African Tourism retirement fund value as at 31 March 2018 was valued at R 94 096 640.30 (2017: R 99 419 532.66).

The trustees aim to maximise investment returns, with due regard for the nature and objective of the Fund, on behalf of the members in order that they may retire with meaningful benefits.

NOTES TO THE FINANCIAL STATEMENTS

34. Disposal of: A Significant Asset

Management has taken a decision to dispose of the Amstelveen investment property during the 2017/18 financial year.

Description of the asset(s), group of assets and liabilities or, component

De Bosporus 50 te Amstelveen was used as owner-occupied property and disclosed as part of Property, plant and equipment until 2014. The property was recognised as Investment Property as at 31 March 2015 as fair value of the asset could be measured. SA Tourism applied the fair value model to account for Investment property. An independent valuer, who holds a recognised and relevant professional qualification and has recent experience in the location. The independent valuer used the average growth of realised selling prices to determine the fair value of the asset. An appraisal by date in the past is impractical.

Facts and circumstances of the disposal

The sale of the Amstelveen property (50 Bosporus) was concluded and the official hand over was done on 14 December 2017. SA Tourism received funds via a notary in December 2017.

Further approvals required

National Treasury Regulation 16A.7.3- Disposal and letting of state assets requires that any sale of immovable state property be market related, unless the relevant treasury approves otherwise.

The selling price of the investment property was higher than market value therefore no further approval were necessary.

Disposals completed during the year

The market value was listed at EUR 435 000 (as per city council report) and the house was sold at EUR 480 000. This resulted in a profit on sale of investment property of EUR 45 000 (approximately R 630 000).

35. Fair Value Adjustments

Investment property (Fair value model)	-	645 665
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36. Taxation

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

37. Going Concern

We draw attention to the fact that at 31 March 2018, the entity had accumulated surplus of R 128 106 871 and that the entity's total assets exceed its liabilities by R 198 732 916.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

38. Events After the Reporting Date

Minister of Tourism announced a new Tourism Board during May 2018.

39. Irregular Expenditure

	2018 R	2017 R
Opening balance		1 005 710 -
Add: Irregular Expenditure - current year	4 181 159	1 093 661
Less: Amounts condoned		- (87 951)
	5 186 869	1 005 710
Details of Irregular Expenditure – Current year		
Contract variation after awarding work to a vendor	Disciplinary steps taken	2 429 550
	An investigation was conducted and disciplinary action taken	
Unethical behaviour by employees	Employees dismissed	1 751 609
		4 181 159

19 September 2018

To whom it may concern

Broad Based Black Economic Empowerment (B-BBEE) Verification – mPowerRatings (Pty) Ltd.

This letter serves to confirm that **South African Tourism Board TA South African Tourism** has appointed mPowerRatings (Pty) Ltd to perform an independent Broad Based Black Economic Empowerment (B-BBEE) rating of the above company in line with the final B-BBEE Codes of Good Practice for the DTI Sector as gazetted on 11 October 2013.

South African Tourism Board TA South African Tourism is currently using a Specialised Scorecard and therefore will be rated on their compliance on four elements comprising the Broad Based Black Economic Empowerment (B-BBEE) Codes of Good Practice.

These elements comprise:

- Management Control
- Skills Development
- Enterprise and Supplier Development
- Socio Economic Development

This company is in the process of submitting all the required information/evidence to MPowerRatings (Pty) Ltd with regards to the above scorecard.

This letter is valid for a period of 4 weeks, which covers the duration of the rating process.

Should you have any queries regarding the above process, please feel free to contact us.

Yours sincerely,



Dijon De Jager
Technical Signatory

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Nelson Mandela
Centenary
2018
Zulu legacy

*"A good head and a
good heart are always a
formidable combination."*

- Nelson Rolihlahla Mandela





SOUTH AFRICAN TOURISM

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