

# South African Tourism Annual Report 2018 | 2019



SOUTH AFRICAN TOURISM



# TABLE OF CONTENTS

<b>PART A: GENERAL INFORMATION</b>	<b>page 5</b>
Message from the Minister of Tourism	page 15
Foreword by the Chairperson	page 18
Chief Executive Officer's Overview	page 20
Statement of Responsibility for Performance Information for the Year Ended 31 March 2019	page 22
Strategic Overview: About South African Tourism	page 23
Legislative and Other Mandates	page 25
Organisational Structure	page 26
<b>PART B: PERFORMANCE INFORMATION</b>	<b>page 29</b>
International Operating Context	page 30
South Africa's Tourism Performance	page 34
Organisational Environment	page 48
Key Policy Developments and Legislative Changes	page 49
Strategic Outcome-Oriented Goals	page 50
Performance Information by Programme	page 51
Strategy to Overcome Areas of Underperformance	page 75
<b>PART C: GOVERNANCE</b>	<b>page 79</b>
The Board's Role and the Board Charter	page 80
Board Meetings	page 86
Board Committees	page 90
Audit and Risk Committee Report	page 107
<b>PART D: HUMAN RESOURCES MANAGEMENT</b>	<b>page 111</b>
<b>PART E: FINANCIAL INFORMATION</b>	<b>page 121</b>
Statement of Responsibility	page 122
Report of Auditor-General	page 124
Annual Financial Statements	page 131







The first democratic elections paved the way towards an inclusive dispensation and a new constitution for the country.

1994

SOUTH AFRICA'S  
FIRST DEMOCRATIC ELECTIONS







# SOUTH AFRICAN TOURISM'S GENERAL INFORMATION

**Name of Public Entity:**

South African Tourism

**Registered Office Address:**

Bojanala House  
90 Protea Road  
Chislehurst  
Johannesburg  
2196  
Gauteng  
South Africa

**Postal Address:**

Private Bag X10012  
Sandton  
2146  
Gauteng  
South Africa

**T:** +27 11 895 3000

**W:** [www.southafrica.net](http://www.southafrica.net)

**External Auditor's Information:**

Auditor-General of South Africa  
300 Middel Street,  
New Muckleneuk  
Pretoria  
0001  
Gauteng  
South Africa

**Company Secretary**

Takalani Ndou (acting since November 2017 - March 2019)



# SOUTH AFRICAN TOURISM

## COUNTRY OFFICES

---

1

### The Netherlands

South African Tourism  
Jozef Israëlskade 48A  
Amsterdam 1072 SB  
**T:** (+31) 20 471 3181  
**F:** (+31) 20 662 9761  
**E:** info@southafrica.net  
**W:** www.southafrica.net

2

### Australia

South African Tourism  
Suite 302, Level 3, 117 York Street  
Sydney NSW 2000  
**T:** (+61) 2 926 15000  
**F:** (+61) 2 926 12000  
**E:** info@southafrica.net  
**W:** www.southafrica.net

3

### United Kingdom and Ireland

South African Tourism  
2nd Floor, 1 and 2 Castle Lane  
London SW1E6DR  
**T:** (+44) 20 897 19350  
**F:** (+44) 20 894 46705  
**E:** information.uk@southafrica.net  
**W:** www.southafrica.net

4

### Brazil

South African Tourism  
Av. Paulista, 1159, conj. 413  
São Paulo  
**T:** (+55) 11 250 66884  
**F:** (+55) 11 250 66884  
**E:** info@southafrica.net  
**W:** www.southafrica.net

5

### United States

South African Tourism  
Suite 2200, 500 Fifth Avenue  
New York 10110  
Telephone: (+1) 212 471 2929  
**F:** (+1) 212 764 1980  
**E:** info.us@southafrica.net  
**W:** www.southafrica.net

6

### Nigeria

South African Tourism  
8th Floor Church Gate Towers 2,  
Plot PC 31, Church Gate Street,  
Victoria Island, Lagos  
**T:** (+234) 01 270 0219 20  
**E:** info@southafrica.net  
**W:** www.southafrica.net

7

### China

South African Tourism  
Suite 2606, Zhongyu Plaza, 6 Gong  
Ti North Road, Chaoyang  
Beijing 100027  
**T:** (+86) 10 852 36881  
**F:** (+86) 10 852 36897  
**E:** info@southafrica.net  
**W:** www.southafrica.net

8

### Japan

South African Tourism  
Akasaka Lions Building 2F 1-1-2  
Moto Akasaka Minato ku, Tokyo  
107-0051  
**T:** (+81) 3 347 87601  
**F:** (+81) 3 347 87605  
**E:** info@southafrica.net  
**W:** www.southafrica.net

9

### India

South African Tourism  
Unit 3, Ground Floor TCG Financial  
Centre, C-53 "G" Block  
Bandra-Kurla Complex, Bandra (E)  
Mumbai 400 051, Maharashtra  
**T:** (+91) 22 615 85100  
**F:** (+91) 22 615 86101  
**E:** india@southafrica.net  
**W:** www.southafrica.net

10

### Germany

South African Tourism  
Friedensstr. 6-10  
Frankfurt 60311  
**T:** (+49) 800 118 9118  
**E:** info.de@southafrica.net  
**W:** www.southafrica.net

11

### France

South African Tourism moved out of its Paris office space due to the high cost of rent. The team has been housed in virtual offices in Paris while suitable offices are being sought.







# SOUTH AFRICAN TOURISM'S BANKERS' INFORMATION

OFFICE	INSTITUTION
Head office	Absa
	Standard Bank
	Investec
	Nedbank Business Pretoria
	Nedbank
Tourism Grading Council	Nedbank
New York	The Bank of America 51 West 51st Street, New York, NY 10019, United States
London	Nedbank London Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG, United Kingdom
Tokyo	MUFG Bank, Limited Toranomom branch, 1-4-2 Toranomom, 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	Volksbank e.G. Boersenstr. 7-11, Frankfurt D-60313, 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 streets, Sydney, Australia
Nigeria	Stanbic IBTC Bank Churchgate Towers: PC 30, Afribank Street, Victoria Island, Lagos



# LIST OF DEFINITIONS ABBREVIATIONS & ACRONYMS

---

## DEFINITIONS

**5-in-5 Strategy** – South African Tourism's Enhanced Strategy for Growth, which aims to increase the number of international arrivals and domestic holiday trips by 5 million within five years, by the end of 2021. The strategy was approved in 2017/18 and covers the five-year period 2017/18 to 2021/22.

**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 to do 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 South African Tourism's performance 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.

**Average Length of Stay** – the number of nights spent in South Africa divided by the number of tourists.

**Bednights** – the total number of nights spent in South Africa

**Board (used interchangeably with Accounting Authority and Board)** – a statutory body appointed by the Minister in terms of the Tourism Act (2014) that has the fiduciary responsibility over South African Tourism.

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

**Deputy Minister** – the Deputy Minister of Tourism.

**Geographic Spread** – number of trips.

**Impact** – positive and negative, primary and secondary,

long-term and short-term effects produced by a development intervention, or the results of achieving specific outcomes such as reducing poverty and creating jobs.

**Key Performance Indicator** – a measurable value that is used to evaluate change or compare results with planned targets.

**King IV** – the King IV Report on Corporate Governance.

**Minister** – the Minister of Tourism (Executive Authority).

**Outcome** – 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. 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. "Performance indicator" and "performance measure" are sometimes used interchangeably. This report uses the term "performance indicator".

**Performance Standards** – the minimum acceptable level of performance that is expected.

**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** – a 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 National Convention Bureau** – a business unit of South African Tourism that supports bids for business events.



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

#### STAFF CATEGORIES

- **Top Management/ Executives (F)** – an employee who controls the functional integration of the business. Determines the overall strategy and objectives of the business. Directs the entity into the future. The nature of the work and focus is long-term. Signs off on policy or strategy.
- **Senior Management (E)** – an employee who has knowledge of an entire business area/ business unit/company or group. Provides inputs for/formulates the overall organisational strategy. Translates the overall strategy into business plans for business/functional units, thereby operationalising organisational strategy. Implements and manages business plan, goals and objectives and ensures the achievement of overall key organisational/business unit/functional outputs. Manages the development of innovation and change.
- **Professionally Qualified and Experienced Specialists/Mid-Management (D)** – employees with professional knowledge of a sub-discipline or discipline. Provide input in the formulation of organisational/functional unit business plans. Formulate and implement departmental/team plans that will support the business unit's business plans. Optimise resources (finances, people, material, information and technology) to achieve given objectives in most productive and cost-effective way.
- **Skilled Technical and Academically Qualified/ Junior Management (C)/Supervisors/ Foremen/ Superintendents** – employees who apply broad knowledge of products, techniques and processes. Evaluate procedures and apply previous experience. A good solution can usually be found. Determine own priorities. What has to be done is stipulated but may require initiative in terms of how it should be done.
- **Semi-Skilled (B) and Discretionary Decision-Making** – employees who are accountable for a direct product, process or service quality. Incrementally improve existing processes and procedures according to clear guidelines. Choose correct action on the basis of set standards, training procedures and past experience.

**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.

**Total Tourist Foreign Direct Spend** – the amount spent directly in South Africa by all international tourists, excluding amounts spent on capital goods.

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

**Tourism Grading Council of South Africa** – The Tourism Grading Council was established in terms of section 29 the Tourism Act (2014), the Tourism Grading Council is currently a business unit of South African Tourism

**Tourist** – a visitor who stays at least one night in the place visited.

**Visitor** – a traveller taking a trip to a main destination outside his/her usual environment, for less than a year, for any main reason other than to be employed by a resident entity in the country or place visited.







**ABBREVIATIONS AND ACRONYMS**

<b>APP</b>	Annual Performance Plan	<b>IT</b>	Information Technology
<b>B-BBEE</b>	Broad-based Black Economic Empowerment	<b>KPI</b>	Key Performance Indicator
<b>CEO</b>	Chief Executive Officer	<b>MICE</b>	Meetings, Incentives, Conferences and Exhibitions
<b>CFO</b>	Chief Financial Officer	<b>MINMEC</b>	Ministers and Members of Executive Councils Meeting
<b>COO</b>	Chief Operating Officer	<b>MIPTC</b>	Ministerial Provincial Technical Committee
<b>CPI</b>	Consumer Price Index	<b>MOU</b>	Memorandum of Understanding
<b>DG</b>	Director-General of the National Department of Tourism	<b>PFMA</b>	Public Finance Management Act (1999)
<b>DIRCO</b>	Department of International Relations and Co-operation	<b>PR</b>	Public Relations
<b>DMC</b>	Destination Management Companies	<b>SANCB</b>	South Africa National Convention Bureau
<b>DPME</b>	Department of Performance, Monitoring and Evaluation	<b>StatsSA</b>	Statistics South Africa
<b>EE</b>	Employment equity	<b>SME</b>	Small and Medium-sized Enterprise
<b>EXCO</b>	Executive Management Committee of South African Tourism	<b>SMME</b>	Small, Medium and Micro-sized Enterprise
<b>GDP</b>	Gross Domestic Product	<b>TBCSA</b>	Tourism Business Council of South Africa
<b>GIBS</b>	Gordon Institute of Business Science	<b>TTFDS</b>	Total Tourist Foreign Direct Spend
<b>ICCA</b>	International Congress and Convention Association	<b>TGCSA</b>	Tourism Grading Council of South Africa
<b>ICT</b>	Information and Communication Technology	<b>UK</b>	United Kingdom
<b>IIA</b>	Institute of Internal Auditors	<b>UNWTO</b>	United Nations World Tourism Organization
		<b>US</b>	United States
		<b>VFR</b>	Visiting Friends and Relatives







# MESSAGE FROM THE MINISTER OF TOURISM



**Global tourism is growing faster than expected, with international tourist arrivals hitting a record high of 1.4 billion in 2018, a 6% increase from 2017.**

Global tourism is growing faster than expected, with international tourist arrivals hitting a record high of 1.4 billion in 2018, a 6% increase from 2017. The Middle East experienced the largest growth of 10%, followed by Africa (+7%), Asia and the Pacific, and Europe (both at +6%). South Africa still has a lot of work to do to grow at the levels of the best performing regions. Indeed, for us to achieve the 21 million international visitors by 2030 we need to be growing this aspect of our tourism at 6% annually. With our unique offerings of natural beauty, wildlife, culture and adventure, South Africa is well placed to increase our share of this growing market.

In the financial year 2018/2019, there were 10.4 million international tourist arrivals, a decline of 0.6% compared to 10.5 million in 2017/18. Overall, the African region recorded 67 million international arrivals. Undoubtedly, this number

will increase in the coming year and we will ensure that we redouble our efforts to grow our share of this market. We are alive to the fact that it is only by increasing our marketing efforts and rebuilding and nurturing the South African brand that we will be able to reverse the decline and set the sector on a growth trajectory.

Seventy-five percent of South Africa's international tourists are from the rest of the continent and they account for about 40% of direct spending by visitors. This underscores the strategic importance of the African continent in our efforts to diversify our markets.

With regards to domestic tourism, domestic trips increased by 12.7% compared to 2017/18. The main reason for taking trips was to visit friends and relatives and this highlights the importance of intensifying our campaign on domestic



tourism. The Department of Tourism will work closely with South African Tourism to revitalise the domestic tourism campaign so that we can get more South Africans travelling and exploring their country as tourists.

To make South Africa a destination of choice and to make it easier for tourists to travel to our country, we adopted a government-wide approach in dealing with all travel related matters. In this regard, visa waivers have recently been finalised for Ghana and São Tomé and Príncipe, and South African Tourism will prioritise its marketing efforts in Nigeria in the next financial year. For countries outside the continent, visa waivers have been concluded for New Zealand, United Arab Emirates, Saudi Arabia, Qatar and Cuba. Other countries outside the continent with potential for growth and where marketing will be intensified include India, China, the United States, the United Kingdom, Germany and Australia.

It was another successful year for business events tourism, with South Africa hosting 207 international conferences and meetings. Additional resources allocated to South African Tourism in 2018 have boosted the organisation's capacity to support bids for events. In 2018/19, South African Tourism supported 108 bid submissions, 42 of which were successful as at the end of June 2019. During the year, South African Tourism also increased its support to provincial and local authorities to empower them to bid for business events.

In addition to implementing various marketing initiatives, South African Tourism supports the country's tourism supply chain. Through its two annual trade roadshows, Africa's Travel Indaba and Meetings Africa, businesses have an opportunity to network, sell their products and gain international exposure. In an effort to make the sector more inclusive, South African Tourism provides small businesses with an opportunity to participate in these events.

The tourism sector is playing an increasingly important role in South Africa's economy, contributing to transformation, economic growth and job creation. In 2018/19, foreign and local tourists spent R116.9 billion, while the tourism sector as a whole contributed R425 billion to the country's economy, according to the World Travel and Tourism Council.

The Department of Tourism is committed to creating a conducive environment for tourism to thrive in the country. Efforts are already underway to develop a five-year strategic plan that will inform the government's overall tourism agenda of the sixth administration. The continued efforts of South African Tourism to ensure inclusive, responsible and sustainable growth in the tourism sector will be key to realising this plan. Working together, we can grow the economy through tourism.



Mmamoloko Kubayi-Ngubane,  
**MP Minister of Tourism**







# FOREWORD BY THE CHAIRPERSON



**South African Tourism is committed to fulfilling its mandate of achieving inclusive economic growth through marketing South Africa as a travel destination of choice.**

As the newly appointed Board we took office in a challenging, but similarly rewarding environment. It has been a significant year for our country, as we celebrated our 25 years of democracy. Global tourism continues to grow and South Africa needs to increase its share of this growing sector. Therefore, it is imperative for us to align our organisational goals to ensure we continue to support the growth of the sector. By so doing, we will succeed in making tourism the leading economic sector in the country and a firm competitor globally. We will always stay true to our word of unashamedly promoting transformation and ensure that we work towards equal opportunities for all in the industry.

## Performance

Our 5-in-5 strategic objectives are well documented. Despite our best efforts, we are falling behind on our targets to achieve an additional four million international visitors and one million local holiday trips by 2021.

The Board continues to work closely with the senior management team to best address the decline and find solutions. We are looking forward to reaping the rewards of the measures implemented through the updated plans and renewed focus.

It is no secret that the country's leadership is looking to tourism to play a contributing role to employment and economic development. President Cyril Ramaphosa has laid down the challenge of attracting 21 million international tourists by 2030. We are well on our way there and have the great task of making this a reality, 11 years from now. Working together with trade and our partners, we are committed to playing our part in realising this target.

## Transformation

Our transformation mandate is no different to the national

mandate on transformation, as per the National Development Plan. We have worked extremely hard from a procurement perspective and have applied preferential procurement regulations with a minimum of 30% subcontracting to QSE's and EME's in all our tender processes. An enhanced Enterprise & Supplier Development framework was also developed. We acknowledge that we need to better align our efforts to the revised B-BBEE codes moving forward.

### **Governance**

We pride ourselves in maintaining the highest standards of governance and compliance. Our Board remains committed to providing oversight, whilst supporting management in delivering on the organisational mandate. This is a useful indicator of organisational effectiveness. I must commend the entire organisation for receiving an unqualified audit opinion from the Auditor-General of South Africa for the 2018/2019 financial year – the 19th time in a row.

### **Organisational Effectiveness**

Our people remain the most important asset in achieving our organisational goals and objectives. We have continued to invest in building our people's capabilities, strengthening co-ordination and ensuring alignment in the execution of our mandate and in meeting government priorities. Staff satisfaction and sound human capital management remains fundamental to our organisational effectiveness.

### **Conclusion**

The Annual Report is a story of the work done by all our business units. We are proud of the efforts of our staff in South Africa and around the world. I would also like to acknowledge the appointment of our new Minister, Mmamoloko Kubayi-Ngubane, following a successful democratic election. We look forward to working with her and sharing her vision for the tourism industry. My heartfelt appreciation goes out to the Board, management and staff of South African Tourism for standing together and pulling through this challenging period. The collaboration of all the stakeholders goes a long way in contributing to the work we do. I look forward to the year ahead.



Pam Yako

**Chairperson, South African Tourism Board**





# CHIEF EXECUTIVE OFFICER'S OVERVIEW



**To take stock  
and review  
performance  
is imperative  
for any  
business.**

We at South African Tourism take our reviews seriously as we continuously strive for excellence. A thriving tourism industry leads to a thriving economy, which improves employment opportunities. We are ready for to take up the challenge and do our best towards ensuring the sector can address economic and employment issues within the country. The Annual Report highlights our key performances as well as reflections on the way forward for the next financial year.

## **Repositioning for Success**

Over the last 12 months we have continued with our strategic efforts to reposition the organisation. Our goal remains to promote the country, domestically and internationally, as a leisure, business and events tourism destination.

As part of this repositioning strategy, we are shifting towards becoming a data- and insights-led organisation, using research and analysis to convert travellers and enable responsiveness to changes in the industry.

Our Strategy, Insights and Analytics (SIA) unit is playing an increasingly important role in informing our strategic direction. In addition to focusing on research and analysis, our repositioning strategy involves improving our operational efficiency. We continued to implement our human capital strategy, which aims to create a high-performance culture to encourage employees to contribute to achieving the organisation's goals.

### South Africa's Tourism Performance

Tourism in South Africa had mixed results in 2018/19. The country recorded 10.4 million international tourist arrivals, a 0.6% decrease from the previous financial year and below our target of 11.2 million. Africa continues to be our largest source market, accounting for 74% (7.7 million) of these visitors. However, this region was only responsible for 40% of the foreign tourism revenue generated last year.

The declining visitor numbers can be attributed to negative perceptions about safety and security, and the water crisis. We have worked hard to dispel these negative perceptions about the country, with several marketing campaigns run in various markets throughout 2018/19.

Under the leadership of the Department of Tourism, we are implementing a tourism safety strategy to address the issue of crime against tourists. We are also working with partners to make it easier for people to travel to South Africa. We welcome the revised regulations that place less onerous requirements on travel documentation required for minors. This development, coupled with visa waiver agreements signed during the past year, will hopefully encourage more people to visit our country.

### Promoting Local Travel

A domestic travel market is the backbone of the country's industry, and we continued with our successful Sho't Left campaign in 2018/19 to encourage locals to explore and enjoy their country. A comprehensive report on the domestic travel market can be found on page 63.

### Securing more business events and fostering inclusivity

During the past year, we continued to market South Africa as a business events destination. South Africa hosted 207 business events and through the South Africa National Convention Bureau, we submitted 108 bids (target: 105) to host business events.

Increased collaboration with provincial and local convention bureaus contributed to our success in exceeding these targets.

To ensure that the economic benefits of these events are spread across South Africa, we increased the regional spread of the bids to less visited provinces and hosted a workshop with local associations to discuss how we can support them to bid for international and regional conferences.

We further promoted inclusivity and transformation by providing market access opportunities to small businesses at our trade shows. In 2018/19, we surpassed our target of SMMEs participating at our trade platforms through initiatives such as Hidden Gems and hope to attract even more small businesses in the next financial year.

### Enhancing Quality Assurance

The Tourism Grading Council of South Africa grades establishments, providing a credible, globally benchmarked system of quality assurance for accommodation and venues. In 2018/19, it introduced new grading criteria for establishments, including two new categories of hotel as well as a five-star premium grading level. The criteria have been gazetted and was implemented on the 1st of April 2019.

### Looking Ahead

The year ahead promises to be a busy one, with South African Tourism ramping up its efforts to meet its targets. This includes targeting priority markets, intensifying our efforts to promote domestic tourism, reviewing our stakeholder engagement framework to improve our relationships and how we engage with our partners and others, and strengthening our partnerships with global trade and other government departments to drive sales.

2019 marks 25 years of democracy and we will be celebrating this milestone throughout the next financial year with various targeted marketing campaigns.

As President Ramaphosa aptly remarked in his address on the last day of Africa's Travel Indaba in May 2019, "Tourism is the new gold mine." By working together, we can seize the opportunity that the sector presents to contribute to inclusive economic growth and job creation by promoting South Africa as a premier tourism destination.



Sthembiso Dlamini

**Acting Chief Executive Officer, South African Tourism**



# STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2019

---

The Board is responsible for preparing the public entity's performance information and for the judgements made in the report.

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 2019.



Pam Yako

**Chairperson**

**31 August 2019**

# STRATEGIC OVERVIEW: ABOUT SOUTH AFRICAN TOURISM

---

South African Tourism is mandated by the Tourism Act (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, its purpose is to improve the lives of South Africans by contributing to the inclusive growth of the country's economy through tourism.

To ensure a unified approach and coordinated 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 tourism base by 5 million arrivals or trips during the period 2017 to 2021. This goal is made up of 4 million additional international tourist arrivals and 1 million more domestic holiday trips.

To achieve this goal, South African Tourism has identified the following strategic objectives:

- Contribute to inclusive economic growth by increasing the number of international and domestic tourists.
- Contribute to an enhanced, recognised, appealing, resilient and competitive tourism and business events brand for South Africa across the target markets and segments.
- Enhance collaboration with stakeholders and partners, both locally and internationally, to improve delivery on South African Tourism's mandate.
- Contribute to an improved tourist experience in line with the brand promise.
- Position South African Tourism's corporate brand in such a way that it becomes recognised as a tourism and business events industry leader in market intelligence, insights and analytics.
- Achieve operational efficiencies in all activities, including optimising the human, marketing and other resources available to South African Tourism.

The 2018/19 financial year marked the second year of 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

- **Integrity**

We do things consistently, ethically and honestly regardless of the circumstances.

- **Respect**

We treat everyone with utmost dignity, inclusiveness, openness, tolerance and a sense of appreciation of diversity.

- **Authentic Caring**

We show and act with genuine care to each other, customers, shareholders, partners, suppliers and the business.

- **Responsibility**

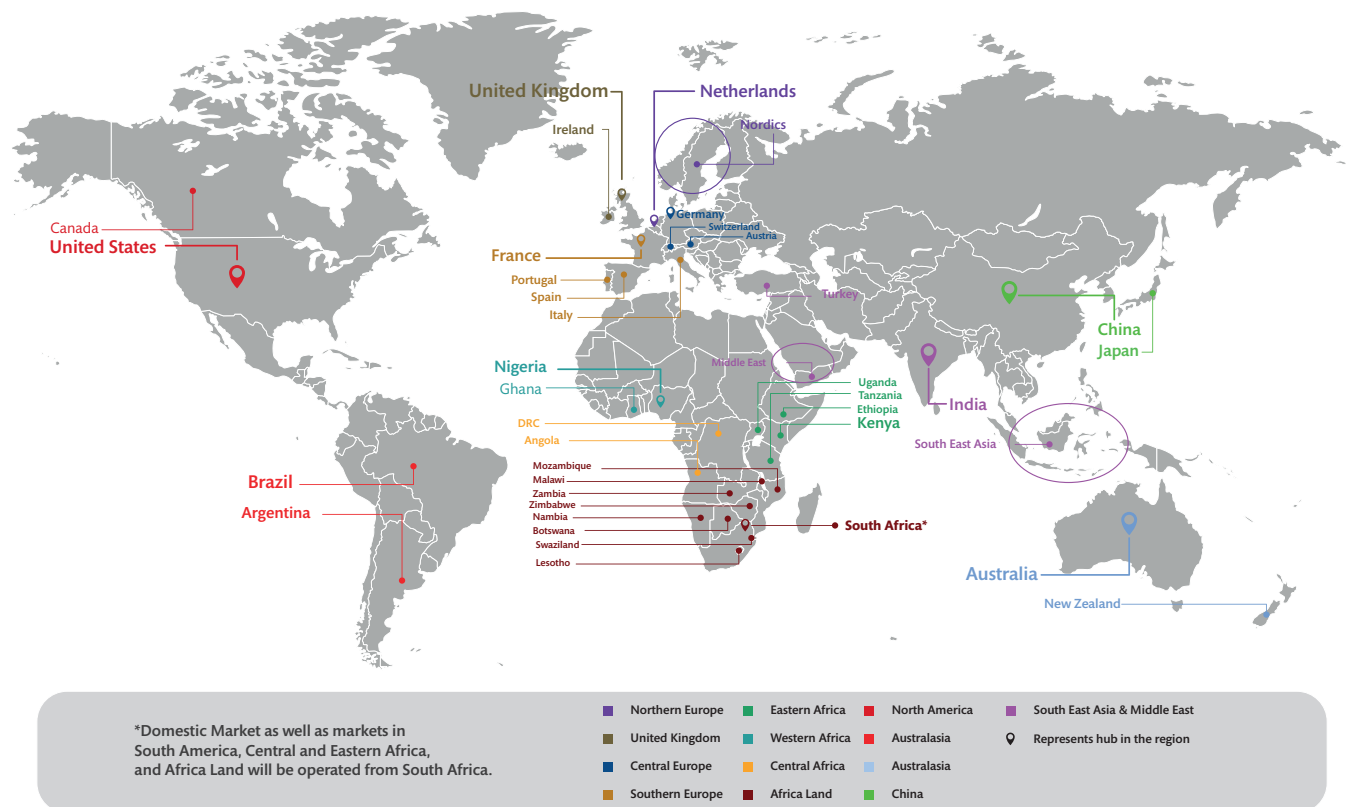
We take personal accountability for delivering work that exceeds customers' and stakeholders' expectations.

- **Excellence**

We take pride in and commit to always meeting and exceeding our customers' and stakeholders' expectations with outstanding quality.

South African Tourism invests in 44 countries globally to achieve the goal of attracting 5 million more arrivals/trips in 5 years. These countries were identified through a Marketing Investment Framework, which brings together the elements of the target (the what), markets (the where) and investment (the how).

South African Tourism operates in a 'hub-and-spoke' manner to ensure effective marketing initiatives, quick and seamless support to the trade and other value chain partners, and effective dissemination of authority and responsibility. For each region, the organisation has identified specific markets that serve as the hub and cater to the needs of the other markets in the region.



# LEGISLATIVE AND OTHER MANDATES

## Tourism Act (2014)

The Board is a public entity, which is listed under Schedule 3A of the Public Finance Management Act, 1999 (PFMA). It is governed by the Tourism Act (2014).

The Board's primary activities, as set out in its founding legislation, are to:

- 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.
- Advise the Minister of Tourism on any other matters relating to tourism marketing.
- With the approval of the Minister, establish a National Convention Bureau in order to market South Africa as a destination for business events by:
  - Coordinating bidding for international conventions.
  - 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 assigned to it by the Minister of Tourism through a policy directive, as long as it does not conflict with the Tourism 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 Board must oversee the implementation of the assigned function 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.

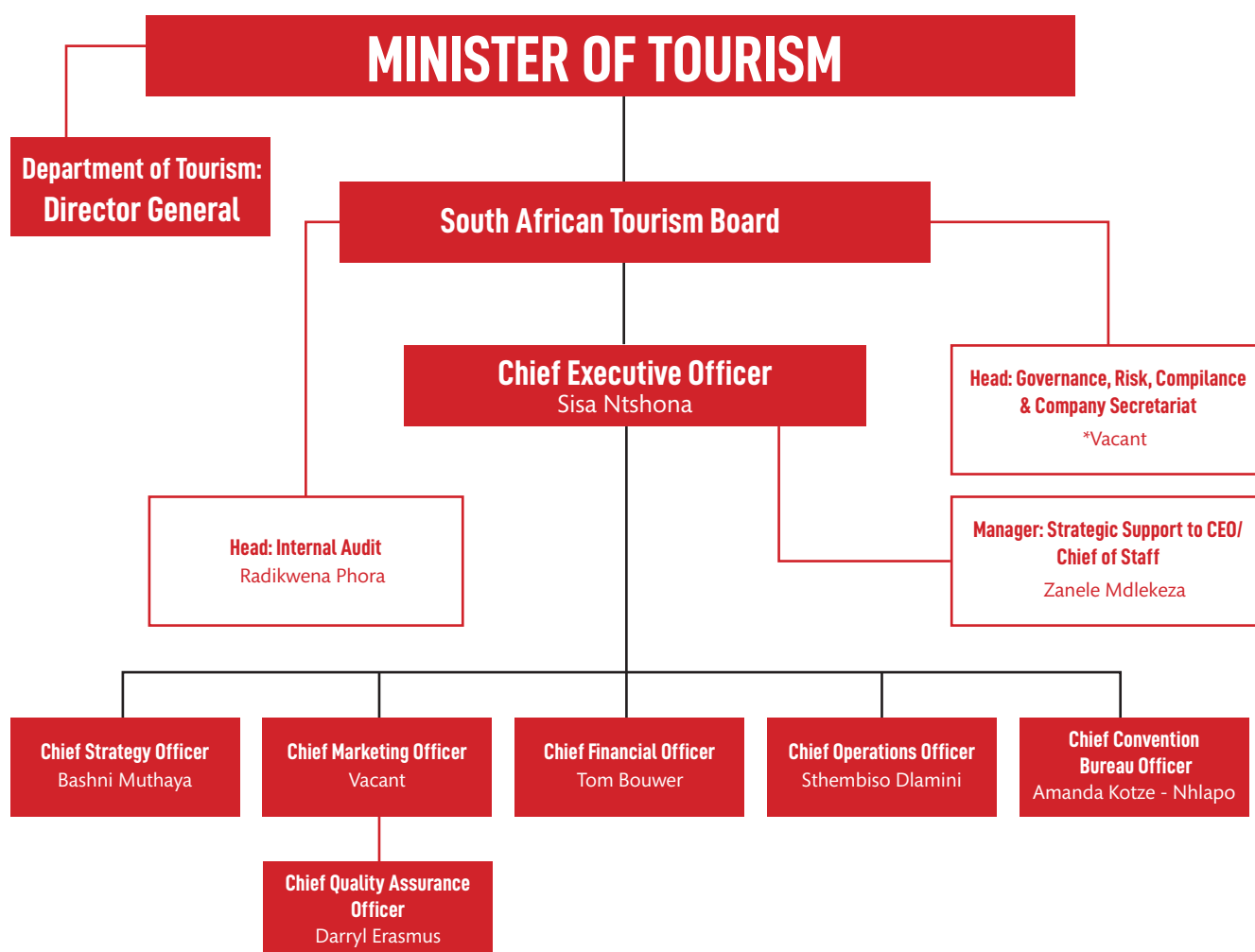


## Other Mandates

South African Tourism's Enhanced Strategy for Growth leverages various policy mandates governing the South African Tourism Board, working towards improving the lives of South Africans through inclusive growth in tourism. The policy mandates governing South African Tourism include the National Development Plan, New Growth Path, National Tourism Sector Strategy.

The National Development Plan, which aims to eliminate poverty and reduce inequality by 2030, recognises tourism as one of the main drivers of job creation and economic growth through marketing South Africa both domestically and internationally. The New Growth Path identifies tourism as one of the six pillars of economic growth.

## Organisational Structure



\*Position filled on 1 April 2019





The revitalisation of South Africa's image at the dawn of democracy, necessitated the configuration of its destination marketing agency to be inclusive and offer the world an exciting tourists product that has diverse people, tastes, cultures, landscapes and traditions.

2002

THE LAUNCH OF  
SOUTH AFRICAN TOURISM







# 1 INTERNATIONAL OPERATING CONTEXT

---

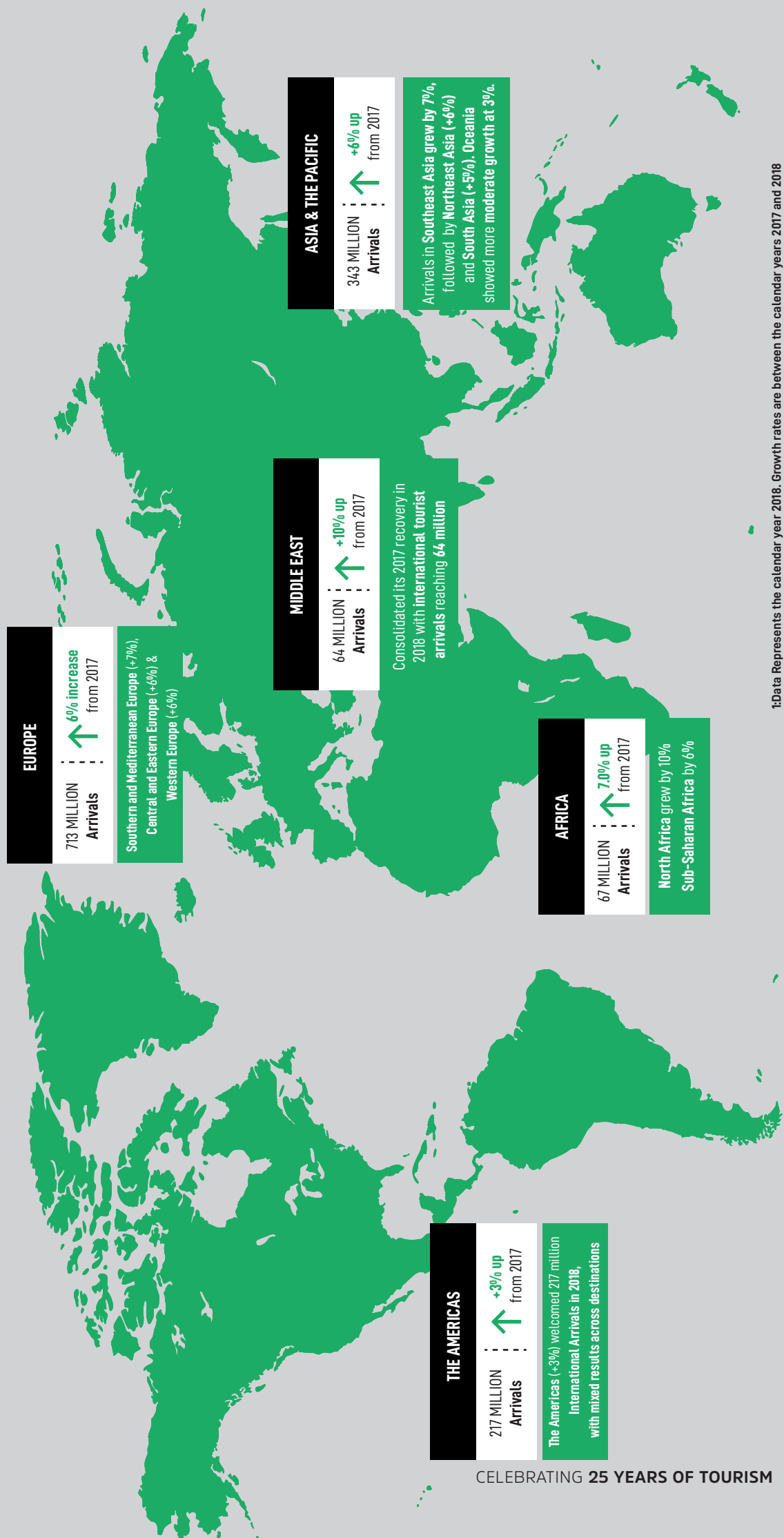
## Global Tourism Performance

According to the United Nations World Tourism Organization (UNWTO), worldwide international tourist arrivals increased by 6% to 1.4 billion in 2018, above the 3.1% growth registered in the global economy. The Middle East experienced the largest growth of 10%, followed by Africa (+7%), Asia and the Pacific, and Europe (both at +6%). Arrivals to the Americas (+3%) were below the world average of 5.6%.

The UNWTO's long-term forecast published in 2010 predicted that international tourist arrivals would reach 1.4 billion in 2020. However, stronger economic growth, more affordable air travel, technological changes, new business models and greater visa facilitation around the world have accelerated growth in recent years to reach the figure two years early.

## Global Tourism Performance

### International Arrivals



†Data Represents the calendar year 2018. Growth rates are between the calendar years 2017 and 2018  
Source: UNWTO Highlights 2018



## Geopolitical Landscape

The World Economic Forum (WEF) reported in its World Economic Situation and Prospects (2019) report that the global economy grew in 2018 by 3.1% (Gross Domestic Product). This growth was supported by a 2.2% growth in developed economies and a 4.4% growth in developing economies. According to the report, developed countries also recorded historic low rates of unemployment.

There was stronger growth among developing countries in South-East Asia, while notably fuel exporting developing countries recorded gradual growth.

This growth in the global economy bode well for the propensity for travel as evidenced by the growth in global tourism of 6% in 2018.

According to the WEF report, several large developing countries saw a decline in per capita income in 2018.

This is contrary to developed countries where unemployment reached historic lows, and individuals (especially low income earners) have not had an increase in income for the past decade. The tourism potential among the population in these countries is therefore smaller than the headline economic indicators may suggest.

Despite the 6% global tourism growth, over the course of 2018, there were increasing military tensions, economic and commercial disruptions and destabilising feedback loops between changing global conditions and countries' domestic political conditions. The volatile geopolitical landscape adds to the global economic and political insecurities. According to the International Consultants for Education and Fairs (ICEF) Monitor, these insecurities may also impact future growth in the tourism sector negatively as countries implement barriers such as visa regulations and increased security at airports as protective measures. These phenomena that include terrorism and xenophobia, have also heightened the inherent need for personal safety when travelling thus restricting the freedom that travel aims to fulfil.

The world experienced an increased number of extreme weather events which made environmental risks grow in prominence. The rising consciousness of sustainable environmental practices has impacted travel and tourism as tourists are adapting their travel behaviours in favour of responsible tourism products and destinations.

**ICEF Monitor, 1 August 2018:** <http://monitor.icef.com/2018/08/global-tourism-report-highlights-key-travel-trends>







# 2 SOUTH AFRICA'S TOURISM PERFORMANCE

---

## 2018/19 Highlights

In 2018/19, there were a total of 29,0 million overnight trips in South Africa, an increase of 7.5% over the 27 million in 2017/18. Of these trips, 18,6 million (64%) were domestic tourism trips and this grew by 12.2% compared to the 16.6 million trips in 2017/18. There were 10,4 million international tourism trips in the year, a decline of 0.6% compared to 10,5 million in 2017/18.

Tourism injected R116,9 billion into the South African economy in 2018/19 through the direct spend of both international and domestic tourists. This represents an increase of 12.7% over the R103,8 billion in 2017/18. International tourists contributed 75% (R87,4 billion) direct spend in South Africa in 2018/19. Foreign direct spend by international tourists grew by 6.6% over R82,0 billion in 2017/18 despite the 0.6% decline in international tourist arrivals. Domestic tourists, on the other hand, contributed R29,5 billion in the year, a growth of 35.7% over the R21,7 billion in 2017/18.

The economic significance of tourism is further supported by tourism's contribution to GDP. World Travel and Tourism Council (WTTC) estimates that the economic impact of tourism in South Africa (measured through tourism's total contribution to GDP) was R425 billion (8.6% of the total economy). Visitor exports is estimated at R126,7 billion or 9.2% of total South African exports. WTTC also estimates that tourism contributed approximately 1,5 million jobs to the total South African economy which represents about 9.2% of the total employment in the country.

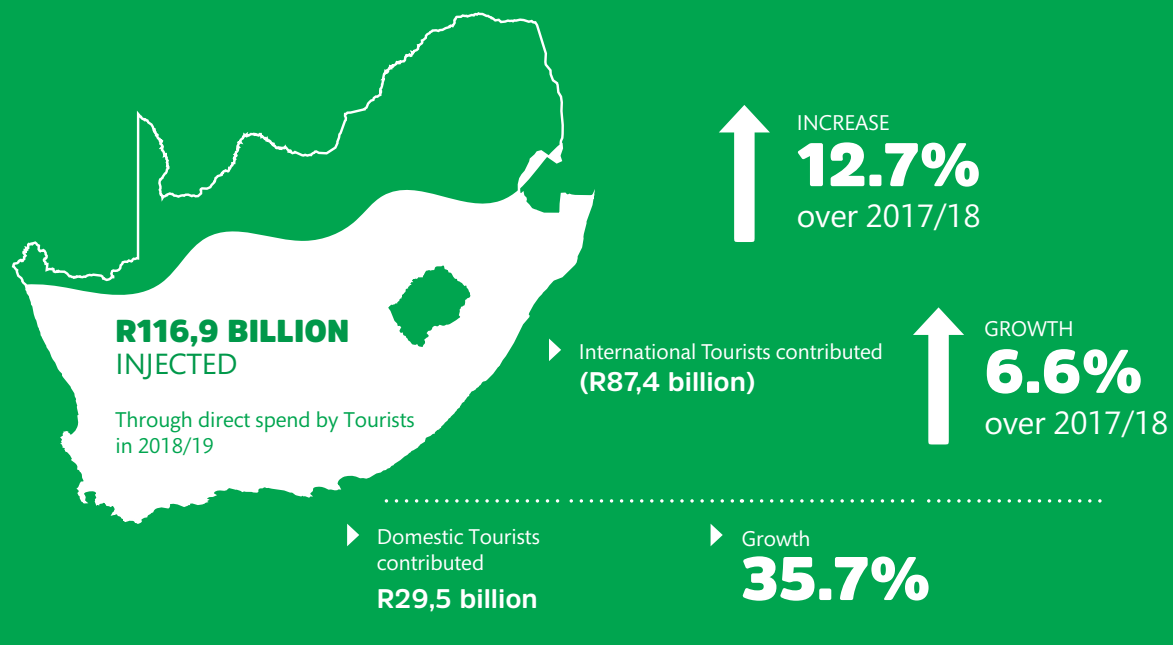
**“Tourism injected R116,9 billion into the South African economy in 2018/19 through the direct spend of both international and domestic tourists.”**

## 2018/19 Highlights

### Overnight Trips in South Africa



### Direct Spend by Tourists in South Africa



### Economic Significance of Tourism

World Travel and Tourism Council (WTTC) estimates that tourism contributed

**R425 BILLION**  
to the South African economy in 2018  
(8.6% of the total economy)

Visitor exports is estimated at

**R126,7 BILLION**  
9.2% of total South African exports

Estimated tourism contribution to the South African economy about **9.2% OF THE TOTAL** employment in the country.

**1,5 MILLION JOBS**

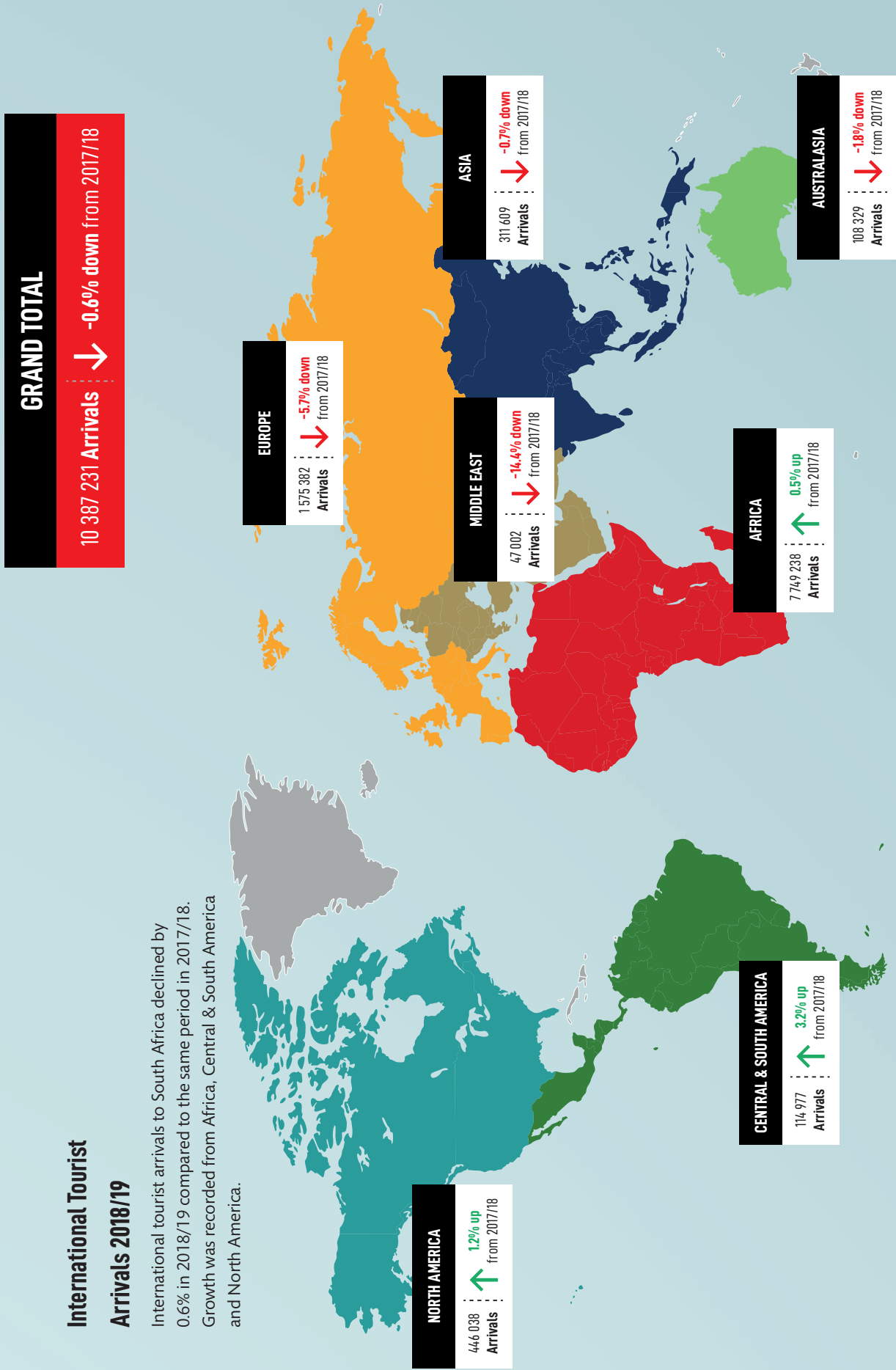
Source: WTTC 2018



International Tourist

Arrivals 2018/19

International tourist arrivals to South Africa declined by 0.6% in 2018/19 compared to the same period in 2017/18. Growth was recorded from Africa, Central & South America and North America.



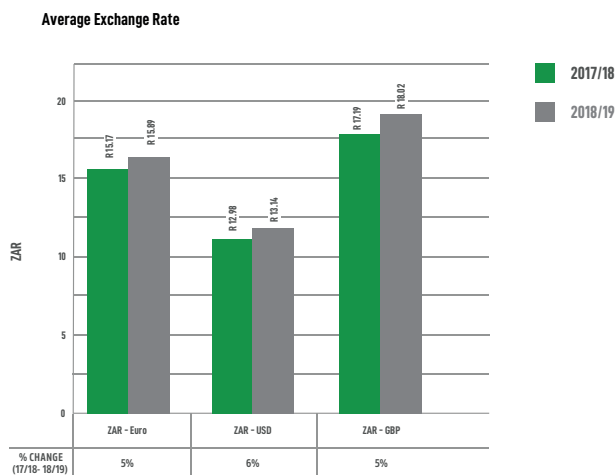
### Key Outputs Linked To Performance

South African Tourism partnered with relevant travel trade in each of the countries in which it invests to maximise synergies, enhance tourist experiences and increase sales of packages to South Africa. Partnerships allow South African Tourism to reach a larger audience at a shared cost with the partner, while the partner is equipped with brand relevant content and tools. However, certain factors explained on page 44 negatively affected performance.

## Spend in South Africa by International Tourists

In 2018/19, total tourist foreign direct spend increased by 6.6% to an estimated R87,4 billion, from R82 billion in 2017/18.

### Average Exchange Rate



Source: [www.oanda.com](http://www.oanda.com)

In addition, the average amount spent by tourists per trip in South Africa was R8 800, a 4.9% increase from the previous year. At R27 000, Norway and the Democratic Republic of Congo recorded the highest average spend per trip, followed by Switzerland and the Netherlands at R26 000.

The increase in spend is due to the rand depreciating against the major currencies, including the euro, the pound and the US dollar, with international visitors getting more rands for their respective home currencies.

### Key Outputs Linked To Performance

Partnerships with trade improved the promotion of tourism experiences that better meet tourist needs.

These influenced tour packages sold and affect both tourist arrivals and their spend in South Africa.

### The biggest regional contributors to total tourist foreign direct spend are:



## Africa

R35,2 billion (+2.1%)



## Europe

R31,6 billion (+10.8%)

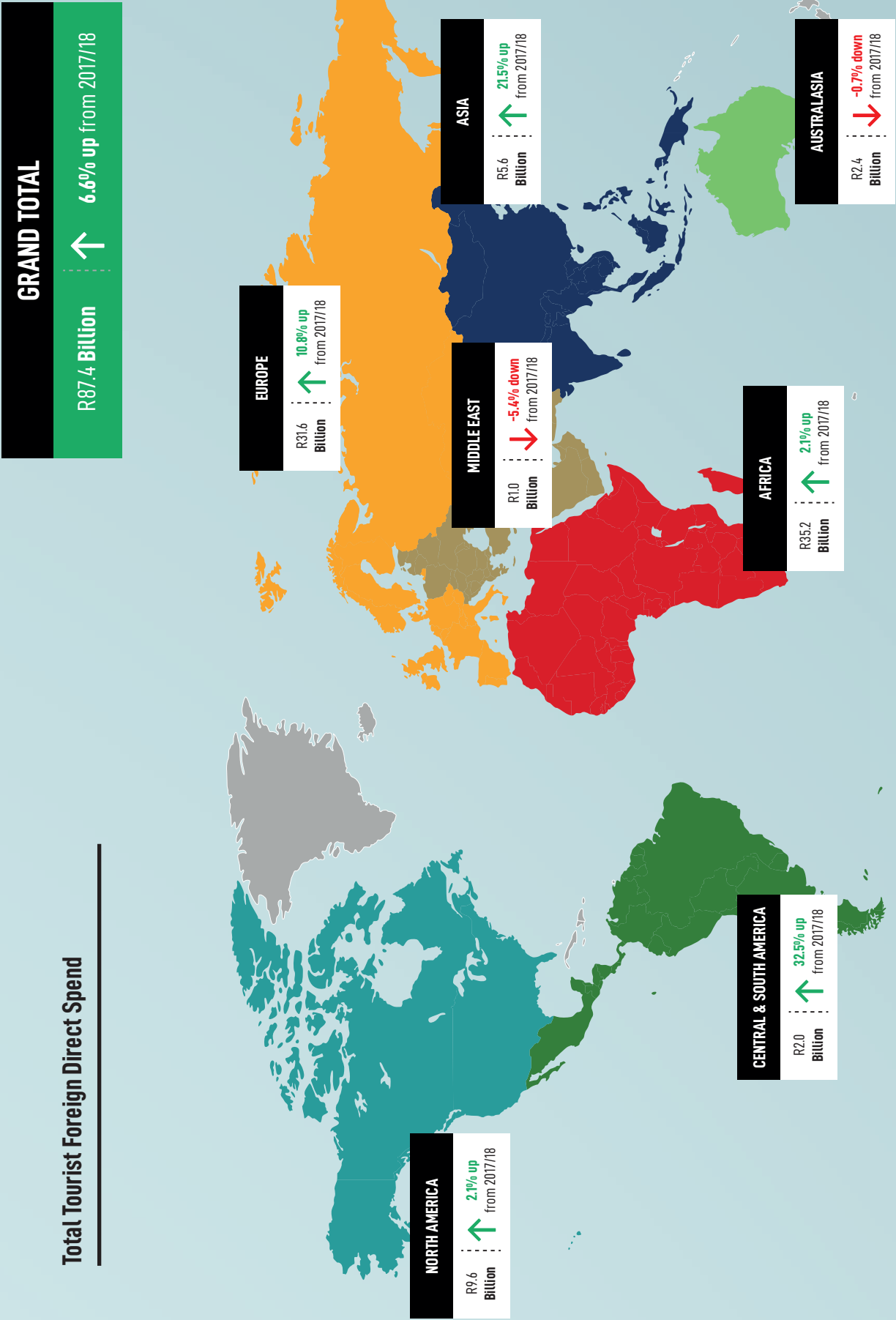


## North America

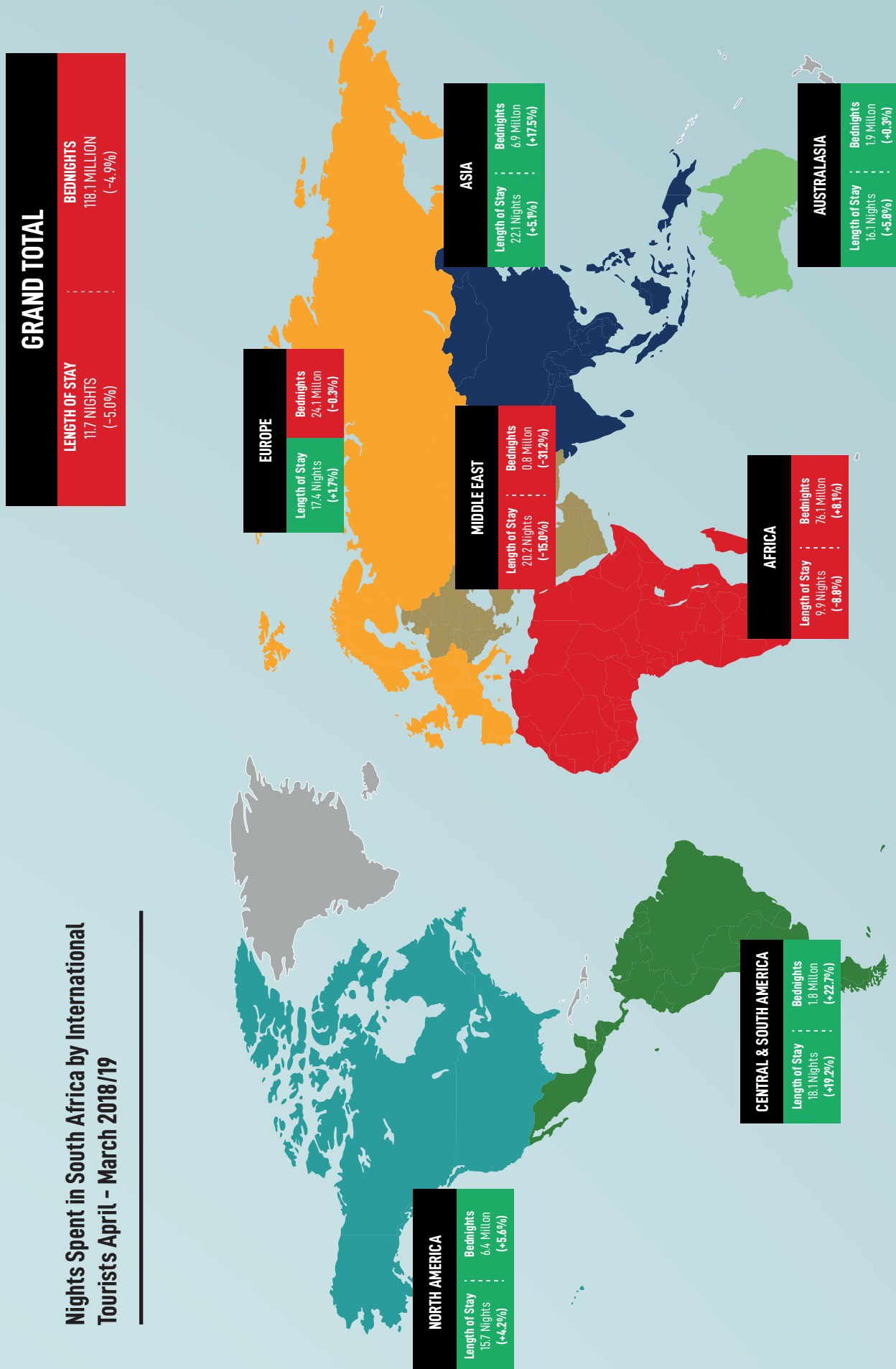
R9,6 billion (+2.1%)



Total Tourist Foreign Direct Spend



## Nights Spent in South Africa by International Tourists April – March 2018/19





## Length of Stay of International Tourists

On average, international tourists stayed 11.7 nights in South Africa in 2018/19, down from 12.4 nights in 2017/18. Tourists from the Middle East and Africa stayed for fewer nights in 2018/19 than 2017/18.

As a result of the decrease in international tourist arrivals (-0.6%) and the length of stay of international tourists (-5%), the number of bednights spent in South Africa in 2018/19 decreased by -4.9%.

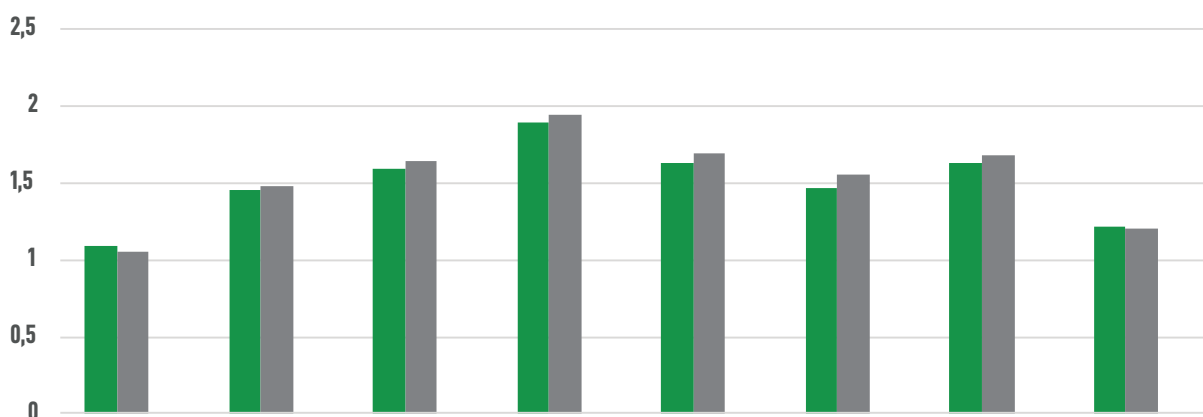
### Key Outputs Linked to Performance

Through partnerships with the travel trade, South African Tourism introduced new itineraries to increase the length of stay of tourists.

## Geographic Spread

On average, international tourists visited 1.20 provinces in 2018/19. This is a decline of 1.5% compared to 2017/18. The decline in the average number of provinces visited by tourists from Africa contributed to this decrease.

Average Number of Provinces Visited



	AFRICA	ASIA	AUSTRALASIA	CENTRAL & SOUTH AMERICA	EUROPE	MIDDLE EAST	NORTH AMERICA	TOTAL
■ 2017/18	1,09	1,46	1,59	1,89	1,63	1,47	1,63	1,22
■ 2018/19	1,05	1,48	1,65	1,95	1,69	1,56	1,68	1,20
% CHANGE	-3,7%	1,4%	3,8%	3,2%	3,7%	6,1%	3,1%	-1,6%

Source: South African Tourism Departure Surveys

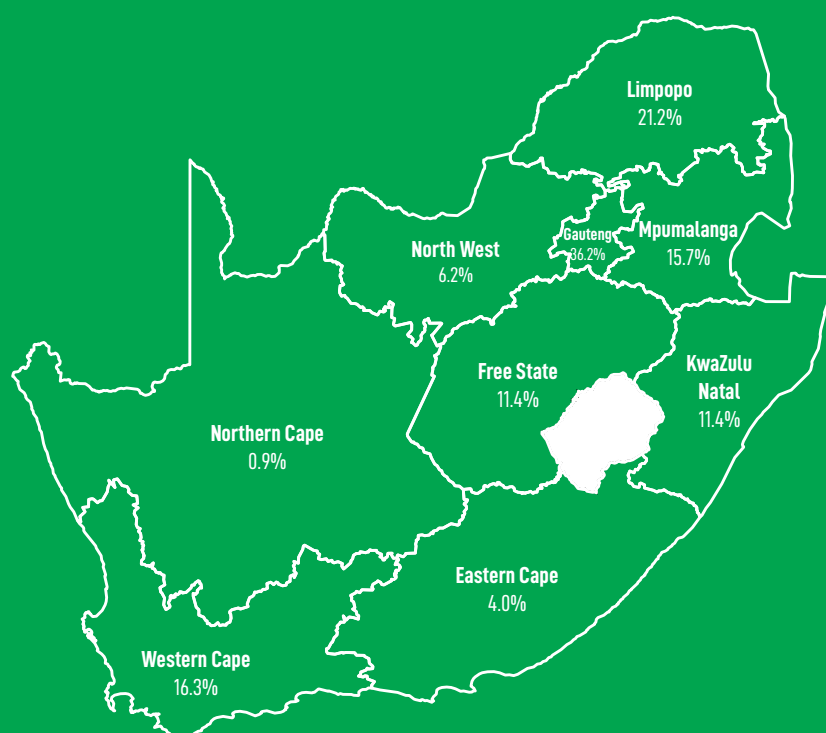
Gauteng remained the most visited province with a 36.2% share of total international arrivals. It is the primary gateway for international tourists arriving in South Africa. It is also a major destination for tourists from neighbouring countries who mainly travel to Gauteng to shop.

Limpopo remained in second place with 21.2% a share driven by growth from its key source markets of Zimbabwe and Botswana. Other major source markets for Limpopo are the United States of America, Germany and the UK.

The Western Cape is the third most visited province with a 16.3% share of total international arrivals. The major source markets for this province are the UK, Germany and the United States of America, followed by Namibia and France.

All provinces recorded decreases in the number of international tourist arrivals with the exception of Limpopo and Mpumalanga. In Limpopo, the strong growth from Zimbabwe and Botswana drove the growth in tourist arrivals. In Mpumalanga, on the other hand, arrivals from all source markets except for Mozambique increased.

## Share of International Tourist Arrivals 2018/19



### Key Outputs Linked to Performance

South African Tourism continued to include at least three provinces in new itineraries, encouraging tour packages to include multiple provinces.

## International Tourist Arrivals Per Province



## Brand Performance

Awareness of South Africa as a leisure tourist destination, as measured through South African Tourism's brand tracker surveys, remained unchanged at 77% in the markets in which South African Tourism operates. Brand positivity improved marginally, from 38% in 2017 to 39% in 2018.

South Africa has identified direct key competitors in the markets in which we operate. Our performance against these competitors is benchmarked and tracked. In the past year, our performance, when compared to these competitors, improved in both France and Uganda, but declined in Ghana and Nigeria. Our performance relative to our direct competitors has remained stable in the remaining markets in which South African Tourism operates. When measuring the overall brand health, Kenya, Tanzania, Uganda and South Africa are the best in their class as they have improved across all the key brand parameters.

"Natural wildlife experience" and "adventurous" are considered strong descriptors for South Africa. The destination's attributes "breath-taking", "enriching" and "value for money" suffered a decline in positive perception among potential travellers when they think about South

Africa.

Compared to 2017, there was an increase in the number of people considering visiting South Africa in both the short term (next 18 months) and the long term. The major barriers preventing people from visiting South Africa include safety, travel expense and appeal of other destinations.

The preferred sources of information for general travel to any destination globally include travel brochures, posters, online news, newspapers and magazines.

### Key Outputs Linked to Performance

In 2018/19, South African Tourism focused on driving awareness and positivity about South Africa as a tourist destination through a global media campaign, content development, continued social media engagement and the newly renovated South African Tourism website.



# Key Issues That Affect South Africa's International Tourism Performance

## Negative Perceptions

Negative perceptions about South Africa are a significant barrier for international tourists. These perceptions are formed through information obtained through the media. According to South African Tourism's brand tracker surveys which measure the perceptions of international tourists on South Africa as a tourist destination, the following issues adversely affect the number of tourists visiting the country.

- **Safety and Security Concerns**

According to South African Tourism's brand tracker surveys, tourists' concerns about their personal safety are the biggest contributor (18%) to the negative perception of South Africa as a tourist destination. The surveys also report that 16% of international tourists who have sought information on South Africa are not likely to visit due to safety concerns.

Numerous media reports of crime against tourists as well as the perception that South Africa is not a welcoming destination fuelled these concerns. The reports have led to some European governments, such as the UK advising their citizens about the risks of travelling to the country.

South African Tourism and the Department of Tourism to implement a tourism safety strategy to address the issue of crime against tourists.

- **Drought in Cape Town**

The international media attention on the prolonged drought in Cape Town intensified in January 2018 as water restrictions were scaled to level 6. The intense media coverage of Day Zero resulted in lowering business confidence and reducing travel demand over the traditional high season for international tourism. According to data released by Forwardkeys, there were fewer travel bookings in the primary booking period of January to April in 2018 compared to the same period in 2017.

South Africa's competitors such as the United States, Turkey and Kenya benefited from travellers' concerns about the drought as most consumers either changed destinations or postponed their trips to 2019 or 2020. South African Tourism in partnership with the tourism

industry, conducted a global roadshow at the end of 2017/18 to engage media in key countries with facts about the water shortages and the actions taken by the tourism industry to limit the drought's impact on tourists.

- **Inappropriate Wildlife Interaction**

Media reports on wildlife interactions and canned hunting have negatively impacted the country's brand as a champion of wildlife conservation. A proactive campaign to address these issues is being planned.

- **Debate on Land Expropriation without Compensation**

The lack of understanding of the policy of land expropriation without compensation resulted in global leaders making misleading comments. Negative coverage on several social media platforms and in the media in the United States and Australia created negative publicity for the destination globally.

## Regulatory Matters

- **Visa challenges**

Challenges related to the processing and issuing of visas in the key source markets of China, India, Nigeria, Ghana, Ethiopia and New Zealand have negatively affected tourist arrivals from these countries.

As a result, South Africa faces intense competition from destinations that offer easier visa processes or visa waivers. According to research conducted by the World Travel and Tourism Council, visa waivers can result in a growth in tourist arrivals of between 5.4% and 24.8% in G20 economies.

South African Tourism has noted an increase in tourist arrivals from Angola and Russia following the visa waivers applied to these markets, while tourist arrivals from New Zealand have continued to decline since South Africa introduced visa requirements in 2016.

## Other Issues

According to South African Tourism's brand tracker surveys, international tourists have a negative perception on the costs of traveling to South Africa. Due to limited knowledge of the diversity of tourism products and attractions on offer in South Africa, international tourists perceive South Africa as not offering them value for money and therefore cite that other destinations are more appealing.

- **Cost to get to South Africa**

A fifth of international tourists who are positive about South Africa as a tourism destination do not consider visiting the country because of this factor. Approximately 18% of international tourists who have sought information on South Africa are not likely to visit due to the cost of getting here.

South African Tourism has partnered with provincial tourism authorities to develop air access strategies.

- **Another Destination is More Appealing**

This is a significant reason why international tourists

do not visit South Africa. In 2018, 19% of tourists who were positive about South Africa did not think of planning a trip any time in the future. Of those international tourists who sought information on South Africa, 21% did not consider visiting in the near future.

South African Tourism is working on a revitalised brand campaign based on new consumer insights to ensure that the brand appeals to international tourists and markets the variety of tourism experiences on offer in South Africa.

## Domestic Tourism Performance 2018/19

In 2018/19, there were 18,7 million domestic trips taken in South Africa. This was a 12.7% increase from 2017/18. They contributed R29,5 billion in direct spend to the country's economy with visiting friends and relatives being the biggest driver. Although domestic travel generally tracks the school holiday calendar, travel increased in the off-peak seasons as tourism products promoted special offers throughout the year. Many of the domestic trips originated from Gauteng with Limpopo being the most visited province in 2018.

### Domestic Tourism Performance 2018/19



In 2018/19, **18,7 million domestic trips** were taken in South Africa, a **12.7% increase** from 2017/18. The duration of the trips was **at least four nights and resulted in a total of 75,7 million bednights (+12.7% compared to 2017/18)**. The main reason for taking a trip was to visit friends and relatives.



**Domestic tourism trips** contributed **R29,5 billion** to the country's economy in 2018/19, a **35.7% increase** from 2017/18. Tourists increased their average spend from R1,312 in 2017/18 to R1,584 in 2018/19. The overall increase in total domestic direct spend was driven by holiday tourists whose revenue increased by **20.6% to a record high of R10.7 billion**.



**Most money was spent on transport** and this category has also increased significantly when compared to the other spend categories. This is mainly due to increasing fuel costs in 2018. For the second half of the year, fuel prices were above R15, **increasing to an all-time high of R16.85 in October 2018**.

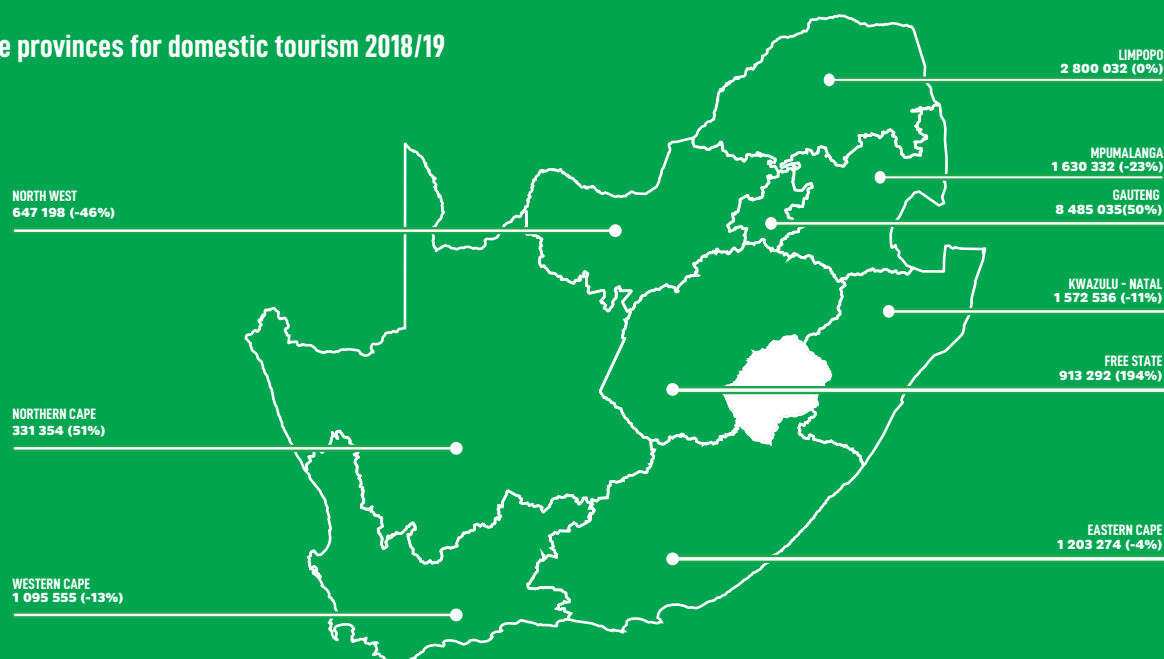


Other economic factors affecting the increase in spend include **inflation (4.5%)** and a **VAT increase in April 2018, from 14% to 15%**, resulting in South Africans **effectively paying an additional 7% for their products and services**.



Although domestic travel generally tracks the school holiday calendar, **travel increased in the off-peak seasons** as tourism products promoted special offers throughout the year.

## Source provinces for domestic tourism 2018/19



## Destination Province for domestic tourism 2018/19



## Drivers of Domestic Tourism Trips

According to the South African Tourism domestic brand tracker surveys, visiting friends and relatives continues to be the main reason for domestic travel (53%) and 47% of travellers stated friends/family recommendations being a reason for their travel choices. Packages that include beaches and coastline travel experiences have had the best sales. According to sentiment analysis, most conversations on social media about domestic travel are centred around beaches.



### Outbound travel by South Africans

In 2018, outbound travel from South Africa increased by 3.1%. South Africans also spent 9.9% more on outbound trips. The top destinations for South Africans are neighbouring countries, while the top long-haul destinations for South Africans are the UK and Spain.

### Key Outputs Linked to Performance

South African Tourism continued to implement of its Sho't Left campaign which aims to promote a variety of tourism experiences at price points for all segments of the target population.

## Business Events

### Meetings of International Associations

In 2018, a total of 12,937 meetings of associations were held around the world, according to the International Congress and Convention Association (ICCA). This represents an increase of about 3% compared to 2017. The average total expenditure at these international meetings in the ICCA database increased by 4% in 2018, from €10,6 billion in 2017 to over €11 billion in 2018.

In 2018, South Africa hosted 100 ICCA-registered international and regional meetings and conferences (down from 122 in 2017), which attracted 38,456 association professionals to the country. This performance led to South Africa being ranked 39th worldwide by ICCA in terms of the number of association conferences held in the country in 2018 (2017: 34th). South Africa remains first in the rankings for meetings in Africa. Cape Town is ranked first in Africa, followed by Johannesburg in sixth position and Durban in eighth position.

In addition to the 100 ICCA-qualified conferences, South Africa hosted an additional 107 international conferences and meetings during 2018. Of these 207 international conferences and meetings, 4 were hosted in the Kruger National Park, 2 in Nelspruit, 6 in Thohoyandou, 10 in Stellenbosch and 2 at Sun City.

### Bid Support

#### In 2018/19

108	Supported Bids
42	Successful Bids
6	Unsuccessful Bids
60	Pending Outcome
52	Were to host events for more than 300 delegates.

#### Fields









37	Medical and life sciences
18	Manufacturing
7	Education
7	Creative Industries

#### Spread

54	Western Cape
25	Gauteng
11	Collaborative Multi-City Bids
28%	Smaller towns & metropolitan areas
28%	Regional spread

# Quality Assurance

## Graded Establishments and Rooms

<b>5,147</b>	Number of Members	
<b>34%</b>	Guest houses	
<b>19%</b>	Self-catering establishments	
<b>30%</b>	Western Cape	
<b>17%</b>	Gauteng	
<b>125,411</b>	Graded rooms, a 6% increase on the previous year.	
<b>15%</b>	Graded Guest House Rooms	
<b>50%</b>	Graded Hotel Rooms	

## New Grading Criteria

The TGCSA launched its approved grading standards for South Africa on 01 April 2019. This includes the introduction of a new five-star premium grading level and a recognition programme to aide differentiation of tourism establishments to add further value to the grading practice.

## Strengthening Provincial Collaboration

A number of provincial quality assurance specialists were relocated to provincial tourism agencies' offices during the year. The TGCSA and South African Tourism now has physical representation in Limpopo, KwaZulu-Natal, the Eastern Cape, the Western Cape and Gauteng. This is proving valuable as quality assurance efforts are now better aligned with all provincial stakeholders and accredited assessors.

In addition to placing staff with provincial tourism stakeholders, South African Tourism enabled greater integration with several provinces through strategic agreements to focus on quality assurance efforts in villages, smaller towns and rural areas to support geographic spread, transformation and enterprise development.

## Key Outputs Linked to Performance

The TGCSA launched its integrated marketing and communications campaign in November 2018, to promote the value of star grading in both the consumer and trade space. Technological initiatives such as the partnership with WAZE (a GPS navigation application) were also added to enhance brand awareness.

Supported by South African Tourism's South Africa hub and the Department of Tourism's Incentive programme team, the TGCSA hosted a national roadshow for approximately 1,500 members and stakeholders to launch the new criteria in February and March 2019.

Collaboration with the National Treasury gained momentum with the integration of the TGCSA membership database into the Central Supplier Database. This will facilitate government's use of only graded properties for official travel.

# 3 SOUTH AFRICA TOURISM'S ORGANISATIONAL ENVIRONMENT

---

Through Project iGnite, South African Tourism began restructuring the organisation in 2017/18 to ensure that resources were adequately aligned with organisational priorities to achieve its mandate. This restructuring resulted in programmes and projects being re-evaluated based on their impact on the organisation's goals and objectives.

South African Tourism has a staff establishment (approved maximum headcount) of 202. The organisation continually looks for opportunities to increase efficiency through an internship programme and partnerships with trade. Prior to Project iGnite, the vacancies were frozen to ensure organisational alignment and improve the organisational structure. The drive to fill vacancies is ongoing. During the year under review, the Chief Marketing Officer resigned. South African Tourism struggled to fill this key position.

South African Tourism operates in 10 countries and markets to 44. As a result, a significant portion of the budget is exposed to currency fluctuations. A depreciating rand negatively affects the operating environment when South African Tourism must spend in foreign currencies. While the depreciating rand benefits inbound international tourists, the currency movements limit South African Tourism's ability to attract them as marketing investment is reduced.

Local legislative requirements such as the PFMA and National Treasury regulations are proving to be impractical to consistently implement in the countries where South African Tourism operates due to international laws and foreign currency exchange rate movements. This affects procurement in the various countries as well as performance.

**"South African Tourism operates in 10 countries and markets to 44. As a result, a significant portion of the budget is exposed to currency fluctuations."**



# 4 SOUTH AFRICA'S KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

---

## Key Policy Developments

There were no key policy developments.

## Legislative Changes

### Changes to South Africa's Visa Regulations and Requirements for Travelling Minors

Revised regulations, including changes to travel documentation requirements for minor travellers, were gazetted on 1 December 2018. These regulations, which have less onerous requirements, bring us in line with best practice in many countries with respect to foreign minors travelling into and out of South Africa.

In September 2018, after President Cyril Ramaphosa announced a stimulus package, the then Minister of Home Affairs announced that negotiations were being finalised to conclude visa waiver agreements for 19 countries.

### TGCSA Grading Criteria

To advance and maintain a recognisable, credible and globally benchmarked system of quality assurance for accommodation and venues in South Africa, the TGCSA has introduced new and revised grading standards, which were approved by the Minister of Tourism on 2 November 2018. The grading criteria have been gazetted and has been implemented from 1 April 2019.

The new grading criteria include two new categories: "apartment hotels" and "small hotels", which will cover the luxury segment (boutique hotels).

The grading levels have also been enhanced. They now include a new five-star premium grading level, which is a recognition reserved for the pinnacle of luxury products in South Africa, far exceeding premium expectations with respect to quality standards and service excellence.

The TGCSA has also introduced a new dimension to grading, which allows properties to capitalise on niche market differentiation. This new addition, termed "accolades", includes insignia and criteria for niche markets such as those that are child-friendly, pet-friendly, wedding venues, spa and wellness facilities, as well as those that cater for 4x4s.

# 5 STRATEGIC OUTCOME-ORIENTED GOALS

As a government entity, the purpose of South African Tourism is to help improve the lives of South Africans by contributing to the inclusive growth of the country's tourism economy. To fulfil this purpose, the organisation's Enhanced Strategy for Growth outlines two strategic goals that South African Tourism needs to achieve:

- Increase the tourism sector's contribution to inclusive economic growth.
- Achieve operational efficiency and good governance.

## Increase the Tourism Sector's Contribution to Inclusive Economic Growth

Through its marketing strategies, South African Tourism aims to attract 5 million additional international tourist arrivals (including business delegates) and domestic holiday trips. These additional arrivals and trips will contribute about R117 billion to the economy by 2021, helping to grow the economy in an inclusive and sustainable manner that creates jobs.

This goal relates to the MTSF period ending 2019/20. South African Tourism is currently in the planning process for the next MTSF period, i.e. 2020/21 to 2024/25. The new strategic plan will be based on the priorities outlined by President Ramaphosa in the State of the Nation in June 2019 and will reflect the plans to grow tourism arrivals to 21 million by 2030.

In 2018/19, tourism injected R116,9 billion into the economy through direct spend by both international and domestic tourists – an increase of 8.2% from 2017/18.

Since the inception of South African Tourism's Enhanced Strategy for Growth in 2017/18, tourism has injected R220,7 billion into the economy through direct spend by both international and domestic tourists.

The economic significance of tourism is further supported by its contribution to gross domestic product (GDP). The World Travel and Tourism Council estimates that the economic impact of tourism (measured through tourism's total contribution to GDP) was R425 billion (8.6% of the total economy) in 2018. Visitor exports are estimated at R126,7 billion, or 9.2% of total exports. Moreover, tourism contributed about 1,5 million jobs to the economy (about 9.2% of the country's total employment).

## Achieve Operational Efficiency and Good Governance




South African Tourism recognises that its operations need to be more agile to tap into opportunities, while adapting to the rapidly evolving macro environment. To this end, it is optimising the use of existing resources and streamlining its underlying processes, while continuing to improve its internal controls to achieve an unqualified audit. Key initiatives include Project iGnite, South African Tourism's organisational review, (discussed in the Organisational Environment section) and a digitalisation project, which aims to holistically transform the operations of South African Tourism using new digital competencies. An assessment was initiated during the year to investigate how technology can improve operational efficiency.

# 6 PERFORMANCE INFORMATION BY PROGRAMME

The programmes are linked to relevant key performance indicators (KPIs) to measure their success in the reference period. In 2018/19, South African Tourism achieved 15 out of 27 (56%) of its KPIs, made significant progress on seven and did not achieve five of them.

## Programmes' Performance against KPIs, 2018/19

Programme	KPIs	Performance
Corporate Support	<ul style="list-style-type: none"> <li>Staff satisfaction score achieved</li> <li>Percentage vacancy rate maintained</li> <li>Compliance with Employment Equity Act achieved</li> <li>Unqualified audit report achieved</li> <li>B-BBEE-level achieved</li> </ul>	4/5 (80%) 1/5 (20%)
Business Enablement	<ul style="list-style-type: none"> <li>Stakeholder satisfaction score achieved</li> </ul>	1/1 (100%)
Leisure Tourism Marketing	<ul style="list-style-type: none"> <li>Number of international tourist arrivals achieved</li> <li>Total tourist foreign direct spend (R billion)</li> <li>Percentage geographic spread of international tourist arrivals achieved</li> <li>Seasonality index of international tourist arrivals</li> <li>Percentage brand positivity achieved</li> <li>Percentage brand awareness achieved</li> <li>Number of total domestic trips achieved</li> <li>Number of domestic holiday trips achieved</li> <li>Total domestic direct spend (R billion)</li> <li>Domestic holiday revenue (R billion)</li> <li>Percentage geographic spread of domestic tourists</li> <li>Percentage seasonality of domestic tourists</li> <li>Small and medium-sized enterprise (SME) attendance at South African Tourism tradeshow platforms</li> <li>SME participation for all South African Tourism hosting activities</li> </ul>	8/14 (57%) 5/14 (36%) 1/14 (7%)
Business Events	<ul style="list-style-type: none"> <li>*Number of business events hosted in South Africa</li> <li>*Number of international delegates hosted in South Africa</li> <li>Number of bids supported for international and regional business events</li> <li>Africa's Travel Indaba and Meetings Africa revenue</li> </ul>	3/4 (75%) 1/4 (25%)
Tourist Experience	<ul style="list-style-type: none"> <li>Number of graded accommodation establishments achieved</li> <li>Number of graded rooms achieved</li> <li>Revenue collected through Grading</li> </ul>	2/3 (67%) 1/3 (33%)

 Target Achieved
  Not Achieved but Significant Progress (90-99%)
  Not Achieved, Intervention Required

\* Refer to finding in the Report of the Auditor-General to Parliament on South African Tourism on page 124



## Programme 1: Corporate Support

Corporate Support provides support services to the organisation and ensures compliance with statutory requirements. It is the primary focus of four functions in the organisation:

- The Office of the CEO supports the CEO by overseeing and managing the organisational strategy and plans.
- Human Capital works to attract, retain and develop employees to ensure that the organisation has the necessary skills and capacity to operate successfully.
- Finance and Supply Chain Management provides and manages end-to-end financial and supply chain support services to the organisation.
- ICT supports South African Tourism's global information technology infrastructure and key business applications, enabling business units to carry out their duties efficiently, productively and securely.

### Strategic Objectives

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

### Investing in Our Employees

In 2018/19, South African Tourism continued to implement its human capital strategy, which aims to create a high-performance culture to encourage employees to contribute to achieving the organisation's goals. The strategy also aims to attract, engage, nurture and retain talent while building leadership capability. During the past year, we successfully invested in developing our employees' skills and implemented an employee wellness programme to promote organisational health. The human capital strategy is bearing fruit, as indicated by the improvement in staff satisfaction from 3.1 in 2017/18 to 3.4 in 2018/19. The staff vacancy rate almost halved, from 13% in 2017/18 to 7% in 2018/19.

### Enhancing Efficiency Through Technology

To improve the organisation's operational efficiency, South African Tourism successfully implemented several projects, including the Oracle performance management system, phase 1 of the business performance dashboard and phase 1 of the customer relationship management solution. It also upgraded IT infrastructure, including the storage servers and the intranet system, and enhanced network security and monitoring, and network connectivity to meet its target on system availability and IT security. Moreover, the organisation initiated a digitalisation assessment to investigate how technology can address some of the strategic and operational challenges with a view to seizing quick wins where available and improving performance over the long term. South African Tourism will implement the assessment's recommendations in the new financial year.

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/2017	ACTUAL ACHIEVEMENT 2017/2018	PLANNED TARGET 2018/2019	ACTUAL ACHIEVEMENT 2018/2019	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2018/2019	COMMENT ON DEVIATIONS
Staff satisfaction score achieved	2.9	3.1	3.4	3.4	-	Target achieved
Percentage vacancy rate maintained	Not a KPI	13%	7%	7%	-	Target achieved
Compliance with Employment Equity Act achieved	Not a KPI	Not a KPI	Compliance with Employment Equity Act	Employment Equity Plan submitted to the Department of Labour as per statutory deadline	-	Target achieved
Unqualified report achieved	Target achieved	Target achieved	Unqualified audit report	South African Tourism received an unqualified audit report for the 2017/18 financial year from the Auditor-General of South Africa	-	Target achieved
B-BBEE level achieved	Not a KPI	Not a KPI	Level 4	Level 8	-100%	Target not achieved. Of the four dimensions measured, South African Tourism scored poorly on socioeconomic development due to a change in the calculation for social responsibility initiatives

## Programme 2: Business Enablement

Business Enablement ensures that a strategy is developed and integrated with business performance monitoring, governance and evaluation. It provides centralised research insights and analytics to support the core business and ensure an open source for information-sharing with the tourism sector. Business Enablement is the primary focus of the following business functions:

- Strategy, Insights and Analytics which performs a key role in informing the strategic direction of the organisation, and through the interpretation of insights, will also evaluate the performance of the business independently.
- Stakeholder and Partnership Management aims to enhance collaboration with various stakeholders.

### Strategic Objectives

**Strategic Objective 3:** Enhance stakeholder and partner collaboration to better deliver on South African Tourism's mandate.

**Strategic Objective 5:** Position South African Tourism to be recognised as a tourism and business events industry leader in market intelligence, insights and analytics.

### South African Tourism – An Insights-Led Organisation

South African Tourism continues to grow its research and insights' capability to become a leader in providing strategic and actionable insights for the organisation and the tourism sector.

### Understanding Travellers Who Visit Friends And Relatives

In 2018/19, the Strategy, Insights and Analytics unit conducted a study to understand the characteristics of the domestic market that visits friends and relatives and identify ways to influence this category of travel. Visiting friends and relatives is the main reason why South Africans travel locally, accounting for about two-thirds of all domestic travel. However, this type of travel has been declining over the years. The study's recommendations have been incorporated into the business plan of the Domestic business unit.

### Tapping into the Nordic markets

South African Tourism also developed a route-to-market strategy to effectively tap into the potential of the Nordic markets. The Marketing Investment Framework identified the Nordics region as a key growth region that should be targeted to achieve the set growth objectives. The strategy was developed based on a robust assessment of the business environments and market conditions in the region; the travel trade landscape and potential partnerships; tourism consumer groups, including an in-depth view of consumer needs and underlying segmentation; and available tourism-related opportunities. The study has enabled South African Tourism to develop effective marketing plans for 2019/20 and beyond.

### Developing A Performance Indicator Dashboard

To amplify South African Tourism's data intelligence capabilities, the Strategy, Insights and Analytics team has developed a new business performance dashboard that allows users to easily visualise KPIs and filter on demand to quickly gain insights into the most important aspects of the organisation's business performance. The dashboard's functionality allows for customised reports in real time.

The beta version of the dashboard was launched internally to staff, the Board, the Department of Tourism and the executives of the Tourism Business Council of South Africa (TBCSA) in December 2018. This version of the dashboard provides data on performance against the targets for the following KPIs: international tourist arrivals; total tourist foreign direct spend (international revenue); domestic tourism trips; total domestic direct spend (domestic revenue); and brand performance.

Since the launch of the beta version, other KPIs and data to support the planning and development of tourism across all spheres of the sector have been added to the dashboard. Work is under way to publish the dashboard on South African Tourism's website to allow wider access to the tourism intelligence that the organisation produces. Maintaining the tourism knowledge base

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. During the year under review, the Strategy, Insights and Analytics team produced market intelligence reports describing the performance of tourism in South Africa. These reports can be accessed on South African Tourism's website.



PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/2017	ACTUAL ACHIEVEMENT 2017/2018	PLANNED TARGET 2018/2019	ACTUAL ACHIEVEMENT 2018/2019	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2018/2019	COMMENT ON DEVIATIONS
Stakeholder satisfaction score achieved	New KPI	Not achieved	4.1	3.6	-12%	Target not achieved. Stakeholders are less satisfied with South African Tourism's synergies to their business and marketing initiatives. Stakeholders felt that greater consultation and collaboration are required.

## Programme 3: Leisure Tourism Marketing

Leisure Tourism Marketing provides destination tourism marketing, targeting both international and domestic leisure tourists. It is the focus of the following functions:

- Tourism Execution which is responsible for the execution of the full suite of core business services in-market.
- Brand and Marketing which is responsible for developing a global brand and marketing strategy that incorporates brand communication, digital marketing and public relations (PR).

### Strategic Objectives

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

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

### Brand and marketing

The focal point for the year was the centenary celebrations of our first democratically elected president, Nelson Mandela. The Nelson Mandela centenary campaign, “100 Ways to Find the Madiba in You”, ran throughout the fiscal year on social media and the Madiba’s Journey app, and at Africa’s Travel Indaba.

As part of this campaign, 100 locations and experiences that played a pivotal role in the life of Nelson Mandela were highlighted to drive both local and international tourism experiences. This involved hosting media at these locations, who then generated content.

### Generating content to inspire and convert travellers

Continuous content generation has been critical to South African Tourism’s global brand and marketing strategy. In the year under review, 2,800 assets available on the digital asset library were downloaded over 80,000 times. This is a strong indication that the global tourism industry uses South African Tourism’s assets to promote South Africa.

In 2018/19, content pieces were developed to further support the content strategy and culture-based thought leaders were engaged to rewrite existing cultural pieces to be inclusive, sensitive to cultural nuances and, above all, engaging. In addition, global deals have been initiated for content from the likes of National Geographic, the BBC, CNN, CNBC, Travelstart, Expedia, TripAdvisor and Lastminute.com

### Growing interaction on the website

South African Tourism’s website, SouthAfrica.net, enjoyed significant growth in 2018/19 with 714 articles loaded to the website. Website visitors grew by 263%, from 1.2 million visits in 2017/18 to 4.6 million in 2018/19. Engagement on the website was high with 10,491 additions to users’ wish lists – a 282% increase in user interest from the previous year. The website recorded nearly 20,000 “book now” actions (this was not tracked in the previous year), reflecting a conversion rate from visitor to “book now” of 0.31%.

### Public relations

The South African Tourism focused on strengthening media relations and working on meaningful partnerships with local media. These relationships proved valuable as South African Tourism was able to strengthen its corporate image in the media space.

Closer collaboration between the head office and the country offices ensured that the South African message was more effectively communicated abroad.

Events such as World Tourism Day, the Lilizela Awards, Meetings Africa and Africa’s Travel Indaba all received significant media coverage, with the PR team working closely with the respective business units in charge and providing strategic guidance.







## Marketing highlights for 2018/2019

### NORTH AMERICA

#### STRATEGIC FOCUS

To create a vivid picture of South Africa in the mind of the traveller as a cool, "safari-plus" destination by showcasing iconic, activity-rich experiences that demonstrate value for time and money and inspire North Americans to travel now to #MeetSouthAfrica.

#### CAMPAIGN HIGHLIGHTS

The US and Canada team's #MeetSouthAfrica campaign leveraged the global spotlight of Mandela's centenary to amplify his global impact and inspire travel to South Africa. The campaign kicked off by hosting 100 North American delegates at Africa's Travel Indaba in May. It also hosted the American Broadcasting Company's "Here & Now" to shoot and produce an hour-long Mandela Centenary television special, which later aired to their weekly audience of 3 million viewers. Other Mandela centenary activities included ringing the closing bell at the Nasdaq in Times Square and successfully petitioning the tallest building in the United States, One World Trade Center in New York City, to commemorate Mandela's centenary by lighting the tower's spire with the colours of the South African flag on Mandela Day. A social media campaign amplified Mandela-themed travel packages from 11 US and Canadian trade partners via [southafrica.net/deals](http://southafrica.net/deals) throughout the year. Additional strategic partnerships with The New York Times, Time Out, Expedia, BET, Afro Punk Brooklyn, Passport, and WBGO/WVAZ radio (among others) promoted conversion while highlighting South Africa's wide variety of experiences in close proximity, including wildlife safaris, active adventure, vibrant cities, and inspiring culture. These campaigns contributed to South Africa's most successful year on record in North America with 444,671 arrivals from the region in 2018, reflecting growth of 1.5% from 2017.

#### TRADE ACTIVITY

Trade work to inspire and educate agents and operators to package and sell a range of easy-to-do, "safari-plus" experiences that demonstrate geographic spread, affordability and value continued through training programmes and webinars with partners. During the year, 3,102 agents and operators were trained. These education efforts were amplified by familiarisation trips for 73 key trade partners during 2018/19.

### JAPAN

#### STRATEGIC FOCUS

Drive the consumers' demand for South Africa by showcasing a variety of authentic iconic holiday experiences and events that include scenic beauty by consumer media, that will motivate the trade to offer and sell South Africa.

#### CAMPAIGN HIGHLIGHTS

South African Tourism supported key trade partners to grow customers purchasing tour products to South Africa through a series of consumer seminars and newspaper advertisements. Supported 20 consumer seminars to raise brand awareness. Joint Marketing Promotions included the travel portal site "trippiece", travel agent "Nippon Travel" to increase arrivals of wanderlusters; Digital Marketing. Promotion with the travel portal sites "Travel Zoo" and "Travel-value" to increase arrivals.

### CENTRAL AND SOUTH AMERICA

#### STRATEGIC FOCUS

The goal to keep positioning South Africa as a value-for-money destination was successfully reached with arrivals surpassing targets. Authentic, outstanding, easy-to-do experiences were strongly highlighted in all campaigns.

#### CAMPAIGN HIGHLIGHTS

All activities during the year centred around Mandela's centenary. Initiatives included a centenary launch event and photo exhibition, a book launch for The Prison Letters of Nelson Mandela, various art projects (graffiti and a video projection on buildings in São Paulo), a press trip ("Brilliant Brazilian Women Following Madiba's Footsteps"), and a seminar on human rights education and the fight against racism.

#### TRADE ACTIVITY

The third annual South African Roadshow in South America took place in Brazil, Argentina and Chile, giving South American businesses a platform to trade and interact with South African exhibitors. The South American office trained various trade partners in Brazil, Chile, Argentina, and Peru throughout the year on the destination offering and how to package and promote special deals. The office also organised three trade familiarisation trips to South Africa for travel agents from Brazil, Chile and Argentina.



The total number of visitors on the in-country website in the period showed a 27.8% growth.

## TRADE ACTIVITY

South African Tourism Japan hosted 8 buyers/operators along with 5 media representatives at Africa's Travel Indaba 2018 and on post tours in Cape Town and surrounding areas. The office held its 2018 Annual Trade Workshop in Japan. Key tourism trade companies from South Africa (32 in Osaka, 37 in Tokyo) attended including provincial tourism authorities, hotels, resorts and other tourism-related service providers to share their latest offerings. There were 116 participants at Osaka Stop and 306 participants at Tokyo Stop. A Trade Education Seminar was held in partnership with Cathay Pacific Airways to educate trade on the benefits of the partnership.

## NORTH EUROPE

(Netherlands, Belgium, Denmark, Finland, Norway, and Sweden)

### STRATEGIC FOCUS

To find the right channel mix to build unaided awareness in our core segments and drive growth by entering into innovative partnerships that enable us to generate and improve awareness, create desire, and drive conversion.

### CAMPAIGN HIGHLIGHTS

In the Netherlands, South African Tourism partnered with the TV programme "Love is in the Air" to encourage family travel to South Africa.

About 2.9 million viewers saw a clip of a Dutch-South African family reunion in South Africa. To promote South Africa in the Nordic countries, eight Nordic influencers were hosted in South Africa in November 2018, earning 265,000 total social media engagements and 3.1 million impressions on their various posts (target: 2.5 million).

The influencer campaign created positive sentiment around South Africa's brand, with no negative comments on the posts. In-depth consumer research was conducted from June to December 2018 to inform a long-term growth strategy for the Nordic countries. The conversion campaigns with key trade partners are ongoing, as South African Tourism builds commitment in the region while introducing more relevant trade partners to the region via its roadshow. The 2019/20 fiscal year will see an increased investment in building consumer awareness and positivity, following the successful completion of the consumer research.

### TRADE ACTIVITY

In the year under review, 216 tour operators and travel agencies were trained in South African Tourism-owned platforms and over 1,380 in partner-owned platforms. Fifty-eight Dutch and Belgian tour operators and travel agents, 18 incentive houses and 12 select media were hosted. The office also signed 18 partnership agreements with Dutch and Belgian trade to drive growth.

## CENTRAL EUROPE

(Germany, Austria and Switzerland)

### STRATEGIC FOCUS

Inspire travellers to visit South Africa now by welcoming them to meet a South Africa that offers them a unique variety of experiences and hidden gems, allowing them to fulfil their desires for the best holiday weeks of the year.

### CAMPAIGN HIGHLIGHTS

In 2018/19, the team in Central Europe ran an ambassador campaign with South African dancer Motsi Mabuse, who showed her own highly personal side of South Africa. She was involved in all projects and activations during the year. To celebrate the 100th anniversary of Nelson Mandela's birthday, the office created a special microsite, documenting the life of this national hero. Another digital campaign involved a "video generator" that gave people a glimpse of their potential vacation. This was supported by a competition and a sales campaign with diverse offers and reduced flight prices. Through innovative partnerships with travel agents, South African Tourism was able to amplify its TV presence across a variety of channels and productions. About 42.9 million people were reached through radio, TV and cinemas.

### TRADE ACTIVITY

South African Tourism invited trade partners and tour operators on its biggest familiarisation trip to date: the ADAC Explorer brought 160 travel agents to South Africa to experience the beauty of the country for themselves and make the transition from committed partners to passionate brand advocates. The organisation continued to train agents both online and in person during 2018/19. With face-to-face presentations, it trained more than 200 agents. Online training through ExpiTV, the industry-recognised "Buschfunk" platform and the Facebook travel agents' group reached 265,000 industry contacts. These wide-ranging trade efforts earned South African Tourism the Globus Award, which recognises the most creative travel agencies, for a third time in a row.

## SOUTH EUROPE

(France, Italy, Spain & Portugal)

### STRATEGIC FOCUS

Convince travellers through the relevant channels with compelling brand information and deals to visit South Africa in the next 18 months and build relationships with the trade to package and sell South African itineraries that include rich culture, safari and scenic beauty.

### CAMPAIGN HIGHLIGHTS

In partnership with Expedia, South African Tourism ran a digital consumer campaign in all four South European markets: France, Italy, Spain and Portugal. The campaign, which ran from April to May 2018, reached 2.8 million consumers and resulted in 2,685 sales. In addition, South African Tourism ran the Promovacances campaign in France from January to March 2019. As a result of the campaign, about 4,400 quotes were requested and 764 packages sold. Moreover, South Africa beat its main competitor destinations (Kenya, Namibia, Tanzania and Zanzibar) in sales during this period.

In partnership with the mission in Madrid, Spain, to celebrate National Day, destination information was shared with 250 guests, including the diplomatic corps, South African corporates and key trade partners that promote South Africa.

South African Tourism also participated at and co-hosted FITUR: International Tourism Fair in Madrid, which nine South African tourism businesses attended.

### TRADE ACTIVITY

Over 800 trade partners were trained throughout the region through trade training sessions and webinars. In partnership with Cediv Retail Group, which distributes packages from the top South African producers in the market, South African Tourism co-hosted 175 tour consultants in South Africa and had a conference in partnership with the Southern Africa Tourism Services Association to discuss market barriers. The conference was attended by South African product and association members. The organisation also hosted 25 tour operators and 12 media during Africa's Travel Indaba 2018.

## Marketing highlights for 2018/2019(Continued)

### UK AND IRELAND

#### STRATEGIC FOCUS

Inspire travellers to plan their trip and engage with the trade to book to visit South Africa now. Inspire repeat travellers to return to South Africa by introducing new quality and hidden gems and promoting geographical spread

#### CAMPAIGN HIGHLIGHTS

South African Tourism ran two key consumer campaigns in market to inspire travellers from the UK to visit or revisit South Africa and to showcase the welcoming and friendly nature of South African people in order to position South Africa as a safe tourist destination.

SA Tourism conducted the Discover South Africa Campaign of consumer activations in five locations around the UK to showcase five of South African Tourism's brand pillars. Guests were invited to put on EEG wearable technology that tracked their physical and emotional reactions in real-time as they experienced the various aspects of the displays in five rooms themed as: Wildlife & Safari, City Lifestyle, Cultural Roots, Food & Wine and Scenic Outdoors. Consumers were able to produce their ideal itinerary through the activation and book the itinerary with a trade partner.

### INDIA

#### STRATEGIC FOCUS

Position South Africa as a preferred holiday destination by showcasing a variety of experiences allowing time for bonding through our brand attributes of wildlife, scenic beauty and adventure.

#### CAMPAIGN HIGHLIGHTS

To garner high visibility and awareness, South African Tourism curated strategically and ensured well-timed media conversations around trending topics. Campaigns leveraged conversations about local and international events in South Africa, the value-for-money proposition of the destination, increased geographical spread, celebrity visits to the destination and holistic destination offerings. This was targeted across mainstream English print dailies, travel and lifestyle magazines, online news portals, entertainment-focused portals, regional publications, new media platforms, trade portals and trade newsletters. A mix of 32 high-value media were hosted to experience South Africa first hand, focusing on history and culture, new regions, luxury and trade offerings. Along with educating media on the destination offerings, the familiarisation trips also provided media with personal experience of the efficient visa processes while countering perceptions about safety and security. South African Tourism hosted 11 South East Asia media.

#### TRADE ACTIVITY

In 2019 South African Tourism conducted a roadshow in Mumbai, Delhi, Chennai and Kolkata to educate buyers and trade partners on upgraded destination offerings. Sixty exhibitors participated and the organisation sponsored seven SMME exhibitors and four activities on a trade-exchange basis. Over 1,000 Indian buyers attended the roadshow. Since India has become the hub for Southeast Asia, South African Tourism hosted trade from India and Southeast Asia to increase geographical spread, introduce new offerings and address their concerns about water and crime. Ten trade from India, 37 trade from Southeast Asia and six locally recruited personnel were hosted. South African Tourism conducted destination workshops in the Philippines (137 trade attended), Sri Lanka (60 trade attended) and Thailand (38 trade attended) to familiarise trade with destination knowledge and engage with them to understand their needs. It also conducted workshops in Singapore (91 trade attended) and Malaysia (136 trade attended). South African Tourism conducted a joint familiarization hosting with DMC's where 28 trade attended.

The organisation also continued to run its long-term campaign, "Meet Your South Africa", where passionate South Africans are filmed sharing their top experiences and things to see and do in their home province. All guides are SMEs and can be booked by the trade or directly by the consumer.

#### TRADE ACTIVITY

The fourth annual SATSchool Roadshow ran from 12 to 16 November 2018 to train agents. The cities visited were Dublin, Birmingham, Glasgow, Leeds and London. There were 16 exhibitors, including South African Tourism, and up to 40 agents at each event. World Travel Market 2018 took place in London from 5 to 7 November 2018. South African Tourism had 23 booth holders and 10 SMEs from the Tourism Incentive Programme. The Minister of Tourism attended, along with the CEO of South African Tourism.



### MIDDLE EAST

#### 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

In partnership with Emirates, Saudi Arabian morning show Saba Al Khair did live broadcasts from Cape Town to an audience of over 10 million viewers across the Middle East. The goal of the campaign was to address the water crisis. South African Tourism also hosted blogger Hani Al Mousawi in conjunction with ITL World Travel Kuwait, to showcase four- and five-star offerings as well as Halaal offerings, which were then shared with his followers.



# CHINA

## STRATEGIC FOCUS

Convince target segments that South Africa should be their next choice of destination by showcasing pristine, wide open spaces and wild authentic and cultural experiences and enhancing support to trade to optimise conversion.

## CAMPAIGN HIGHLIGHTS

South African Tourism collaborated with DJI, the market leader in easy-to-fly drones and aerial photography systems, and Cathay Pacific for the joint consumer campaign of Exploring Mandela's Journey in a hi-tech way through the launch of DJI's new product, OSMO Pocket, designed for travellers to record their travel experiences. This launch coincided with Cathay Pacific's newly launched seasonal flight between Hong Kong and Cape Town. The South Africa video created by DJI's content partners was played across various media platforms globally and in China including but not limited to WeChat, Weibo, Instagram, YouTube and Facebook. This cooperation reaches more than 29 million impressions on all social media channels and other platforms.

South African Tourism launched the campaign of South African Sound Museum with Sanlian Life Week an influential Beijing-based weekly launched in 1995 that was once considered China's Time Magazine, and Mr Huang Bo, a famous actor and movie director in his capacity as South Africa's Tourism Ambassador for China.

Mr Bo was invited by the South African Tourism and the Sanlian Life Week to embark on a journey to South Africa as a "Sound Collector". He collected sounds representing South Africa across multiple themes of nature, art, food, and design, the call of the wild and the charm of life. The campaign generated millions of exposures through Sanlian Life Week's print, social and online platforms, as well as Mr Bo's social media accounts.

To counter the negative media about South Africa's often exaggerated safety and security concerns, South African Tourism China opted for a more long-term approach by leveraging the knowledge sharing platform ZHIHU to generate a more positive opinion of South Africa through online Q&A, native articles and offline events to interact with consumers directly for in-depth understanding on South Africa.

## TRADE ACTIVITIES

South African Tourism China embarked on several initiatives to convert awareness and positivity into arrivals and spend.

South African Tourism, together with four popular travel agencies, held sales events in Beijing and Shenzhen. The sales events were a direct marketing approach to promote the sales of South Africa's tourism products by selling directly to the audiences and to enhance the brand awareness. The number of attendings approximately 35,000. South African Tourism invited for than 50 South African exhibitors including SMMEs to participate in our annual roadshow in June 2018 and other B2B platforms including CITM, CIBTM and World Routes during the latter half of the year. Approximately 300 Chinese buyers attended the roadshow. South African Tourism partnered with Mafengwo, Qyer and Meituan-Dianping, three leading UGC (user generated content) and e-commerce platforms in China to produce travel guides, images, video content on these platforms, so that independent travelers can easily obtain relevant information about South Africa as a travel destination.

# AUSTRALASIA

## STRATEGIC FOCUS

Inspire Australians to consider South Africa as a desirable destination by showcasing a variety of authentic local experiences that make us relatable, demonstrates value for money and features adventure, wildlife and heritage against a backdrop of scenic beauty. Amplify positivity by leveraging the positive narrative through advocacy of key opinion leaders, media, South African locals and peers to dispel negative perceptions of safety and security.

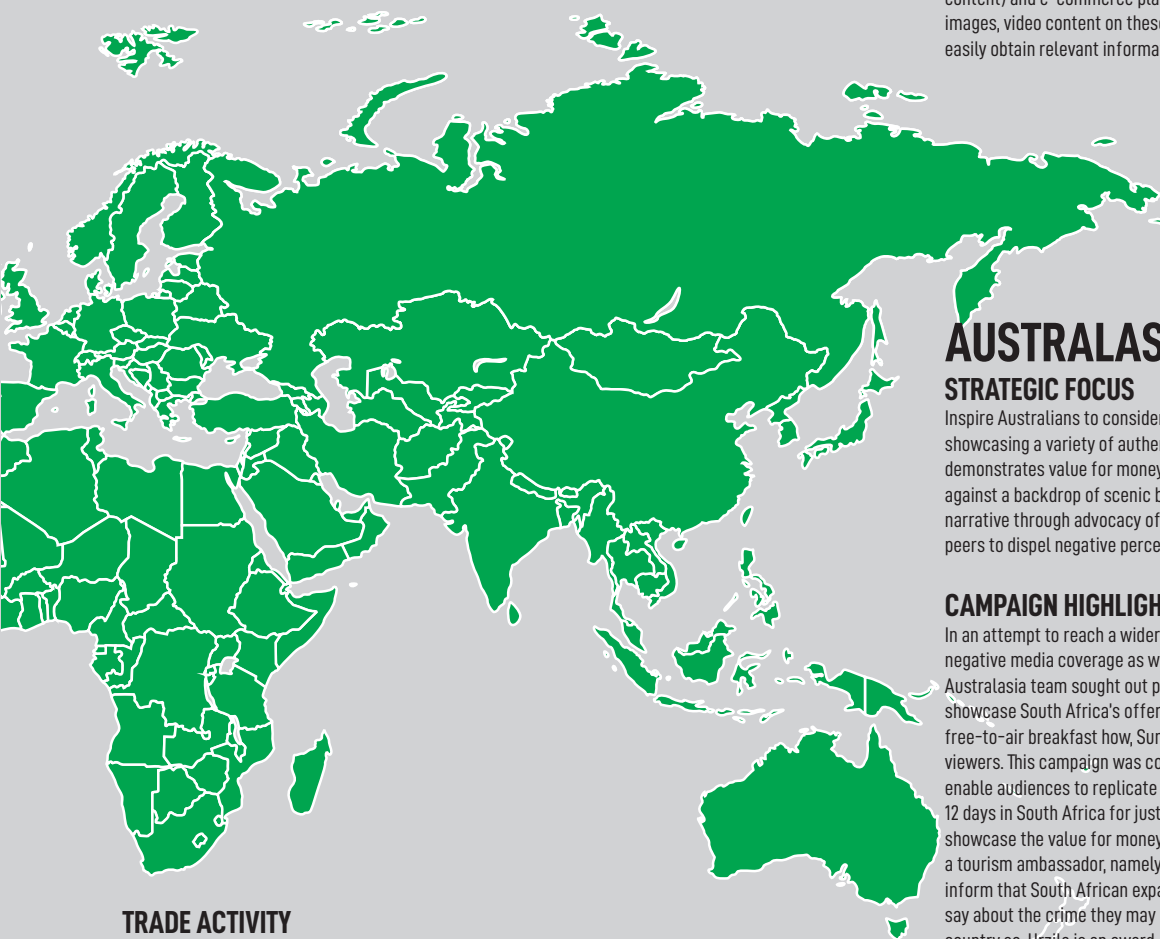
## CAMPAIGN HIGHLIGHTS

In an attempt to reach a wider number of Australians to counter the extensive negative media coverage as well as dispel the negative expat sentiment, the Australasia team sought out primetime content integration opportunities to showcase South Africa's offering. This included partnering with Australia's leading free-to-air breakfast how, Sunrise, which screens each weekday to about 277,000 viewers. This campaign was conducted in partnership with wholesaler Bench to enable audiences to replicate the journey through South Africa with a deal offering 12 days in South Africa for just AUD 2,695 – which was also strategically chosen to showcase the value for money in South Africa. The Australasia team also appointed a tourism ambassador, namely Urzila Carlson, for a 12-month period as insights inform that South African expats in Australia are brand detractors due to what they say about the crime they may have witnessed/heard about before they left the country so. Urzila is an award-winning celebrity comedian, South African expat working and living across Australia and New Zealand. This strategic partnership was to lend a positive expat voice to the destination, to communicate to expats and broader public how much the country has changed, and encourage them to visit/visit again to experience the beauty of the country and its changes for themselves.

## TRADE ACTIVITY

With the 5-in-5 arrivals targets topping the priority list, the Australasia team worked on a number of conversion and deal-driven campaigns to increase the annual arrivals. Among these were partnerships with Australia's largest retailer, namely Flight Centre, as well as with Australia's leading OTA, Webjet. Further to these partnerships, the Australasia team worked with South African Airways to secure a competitive price point during key booking periods to counter the notion that "it's too costly to get there".

Outside of conversion specific initiatives, training and educationals trade also played a key part of the year's trade facing work as trade isn't always confident when selling South Africa because they perceive it as a complex destination that isn't easy to sell off the shelf like some of the traditional markets.



## TRADE ACTIVITY

South African Tourism participated at various trade shows, including the Arabian Travel Market in Dubai in April 2018 and the EMITT Travel Show in Istanbul in January 2019. The Arabian Travel Market hosted 19 South African exhibitors, including first-time exhibitors and SMMEs, in line with South African Tourism's goal to introduce new products to the Middle Eastern markets. Deals of over R600,000 were signed over the three days, with many more deals secured for the year totalling over R20 million. Twelve South African exhibitors participated at the EMITT Travel Show, including hotels, tour operators and experiences. South African Tourism was awarded the Best Performance stand as voted by the buyers who attended the show. South African Tourism hosted its first annual roadshow in Iran, Kuwait, Dubai, Abu Dhabi, Saudi Arabia and Turkey. Over 500 trade partners attended from all the countries. South African exhibitors included hotels, tour operators, experiences and provinces (Durban Tourism and Cape Town Tourism). During the roadshow South African Tourism ran a Learn South Africa programme with trade, after which the trade had meetings with all the trade partners that attended the roadshow. Familiarisation trips were held for trade from the United Arab Emirates and Turkey, focusing on safari, active adventure and shopping. In addition, 20 trade were hosted from Iran, Kuwait, Saudi Arabia, Dubai and Abu Dhabi at Africa's Travel Indaba.

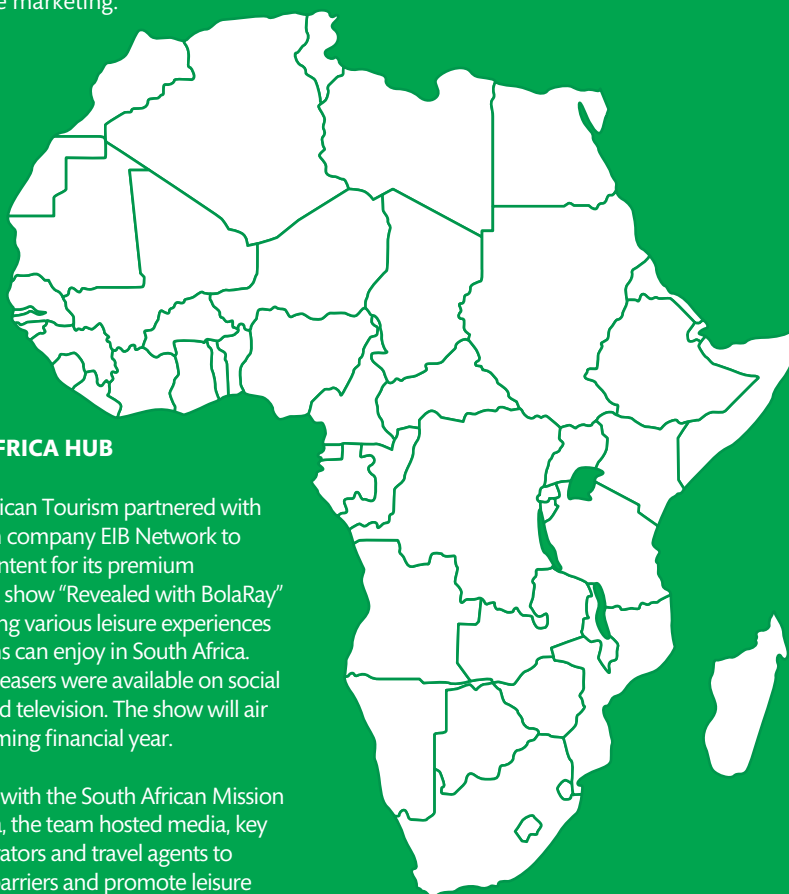
## Marketing Highlights for 2018/19

The Africa portfolio focuses on 3 distinct areas i.e. leisure, MICE, travel trade (tourism retail) with media relations as a key consideration to drive brand positivity and tourism grading as the reason to believe in our tourism products and experiences.

The African markets contributes 73% of the South Africa's total tourist arrivals and 32.5% of the total tourism foreign direct spend. Zimbabwe, Lesotho and Mozambique being the top 3 source markets.

For the year under review Africa air markets grew by 7.4% and Africa land markets grew by 2.8% compared to the same period in 2018. However, this was not enough to meet the annual targets.

The central hub, has outperformed growth expectations as a result of the removal of travel barriers and targeted innovative marketing.



### WEST AFRICA HUB

South African Tourism partnered with Ghanaian company EIB Network to create content for its premium television show "Revealed with BolaRay" showcasing various leisure experiences Ghanaians can enjoy in South Africa. Content teasers were available on social media and television. The show will air in the coming financial year.

Together with the South African Mission in Nigeria, the team hosted media, key tour operators and travel agents to address barriers and promote leisure and business tourism.

Continued with brand and deal-driven campaigns, trade partnerships and training to drive sales and trade engagements

Ensured a continuous presence in all the markets through digital and social media platforms, with Cadreon and Adcolony being the newest platforms used. To drive awareness and positivity, the Africa team created a trial module to target countries by performance. Adcolony plans to enter the module into the Smarties Awards, which recognise innovation.

Hosted 36 trade on a familiarisation trip to showcase experiences in the North West, KwaZulu-Natal and Gauteng. These were accompanied by workshops and networking functions in Durban and Johannesburg, in collaboration with the KwaZulu-Natal and Gauteng tourism authorities.

Participated at the South African High Commission in Lesotho's business forum in Maseru, engaging with 120 business partners and travel industry.

### CENTRAL AFRICA, EAST AFRICA AND LAND MARKET HUBS

Leveraged the innovative media partnership with Kwasé, Africa's biggest sports broadcaster, and Kwasé iFlix to reach 12.5 million consumers. This included exclusive branding on their iFlix mobile app, 400,000 SMS messages to Econet's subscriber base, in-studio branding and on-air mentions on their sport channel.

Branded The Hub and Two Rivers Nairobi shopping malls, as well as Namibia Grove mall with different branding elements.

Promoted brand and deal-driven campaigns through different platforms, including 130 billboards in prime sites throughout the three hubs; almost 100 of these were in the land markets.

## South Africa Hub Marketing Highlights

The South Africa hub promotes tourism among South Africans while ensuring that travel is done all year-round (improve seasonality), to all provinces (improve geographic spread), and contributes to the transformation of the tourism industry.

In 2018/19, the South Africa hub focused on implementing the business plan, and communication and creative strategies that were revised in the third quarter of 2017/2018. The revised strategies ensure that the marketing initiatives are geared towards making domestic travel accessible and affordable, with partnerships that include the tourism trade and non-travel companies.

## Sho't Left Campaign

The Domestic business unit continued with the Sho't Left campaign: "It's Your Country, Enjoy It, Because Nothing is More Fun than a Sho't Left". This campaign was marketed through a 360-degree approach that included TV, radio, social media, billboards and strategic partnerships.

The TV advert was shown on 23 TV channels reaching 31 million viewers. It had 300,000 views on YouTube with positive engagements. Furthermore, the advert received an Orchid (great review) from The Star newspaper's weekly Onions & Orchids column.

The radio campaign was broadcast on regional, national and community radio stations throughout the country, reaching over 17 million listeners. Some radio partnerships packaged, marketed and sold lifestyle events travel deals to encourage their listeners to travel locally. The radio advert received two Loerie Awards.

The campaign partnered with Flight Centre to promote saving for holiday travel through stokvels. This partnership has led to the registration of 400 active stokvels on Flight Centre's holiday-saving platform and R1.2 million cash deposits – all aimed at booking travel in the near future. The Domestic business unit also partnered with popular soapies Scandal, Rhythm City, The Queen, Imbewu, The River, Giyani and Isidingo, to add the Sho't Left campaign to storylines or story shots through different marketing elements. In 2018/19 these partnerships were secured and production for content generation was concluded for fighting on the soapies in 2019/20.

Sho't Left exhibited at the Travel Expo and the Holiday Expo, where 34 Hidden Gems (SMEs) and SANParks were given an opportunity to promote and sell their products to 30,000 expo attendees and 2 million followers on the expos' social media platforms.

### Training tour operators and travel agents

The South African travel trade is an important part of the tourism value chain. Engaging with them is key to ensuring that they market, promote and sell the country in a way that appeals to the local target segments. In this regard, 1,200 tour operators and travel agents were trained and 71 were hosted on an educational trip to the Free State, the Eastern Cape, KwaZulu-Natal and the Northern Cape, showcasing bush, beach and berg experiences that they subsequently sold on the Sho't Left platform as well as their own platforms.

### Travel Week

South African Tourism ran the innovative Travel Week for the first time during the year under review. As part of the campaign, South African holiday travel experiences were on sale for up to 50% less when booking travel between 24 and 30 September 2018. This campaign attracted 325 trade partners, who provided discounts from all nine provinces, and reached over 41 million consumers across all media platforms. Thirty-seven of the 325 trade partners surveyed reported that they sold R1.4 million worth of travel deals.



## Sho't Left campaign

**360°**

Marketing approach.



**31 M**

Viewers on 23 TV channels.



**300K**

Views on YouTube.



**17 M**

Reach on the radio campaign.



Received Two Loerie Awards.



**R1.2 M**

Cash deposits booking travel.



## Training Tour Operators and Travel Agents

**1,200**

Tour operators and travel agents were trained.

**71**

Hosted an educational trip to the four provinces showcasing experiences sold on the Sho't Left platform.

## Travel Week

**50%**

Off on South African holiday travel experiences Between 24 and 30 September 2018.

**325**

Trade partners attracted Discounts provided for all nine provinces.

**41 M**

Consumers reached across all platforms of media.

**R1.4 M**

Worth of travel deals sold reported by 37 of 325 trade partner surveyed.

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/2017	ACTUAL ACHIEVEMENT 2017/2018	PLANNED TARGET 2018/2019	ACTUAL ACHIEVEMENT 2018/2019	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2018/2019	COMMENT ON DEVIATIONS
Number of international tourist arrivals achieved (million)	Financial year+: 9.9 Calendar year*: 10.0	Financial year: 10.4 Calendar year: 10.3	Financial year: 11.2 Calendar year: 10.9	Financial year: 10.4 Calendar year: 10.5	-7.1% -3.7%	Target was not achieved because overseas markets underperformed. Safety and security concerns on the back of reports of crime against tourists contributed to tourists reconsidering South Africa as a travel destination. In response to these incidents, some European governments have advised their citizens about the risks of travelling to the country. The water crisis in Cape Town also contributed to the negative performance, with lower-than-expected travel bookings for the 2018 Easter period.
Total tourist foreign direct (TTFDs) spend (billion rand)	Financial year: 72.1 Calendar year: 75.5	Financial year: 82 Calendar year: 80.7	Financial year: 81.3 Calendar year: 79.6	Financial year: 87.4 Calendar year: 82.5	+7.5% +3.6%	Target exceeded. In 2018/19, the average amount spent by tourists per trip in South Africa was R8 800, a 4.9% increase from the previous year. The increase in spend is due to the rand depreciating against the major currencies, including the euro, the pound and the US dollar, with international visitors getting more rands for their respective home currencies.
Percentage geographic spread of international tourist arrivals achieved	New KPI	Baseline developed and set at 19%	19%	20%*	+1%	Target exceeded because South African Tourism focused on including at least three provinces in itineraries. This has resulted in tour packages that include multiple provinces.

This is a percentage point change (the difference between two percentages), where 1% represents 100 basis points.

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/2017	ACTUAL ACHIEVEMENT 2017/2018	PLANNED TARGET 2018/2019	ACTUAL ACHIEVEMENT 2018/2019	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2018/2019	COMMENT ON DEVIATIONS
Seasonality index of international tourist arrivals	New KPI	Baseline developed and set at 1.35%	1.35%	1.36%*	-0.01%	Target not achieved because fewer tourists visited the country during their peak seasons and arrivals from big source markets such as Europe decreased. The variance between the peak and low travel months was low and this contributed to the improved seasonality index. Ideal seasonality is 0%; the negative deviation indicates improved seasonality.
Percentage brand positivity achieved (average of Feb and Nov wave)	38%	38%	39%	39%	-	Target achieved
Percentage brand awareness achieved (average of Feb and Nov wave)	Not a KPI	77%	78%	77%	-1%	Target not achieved due to the vacancy of the Chief Marketing Officer position to drive the brand strategy.
Number of total domestic trips (millions) achieved	New KPI	Financial year: 16.6 Calendar year: 17.2	Financial year: 25.5 Calendar year: 25.4	Financial year: 18.7 Calendar year: 17.7	-26.7% -30.3%	Target not achieved. Domestic tourism is linked to the country's economic situation. In 2018, economic growth slowed to 0.8%, down from 1.4% in 2017. Consumer price inflation averaged about 5% between July and November 2018 due to the rise in fuel prices. This increase in the cost of living for South Africans negatively impacted domestic tourism, which is largely considered a luxury purchase for South Africans.

\*This is a percentage point change (the difference between two percentages), where 1% represents 100 basis points.



PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/2017	ACTUAL ACHIEVEMENT 2017/2018	PLANNED TARGET 2018/2019	ACTUAL ACHIEVEMENT 2018/2019	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2018/2019	COMMENT ON DEVIATIONS
Number of domestic holiday trips (millions) achieved	Financial year: 2.95 Calendar year: 2.6	Financial year: 2.7 Calendar year: 2.9	Financial year: 3.2 Calendar year: 3.1	Financial year: 3.0 Calendar year: 2.6	-6.3% -16.1%	Target not achieved. Linked to the performance of the South African economy, domestic holiday trips were negatively affected by an increase in the cost of living in 2018.  To stretch the holiday budget, South Africans switched from taking holiday trips to staying with friends and family in 2018.
	Financial year: 23 Calendar year: 26.5	Financial year: 21.8 Calendar year: 22.1	Financial year: 27.1 Calendar year: 26.7	Financial year: 29.6 Calendar year: 26.4	+9.2% -1.1%	Target exceeded as domestic tourists spent more per trip in 2018. The average spend per trip increased by about 17%, more than the change in inflation in 2018. The increase in fuel prices and the resultant impact on the cost of other goods and services can explain the increase in spend on domestic tourism trips.
Domestic holiday revenue (R billion)	Not a KPI	Financial year: 6.2 Calendar year: 6.8	Financial year: 8.3 Calendar year: 8.2	Financial year: 10.1 Calendar year: 8.2	+21.7%	Target exceeded as South Africans who took domestic holiday trips in 2018 spent more than double what they spent on domestic holidays in 2017. This increase in spend is due to the increase in fuel prices and the resultant impact on the cost of other goods and services.

\*This is a percentage point change (the difference between two percentages), where 1% represents 100 basis points.

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/2017	ACTUAL ACHIEVEMENT 2017/2018	PLANNED TARGET 2018/2019	ACTUAL ACHIEVEMENT 2018/2019	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2018/2019	COMMENT ON DEVIATIONS
Geographic spread of domestic tourists	Not a KPI	Baseline developed and set at 11%	12%	8.4%*	-3.6%	Target not achieved as most domestic trips involve visiting friends and relatives. These trips are characterised as visits to one province where friends and relatives reside.
Seasonality index of domestic tourists	Not a KPI	Baseline has been developed and set at 22%	20%	15.7%*	+4.3%7	Target exceeded. The increase in travel outside of peak seasons resulted in improved seasonality.
SME attendance at SA Tourism Tradeshow Platforms	Not a KPI	Not a KPI	182	204	+12.1%	Target exceeded as focus has been placed to improve market access for SMEs by actively supporting SMEs participation at trade platforms. Africa's Travel Indaba again promoted the Hidden Gems platform that encouraged participation from 90 SMEs in 2017/18 to 135 in 2018/19.
SME participation for all SA Tourism hosting activities	Not a KPI	Not a KPI	25	35	+40%	Target exceeded due to a focus on including SMEs and specifically the Hidden Gems on itineraries developed by South African Tourism has resulted in tour packages that include an increased number of SMEs.

\*This is a percentage point change (the difference between two percentages), where 1% represents 100 basis points.

## Programme 4: Business Events

The Business Events programme markets South Africa as a business events destination through the South Africa National Convention Bureau (SANCB).

### Strategic Objectives

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

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

### Securing more business events

During the year under review, South African Tourism worked to secure more business events for South Africa by increasing the number of bid submissions, in conjunction with provincial and city convention bureaus. It submitted 108 bids (target: 105) for meetings, incentives, conferences and exhibitions, up from 94 in 2017/18. Together, the submitted bids are worth R2.5 billion, with the potential to attract 80,429 delegates to South Africa between 2019 and 2024, and generate 501 event days. Most of these bids target the medical and life sciences sectors. To date, 42 bids have been successful, 6 were unsuccessful and 60 are still being decided.

### Ensuring regional spread of events

To ensure that the economic benefits of these events are spread across South Africa, South African Tourism increased the regional spread of its bids to less visited provinces from 13% in 2017/18 to 28% in 2018/19. Provinces included the Eastern Cape Province, Limpopo Province, North West Province and Mpumalanga.

To further improve the regional spread of national association conferences, the SANCB hosted a workshop with 20 local associations during Meetings Africa 2019. During the workshop, participants discussed how South African Tourism can support national associations to bid for international and regional conferences. In the next financial year, South African Tourism will sign agreements with these associations, committing them to spread their meetings and conferences to smaller towns across South Africa.

### Maximising delegate numbers

During 2018/19, the SANCB implemented 30 delegate boosting activations and provided 30 on-site event services. The objective of these activations is to market secured conferences to potential delegates and provide on-site event services to enhance delegates' experience, improving the possibility that they return as leisure tourists.

The SANCB also finalised its delegate boosting strategy, which aims to increase the number of people attending secured conferences in South Africa. The strategy will be rolled out in the next financial year.

### Global business events campaign

The SANCB ran campaigns using its global positioning "Meet Here, Grow Anywhere" on CNN, CNBC and BBC to market South Africa as a destination for business events. This was the first time since the SANCB was established in South African Tourism that a dedicated business events campaign was run on these global media networks.

### Strategic trade platforms

During the year under review, the SANCB represented the South African tourism industry at eight international leisure and business trade shows and 146 South African exhibitors participated at these shows. The eight trade shows were IMEX Frankfurt (May 2018), IBTM China (September), IMEX America (October), World Travel Market in London (November), IBTM World (November), FITUR in Spain (January 2019), EMITT in Turkey (January–February), and ITB Berlin (March).

In a drive to open these platforms to all products in South Africa, South African Tourism, in partnership with the Tourism Incentive Programme, created market access opportunities for 57 SMEs at these international platforms.

The SANCB is finalising a new strategic platforms framework, which will identify the best shows to participate at to generate more return on investment for South Africa.

### Lilizela Tourism Awards 2018

South African Tourism held the sixth annual Lilizela Tourism Awards on 17 November 2018. These awards recognise and reward excellent service in the tourism sector in following categories:

- Accommodation
- Meetings, exhibitions and special events



- Universal accessibility
- Tourist guides
- Tour operators
- Visitor experiences
- Emerging young entrepreneurs (ETEYA)

A new category, the “I Do Tourism Award” was introduced, recognising South African product that has demonstrated great impact and the ability to grow tourism within their communities.

Entries were submitted by and voted for by the public. The judging panel consisted of 28 experienced individuals with diverse expertise in the tourism sector.

Winners were first announced at provincial awards ceremonies in September. These were followed by the national event, which was attended by 800 industry stakeholders and other guests. A total of 54 winners were honoured on the day, receiving a certificate, a trophy and an art piece from the host, the Minister of Tourism.

### “I Do Tourism”

The inaugural “I Do Tourism” Award was awarded to the Traditional African Homestays South Africa, a broad tourism initiative based in Limpopo. Mrs Siphokazi Thiam, owner of La Teranga bed and breakfast in Kokstad, scooped the prestigious Emerging Young Entrepreneur Award, which is awarded to black entrepreneurs who operate small, micro and medium tourism or hospitality related businesses.

### Africa’s Travel Indaba 2018

South African Tourism held its annual tourism trade show, Africa’s Travel Indaba, in Durban from 8 to 10 May 2018. As part of its theme for 2018 (“Africa’s Stories, Your Success”), Africa’s Travel Indaba celebrated Nelson Mandela’s centenary through several installations and events. All delegates were invited to share in the Madiba magic.

Various discussions and speaker events were held to share knowledge, inspire participants and provide an opportunity to network. These included the BOND Day (Business Opportunity Networking Day) conference, which was held for exhibitors a day before the show, hosting a variety of speakers and insightful content. Four exciting business conversation panels were hosted with global and local industry experts addressing tourism trends and topics.

South African Tourism used technology to great effect during the show. An enhanced diary system provided more meeting opportunities for exhibitors and buyers, while the Africa’s Travel Indaba App was used as the primary source of information and news on events and happenings, as well as for navigation and meetings.

The show also provided innovative spaces to showcase products, including the Five-Star Lap of Luxury Pavilion, which hosted the luxury-product segment, and the Sustainability Village, which showcased local arts and crafts in a unique green space, as part of South African Tourism’s commitment to local procurement and contributing to the local economy.

### Meetings Africa 2019

Meetings Africa, an annual trade show that offers marketing solutions for the entire business tourism industry, was held in Sandton from 25 to 27 February 2019. Due to the success of the previous year’s show, the 2019 show had the same theme of “Shared Economies”. A successful media launch was held at the Johannesburg Stock Exchange on 29 January 2019, entrenching the show as a key enabler of the business events industry. Highlights from the 2019 show included

- The Development Zone provided a platform for 15 SMEs with products that cater to the business events industry, as part of a continued strategy to provide exposure smaller businesses.
- Participants lauded the BOND Day as being the best one to date, due to the new format, enticing content and formidable speaker programme.
- The Sustainability Village garnered even more support than the previous year, with four additional vendors being included in the initiative.
- The show introduced a new category of exhibitors, “Unique Venues”.
- The Meetings Africa greening initiatives continue to be industry-leading, winning various international accolades such as an award for Best Sustainable Practices at the UFI Congress 2018, and the African Responsible Tourism Award for Best Large Sustainable Event in 2019.

## AFRICA'S TRAVEL INDABA 2018 Statistics:

► **1,091**

Exhibitors

.....

► **220**

First-Time  
Exhibitors

.....

► **23**

African Countries  
Participated

.....

► **1,557**

Buyers

.....

► **686**

Hosted Media

.....

► **6,927**

Total Delegates

.....

► **18,908**

Confirmed Meetings

AFRICA'S  
TRAVEL  
INDABA

## Meetings Africa 2019 Statistics:

► **344**

Exhibitors

.....

► **38**

First-Time  
Exhibitors

.....

► **16**

African Countries  
Participated

.....

► **517**

Hosted Buyers

.....

► **126**

Hosted Media

.....

► **3,204**

Total Delegates

.....

► **7,706**

Confirmed Meetings

MEETINGS AFRICA  
Advancing Africa Together

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/2017	ACTUAL ACHIEVEMENT 2017/2018	PLANNED TARGET 2018/2019	ACTUAL ACHIEVEMENT 2018/2019	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2018/2019	COMMENT ON DEVIATIONS
Number of business events hosted in South Africa	125*	206	153	207	+35.3%	Target exceeded as a significant number of successful bids were supported by the SANCB and the industry in previous years, resulting in the increase in business events hosted in 2018/19.
Number of international delegates hosted in South Africa	73 866*	91 740	86 006	87 457	+1.7%	Target exceeded as SANCB implemented delegate boosting activations and provided on-site event services to market secured conferences to potential delegates and provide on-site event services to enhance delegates' experience, improving the possibility that they return as leisure tourists.
Number of bids supported for international and regional business events	Not a KPI	94	105	108	+2.9%	Target exceeded as SANCB worked to generate an increased number of leads for business events that were then successfully converted into an increased number of bids that were supported. There has been more focussed collaboration with provincial and local convention bureaus to support bids.
Indaba and Meetings Africa Revenue (Million Rand)	Not a KPI	Not a KPI	67	56.3	-16%	Target not met. To encourage exhibitors to participate, discounts were offered on exhibition space, particularly to SMEs.

\*UNWTO-aligned (January–December)



## Programme 5: Tourist Experience

The Tourist Experience programme aims to deliver a quality experience expected by international and domestic tourists by grading establishments, developing product capacity and creating itineraries for tourists. This is led by the Tourism Grading Council and the Visitor Experience functions of South African Tourism.

### Strategic Objectives:

**Strategic Objective 4:** Contribute to an improved tourist experience in line with the brand promise.

Promoting the new grading system and criteria  
The Minister of Tourism approved the revisions to the grading system and grading criteria (see the section on the TGCSA Grading Criteria for more information about the revisions) on 2 November 2018, with implementation from 1 April 2019.

In February and March 2019, the TGCSA hosted a successful national roadshow to launch the new criteria. The events were well attended, with about 1,500 members and stakeholders participating at the events in all nine provinces. South African Tourism's Domestic team and the Department of Tourism's Incentives team supported the roadshow by communicating and emphasising the benefits of grading.

In addition, the TGCSA ran an integrated marketing and communications campaign from November 2018 to the end of March 2019 to create awareness about the value of star grading to both consumers and trade. Technological initiatives, such as the partnership with WAZE where graded establishments are advertised on the platform, were also advertised to enhance brand awareness. A full review of the return on investment will be undertaken in April 2019. The unit has already developed a new integrated campaign to continue to position the star grading benefits to consumers. The planned trade campaign will launch the new grading "accolades" value proposition.

### Engaging with members

The National Assessment team, in partnership with the Accredited Assessors, continued with targeted sales drives in association with the provincial tourism authorities during the year.

These sales initiatives are being used to ensure that member establishments continue to comply with the grading standards, while providing an opportunity for the team to engage members and obtain valuable feedback to improve the unit's value offering.

### Encouraging state officials to use graded establishments

The unit's work with the National Treasury on its Central Supplier Database gained momentum during the year. The Central Supplier Database has been integrated with the TGCSA member database and testing has been finalised. The operationalisation of this process is under way with National Treasury. Once operational, the integrated system will enable state officials to use graded entities. This will have a positive effect on trade confidence and ought to generate new leads for the unit.

### Improving TGCSA's regional presence

The TGCSA's provincial quality assurance specialists who pre-screen all properties submitted by assessors and conduct audits on assessments done by assessors are now located in their province of responsibility, with specialists stationed in the Eastern Cape, the Western Cape, Limpopo, Gauteng and KwaZulu-Natal. Stakeholder engagement and participation in grading has improved, which is likely to result in an increase in the number of graded establishments and rooms. Should headcount allow, the TGCSA would benefit from additional provincial quality assurance specialists in the rest of the provinces.

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/2017	ACTUAL ACHIEVEMENT 2017/2018	PLANNED TARGET 2018/2019	ACTUAL ACHIEVEMENT 2018/2019	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2018/2019	COMMENT ON DEVIATIONS
Number of graded accommodation establishments achieved	5 354+	5 058	6 229	5 147	-17.4%	Target not achieved due to market trading conditions in the SMME space. Given the market conditions small business have changed their business models to operate as Airbnbs.
Number of graded rooms achieved	118 869+	118 497	135 262	125 411	-7.3%	
Grading Revenue Collected (Million Rand)	Not a KPI	Not a KPI	22.6	21.7	-4%	Target not achieved as fewer establishments were graded than expected.
<b>+ Financial year-aligned (April–March)</b>						

# 7 STRATEGIES TO OVERCOME AREAS OF UNDER PERFORMANCE

## Programme 1: Corporate Support

South African Tourism will be reviewing the new requirements for the B-BBEE calculations and improving the areas that require improvements.

## Programme 2: Business Enablement

In order to improve synergies with stakeholders, the stakeholder engagement framework will be reviewed in order to define the engagement models for each key stakeholder.

## Programme 3: Leisure Tourism Marketing

South African Tourism has developed a recovery plan to ensure it meets its targets. The plan targets countries that require intensive focus to improve performance. The areas of focus were determined by analysing underperforming markets. The analysis also identified markets that should be targeted due to their growth potential. According to the plan, South African Tourism needs to:

- Focus on prioritised markets and segments, including India, China, Nigeria, USA, UK, Germany and Australia. Special interest and niche segments will also be targeted for growth.
- Develop a tactical brand campaign to improve brand awareness.
- Drive conversion through partnerships with global trade and airlines on deal-driven campaigns.
- Identify and leverage global events that reflect the diversity of South Africa's offerings to profile South Africa internationally through marketing partnerships.
- Conduct a global roadshow in partnership with TBCSA to drive sales with top travel trade in the prioritized countries.
- Intensify efforts to stimulate conversion of domestic travellers by focusing on non-traditional channels, strengthening engagement with traditional trade to illustrate the profitability of selling South Africa through relevant platforms and tools, and promoting experiences that are varied and new, with affordable deals that are easily accessible.

- Intensify partnerships with the TBCSA to maximise marketing investments and drive sales.
- Strengthen collaboration with other government departments by using existing platforms better and finding new platforms to address issues that affect tourism growth.

## Programme 4: Business Events

The SANCB finalised its delegate boosting strategy, which aims to increase the number of people attending secured conferences in South Africa. The strategy focusses on innovations to the traditional delegate boosting activities through the promotion of "+1 packages" to encourage delegates to travel with their partners the strategy also provides support of national conferences with delegate boosting campaigns. The strategy will be rolled out in the next financial year. South African Tourism will continue to provide market access platforms to SMEs by providing opportunities to be visible at South African Tourism's strategic trade platforms.

## Programme 5: Tourist Experience

In November 2018, South African Tourism launched an integrated marketing and communications campaign to promote the value of star grading in both the consumer and trade space. New campaigns will continue to highlight the benefits of star grading to consumers and the trade campaign will launch the new grading "accolades" value proposition. The National Assessment team, together with accredited assessors, will continue with sales drives in association with the provinces during the coming year.



## Linking Performance with Budgets


Programme	2017/18			2018/19		
	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000
Corporate Support/ Administration	139,991	151,212	(11,221)	132,271	158,725	(26,454)
Business Enablement	81,295	60,926	20,369	85,929	85,929	
Leisure Tourism Marketing	959,217	955,996	3,221	1,026,270	1,049,171	(22,901)
Business Events	119,000	165,227	(46,227)	129,287	129,287	
Tourist Experience	64,106	49,596	14,510	65,807	65,807	
<b>Total</b>	<b>1,363,609</b>	<b>1,382,958</b>	<b>(19,349)</b>	<b>1,439,564</b>	<b>1,488,919</b>	<b>(49,355)</b>

## Capital Investment

South African Tourism's capital expenditure has been stable for the past four years, and is expected to maintain a similar trend for the next five years.

In the next financial year, South African Tourism will embark on a project to redesign the layout of its head office to better meet its business needs. It has also started the process of digitalisation all of its business processes as part of continuous improvement and to keep up with technological advancements.

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



25 years on the beauty and offerings of our destination deserves a ululation as glorious as the people who work tirelessly to grow and share it

## THE LILIZELA TOURISM AWARDS

LILIZELA TOURISM  AWARDS HONOURING THE BEST OF THE BEST





PART

GOVERNANCE  
INFORMATION

# INTRODUCTION

South African Tourism is a Schedule 3A public entity established in terms of section 9 of the Tourism Act to market South Africa as a tourist destination. Its strategy and corporate plan align and comply with the provisions of the PFMA and, to the extent applicable, the King IV Report on Corporate Governance for South Africa 2016 (King IV).

Its sole shareholder is the South African government, represented by the Department of Tourism and various parliamentary committees, which oversee its performance.

While the Board oversees the overall structure of corporate governance through ethical leadership, each business unit and all employees are responsible for promoting good corporate governance practices. The Board considers good corporate governance as an important instrument to enable the business to successfully fulfil its responsibilities while maintaining its sustainability. Its approach to corporate governance is based on the deep appreciation that strategy, business model, performance and sustainable development are integral elements to creating value. The Board's governance function therefore supports the organisation's values and philosophies in order to achieve the targets that have been set for the organisation by the shareholder.

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 promotes trust. To this end, directors and employees conduct their business in good faith, in the interest of the organisation and its stakeholders, and with the highest observance of the principles of good corporate governance.

## The Board's Role and the Board Charter

The Board comprises 13 members, including a representative of the Department of Tourism. In accordance with the Tourism Act, the Minister of Tourism appoints Board members for a period of three years. The current Board was appointed by the Minister with effect from 1 June 2018. During the year under review, one Board member resigned and was replaced promptly. All Board members, including the Chairperson, are appointed as non-executive.

The Board is governed by the provisions of the PFMA, Tourism Act, Board Charter and other governance protocols. Its 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 oversees the strategic direction of the organisation by setting and approving the overall strategy and the operational objectives to be achieved. It also ensures that adequate processes are put in place for budget planning and allocation, and that there is sufficient capacity to carry out the strategy.

Some of the Board's roles and responsibilities, as outlined in the Board Charter, include:

- Ensuring that good corporate governance is applied within South African Tourism at all times.
- 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 negotiating contracts, capital expenditure and operational matters.
- 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.
- Annually measuring performance as a whole and also committees and the executives.
- Ensuring that South African Tourism manages its risk appropriately.
- Ensuring that suitably qualified and experienced individuals are appointed as part of the executive management team of South African Tourism.
- Determining an employment and remuneration policy applicable to personnel, with the approval of the Minister and concurrence with the Minister of Finance.

Four subcommittees help the Board fulfil its role:

- Marketing and Commercial Committee.
- Human Capital and Remuneration Committee.
- Audit and Risk Committee.
- TGCSA Awards Committee.

The mandates of the Board committees are outlined in the terms of reference approved by the Board and reviewed from time to time. The Board committees execute their functions through meetings scheduled as per the annual workplans, periodic Board workshops and strategy sessions.

## Other Governance Requirements

The Board serves as the Accounting Authority of South African Tourism. Section 54 of the PFMA sets out its fiduciary duties and responsibilities. As a Schedule 3A public entity, South African Tourism must adhere to all procedures for quarterly reporting of performance and financial information to the shareholder, and after each financial year, submit an annual report to the Minister for tabling in Parliament. To this end, the Board has ensured that all reports have been submitted in the prescribed format and within the framework set out by the Minister.

The Tourism Act also bestows on the Board, powers, duties and responsibilities. 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.

## Governance Structure





# BOARD MEMBERS

During the year under review, the Board's term ended on 31 May 2018, and a new Board was appointed on 1 June 2018. The tables below provide the details of the Board members.

## BOARD MEMBERS, 1 APRIL 2017 – 31 MAY 2018

**Dr. Tanya Abrahamse**  
**CHAIRPERSON**

PHD

**Dr. Yacoob Abba Omar**  
**NON-EXECUTIVE**

PhD

**Mr. Graham Wood**  
**NON-EXECUTIVE**

B Compt Honours, CA (SA)

**Ms. Michelle Constant**  
**NON-EXECUTIVE**

BA, Perf.Dip, Social Entrepreneurship Programme (GIBS)

**Mr. Oregan Hoskins**  
**NON-EXECUTIVE**

BA LLB, MBA

**Mr. Thebe Ikalafeng**  
**DEPUTY CHAIRPERSON**

BSc, MBA, CM (SA)

**Mr. Enver Duminy**  
**NON-EXECUTIVE**

BSc, MBA

**Ms. Judi Nwokedi**  
**NON-EXECUTIVE**

BSocSci, leadership training at Harvard and Gordon Institute of Business Science (GIBS)

**Ms. Amor Malan**  
**NON-EXECUTIVE**

MCom, MBA, BTech Project Management

**Ms. Chichi Maponya**  
**NON-EXECUTIVE**

BSc

**Mr. Colin Bell**  
**NON-EXECUTIVE**

BCom

**Ms. Mmaditsonki Setwaba**  
**NON-EXECUTIVE**

B. Proc LLB

**Ms. Mmatsatsi Ramawela**  
**NON-EXECUTIVE**

BA Honours, Postgraduate, Diploma in Marketing Management

**DR. Ayanda Ntsaluba**  
**NON-EXECUTIVE** (Former Chairperson)

MBChB; FCOG (SA); MSc Health Policy, Planning and Financing; MBA International Relations, Political Economy and Philosophy





# BOARD MEMBERS

**BOARD MEMBERS, 1 JUNE 2018 – 31 MARCH 2019**



**Ms. Pamela Yako**  
**CHAIRPERSON**

BCom, MBL



**Dr. Tanya Abrahamse**  
**DEPUTY CHAIRPERSON**

PhD



**Mr. Thebe Ikalafeng**  
**NON-EXECUTIVE**

BSc, MBA, CM (SA)



**Ms. Michelle Constant**  
**NON-EXECUTIVE**

BA, Perf.Dip, Social  
Entrepreneurship Programme  
(GIBS)



**Dr. Yacoob Abba Omar**  
**NON-EXECUTIVE**

PhD



**Mr. Enver Duminy**  
**NON-EXECUTIVE**

BSc, MBA



**Ms. Kate Rivett- Carnac**  
**NON-EXECUTIVE**

MPhil



**Ms. Dawn Robertson**  
**NON-EXECUTIVE**

BA (Fine Arts), BA (Ed)



**Mr. Mohammed Baba**  
**NON-EXECUTIVE**

N1 & N2: Electronics



**Ms. Lindiwe Sangweni-Siddo**  
**NON-EXECUTIVE**

BSc, Diploma in Hotel  
Management



**Ms. Nomzamo Bhengu**  
**NON-EXECUTIVE**

BSocSci



**Mr. David Frost**  
**NON-EXECUTIVE**

BSocSci Honours



**Mr. Ravi Nadasen**  
**NON-EXECUTIVE**

BA, MBA



**Mr. Monwabisi Fandeso\***  
**NON-EXECUTIVE** (Former Chairperson)

BSc, MBA

\*Resigned in August 2018



## Board Meetings

To effectively carry out its responsibilities, the Board met eight times during the year. Board meetings were well attended and all had a quorum in 2018/19. The main agenda points discussed at these meetings were as follows:

DATE OF BOARD MEETING	MAIN AGENDA ITEMS
7 & 23 May 2018	<ul style="list-style-type: none"> <li>• Approval of annual financial statements, Statement of Responsibility, Corporate Governance Report, performance information, and Audit and Risk Report</li> <li>• Approval of the final organisational structure and target operating model</li> <li>• Approval of policies within the Board's ambit</li> <li>• Approval of appointment of hub heads</li> <li>• Board handover report to incoming Board</li> </ul>
3 July 2018	<ul style="list-style-type: none"> <li>• Board Induction</li> </ul>
27 August 2018	<ul style="list-style-type: none"> <li>• Special Board meeting with Honourable Minister Hanekom</li> </ul>
14-16 September 2018	<ul style="list-style-type: none"> <li>• Board strategy session</li> <li>• Approval of policies within the Board's ambit</li> <li>• Drafting of Board priorities</li> <li>• Approval of committee charters</li> <li>• Approval of Chief Marketing Officer, CFO and Company Secretary job profiles and advertisement</li> </ul>
27 November 2018	<ul style="list-style-type: none"> <li>• Board strategic risk assessment</li> </ul>
28 November 2018	<ul style="list-style-type: none"> <li>• Approval of second draft of annual performance plan</li> <li>• Condonation of irregular expenditure</li> <li>• Board strategic focus and direction</li> <li>• Auditor-General engagement letter and 2018/19 audit strategy</li> <li>• Lead agency contract extension</li> </ul>
23 January 2019	<ul style="list-style-type: none"> <li>• Approval of annual performance plan and budget</li> </ul>
22 March 2019	<ul style="list-style-type: none"> <li>• Board Engagement on CEO matters</li> </ul>
28 March 2019	<ul style="list-style-type: none"> <li>• Approval of internal audit plan</li> <li>• Approval of policies within the Board's ambit</li> <li>• Re-energising the 5-in-5 strategy</li> <li>• Recruitment of key positions update</li> <li>• Performance incentive recommendation</li> <li>• Africa Travel Indaba 2019</li> </ul>







The attendance at the various Board meetings during 2018/19 was as follows:

NAME	SPECIAL BOARD MEETINGS 7 MAY 2018	BOARD MEETING 23 MAY 2018	BOARD INDUCTION 3 JULY 2018	SPECIAL BOARD MEETING WITH MINISTER 27 AUG 2018	BOARD LEKGOTLA 14-16 SEPT 2018	BOARD RISK ASSESSMENT 27 NOV 2018	BOARD MEETING 28 NOV 2018	SPECIAL BOARD MEETING 23 JAN 2019	SPECIAL BOARD MEETING 22 MAR 2019	28 MARCH 2019
Pamela Yako (Chairperson)			✓	✓	✓	✗	✓	✓	✓	✓
Tanya Abrahamse	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Thebe Ikalafeng	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓
Ayanda Ntsaluba	✗	✗								
Graham Wood	✓	✓								
Chichi Maponya	✓	✓								
Oregan Hoskins	✗	✓								
Michelle Constant	✓	✓	✗	✓	✓	✓	✓	✓	✗	✓
Colin Bell	✓	✓								
Amor Malan	✓	✗								
Judi Nwokedi	✓	✗								
Mmaditlonki Setwaba	✓	✗								
Yacoob Abba Omar	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓
Enver Duminy	✓	✓	✓	✗	✗	✗	✗	✓	✗	✓
Mmatšatsi Ramawela	✓	✓								
Kate Rivett- Carnac			✓	✓	✓	✓	✓	✓	✓	✓
Dawn Robertson			✓	✓	✓	✗	✓	✓	✓	✓
Lindiwe Sangweni-Sidoo			✗	✓	✓	✗	✓	✓	✓	✓
Mohammed Baba			✓	✓	✓	✗	✓	✓	✗	✓
Ravi Nadasen			✓	✓	✓	✗	✓	✓	✗	✓
Nomzamo Bhengu			✓	✓	✓	✓	✓	✓	✓	✓
David Frost									✓	✓
Monwabisi Fandeso *			✓						✓	✓

\*Former Board Chairperson, resigned on 28 August 2018.

Note: Blank spaces are for the when the term had either expired or not yet started.







## Board Committees

Four subcommittees help the Board discharge its duties.

### AUDIT AND RISK COMMITTEE

The Audit and Risk Committee comprises four non-executive Board members. It is responsible for reviewing the organisation's financial and non-financial information, and monitoring the performance and operation of systems and controls, as well as the preparation of the annual financial statements. It also plans the activities of Internal Audit.

It provides assurance on the adequacy and efficiency of South African Tourism's internal controls systems for both the organisation's direct affairs in South Africa and 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.

The committee's roles and responsibilities 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 effectiveness of the internal control environment within the organisation, and reviewing the organisation's statement on internal control systems prior to the Board's endorsement. The Audit and Risk Committee provides the Board with assurance of the adequacy and efficiency of South African Tourism's internal controls systems.
- Approving the external audit plan, fees and terms of engagement.
- 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
- Reviewing the adequacy of the organisation's business continuity plans.
- Ensuring that appropriate standards of governance, reporting and compliance are being met.
- 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 standards, and, in the absence of these standards, South Africa's Generally Accepted Accounting Principles.

Meetings of the committee are attended by the internal and external auditors, the CEO, the CFO, the CSO, the COO and the Risk Officer; other staff members attend by invitation. The internal and external auditors have unrestricted access to the chairperson of the committee and the Board Chairperson.

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

NAME	22 MAY 2018	30 JULY 2018 (SPECIAL)	14-16 SEPTEMBER 2018	15 NOVEMBER 2018	11 MARCH 2019
Tanya Abrahamse (Chairperson)			✓	✓	✓
Ayanda Ntsaluba (Former Chairperson until May 2018)	✓				
Pam Yako (Former Chairperson appointed 1 June 2019)		✓			
Chichi Maponya	✓				
Judi Nwokedi	✗				
Mmaditlonki Setwaba	✓				
Amor Malan	✗				
Oregan Hoskins	✓				
Enver Duminy	✓	✓	✗	✗	✓
Kate Rivett-Carnac		✓	✓	✓	✓
Nomzamo Bhengu		✓	✓	✓	✓

## Human Capital and Remuneration Committee

The Human Capital and Remuneration Committee comprises five non-executive Board members, including the chairperson.

It ensures that South African Tourism develops and implements adequate remuneration policies and procedures that support the organisation in achieving its short- and long-term objectives.

Meetings are attended by the CEO, the CFO and the COO.

The committee's roles and responsibilities 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 Human Resources 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.
- 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	22 MAY 2018	14-16 SEPTEMBER 2018	15 NOVEMBER 2018	11 MARCH 2019
Dawn Robertson (Chairperson)		✓	✓	✓
Judi Nwokedi (Former Chairperson until May 2018)	X			
Yacoob Abba Omar (Former Chairperson from 1 June 2018 to February 2019)	✓	✓	✓	X
Ayanda Ntsaluba	X			
Graham Wood	✓			
Mmatsatsi Ramawela	✓			
Tanya Abrahamse	✓			
Enver Duminy			X	✓
Michelle Constant			✓	✓
Lindiwe Siddo- Sangweni			✓	✓

## Marketing and Commercial Committee

The Marketing and Commercial Committee comprises eight non-executive directors. Meetings are attended by all members of the Executive Management Committee (EXCO).

Its roles and responsibilities include:

- Reviewing the revised five-year strategic plan, which includes strategies, high-level action plans and targets, and making appropriate recommendations to the Board.
- Reviewing and recommending for approval to the Board all primary marketing policies, including branding.
- Reviewing significant changes to mainline expense items in the business plan and budget as approved by EXCO.
- Reviewing and discussing business plans and budgets for new financial years and making applicable recommendations to the Board.
- Reviewing proposed parameters for the business plan and budget for the next Medium-Term Expenditure Framework period and making applicable recommendations to the Board.
- Reviewing the development of strategic markets, market insights and analytics tools, and research and data sources.

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

- Upon appointment of the new Board on 1 June 2018, the Board dissolved the SANCB Committee and the Marketing and Commercial Committee became responsible for monitoring the SANCB's activities.

NAME	23 MAY 2018	14-16 SEPTEMBER 2018	16 NOVEMBER 2018	12 MARCH 2019
Thebe Ikalafeng (Chairperson from 1 June 2018)	✓	✓	✓	✓
Michelle Constant (former Chairperson until May 2018)	✓	✓	✓	✓
Colin Bell	✓			
Oregan Hoskins	✓			
Yacoob Abba Omar	✓			
Enver Duminy	✓			
Mmatsatsi Ramawela	✓			
Dawn Robertson		✓	✓	X
Lindiwe Sangweni-Siddo		✓	✓	✓
Ravi Nadasen		✓	✓	✓
Kate Rivett-Carnac		✓	✓	✓
Mohammed Baba		✓	X	X

## Tourism Grading Council Awards Committee

The Awards Committee consists of 10 members: three Board members and seven industry representatives. It was established after the functions of the Tourism Grading Council were assigned to the South African Tourism Board with effect from 1 July 2015. The new committee was appointed from 1 September 2018 to 31 May 2021, in line with the tenure of the South African Tourism Board.

The committee's roles and responsibilities include:

- Monitoring the relevance, effectiveness and efficiency of the grading system.
- Recommending to the Chief Quality Assurance Officer, the CEO and the TGCSA any improvements or changes in policy, procedures and processes to enhance the uptake and effectiveness of the grading system 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 tri-annual formal review process 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 grading 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, the annual performance plan and the marketing plan for the TGCSA through the Awards Committee's participation in the annual strategic meeting or any other interventions.
- 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.

Three meetings were held during the year under review and attendance was as follows



NAME	3 MAY 2018	1 OCTOBER 2018	12 FEBRUARY 2019
**Ravi Nadasen (New Chairperson)	X	✓	✓
**Graham Wood (Former Chairperson)	X		
**Amor Malan	X		
**Mmaditlonki Setwaba	X		
**Enver Duminy	✓	✓	✓
Hapiloe Sello	✓		
Jeggie Padmanathan	X		
Rosemarie van Staden	✓	✓	✓
Lindiwe Sangweni-Siddo	X		
Lindiwe Rakharebe	✓		
Nombeko Rwaxa	✓	✓	✓
Tshifhiwa Tshivhengwa	✓	✓	✓
Wendy Alberts	✓	✓	✓
Johanna Mukoki	X		
Bheki Dube		✓	X
Glynis Hyslop			✓
**Michelle Constant		✓	X
Shama Nathoo			✓

\*\* South African Tourism Board members

## Executive Management Committee

The Executive Management Committee (EXCO) is responsible for implementing South African Tourism's strategic plan, consolidated business plan (annual performance plan) and budget. The Board has delegated certain authority to the EXCO so it can properly manage the organisation's operations and finances.

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 Chief Quality Assurance Officer, General Manager, Human Resources, the Executive Office Member, the Chief of Staff, the Head: Internal Audit and the Company Secretary also attend the EXCO 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, and subsistence and travel allowances in accordance with approved rates. Any other costs or expenses incurred in this regard are covered in accordance with the approved policies and procedures of South African Tourism. Board members incurred the following costs in line with their fiduciary responsibilities in 2018/19:

**1 April 2018 to 31 March 2019 (former Board)**

NAME	TRAVEL	REMUNERATION	OTHER	TOTAL
Tanya Abrahamse (Chairperson)	R37,939.64	R64,601.00	R3,280.00*	R105,820.64
Thebe Ikalafeng (Deputy Chairperson)	R29,360.64	R50,266.00	-	R79,626.64
Ayanda Ntsaluba	-	R8,634.00	-	R8,634.00
Graham Wood	R5,710.32	R15,714.00	-	R21,424.32
Chichi Maponya	R14,699.82	R19,110.00	-	R33,809.82
Oregan Hoskins	-	R15,714.00	-	R15,714.00
Judy Nwokedi	R24,948.78	R13,872.00	-	R38,820.78
Michelle Constant	R64,235.10	R66,252.00	-	R130,487.10
Colin Bell	R19,550.32	R15,714.00	-	R35,264.32
Amor Malan	R15,937.32	R10,476.00	-	R26,413.32
Mmaditlonki Setwaba	R16,499.97	-	-	R16,499.97
Yacoob Abba Omar	R7,876.00	R53,934.00	-	R61,810.00
Enver Duminy	R92,548.92	R55,776.00	-	R148,324.92
Mmatsatsi Ramawela	R26,532.29	R15,714.00	-	R42,246.29
<b>Total</b>	<b>R355,839.12</b>	<b>R405,777.00</b>	<b>R3,280.00</b>	<b>R764,896.12</b>

**1 June 2018 to 31 March 2019 (New Board Members)**

NAME	TRAVEL	REMUNERATION	OTHER	TOTAL
Pam Yako	R18,085.72	R51,804.00	-	R69,889.72
Dawn Robertson	R7,876.00	-	-	R7,876.00
Lindiwe Sangweni-Siddo	R7,876.00	-	-	R7,876.00
Kate Rivett-Carnac	R36,011.47	R41,904.00	-	R77,915.47
Mohammed Baba	R49,651.69	R31,428.00	-	R81,079.69
Ravi Nadasen	R7,876.00	R48,696.00	-	R56,572.00
David Frost	-	-	-	-
<b>Total</b>	<b>R127,376.88</b>	<b>R173,832.00</b>	<b>-</b>	<b>R301,208.88</b>

\*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 2018 to 31 March 2019:

NAME	TRAVEL	REMUNERATION	OTHER	TOTAL
Graham Wood (Chairperson)	-	-	-	-
Amor Malan	-	-	-	-
Mmaditlonki Setwaba	-	-	-	-
Jegie Padmanathan	-	-	-	-
Lindiwe Rakharebe	-	-	-	-
Wendy Alberts	-	R4,964.83	-	R4,964.83
Johanna Mukoki	-	-	-	-
Ravi Nadasen	-	-	-	-
Lindiwe Sangweni-Siddo	-	-	-	-
Hapiloe Sello	-	-	-	-
Rosemarie Van Staden	-	R4,964.83	-	R4,964.83
Nombeko Rwaxa	-	R4,964.83	-	R4,964.83
Enver Duminy	**	R4,964.83	-	R4,964.83
Tshifhiwa Tshivhengwa	-	R4,964.83	-	R4,964.83
<b>Total</b>	-	<b>R24,824.15</b>	-	<b>R24,824.15</b>

## Other Reporting

In terms of the PFMA and the Tourism Act, the Board also reports to the Minister of Tourism, as the shareholder on behalf of government, as well as to the parliamentary committees. Below are the details of the engagements with the various reporting structures.

## Executive Authority

In the year under review, the following engagements were held to discuss the following:

DATE	MEETING	DISCUSSION POINTS
8/05/2018	MINMEC	<ul style="list-style-type: none"> <li>• 5-in-5 strategy implementation report, including latest statistics</li> <li>• Update on Tourism Indaba and Meetings Africa's report</li> <li>• Tourism Amendment Bill</li> <li>• Governance and development</li> <li>• Regulations on the national tourism information and monitoring system</li> <li>• Expanded Public Works Programme: Infrastructure and skills development</li> <li>• International cooperation</li> <li>• National Tourism Sector Strategy implementation report</li> <li>• Repositioning tourism (reclaiming the tourism space)</li> </ul>
30/11/2018	MINMEC	<ul style="list-style-type: none"> <li>• Tourism transformation baseline report</li> <li>• Government initiatives on transformation</li> <li>• Tourism performance report to date (5-in-5)</li> <li>• Tourism safety and security</li> <li>• The new grading criteria</li> </ul>
24/04/2018	MIPTEC	<ul style="list-style-type: none"> <li>• Governance and development</li> <li>• 5-in-5 strategy implementation report, including latest statistics and reflection on domestic tourism</li> <li>• Update on the 2018 Tourism Indaba and Meetings Africa</li> <li>• International cooperation</li> <li>• Prioritisation of tourism</li> <li>• National Tourism Information and Monitoring Systems Regulations</li> <li>• Tourism Amendment Bill</li> <li>• Tourism month (forward looking)</li> </ul>
16/07/2018	MIPTEC	<ul style="list-style-type: none"> <li>• Governance and development</li> <li>• Chief Executive Officer's Forum</li> <li>• Communications plan and key messaging for world</li> <li>• Tourism day and tourism month report</li> <li>• Tourism transformation baseline report</li> <li>• Tourist guiding report</li> <li>• Update on National Tourism Sector Strategy workstreams</li> <li>• 2018 Lilizela Awards</li> </ul>



## Parliamentary Committee

Parliament exercises its oversight role by evaluating the performance of South African Tourism, and interrogating its annual financial statements and other relevant documents.

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

DATE	MEETING	DISCUSSION POINTS
25/04/2018	Portfolio Committee	Annual Performance Plan (2018/19)
6/06/2018	Portfolio Committee	2017/18 fourth quarterly performance report
12/09/2018	Portfolio Committee	2018/19 first quarterly performance report
11/10/2018	Portfolio Committee	Annual performance report for 2017/18 financial year
24/10/2018	Portfolio Committee	Joint marketing agreements for both domestic and international work
6/03/2019	Portfolio Committee	2018/19 second and third quarterly performance report

## Select Committee

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

DATE	MEETING	DISCUSSION POINTS
20/06/2018	Select Committee	Trade and international relations on the annual performance plan 2018/19
5/09/2018	Select Committee	Trade and international relations on the progress report and interventions to stimulate domestic tourism

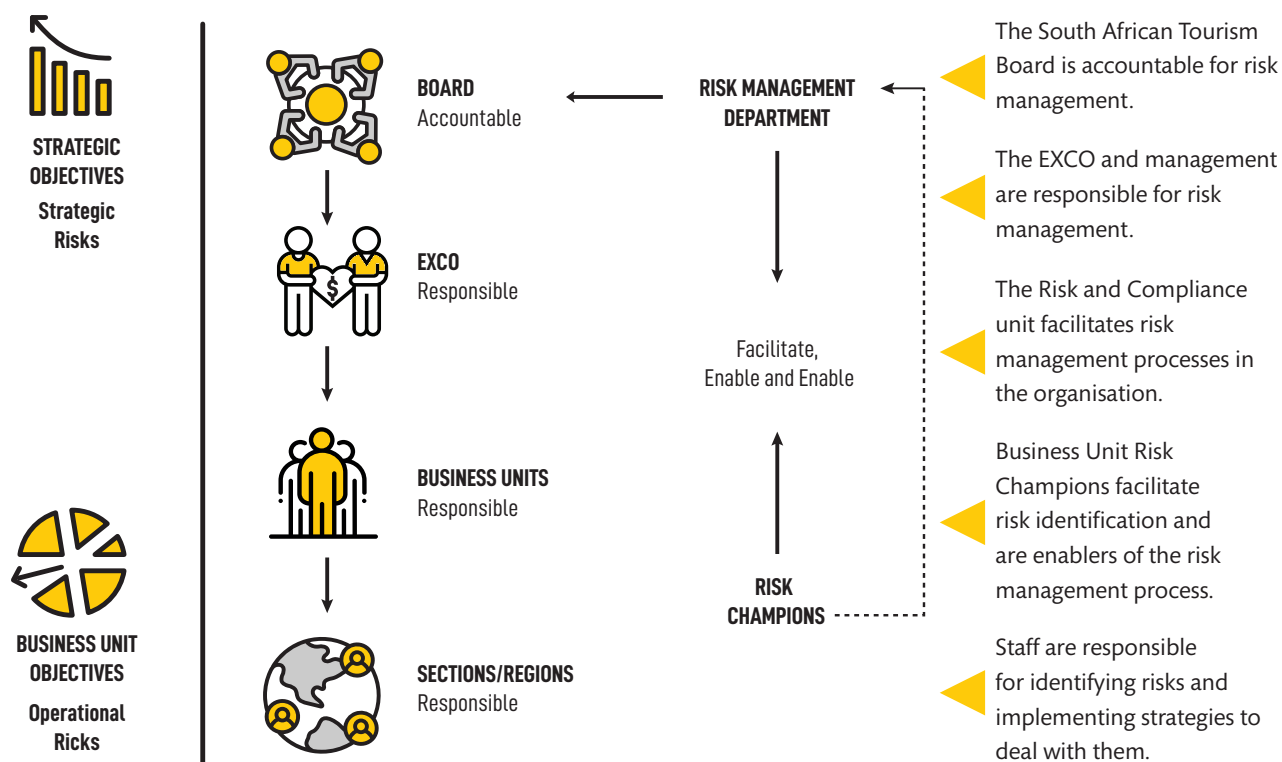
## Risk Management

Risk management is integral to good corporate governance. It forms part of South African Tourism's business strategy, ensuring that the organisation can identify and manage risks that impact on business performance and achieving objectives. Recognising that a single transaction or event may have a significant impact on other risks or be triggered by other risks, South African Tourism views and assesses risks holistically.

## Risk Governance

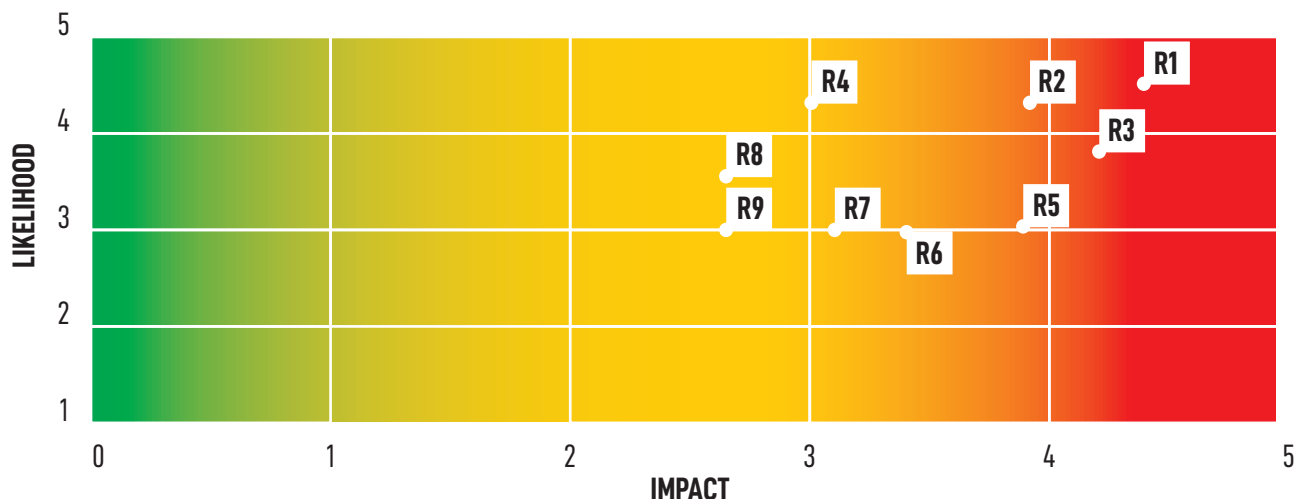
The South African Tourism Board promotes a “risk-matured and risk-intelligent” culture through the Risk Management Policy and Framework, which was approved in 28 March 2018. The Board, in discharging its risk management responsibilities, is supported by the Audit and Risk Committee, which ensures that South African Tourism has implemented an effective risk management strategy that will enhance the organisation’s ability to achieve its strategic objectives.

Below is a high-level overview of risk management governance at South African Tourism:



Every year the Audit and Risk Committee conducts a risk assessment of risks that could affect the achievement of the organisations’ strategic objectives. The risks are documented using risk management software and monitored on an ongoing basis in relation to risk mitigation strategies identification of key emerging risks.

## South African Tourism Strategic Risks



R1	R2	R3	R4	R5	R6	R7	R8	R9
Barriers to access (both international and domestic tourism)	Potential visitor having negative perceptions of SA	Ineffective marketing strategies, partnerships and execution	Inability to deliver 5-in-5 (ICT, Finance, HR, GRC)	Potential changes in national policies which impact tourism	Rapidly changing climate conditions and extreme weather events	Cyber crime	Inadequate transformation that negatively impacts inclusive growth in the tourism sector	Geopolitical risks (i.e. terrorism, regional conditions, increased protectionism, restrictive trade agreements, outbreak of communicable diseases)

IMPACTED STRATEGIC OBJECTIVES	RISK CATEGORY	RISK DESCRIPTION	MITIGATIONS TO BE IMPLEMENTED IN 2019/2020
<b>Risk 1: Barriers to access (both international and domestic tourism)</b>			
<ul style="list-style-type: none"> <li>Increased international and domestic tourist arrivals</li> </ul>	<p>Industry Risk:</p> <p>The risk that the South African tourism market will lose its attractiveness due to changes in key factors for competitive success within the industry when compared to the capabilities of existing and potential destinations.</p>	<p>Barriers to access remain a concern for both international and domestic markets, these include:</p> <ul style="list-style-type: none"> <li>Inadequate airlift with reducing capacity and increasing fares on certain routes;</li> <li>Visa processing challenges makes it difficult for tourists to access South Africa;</li> <li>Safety and security; and</li> <li>Lack of affordability, especially in the prevailing poor domestic economy, results in declines in domestic tourism.</li> </ul>	<ul style="list-style-type: none"> <li>Development of an internal lobbying approach.</li> <li>Active lobbying of visa waivers and visa easing for markets through the Department of Tourism.</li> <li>Engage with Provincial Tourism Authorities to develop Air Access Strategies.</li> <li>Enter into agreements with established non-traditional distribution agents (e.g. retail supermarkets) who are able to convert the awareness created by SA Tourism into actual sales</li> <li>Partnerships with corporates and associations on key events countrywide (e.g. Cricket South Africa, Standard Bank, Soweto Marathon and cultural festivals) to target the events they sponsor/ support as a means to stimulate travel and drive conversion.</li> </ul>
<b>Risk 2: Potential visitor having negative perceptions of SA</b>			
<ul style="list-style-type: none"> <li>Improved tourist experience</li> <li>Increased international and domestic tourist arrivals</li> <li>Recognised and appealing brand</li> </ul>	<p>Industry Risk:</p> <p>The risk that the South African tourism market will lose its attractiveness due to changes in key factors for competitive success within the industry when compared to the capabilities of existing and potential destinations.</p>	<p>Travelers' perceptions of inadequate safety and security in South Africa, have a major impact on our international arrivals. For example, since January - August 2019 14 people had been attacked on Table Mountain, compared to over 40 for the same period last year. Such experiences have an impact on the attractiveness of South Africa as a destination of choice for international travelers. As such poor visitor experience impacts on return visits.</p>	<ul style="list-style-type: none"> <li>Develop and implement a global PR plan that addresses key barriers.</li> <li>Education of the SA public on the impact of crime on tourism, as an extension of We Do Tourism.</li> <li>Ensure the implementation of the Safety Monitors Programme which is managed by the Department of Tourism.</li> </ul>
<b>Risk 3: Ineffective marketing strategies, partnerships and execution</b>			
<ul style="list-style-type: none"> <li>Achieve operational efficiencies</li> <li>Recognised as the authority on tourism in South Africa</li> <li>Stakeholder and partnership collaboration</li> </ul>	<p>Operational Risk:</p> <p>The risk that SA Tourism's business processes are not clearly defined and are inadequately aligned with business objectives and strategies.</p>	<p>The improvement of operational efficiencies remains high on the agenda of the Board and EXCO. Although management interventions such as quarterly business reviews and review of the agency model have been successful more still needs to be done to reduce the organisation's exposure to this risk.</p> <p>The stakeholder satisfaction survey is one indicator that supports that the organisation needs to do more to improve partnerships.</p>	<ul style="list-style-type: none"> <li>Perform stakeholder analysis (i.e. stakeholder identification and mapping to determine nature of stakeholder expectations and strategic importance).</li> <li>Improvement of the organisational planning process and implementation of the monitoring and evaluation framework.</li> <li>Development of a partnership strategy for non-travel partners to promote the brand.</li> <li>Develop budgeting principles.</li> <li>Review, update and implement the marketing agency model.</li> <li>Review the structure of the central marketing function.</li> </ul>



IMPACTED STRATEGIC OBJECTIVES	RISK CATEGORY	RISK DESCRIPTION	MITIGATIONS TO BE IMPLEMENTED IN 2019/2020
<b>Risk 4: Inability to deliver 5-in-5 (ICT, Finance, HR, GRC)</b>			
<ul style="list-style-type: none"> <li>Achieve operational efficiencies</li> </ul>	<p><b>Operational Risk:</b> The risk that SA Tourism's business processes are not clearly defined and are inadequately aligned with business objectives and strategies.</p> <p><b>Risk 5: Potential changes in national policies which impact tourism</b></p>	<p>The improvement of operational efficiencies remains high on the agenda of the Board and EXCO. SA 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.</p> <p>Moreover, the automation of processes poses new risks to SA Tourism that require pro-active identification and management.</p>	<ul style="list-style-type: none"> <li>Initiation of a Global Digitalisation Project.</li> <li>Implementation of ICT Strategy including the compliance to POPIA and GDPR.</li> <li>Development and tracking of ROI and cost of acquisition indicators to ensure efficient financial management.</li> <li>Annual standing approval from NT for upfront transfer of annual marketing budget.</li> <li>Quarterly business performance reviews.</li> <li>Provision for foreign currency.</li> <li>Implementation of a Sourcing &amp; Contract Management System.</li> <li>Implementation of the Talent Management framework</li> </ul>
<b>Risk 5: Potential changes in national policies which impact tourism</b>			
<ul style="list-style-type: none"> <li>Stakeholder and partnership collaboration</li> </ul>	<p><b>Regulatory Risk:</b> Changes in regulations and actions by national or local regulators can result in unintended pressures and significantly affect an organisation's ability to efficiently conduct business.</p> <p><b>Political Risk:</b> The risk of unintended adverse consequences through political actions.</p>	<p>We live in a complex world with high levels of uncertainty and constant change. The scale and pace of global and domestic changes profoundly influence the nature and dynamics of our political and economic landscape: either in a manner in which certain disputes will be resolved expeditiously and or in how new obstinate problems are actually created. As a public entity it is inevitable that political decisions will affect the way we do business. To respond to these uncertainties the organisation continuously scans the external environment and a provision for currency is reserved to cater for economic changes.</p>	<ul style="list-style-type: none"> <li>Implementation of the three-year Risk Management strategy.</li> <li>Provision for foreign currency.</li> <li>Continuous monitoring of external environment.</li> </ul>
<b>Risk 6: Rapidly changing climate conditions and extreme weather event</b>			
<ul style="list-style-type: none"> <li>Achieve operational efficiencies</li> </ul>	<p><b>External Environment Risk:</b> The risk of external factors that can affect an organisation's performance, strategies and operations. This risk is outside management's ability to control but can be reduced through initiatives implemented by the organisation.</p>	<p>According to the World Economic Forum's 2019 Risk Report environment-related risks dominate for the third year in a row. As environmental risks materialise with increasing frequency and severity, the impact on global value chains is likely to intensify, weakening overall resilience. In addition, through our sustainability projects the organisation aims to contribute to the impact of climate change and also continuously monitors the external environment.</p>	<ul style="list-style-type: none"> <li>Continuous monitoring of external environment.</li> </ul>

IMPACTED STRATEGIC OBJECTIVES	RISK CATEGORY	RISK DESCRIPTION	MITIGATIONS TO BE IMPLEMENTED IN 2019/2020
<b>Risk 7: Cyber crime</b>			
<ul style="list-style-type: none"> <li>Achieve operational efficiencies</li> </ul>	<p>Operational Risk: The risk that SA Tourism's business processes are not clearly defined and are inadequately aligned with business objectives and strategies</p> <p>Risk 8: Inadequate transformation that negatively impacts inclusive growth in the tourism sector</p>	<p>The risk of cyberattacks as a result of failed IT systems could have a myriad of negative impacts to the organisation such as the loss of confidential information, loss of reputation, litigation, inability to work etc.</p>	<ul style="list-style-type: none"> <li>Regular updating and patching of operating systems (i.e. firewalls, encryption of the wireless network, restriction of software &amp; administrative rights and filtering that controls access to data).</li> </ul>
<b>Risk 8: Inadequate transformation that negatively impacts inclusive growth in the tourism sector</b>			
<ul style="list-style-type: none"> <li>Stakeholder and partnership collaboration</li> </ul>	<p>Industry Risk: The risk that the South African tourism market will lose its attractiveness due to changes in key factors for competitive success within the industry when compared to the capabilities of existing and potential destinations.</p>	<p>The tourism sector is dominated by SMMEs, which is indicative of the important role the industry plays in creating and supporting small and micro businesses, many of which are black and/or female-owned. As such transformation remains high on the agenda of South African Tourism and the Department of Tourism.</p> <p>In addition, the organisation's preferential procurement policy makes it compulsory for 30% subcontracting of contract value to EMEs and QSEs for contracts in excess of R30 million. Moreover, South African Tourism supports market access to SMMEs through subsidies to participate at international trade platforms.</p>	<ul style="list-style-type: none"> <li>Development of the Enterprise Development Framework.</li> </ul>
<b>Risk 9: Geopolitical risks (i.e. terrorism, regional conditions, increased protectionism, restrictive trade agreements, outbreak of communicable diseases)</b>			
<ul style="list-style-type: none"> <li>Improved tourist experience</li> <li>Increased international and domestic tourist arrivals</li> <li>Recognised and appealing brand</li> </ul>	<p>External Environment Risk: The risk of external factors that can affect an organisation's performance, strategies and operations. This risk is outside management's ability to control but can be reduced through initiatives implemented by the organisation.</p>	<p>According to the JP Morgan report released on 10 April 2019 on global risks, geopolitical risk has become the new normal with uncertainty surrounding policy, international relations and political leadership now a driving force behind financial market volatility and sentiment. Key decisions made by the developed countries could lead to unpredictability in developing economies. In addition, the outbreak of communicable diseases such as the Ebola affects the attractiveness of not only the country but the continent.</p>	<ul style="list-style-type: none"> <li>Development of a crisis communication plan.</li> <li>Continuous analysis - lessons learnt.</li> <li>Continuous sharing of regional barrier issues with Tourism Ministry and the industry to influence intervention.</li> </ul>

## Risk Maturity

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

- A three-year risk management strategy, to assist South African Tourism in achieving the desired maturity level. Maturity is also being monitored quarterly.
- A revised and risk management policy and framework that incorporates improvements identified in the risk maturity assessment and other developments in the risk management industry. Business continuity management is also incorporated in the policy.
- Risk assessments, which are conducted at a strategic and operational level as part of inculcating a risk culture within the organisation.  
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. The framework includes a process to escalate risks to the relevant governance structures. It is monitored and reported on a monthly basis to EXCO and quarterly to the Audit and Risk Committee.
- Data analytics and cost of risk to gauge risks/business decisions against the risk appetite limits, including quantification of loss events.

## Risk Management Advancement

The South Africa Tourism has seen progress in the risk management through the ongoing assessment, monitoring and mitigations. The risk management process has highlighted areas that need attention for the organisation to meet its strategic objectives and has thus led to risk management being incorporated in the performance plan for the coming year.

## Internal Controls

Risk management and internal controls within South African Tourism are designed to identify and manage risks effectively and efficiently. Through these measures, risks are monitored to ensure that 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 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

Internal Audit is an independent and objective provider of assurance and consulting services established within South African Tourism that examines and evaluates 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 on the assessed effectiveness of the system of internal controls for inclusion in the integrated report.

## Annual Assessment

The IIA standards require that Internal Audit comply with ethical and performance standards requirements, plan and perform Internal Audit work to obtain reasonable assurance that governance, risk management and systems of internal controls are effective.

IIA standards regard the overall opinion as a professional judgement of Head Internal Audit based on several individual engagements and other activities for a specific time interval. In giving our opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit can provide is a reasonable assurance that there are no critical weaknesses in governance, risk management and control processes. The 2018/2019 financial year opinion for South African Tourism provided below is limited to the scope of work performed, documents reviewed and meetings attended.

## Audit Coverage

Internal Audit completed the planned audits for 2018/19 financial year except for the Supply Chain Management that is at the report finalisation.

In addition, Internal Audit considered ad hoc assignments as part of the basis for the overall assessment and conclusion on the effectiveness of governance, risk management and internal control systems.

## Ethics Hotline Report

Two investigations were executed by Internal Audit during the period under review and have been considered in determining the overall opinion.

## Overall Opinion

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

## Audit Committee Oversight

During the period 2018/2019 financial year, South African Tourism's Internal Audit presented reports to the Audit and Risk Committee. These reports covered significant audits findings (where applicable), progress against audit plan and Internal Audit administrative processes. The Audit and Risk Committee continued to fulfil its oversight on the Internal Audit function. Through the approval of the audit plan, Audit and Risk Committee provided guidance and direction on Internal Audit focus towards 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.

A fraud prevention policy and plan was developed and approved in this fiscal. Implementation of the plan will continue into the next fiscal.

South African Tourism continues to use its ethics hotline, 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 and a complaints handling line to deal with service delivery and supply chain-related matters.

## 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 declare their interests annually and at every Board meeting. Records in this regard are completed 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

Ethical conduct is an integral part of South African Tourism. 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.

An assessment of staff understanding of ethical conduct was done that informed the development of a plan to improve awareness of ethical conduct. The plan will be implemented in the next fiscal.

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 responsible for 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 (1993).

South African Tourism has a representative in terms of Section 16(2) of the act. In the year under review, 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 needed.

In 2018/19, South African Tourism undertook due diligence on occupational health and safety in South Africa and the countries in which it operates. All recommendations will be implemented and risks mitigated. Compliance risk on occupational health and safety 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 organisation's vicinity.
- Preventing personal injury and protecting the health of employees and others on the premises, in compliance with the requirements of the Compensation for Occupational Injuries and Diseases Act.
- Identifying, documenting and maintaining processes within specified safety criteria, and documenting the methods of control for those processes, in compliance with the requirements of the Occupational Health and Safety Act.
- Ensuring that all employees are aware that they are responsible 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.
- Demonstrating South African Tourism's active involvement and commitment in relation to occupational health and safety within its scope of operations.

## Social Responsibility

South African Tourism finalised its corporate social investment framework which ensures that the programmes supported by South African Tourism are sustainable and align with its mandate.

During the year, South African Tourism visited Dimphonyana Tsa Lapeng Day Care Centre in Centurion as well as Sakhasive Orphanage and Day Care in Nelspruit to drive the message of "Where is the Mandela in you?" by painting the centres, preparing meals, gardening and playing with the children.

## Company Secretary

The Company Secretary is responsible to the Board for 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 Board's mandate and operations. The Board also has access to South African Tourism's management when required. The Company Secretary proactively renders strategic support services to the Board.

## 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.

It 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 Section 51(1)(a) and 77 of the PFMA and Treasury Regulation 27.1.

## The Effectiveness of Internal Controls

In line with the PFMA and King IV 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 identifying 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 affect 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, Risk and Compliance worked collaboratively to ensure quality assurance while maintaining independence. No matters were reported in

the various reports of the internal auditors, the audit report on the annual financial statements or the management report of the Auditor-General of South Africa that indicate any material deficiencies in the systems of internal control or any deviations therefrom. This is because the Audit and Risk Committee monitors the audit register, ensuring that corrective measures on findings raised by both internal and external auditors are implemented. 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 Audit and Risk Committee's responsibilities, 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 ensures that South African Tourism complies with all applicable South African and international laws.

## Evaluation of financial statements

The Audit and Risk Committee has:

- 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.
- Ensured the adequacy, reliability and accuracy of the financial information provided by management.

The Audit and Risk Committee agrees with, and has 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 Tanya Abrahamse**  
Chairperson of the Audit and Risk Committee  
31 August 2019

## Remuneration of South African Tourism's EXCO Members

During 2018/19, South African Tourism paid total remuneration of R16.8 million to EXCO members, the details of which are as follows:

NAME	START DATE	TERMINATION DATE	BASIC SALARY	13TH-CHEQUE BONUSES	PERFORMANCE BONUS	OTHER EARNINGS	TOTAL COMPANY CONTRIBUTIONS	TOTAL COST (RAND VALUE)
NTSHONA SISA	2016-10-03		R1,803,290.96	-	-	R939,863.09	R163,120.89	R2,906,274.94
ERASMUS DARRYL	2015-09-07		R1,253,864.00	-	R251,384.38	R711,778.55	R116,596.90	R2,333,623.83
BOUWER THOMAS	2013-10-17		R1,490,382.78	-	R390,644.48	R789,277.96	R154,013.06	R2,824,318.28
DLAMINI STHEMBISO	2014-08-01		R1,490,382.78	-	R436,896.76	R650,733.17	R287,446.00	R2,865,458.71
KOTZE-NHLAPO AMANDA	2011-11-01		R1,798,579.66	-	R349,860.07	R136,422.12	R238,839.17	R2,523,701.02
WHITEHOUSE MARGIE	2015-03-02	2018-07-31	R447,316.29	-	R335,137.66	R292,828.37	R44,551.20	R1,119,833.52
MUTHAYA BASHINI	2002-01-14		R1,142,563.66	R91,150.24	R188,847.08	R667,694.49	R114,599.29	R2,204,854.76
<b>TOTAL</b>			<b>R9,426,380.13</b>	<b>R91,150.24</b>	<b>R1,952,770.43</b>	<b>4,188,597.75</b>	<b>R1,119,166.51</b>	<b>R16,778,065.06</b>

**Note:** Performance bonuses reflected are for the 2017/18 financial year which were paid in 2018/19



South African Tourism's Sho't Left Campaign aims to promote a culture of local holiday travel, showing ordinary South Africans the beauty and importance of enjoying their country.

**SHO'T  
LEFT**

**SHO'T LEFT** ○  
**CAMPAIGN**





# 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 its defined goals. This could only be achieved by ensuring that South African Tourism and its employees clearly 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

South African Tourism continued to implement its human capital strategy in 2018/19.

The strategy aims to reawaken 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 its goals.

## Project iGnite

The conclusion of Project iGnite in 2017 resulted in the internal placement of 154 out of 155 employees by reconfiguring the organisation to optimally deliver on its strategy. The remaining employee was placed during the period under review. Change management principles have been entrenched and will continue to be part of organisational development.

## Human Resources Information System

In line with South African Tourism's goal to become operationally efficient, the Human Resources Information System project was a key focus in the period under review. After the implementation of the Oracle Human Resources system, the development and implementation of the Oracle Performance Management System started. South African Tourism's human capital strategic intent was instrumental in developing and implementing the principles that will be used to guide key components within the performance management system. The Human Capital team conducted a roadshow in the first quarter of the financial year across all business units and country offices to educate staff about the performance management system.

## Employee Engagement

Employee engagement positively contributes to staff morale, productivity and a sense of belonging. South African Tourism aims 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 to obtain further insights following the employee engagement survey conducted in the previous review period.
- A provider was commissioned to administer the employee engagement survey over a three-year period to ensure consistency in results.
- An employee wellness provider was appointed in line with the human capital strategy.

Employee engagement increased from 62.50% in 2017/18 to 68.85% in 2018/19.

Several initiatives contributed to the increase:

- Line managers' capabilities were developed through the introduction of the Management Development Programme in partnership with Regenesys.
- To enhance employee development, the bursary policy was revised and bursaries were issued to qualifying employees.
- A structured and registered learnership programme was introduced to enable youth development and enhance delivery.
- The Transformation, Social and Ethics Committee (Workplace Employee Forum) was revived and new members elected.
- Communication to staff was increased through the reintroduction of a broad staff meeting.

## 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 that the organisation's operations align with its deliverables, all the way down to individual objectives. The system also ensures the efficient management of standardised, high-quality data and information to support better decision making across the business.

The performance management system is supported by a set of principles and behaviours based on the organisation's values.

South African Tourism employees set, reviewed and appraised their performance objectives on the Oracle Performance Management System during the period under review.

## Introduction of Trade Union

South African Tourism employees joined a trade union, namely the National Union of Public Service and Allied Workers. The management, as per the provisions of the Labour Relations Act, began solidifying the relationship through drafting a recognition agreement.

## Human Capital Compliance Review

In 2018/19, Human Capital continued to maintain a database of human capital-related legislation and review policies to address the identified gaps. Among other activities, it introduced the International Hub Head Appointment Policy and reviewed the Foreign Service Dispensation 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 Per Programme

Programme	Total expenditure (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	159 787	83 900	53%	55	1 525
Business Enablement	74 820	13 819	18%	11	1 256
Leisure Tourism Marketing	1 005 478	106 720	11%	86	1 241
Business Events	186 788	17 426	9%	17	1 025
Tourist Experience	59 114	15 852	27%	18	881
<b>Total</b>	<b>1 485 987</b>	<b>237 717</b>	<b>16%</b>	<b>187</b>	<b>1 271</b>

\*Note: employees are based in-country therefore the salaries are subject to currency fluctuations



## 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	14 232	6%	6	2 372
Senior management	26 545	12%	16	1 659
Professionally qualified	153 110	67%	88	1 740
Skilled	29 926	13%	64	468
Semi-skilled	3 232	1%	13	249
Unskilled	-	-	-	-
Other* (internships)	1 200	1%	10	120
<b>Total</b>	<b>228 245</b>	<b>100%</b>	<b>197</b>	<b>1 159</b>

## Skills Development

Skills development has become an increasingly important means to improve performance and organisational effectiveness, thus leading to the creation of an inspired and energised organisation. South African Tourism acknowledges that providing opportunities for learning and development benefits employees, enhancing their professional development and prospects for advancement within the business. Skills development is central to aligning Human Capital with the organisation's strategic deliverables. South African Tourism is committed to upskilling employees and this is reflected by the continued increase in staff members who take part in learning and development interventions.

## Workplace skills plan and training cost for 2018/19

A workplace skills plan was developed and implemented in 2018/19. It was informed by the skills audit outcomes and employees' personal development plans.

The overall investment in training for the year under review was R2 062 105.90.

The Skills Development Levy for the financial year was **R1 267 862.63**.

This means that South African Tourism invested 163% of its Skills Development Levy for 2018/19.

## Training Costs

Training costs Programme/ activity/objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	No. of employees trained	Average training cost per employee (R'000)
Programme 1: Corporate Support	83 900	887	1.06%	62	14
Programme 2: Business Enablement	13 819	269	1.95%	21	13
Programme 3: Leisure Tourism Marketing	161 376	520	0.49%	51	10
Programme 4: Business Events	17 426	224	1.29%	12	19
Programme 5: Tourist Experience	15 852	162	1.02%	13	12
<b>Total</b>	<b>237 717</b>	<b>2 062</b>	<b>0.87%</b>	<b>159</b>	<b>13</b>

## Employment and Vacancies

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

Programme	2017/18 Number of employees	2018/19 Approved posts	2018/19 Number of employees	2018/19 Vacancies	% of vacancies
Programme 1: Corporate Support	52	58	55	3	5%
Programme 2: Business Enablement	7	12	11	1	8%
Programme 3: Leisure Tourism Marketing	79	95	86	9	9%
Programme 4: Business Events	16	17	17	-	-
Programme 5: Tourist Experience	21	20	18	2	10%
<b>TOTAL</b>	<b>175</b>	<b>202</b>	<b>187</b>	<b>15</b>	<b>7%</b>

Levels	2018/19 Approved posts	2018/19 Number of employees	2018/19 Vacancies	% of vacancies
Top management	7	6	1	14%
Senior management	16	16	-	-
Professionally qualified	96	88	8	8%
Skilled	70	64	6	9%
Semi-skilled	13	13	-	-
Unskilled	-	-	-	-
<b>Total</b>	<b>202</b>	<b>187</b>	<b>15</b>	<b>7%</b>

At the end of March 2019, South African Tourism was operating at an 93% occupancy rate against the approved staff establishment, with the remaining 7% recorded as a vacancy rate.

## Staff Movements

Levels	Employment as at 31 March 2018	Terminations	Appointments	Employment as at 31 March 2019
Top management	7	1	-	6
Senior management	15	-	-	16
Professionally qualified	80	4	10 (*1)	88
Skilled	62	12	5	64
Semi-skilled	12	-	1	13
Unskilled	-	-	-	-
<b>Total</b>	<b>176</b>	<b>17</b>	<b>17</b>	<b>187</b>

\*Note: Movements as a result of Project iGnite

## Reasons for Staff Leaving

The table below outlines the reasons why staff members left the organisation during the period under review in relation to the number who left. 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	14	7.7%
Dismissal	2	1.1%
Retirement	1	0.5%
Ill health	-	-
Expiry of contract	-	-
Subtotal	17	9.2%
Other – office closure	-	-
<b>Total</b>	<b>17</b>	<b>9.2%</b>

South African Tourism recorded a staff turnover rate of 9.2% for 2018/19, up from 5.1% for the previous financial year. While the overall labour turnover is 9.2%, voluntary labour turnover is 7.7%. Employee resignation is the main reason for staff turnover. Overall, 17 employees left South African Tourism in 2018/19.

## Industrial Relations: Misconduct and Disciplinary Action

Nature of disciplinary action	Number
Verbal warning	-
Written warning	-
Final written warning	1
Dismissal	2
<b>Total</b>	<b>3</b>

Two disciplinary cases leading to dismissal were reported, as well as one warning.

## Equity Target and Employment Equity Status

The employment equity figures are based on all South African employees. While the labour laws of the international offices promote diversity, employment equity targets are not binding on them and South Africa's employment equity legislation does not affect them. For the period under review, the employment equity targets for South African Tourism were determined based on employment equity legislation and South Africa's economically active population profile. In total, 80.1% of the organisation's staff members are South African.

Females represent 62.41%, while males represent 37.59% of South African employees across South African Tourism. In total, 70.96% of the South African female employees are African, while 73.21% of the South African male employees are African.

Occupational level	Male African	Coloured	Indian	White	Subtotal
Top management, excluding non-executive directors	1	0	0	2	3
Senior management	3	2	2	1	8
Professionally qualified and experienced specialists, and middle management	22	0	2	3	27
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	11	1	0	2	14
Semi-skilled and discretionary decision-making	5	0	0	0	5
Unskilled and defined decision-making	0	0	0	0	0
<b>Total permanent</b>	<b>42</b>	<b>3</b>	<b>4</b>	<b>8</b>	<b>57</b>
Contract labour (including interns)	5	0	0	0	5
<b>GRAND TOTAL</b>	<b>47</b>	<b>3</b>	<b>4</b>	<b>8</b>	<b>62</b>

Occupational level	Female African	Coloured	Indian	White	Subtotal
Top management, excluding non-executive directors	1	0	1	1	3
Senior management	5	1	1	1	8
Professionally qualified and experienced specialists, and middle management	27	4	2	5	38
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	25	4	4	3	36
Semi-skilled and discretionary decision-making	8	0	0	0	8
Unskilled and defined decision-making	0	0	0	0	0
<b>Total permanent</b>	<b>66</b>	<b>9</b>	<b>8</b>	<b>10</b>	<b>93</b>
Contract labour (including interns)	11	0	0	0	11
<b>GRAND TOTAL</b>	<b>77</b>	<b>9</b>	<b>8</b>	<b>10</b>	<b>104</b>



Occupational level	Foreign		
	Male	Female	Total
Top management, excluding non-executive directors	0	0	6
Senior management	0	0	16
Professionally qualified and experienced specialists, and middle management	8	15	88
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	6	8	64
Semi-skilled and discretionary decision-making	0	0	13
Unskilled and defined decision-making	0	0	0
<b>Total permanent</b>	14	23	187
Contract labour (including interns)	0	0	16
<b>GRAND TOTAL</b>	<b>14</b>	<b>23</b>	<b>203</b>

## Staff with a Disability

South African Tourism continues to strive for fair representation of people with disabilities. At the end of March 2019, it had three employees with a disability, which equates to 1.63% of staff. The organisation's demographic employee profile complies with the employment equity plans.

The table below details South African Tourism's disability profile at all occupational levels.

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				
<b>Total</b>	<b>3</b>	<b>3</b>		







The first double digit milestone in 25 years of democracy.

**10  
MILLION**

**INTERNATIONAL**  
**TOURIST ARRIVALS HIT THE 10 MILLION MARK IN 2016**





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

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

- The Accounting Authority to ensure that the organisation keeps full and proper records of its financial affairs
- That the Annual Financial Statements fairly present the

state of affairs of the organisation, its financial results, its performance against predetermined objectives and its financial position as at the end of each financial year

- That the Annual Financial Statements are presented in terms of Generally 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 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 have continued to adopt the going-concern basis in preparing the financial statements.

## Internal Control and Risk Management

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

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

- The safeguarding of assets against unauthorised use or disposition
- 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 2018 to 31 March 2019. 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 32 and 33, no material losses, irregular expenditure, fruitless expenditure or wasteful expenditure occurred in the period under review.
- The Annual Financial Statements fairly present the financial position of the South African Tourism Board at 31 March 2019, and the results of its operations and cash-flow information for the year ended 31 March 2019.

## Approval of Annual Financial Statements

The Annual Financial Statements for the year ended 31 March 2019, set out on pages 131 to 182, were submitted for auditing on 31 May 2019 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:



**Pam Yako | Chairperson**  
31 August 2019

## 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 the South African Tourism (SAT) set out on pages 131 to 182, which comprise the statement of financial position as at 31 March 2019, 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 2019, and financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

#### 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 sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* 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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matters

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

##### Irregular expenditure

7. As disclosed in note 33 to the financial statements, irregular expenditure of R94 396 066 was incurred in the current year, due to non-compliance with prescribed procurement prescripts.

### **Responsibilities of the accounting authority for the financial statements**

8. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and 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.
9. In preparing the financial statements, the accounting authority is responsible for assessing the SAT'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 appropriate governance structure 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**

10. 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.
11. 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**

12. 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.
13. 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.
14. 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 2019:

Programmes	Pages in the annual performance report
Programme 3 – Leisure Tourism Marketing	65 - 68
Programme 4 – Business Events	72
Programme 5 – Tourist Experience	74

15. 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.

16. The material findings in respect of the usefulness and reliability of the selected programme is as follows:

#### Programme 4 – Business Events

17. I was unable to obtain sufficient appropriate audit evidence to validate the existence of a system and processes that enable reliable reporting of actual achievement against the indicators listed below.

18. Sufficient appropriate audit evidence could not be provided in some instances while in other cases, the supporting evidence provided did not agree to the reported achievements in the annual performance report. Based on the supporting evidence provided, the achievement was different from those reported in the annual performance report, but I was unable to further confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements of the indicators listed below.

No	Indicator	Planned target 2018/2019	Actual achievement 2018/2019
1	Number of business events hosted in South Africa	153	207
2	Number of international delegates hosted in South Africa	86 006	87 457

#### Programme 3 – Leisure Tourism Marketing and Programme 5 – Tourist Experience

19. I did not raise any material findings on the usefulness and reliability of the reported performance information for these programmes.

## Other matters

20. I draw attention to the matters below.

### Achievement of planned targets

21. Refer to the annual performance report on pages 51 to 74 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 16 of this report.

### Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 4 – Business events. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

## Report on the audit of compliance with legislation

### Introduction and scope

23. 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.

24. The material findings on compliance with specific matters in key legislations are as follows:

#### Expenditure management

25. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R94 396 066 as disclosed in note 33 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The irregular expenditure was due to non-compliance with National treasury instruction note 3 of 2016/17.

#### Procurement and contract management

26. Some of the quotations were accepted from prospective suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with treasury regulation 16A8.3.

27. Some of the contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with treasury regulation 16A8.3.

28. Some contracts were extended or modified without the approval of National treasury as required by paragraph 9.1 and 9.2 of National treasury instruction note 3 of 2016/17.

#### Other information

29. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report the audit and risk committee's report, the chair of the board's report and the chief executive officer's report. 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.
30. 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.
31. 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.
32. 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. I have nothing to report in this regard.

#### Internal control deficiencies

33. 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.
34. There has been a slow response in addressing non-compliance findings. The public entity should focus more attention in ensuring that action plans are implemented to timeously address prior year audit findings and that sustainable solutions are implemented to prevent a recurrence of findings in the area of compliance with key applicable legislation and reported performance information.

#### Other reports

35. I draw attention to the following engagement conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

36. The board instituted an investigation into allegations against the Chief Executive Officer of South African Tourism. At the date of this report the investigation has been concluded and the board was in the process of implementing the outcome of the investigation.

Auditor General

Pretoria

31 August 2019



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



## 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's 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 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
  - 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.
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 2019

# STATEMENT OF FINANCIAL POSITION AS 31 MARCH 2019

	Note(s)	2019 R	2018 R
<b>ASSETS</b>			
Current Assets			
Trade and other receivables	7	28 750 323	34 680 717
Staff advances - Current	6	97 210	49 963
Cash and cash equivalents	8	609 509 616	573 801 590
		<b>638 357 149</b>	<b>608 532 270</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	91 818 280	85 610 007
Intangible assets	4	2 364 929	4 037 362
		<b>94 183 209</b>	<b>89 647 369</b>
<b>TOTAL ASSETS</b>		<b>732 540 358</b>	<b>698 179 639</b>
<b>NET ASSETS AND LIABILITIES</b>			
Current Liabilities			
Finance lease liability	10	112 534	54 067
Trade and other payables	13	559 539 714	455 081 357
Income received in advance	11	715 020	1 192 975
Provisions	12	22 208 140	19 618 823
		<b>582 575 408</b>	<b>475 947 222</b>
<b>NON-CURRENT LIABILITIES</b>			
Finance lease liability	10	153 454	25 442
Provisions	12	28 324 022	23 474 058
		<b>28 477 476</b>	<b>23 499 500</b>
<b>TOTAL LIABILITIES</b>		<b>611 052 884</b>	<b>499 446 722</b>
<b>NET ASSETS</b>		<b>121 487 474</b>	<b>198 732 917</b>
Reserves			
Revaluation reserve	9	76 521 192	70 626 045
Accumulated surplus		44 966 282	128 106 871
<b>TOTAL NET ASSETS</b>		<b>121 487 474</b>	<b>198 732 916</b>

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

## STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2019 R	2018 R
<b>REVENUE</b>			
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>			
Sundry Income		58 999 053	74 659 007
Grading Revenue	15	21 738 538	20 645 627
Interest received - call account	16	37 611 298	27 571 619
Gain on disposal of assets and liabilities			1 070 120
<b>TOTAL REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>118 348 889</b>	<b>123 946 373</b>
<b>Revenue from non-exchange transactions</b>			
Government grants & subsidies	17	1 208 048 000	1 129 288 000
Voluntary TOMSA levies		121 515 767	116 840 783
<b>TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b>1 329 563 767</b>	<b>1 246 128 783</b>
<b>TOTAL REVENUE</b>	14	<b>1 447 912 656</b>	<b>1 370 075 156</b>
<b>EXPENDITURE</b>			
Employee related costs	18	(237 717 012)	(194 379 638)
Administration and management fees	19	(51 732 455)	(43 235 163)
Depreciation and amortisation		(8 109 008)	(11 997 825)
Finance costs	20	(21 423)	(11 887)
Lease rentals on operating lease		(16 813 501)	(17 756 455)
Bad debts	21	(1 581 496)	(1 633 389)
Loss on disposal of assets and liabilities		(2 759)	-
Loss on foreign exchange		(6 393 174)	(45 081 791)
Marketing expenses	22	(1 143 955 683)	(1 056 177 444)
Auditors remuneration		(6 698 921)	(5 039 260)
Grading expenses		(15 893 515)	(14 551 763)
<b>TOTAL EXPENDITURE</b>		<b>(1 488 918 947)</b>	<b>(1 389 864 615)</b>
<b>DEFICIT FOR THE YEAR</b>		<b>(41 006 291)</b>	<b>(19 789 459)</b>

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

STATEMENT OF CHANGES  
IN NET ASSETS

	Revaluation Reserve	Accumulated Surplus	Total Net Assets
<b>BALANCE AT 01 APRIL 2017</b>	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)
Net income (losses) recognised directly in net assets	36 829	(110 206 990)	(110 170 161)
Surplus for the year	-	-	-
<b>Total changes</b>	<b>36 829</b>	<b>(110 206 990)</b>	<b>(110 170 161)</b>
<b>BALANCE AT 01 APRIL 2018</b>	70 626 045	128 106 871	198 732 916
Currency translation differences	(2 545 155)	-	(2 545 155)
Net income (losses) recognised directly in net assets	(2 545 155)	-	(2 545 155)
Surplus for the year	-	(41 006 291)	(41 006 291)
Directly in equity	8 440 302	(39 226 954)	(30 786 652)
Other 3	-	(2 947 347)	(2 947 347)
Total changes	<b>5 895 147</b>	<b>(83 180 592)</b>	<b>(77 285 445)</b>
<b>BALANCE AT 31 MARCH 2019</b>	76 521 192	44 926 279	121 447 471
Note(s)	9		



## SOUTH AFRICAN TOURISM

## Financial Statements for the year ended 31 March 2019

## CASH FLOW STATEMENT

	Note(s)	2019 R	2018 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>RECEIPTS</b>			
Sale of goods and services		198 054 821	198 733 119
Grants		1 208 048 000	1 129 288 000
Interest income		37 238 924	27 571 619
		<b>1 443 341 745</b>	<b>1 355 592 738</b>
<b>PAYMENTS</b>			
Employee costs		(213 222 990)	(177 881 639)
Suppliers		(1 189 368 169)	(1 156 079 242)
Finance cost		(20 989)	(11 887)
		<b>(1 402 612 148)</b>	<b>(1 333 972 768)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	25	<b>40 729 597</b>	<b>21 619 970</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant & equipment	3	(5 958 137)	(4 325 986)
Proceeds from sale of property, plant & equipment	3	197 748	-
Proceeds from sale of investment property		-	7 652 448
Purchase of other intangible assets	4	(720 588)	(2 266 714)
Proceeds from sale of other intangible assets	4	1 341 358	-
Purchase of other asset 1		118 835	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(5 020 784)</b>	<b>1 059 748</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance lease payments		<b>(787)</b>	<b>(138 807)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		35 708 026	22 540 911
Cash and cash equivalents at the beginning of the year		573 801 590	551 260 679
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	8	<b>609 509 616</b>	<b>573 801 590</b>

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

## 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999). The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

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 the 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 judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include provisions and extension of useful life in line with GRAP 17.:

#### Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. 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 at present value of estimated future outflows required to settle the obligation unless the impact of timing is immaterial. Management considers the probability of the potential outcome during the process of determining the best estimate of future settlement amount.

#### 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.

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

## 1.3 Significant Judgements and Sources of Estimation Uncertainty (Continued)

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 pension obligations.

### Effective interest rate

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

### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles in order to assess and determine possible impairment. In this case there is no material variance between group and individual impairment. The measurement of receivables is derived after consideration of the allowance for doubtful debts. 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 payment trends analysis.

### Depreciation and amortisation

Depreciation and amortisation recognised on Property, plant and equipment & intangible assets is determined with reference to the useful lives of the underlying items.

The useful lives of assets are based on management's estimation of the assets condition including expected condition at the end of period of use, its current use as well as expected future use.

Significant judgement was applied in determining the extended useful lives of fixed assets.

### 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 fund resulting in no legal or constructive obligations 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.

## 1.4 Property, Plant and Equipment

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

- 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.

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

## 1.4 Property, plant and equipment (Continued)

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's 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 except for Land, buildings and artwork which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

South African Tourism has elected to adopt the asset management framework for recognition of minor assets.

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 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.

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.



## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment except for Land, Buildings and artwork are carried at cost less accumulated depreciation and any impairment losses.

Land, Buildings and artwork are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. 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
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

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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.

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

## 1.4 Property, Plant and Equipment (Continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

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

## 1.5 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.

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

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.
- the expenditure attributable to the asset during its development can be measured reliably.

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Marketing costs	Straight line	20 years
Computer software, other	Straight line	10-12 years
Website costs	Straight line	2-10 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

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 intangible assets 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).

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

## 1.6 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position. It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts.

There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:  
cash;  
a residual interest of another entity; or  
a contractual right to:

- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows



## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

#### Class

Trade and other receivables  
Cash and cash equivalents

#### Category

Financial asset measured at amortised cost  
Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

#### Class

Finance lease liability  
Trade and other payables

#### Category

Financial liability measured at amortised cost  
Financial liability measured at amortised cost

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a receivable or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate unless the impact of discounting is immaterial. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Significant financial difficulty, probability of bankruptcy, financial reorganisation, default or delinquency in payment (greater than 90 days) are all indicators of possible impairment.

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

## 1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the entity's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

## 1.8 Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

## 1.8 Employee Benefits

- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans 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.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money.

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

## 1.8 Employee Benefits (Continued)

The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

## 1.9 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.

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.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identity at least:
- the activity/operating unit or part of an activity/operating unit concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.



## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

## 1.9 Provisions (Continued)

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.

## 1.10 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.

## 1.11 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 municipality 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.

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.

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

## 1.11 Revenue from Exchange Transactions (Continued)

### 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.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by.

### 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.

## 1.12 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.

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

## 1.12 Revenue from Non-Exchange Transactions

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.

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

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 nonexchange 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.

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

## 1.12 Revenue from Non-Exchange Transactions (Continued)

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.

## 1.13 Interest

Interest received is recognised as the interest accrues.

## 1.14 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

## 1.15 Translation of Foreign Currencies

### Foreign currency transactions

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

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

## 1.16 Comparative Figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Budget information in accordance with GRAP 1 is separately disclosed in these annual financial statements. South African Tourism does not make its budget publicly available and is thus not required to disclose budget information in accordance with GRAP 24.

Material prior periods changes or errors are dealt with in terms of applicable GRAP statement. Presentation and classification is consistent with previous financial year.



## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

## 1.17 Unauthorised Expenditure

Unauthorised expenditure means:

- expenditure which was not budgeted for and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

## 1.18 Fruitless and Wasteful Expenditure

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

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

## 1.19 Irregular Expenditure

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

## 1.20 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.

## 1.21 Related Parties

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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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. The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# ACCOUNTING POLICIES

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

## 1.22 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.

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 2. New Standards and Interpretation

### 2.1 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:

#### GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

- The effective date of the amendment is for years beginning on or after 01 April 2018.
- The entity has adopted the amendment for the first time in the 2018/2019 financial statements.
- The impact of the amendment is not material.

#### GRAP 31 (as amended 2016): Intangible Asset

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs.

Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12);
- and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued;
- and To clarify acceptable methods of depreciating assets
- The effective date of the amendment is for years beginning on or after 01 April 2018.
- The entity has adopted the amendment for the first time in the 2018/2019 financial statements.
- The impact of the amendment is not material.



## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

#### 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 directive is for years beginning on or after 01 April 2018.

The entity has adopted the directive for the first time in the 2018/2019 financial statements.

The impact of the directive is not material.

## 2.2 Standards and Interpretations Early Adopted

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

## 2.3 Standards and Interpretations Issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2019 or later periods:

#### GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 2.3 Standards and Interpretations Issued, but not yet effective(Continued)

- It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.
- The effective date of the standard is for years beginning on or after 01 April 2020.
- The entity expects to adopt the standard for the first time in the 2020/2021 financial statements.
- The impact of this standard is currently being assessed.

### **GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements**

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The entity expects to adopt the amendment for the first time in the 2019/2020 financial statements.

It is unlikely that the amendment will have a material impact on the entity's financial statements.

### **GRAP 18 (as amended 2016): Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.
- The effective date of the standard is for years beginning on or after 01 April 2019
- The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.
- The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

#### 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:

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);

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 2.3 Standards and Interpretations Issued, but not yet effective(Continued)

- 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 for years beginning on or after 01 April 2019.

The entity expects to adopt the standard for the first time in the 2020/2020 financial statements.

The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

### **GRAP 105: Transfers of functions between entities under common control**

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2019.

The entity expects to adopt the standard for the first time in the 2019/2020 financial statements.

The impact of this amendment is currently being assessed.



## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 2.4 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 2019 or later periods but are not relevant to its operations:

2019 R				2018 R		
3. PROPERTY, PLANT AND EQUIPMENT						
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	16 000 000	-	16 000 000	10 690 000	-	10 690 000
Buildings	76 530 482	(11 590 129)	64 940 353	73 157 726	(8 335 122)	64 822 604
Furniture & Fixtures	16 479 197	(14 037 662)	2 441 535	10 537 662	(7 870 063)	2 667 599
Motor vehicles	2 168 358	(1 636 563)	531 795	2 168 358	(1 317 931)	850 427
Computer equipment	19 310 790	(12 477 306)	6 833 484	15 084 685	(9 466 011)	5 618 674
Leasehold Improvements	7 418 475	(6 501 022)	917 453	7 418 475	(6 565 499)	852 976
Leased Assets	395 676	(242 016)	153 660	508 645	(400 918)	107 727
<b>Total</b>	<b>138 302 978</b>	<b>(46 484 698)</b>	<b>91 818 280</b>	<b>119 565 551</b>	<b>(33 955 544)</b>	<b>85 610 007</b>

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

## NOTES TO THE FINANCIAL STATEMENTS

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2019							Figures in Rand
	Opening balance	Additions	Disposals	Revaluations	Other changes, movements	Depreciation	Total
Land	10 690 000	-	-	5 310 000	-	-	16 000 000
Buildings	64 822 604	-	-	3 197 272	7 525	(3 087 048)	64 940 353
Furniture & fixtures	2 667 599	684 954	-	-	(358 967)	(552 051)	2 441 535
Motor vehicles	850 427	-	-	-	-	(318 632)	531 795
Computer equipment	5 618 674	4 261 133	(2 759)	-	-	(3 043 564)	6 833 484
Leasehold	852 976	960 828	(197 748)	-	(131 157)	(567 446)	917 453
Improvements							
Leased Assets	107 727	51 222	-	-	141 003	(146 292)	153 660
	85 610 007	5 958 137	(200 507)	8 507 272	(341 596)	(7 715 033)	91 818 280

3. RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2018						Figures in Rand
	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
	<b>89 677 825</b>	<b>4 325 986</b>	<b>(197 749)</b>	<b>(131 157)</b>	<b>(8 064 898)</b>	<b>85 610 007</b>

## Revaluations

The effective date of the revaluations was Sunday, 31 March 2019. Revaluations were performed by independent professional associated valuer, Mr Leriche van der Berg, of DDP Valuations and Advisory Services (Pty) Ltd. Mr. van der Berg are not connected to the entity. (The artwork valuations are performed by Greater Translogic Advisory Service Valuation. The property is situated in 90 Protea Road, ERF 50 Chislehurst, City of Johannesburg, Gauteng. Land and buildings are re-valued independently every three years. The valuation was performed using the income capitalisation approach and the comparable sales approach as a cross reference by comparing similar properties' comparable sales rate/ m2. also taking into account replacement value. These assumptions were based on current market conditions.

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

	2019 R	2018 R
--	-----------	-----------

#### 4. INTANGIBLE ASSETS

	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Marketing rights	2 579 189	(1 948 012)	631 177	2 579 189	(1 761 548)	817 641
Computer software	13 260 473	(12 596 293)	664 180	14 495 761	(12 510 219)	1 985 542
Website costs	5 310 590	(4 865 528)	445 062	8 111 733	(6 877 554)	1 234 179
Other intangible assets	720 588	(96 078)	624 510	-	-	-
<b>Total</b>	<b>21 870 840</b>	<b>(19 505 911)</b>	<b>2 364 929</b>	<b>25 186 683</b>	<b>(21 149 321)</b>	<b>4 037 362</b>

#### RECONCILIATION OF INTANGIBLE ASSETS - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Marketing rights	817 641	-	-	(186 464)	631 177
Computer software	1 985 542	-	(1 235 288)	(86 074)	664 180
Website costs	1 234 179	-	(106 070)	(683 047)	445 062
Other intangible assets	-	720 588	-	(96 078)	624 510
	<b>4 037 362</b>	<b>720 588</b>	<b>(1 341 358)</b>	<b>(1 051 663)</b>	<b>2 364 929</b>

#### 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
	<b>5 703 576</b>	<b>2 266 714</b>	<b>(3 932 928)</b>	<b>4 037 362</b>

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 5. Employee Benefit Obligations

### Defined contribution plan

The entity is under no obligation to cover any unfunded benefits.

### Employee pension fund

South African Tourism has a defined contribution plan covering all its employees. Retirement benefits are based on the growth of each member's investment. South African Tourism retirement fund value as at 31 March 2019 was valued at R 98 339 705.84 (2018: R 94 096 640.30)

## 6. Staff Advances

Staff advances comprises mainly of refundable educational busaries and upfront travel advances which were outstanding at reporting date.

Staff advances increased from 2018: R 49 962 to R 97 210 in the current financial year.

## 7. Trade and Other Receivable

	Note(s)	2019 R	2018 R
<b>7. TRADE AND OTHER RECEIVABLES</b>			
Trade debtors		4 235 654	17 697 197
Deposits		9 577 958	8 568 819
Prepaid expenses		14 936 711	8 414 701
		<b>28 750 323</b>	<b>34 680 717</b>



## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

Trade receivables ( net of allowance for doubtful debts) held by the entity at 31 March 2019 amounted to R 5.8 m (2018: R18.4 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

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

The creation and release of provision of impaired receivables have been included in operating expenses in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

#### Trade and other receivables impaired

The amount of the provision was R 2 472 369 as of 31 March 2019 (2018: R 1 332 335).  
The ageing of these receivables is as follows:

	Note(s)	2019 R	2018 R
91 - 180 days		885 012	408 684
181 - 360 days		539 651	487 963
361 +		1 047 706	435 688

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	1 332 335	1 285 233
Provision for impairment	1 140 034	47 102
	<b>2 472 369</b>	<b>1 332 335</b>

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 8. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note(s)	2019 R	2018 R
Cash on hand		69 554	61 803
Bank balances		609 440 062	573 739 787
		-	-
		<u>609 509 616</u>	<u>573 801 590</u>

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.

## 9. Revaluation Reserve

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

Opening balance		70 626 045	70 589 216
Change during the year		5 895 147	36 829
		<u>76 521 192</u>	<u>70 626 045</u>

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 10. Finance Lease Liability

	Note(s)	2019 R	2018 R
<b>Minimum lease payments due</b>			
- within one year		131 472	59 543
- in second to fifth year inclusive		166 478	27 002
		297 950	86 545
Less: future finance charges		29 899	(7 030)
<b>Present value of minimum lease payments</b>		<b>327 849</b>	<b>79 515</b>
<b>Present value of minimum lease payments due</b>			
- within one year		112 534	54 067
- in second to fifth year inclusive		153 454	25 442
		<b>265 988</b>	<b>79 509</b>

Finance leases relate to office equipment. Legal title does not transfer for any of these leases. The economic substance over the legal form was considered when classifying leases as finance leases. The requirements of GRAP 13 were considered when classifying and accounting for leases. met the definition of a finance lease. The average lease term was 3-5 years and the average effective borrowing rate was 10% (2018: 10%).

## 11. Income Received in Advance

Income received in advance mainly comprises of amounts received before year end for participation in roadshows and exhibitions which take place after balance sheet date.

### Movement during the year

Balance at the beginning of the year		1 192 975	9 852 579
Additions during the year		-	1 192 975
Reversed during the current year		(477 955)	(9 852 579)
		<b>715 020</b>	<b>1 192 975</b>

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 12. Provisions

### RECONCILIATION OF PROVISIONS - 2019

	Note(s)	2019 R	2018 R
	Opening Balance	Additions	Total
Provision - Input vat claims	19 618 823	2 589 317	22 208 140
Post retirement health care benefits	23 474 058	4 849 964	28 324 022
	<b>43 092 881</b>	<b>7 439 281</b>	<b>50 532 162</b>

### RECONCILIATION OF PROVISIONS - 2018

	Opening Balance	Reversed during the year	Total
Provision-Input VAT credits	19 670 066	(51 243)	19 618 823
Post retirement health care benefits	23 923 000	(448 942)	23 474 058
	<b>43 593 066</b>	<b>(500 185)</b>	<b>43 092 881</b>
Non-current liabilities		28 324 022	23 474 058
Current liabilities		22 208 140	19 618 823
		<b>50 532 162</b>	<b>43 092 881</b>

### PROVISION FOR INPUT VAT

The provision for input VAT represents the amount of VAT that the international tax authorities are claiming from the entity as previously allowable VAT input credits. These authorities have won their administrative tribunal review and the matter is currently at Crown Court.

### EMPLOYEE BENEFIT COST PROVISION

The post retirement medical aid liability as at 31 March 2019 is R28 324 022. The weighted average discount rate in the current valuation has been revised to 9,58% from the 9,96% p.a used in the 2018 projection, with medical aid scheme assumption rate revised from 9,04% p.a to 9.2% p.a. This resulted in a decrease in the real discount rate from 0,84% p.a to 0,35%. The difference between interest rate and contribution increase is 0,38% ( 2018: 0,92%) with an actuarial loss of R 2 127 655. Retirement age is 65 with an assumed maximum survival age of 115. Normal retirement age is 65.



## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

The movement in post retirement liability has been recognised in the Statement of Financial Performance.

Mortality assumptions: Pre-retirement: SA85-90 (light) with a 3 year age reduction for females.

Post retirement: PA (90) with a one year age reduction.

#### EMPLOYEE BENEFIT

##### Employee benefit cost provision reconciliation

The total closing balance is substantially higher than expected in 2018, more so for pensioned members. The bulk of the increase is due to the implementation of the yield curve prescribed in APN 301 ( which led to a decrease in the discount rates used) as well as the re-evaluation of the methodology used in projecting the future mortality. :

The closing balance of SA Tourism's post employment health care liability as 31 March 2019 is R 28 324 022.

	Note(s)	2019 R	2018 R
Liability at 1 April		23 475	23 923
Service cost		1 257	1 270
Benefits paid		(1 458)	(1 431)
Interest cost		2 249	2 383
Actuarial loss/ (gain)		2 128	(2 670)
Effect of change in discount rate assumptions		1 433	-
Departures		(842)	-
New Members		334	-
Loss of Beneficiaries		(275)	-
Addition of beneficiaries		25	-
Liability at 31 March		28 324	23 475

The valuation was conducted by MM Geringer in his capacity as Director of SolveCo ( Pty). 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

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

### 13. Trade and Other Payables

Trade Payables and Other Payables		156 167 272	189 384 858
Accrued Liabilities		403 372 442	265 696 499
		<b>559 539 714</b>	<b>455 081 357</b>

### 14. Revenue

	Note(s)	2019 R	2018 R
Sundry income		58 999 053	74 659 007
Grading income		21 738 538	20 645 627
Interest received - investment		37 611 298	27 571 619
Government grants & subsidies		1 208 048 000	1 129 288 000
Voluntary TOMSA levies ((TBCSA)		121 515 767	116 840 783
		<b>1 447 912 656</b>	<b>1 369 005 036</b>

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

Sundry income		58 999 053	74 659 007
Grading income		21 738 538	20 645 627
Interest received - investment		37 611 298	27 571 619
		<b>118 348 889</b>	<b>122 876 253</b>

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

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

### Transfer revenue

	Note(s)	2019 R	2018 R
Government grants & subsidies		1 208 048 000	1 129 288 000
Voluntary TOMSA		121 515 767	116 840 783
		<b>1 329 563 767</b>	<b>1 246 128 783</b>

### Nature of sundry income

Sundry income is generated mainly from exhibitions such as INDABA

## 15. Grading Income

Grading revenue		21 738 538	20 645 627
Grading expenses		(15 893 515)	(14 551 763)
		<b>5 845 023</b>	<b>6 093 864</b>

## 16. Investment Revenue

Interest revenue			
Bank		37 611 298	27 571 619

## 17. Government Grants and Subsidies

Operating grants			
Government grant		1 208 048 000	1 129 288 000

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 18. Employee Related Costs

	Note(s)	2019 R	2018 R
Basic		142 837 527	115 028 930
Bonus		22 372 100	10 939 126
Medical aid - company contributions		2 450 292	2 732 654
UIF		484 012	392 534
SDL		4 375 729	2 460 074
Leave pay provision charge		(3 048 895)	4 660 989
Other short term costs		4 152	5 445 419
Defined contribution plans		10 253 013	8 025 453
Overtime payments		-	9 839
Allowances		43 954 745	34 126 627
Social Insurance		4 562 203	3 731 188
Other HR costs		9 472 134	6 826 805
		<b>237 717 012</b>	<b>194 379 638</b>

## 19. Administrative Expenditure

Administration and management fees - third party		50 330 820	41 721 578
Administration and management fees - related party		1 401 635	1 513 585
		<b>51 732 455</b>	<b>43 235 163</b>

Administrative expenditure comprises mainly of legal fees, IT support and licensing fees.

Administrative and management fees- related party relates to expenses incurred by the Accounting Authority of South African Tourism.



## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 20. Finance costs

	Note(s)	2019 R	2018 R
Finance leases		21 423	11 887

## 21. Debt Impairment

Bad debts written off		1 581 496	1 633 389
-----------------------	--	-----------	-----------

## 22. General Expenses

Auditors remuneration		6 698 921	5 039 260
Grading expenses		15 893 515	14 551 763
Marketing		1 143 955 683	1 056 177 444
		<b>1 166 548 119</b>	<b>1 075 768 467</b>

## 23. Auditors' Remuneration Fees

Fees		6 698 921	5 039 260
------	--	-----------	-----------

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 24. Taxation

### Reconciliation of the tax expense

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

## 25. Cash Generated from Operations

	Note(s)	2019 R	2018 R
Deficit		(41 006 291)	(19 789 459)
Depreciation and amortisation		8 109 008	11 997 825
Loss on sale of assets		2 759	(1 070 120)
(Gain)/ Loss on unrealised foreign exchange		(42 536 545)	(92 724 120)
Finance costs - Finance leases		21 423	11 887
Debt impairment		1 581 496	1 633 389
Movements in provisions		7 439 281	(949 127)
Other non-cash items		(2 622 479)	-
<b>Changes in working capital:</b>			
Trade and other receivables		4 963 333	(13 967 144)
Staff advances - Current		97 210	41 907
Trade and other payables		105 158 357	144 196 652
Income received in advance		(477 955)	(8 659 604)
		<b>40 729 597</b>	<b>21 619 970</b>

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 26. Commitments

	Note(s)	2019 R	2018 R
<b>Authorised capital expenditure</b>			
<b>Approved but not yet contracted for</b> Property, plant and equipment		16 527 933	23 918 000
<b>Already contracted for</b> Property, plant and equipment		-	-
<b>Total capital commitments</b> Approved		16 527 933	23 918 000
<b>Authorised operational expenditure</b>			
<b>Already contracted</b> Subvention funding		8 665 000	2 468 466
<b>Not yet contracted for</b> Subvention funding		5 057 000	1 530 000
<b>Total operational commitments</b> Already contracted for Not yet contracted for		8 665 000 5 057 000	2 468 466 1 530 000
		<b>13 722 000</b>	<b>3 998 466</b>

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 26. Commitments (Continued)

### Operating leases - as lessee (expense)

	Note(s)	2019 R	2018 R
Contracted for			
- within one year		11 576 299	10 616 644
- in second to fifth year inclusive		25 975 421	16 542 119
- later than five years		-	4 864 742
		<b>37 551 720</b>	<b>32 023 505</b>

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of 4 to 10 years with rental of office equipment varying between 2-5 years. There is no option to purchase at end of lease term.

## 27. Contingent Liabilities

Litigation is in the process against the entity relating to a dispute with a competitor who alleges that the entity has infringed patents and is seeking damages.

SA Tourism adopted GRAP 19.111 to account for all the entity's contingent liabilities as disclosure of some or all of the information required may seriously prejudice the position of the entity as the matter is sub-judice. The value of total contingent liabilities as at 31 March 2019 is R 10 165 000.



## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 28. Related Parties

South African Tourism is 100% controlled by the government as represented by the National Department of Tourism ( NDT). South African Tourism is a Schedule 3A public entity in terms of the Public Finance Management Act. During the financial year South African Tourism received grant income of R1 208 048 000 ( 2018: R1 129 288 000). No amounts were due to NDT as at 31 March 2019. Related party relationships exists however all purchasing and selling transactions were concluded at arm's length. South African Tourism transacted with the following entities within the ambit of the National Sphere of government.

#### Related party transactions

	Note(s)	2019 R	2018 R
Public entity			
Telkom		49 912	296 418
South African Airways		17 107 533	1 367 135
SARS		44 812 126	33 653 505
		<b>61 969 571</b>	<b>35 317 058</b>
Compensation to members and other key management			
Short-term employee benefits		15 658 899	14 293 089
Post-employment benefits		1 119 167	1 104 511
		<b>16 778 066</b>	<b>15 397 600</b>

## 29. Financial Instruments

#### Financial risk management objectives and policies

The entity's activities expose it to a variety of financial risks: market risk (including currency risk), and liquidity risk.

#### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Accounting Authority who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding as well as liquidity management. Prudent liquidity risk management implies maintaining sufficient cash to be able to meet the entity's obligation.

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 29. 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, South African Tourism only deals with creditworthy parties. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The entity's maximum exposure to credit risk is with reference to the carrying amount of receivables net of impairment losses without taking into account any collateral.

Financial assets exposed to liquidity risk at year end were as follows:

	Note(s)	2019 R	2018 R
Financial instrument			
Trade and other receivables at amortised cost		28 750 323	34 680 717
Cash and cash equivalents		609 509 616	573 801 590
Finance lease obligation -Non current portion		153 454	25 442
Finance lease obligation- Current portion		112 534	54 067
Trade and other payables		559 539 714	455 081 357

### Market risk

#### Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Finance leases are classified in terms of GRAP 13 as they meet the requirements set in that accounting standard.

No leases are with financial institutions and the interest risk associated with these finance leases is immaterial.

Cash held in foreign amounts is mainly for settling foreign creditors. Temporary reserves accrue interest at the country's prevailing interest rate.

It would not be appropriate to have a weighted average interest rate for all markets because each of the market have different risk characteristics and as such as weighted average interest rate would be misleading to the users of our financial statements.

No interest rate sensitivity analysis is disclosed.

#### Foreign exchange risk

The entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, EUR and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 29. Financial Instruments (Continued)

The entity does not hedge foreign exchange fluctuations. South African Tourism's foreign currency risk relates to those monetary balances emanating from foreign marketing expenditure and administrative costs of its international offices. These are normally settled within a short time frame to limit the risk of 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 devalued by 13% against the British Pound, 22% against the US Dollar and 11% against the Euro.

Transactions are accounted for at spot rate at transaction date. Monetary items are revalued at closing rate at the end of the financial year.

**Exchange rates used for conversion of foreign items were:**

	Note(s)	2019 R	2018 R
GBP		18,91	17,10
JPY		0,13	0,11
EUR		16,26	15,07
USD		14,49	12,26
AUD		10,29	9,83
INR		0,21	-
CNY		2,16	0,42

There were no material changes in budget rates used during the financial year when compared with the previous financial year. South African Tourism used the following budget rates for planning purpose: USD 12,26 (2018: 12,26); EUR 15,07 (2018: 15,07); JPY 9,01 (2018: 0,11); GBP 17,10 (2018: 17,10); AUD 9,83 (2018: 9,83); CNY 0,53 (2018: 0,42)

## SOUTH AFRICAN TOURISM

### Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 30. Going Concern

We draw attention to the fact that at 31 March 2019, the entity had an accumulated surplus of R 44 926 279 and that the entity's total assets exceed its liabilities by R 121 487 474.

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.

## 31. Events After The Reporting Date

Disclose for each material category of non-adjusting events after the reporting date:

- The Chief Executive Officer was placed on precautionary suspension after reporting date.
- Ms. Mamoloko Kubayi Ngubane was appointed as the Minister of Tourism

## 32. Fruitless and Wasteful Expenditure

	Note(s)	2019 R	2018 R
Penalties and fines		21 742	-
Auditor General Travel Expenses		44 731	-
		<b>66 473</b>	-

South African Tourism incurred fruitless expenditure of R 44 731 as a result of travel challenges experienced due to VISA delays for London and Frankfurt audit. The Auditor General has been invoiced for this amount and reimbursement is expected in the new financial year.

SA Tourism incurred SARS penalties in the first quarter of the financial year due to late submission of EMP 501 (the amount net of credits applied is disclosed) and late transfer of employee pension to Old Mutual.



## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

### 33. Irregular Expenditure

	Note(s)	2019 R	2018 R
Opening balance		5 186 869	1 005 710
Add: Irregular Expenditure - current year		94 396 066	4 181 159
Less: Amounts condoned		(1 005 710)	-
		<b>98 577 225</b>	<b>5 186 869</b>
<b>Details of irregular expenditure - current year</b>			
Contract extension resulting in variation order		94 396 066	
<b>Details of irregular expenditure condoned</b>			
Non-compliance with Practice Note 6 of 2007/08 and instruction note 3 of 2016/17	Corrective action Condoned by the Accounting Authority		1 005 710
<b>Details of irregular expenditure not recoverable not condoned</b>			
Contract variation after awarding work to a vendor. An investigation was conducted and disciplinary action taken.	2 429 550		
Unethical behavior by employees. Employees dismissed after a disciplinary process.	1 751 609		
Contract variation after awarding work	94 396 066		
		<b>98 577 225</b>	

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 34. Reconciliation Between Budget and Statement of Financial Performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	Note(s)	2019 R	2018 R
Net deficit per the statement of financial performance		(41 006 291)	(19 789 459)
Adjusted for:			
Gain on the sale of assets		2 759	1 070 120
Increases / decreases in provisions		7 439 281	(949 127)
Depreciation and amortisation		8 109 007	11 997 826
Gain/ Loss on foreign exchange		6 393 173	45 081 791
Over/ under expenditure		19 062 071	(37 411 151)
Net surplus per approved budget		-	-

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

# NOTES TO THE FINANCIAL STATEMENTS

## 35. 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 branches. 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 as well as 11 countries. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Gauteng 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

Head Office

International offices

#### Goods and/or services

Domestic marketing, quality assurance, NCB and support to domestic and global marketing

International marketing

## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

## NOTES TO THE FINANCIAL STATEMENTS

35.  
Segment information (continued)

	Figures in Rand		
2019	Segment 1	Segment 2	Total
<b>Segment surplus or deficit, assets and liabilities</b>			
<b>Revenue</b>			
Revenue from non-exchange transactions	1 329 563 767	-	1 329 563 767
Interest revenue	37 452 352	158 946	37 611 298
Sundry income	54 223 056	4 775 997	58 999 053
Forex gain	10 010 619	110 007 365	120 017 984
Grading revenue	21 738 538	-	21 738 538
<b>Total segment revenue</b>	<b>1 452 988 332</b>	<b>114 942 308</b>	<b>1 567 930 640</b>
<b>Entity's revenue</b>			<b>1 567 930 640</b>
<b>Expenditure</b>			
Salaries and wages	170 133 121	67 583 893	237 717 014
Marketing expenses	716 680 459	427 275 224	1 143 955 683
General expenses	68 518 011	32 312 307	100 830 318
Loss on Disposal of Assets	-	2 759	2 759
Foreign exchange loss	16 743 153	109 688 004	126 431 157
<b>Total segment expenditure</b>	<b>972 074 744</b>	<b>636 862 187</b>	<b>1 608 936 931</b>
<b>Total segmental surplus/(deficit)</b>			<b>(41 006 291)</b>
<b>Assets</b>			
Segment assets	566 054 967	166 485 391	732 540 358
<b>Total assets as per Statement of financial Position</b>			<b>732 540 358</b>
<b>Liabilities</b>			
Segment liabilities	39 473 486	571 579 398	608 430 405
<b>Total liabilities as per Statement of financial Position</b>			<b>608 430 405</b>



## SOUTH AFRICAN TOURISM

Financial Statements for the year ended 31 March 2019

## NOTES TO THE FINANCIAL STATEMENTS

35.  
Segment information (continued)

Figures in Rand				
2018				
Segment surplus or deficit, assets and liabilities	Segment 1	Segment 2	Eliminations	Total
<b>Revenue</b>				
Revenue from non-exchange transactions	1 246 128 783		-	1 246 128 783
Interest revenue	27 319 400	252 219	-	27 571 619
Gain on disposal of assets	(197 748)	1 267 868	-	1 070 120
Sundry income	68 921 954	5 737 053	-	74 659 007
Grading revenue	20 645 627		-	20 645 627
<b>Total segment revenue</b>	<b>1 362 818 016</b>	<b>7 257 140</b>	<b>-</b>	<b>1 370 075 156</b>
<b>Entity's revenue</b>				<b>1 370 075 156</b>
<b>Expenditure</b>				
Salaries and wages	137 459 580	56 920 057	-	194 379 637
Marketing expenses	713 083 473	343 093 971	-	1 056 177 444
Forex loss	2 035 119	43 046 670	-	45 081 789
General expenses	46 243 353	33 430 629	-	79 673 982
Grading expenses	14 551 763	-	-	14 551 763
<b>Total segment expenditure</b>	<b>913 373 288</b>	<b>476 491 327</b>	<b>-</b>	<b>1 389 864 615</b>
<b>Total segmental surplus/(deficit)</b>				<b>(19 789 459)</b>
<b>Assets</b>				
Segment assets	449 866 592	248 313 046	-	698 179 638
<b>Total assets as per Statement of financial Position</b>				<b>698 179 638</b>
<b>Liabilities</b>				
Segment liabilities	357 671 318	643 778 246	(502 002 842)	499 446 722
<b>Total liabilities as per Statement of financial Position</b>				<b>499 446 722</b>



Ensuring Change through Empowerment

### *B-BBEE Verification Certificate*

Registered Name: *South African Tourism Board*  
Trading as: *South African Tourism*  
Registration no: *Public entity (established in terms of section (2) of the Tourism Act, (Act No. 72 of 1993 as amended)*  
VAT No: *N/A*  
Head Office Location: *Bojonala House, 90 Protea Road, Chislehurst, Sandton, Gauteng*  
Postal address: *Private Bag X 10012, Sandton, Gauteng*  
Verification standard applied: *Dti Codes of Good Practice on Black Economic Empowerment*  
Scorecard applied: *Specialized Generic Scorecard Validation*

Element	Target Score	Actual Score
Management Control	20	14.57
Skills Development	25	15.59
Enterprise and Supplier Development	50	28.74
Socio-Economic Development	5	0.00
Total Score:	100	58.90

Broad Based BEE status level: *LEVEL EIGHT CONTRIBUTOR*  
BEE procurement recognition level: *10.00%*  
Empowering Supplier: *Yes*  
Enterprise Development Beneficiary: *No*  
Date of Issue: *11 April 2019*  
Expiry Date: *10 April 2020*

Technical Signatory: *Hoyd Mazibuko CA(SA)*

*SOU006579/04/2019*

Certificate Number

The information on this certificate and in the verification report represent an independent opinion based on verification procedures and analysis carried out by mPowerRatings in terms of the principles contained in the Department of Trade and Industry's Code of Good Practice on Broad Based Black Economic Empowerment as gazette August 2015

mPowerRatings (Pty) Ltd Reg No. 2004/003425/07



99 Jan Smuts Avenue, Saxonwold, 2196  
PO Box 87471, Houghton, 2041  
Tel: + 27 11 880 0060 Fax: +27 86 666 4815  
[www.mpowerratings.co.za](http://www.mpowerratings.co.za)



C E R T I F I C A T E

