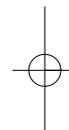
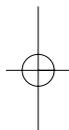


## Table of Contents

Chairperson's Overview	2
Chief Executive Officer's Overview	3
Chief Executive Officer's Report: Skills Development	5
Chief Executive Officer's Report: Learnership	20
Chief Executive Officer's Report: ETQA	23
Chief Executive Officer's Report: Projects	25
Board Report: Corporate Governance	40
Statement of Responsibility by the Board	50
Report of the Auditor General	51
Report of the Accounting Officer	53
Income Statement	58
Balance Sheet	59
Statement of Changes in Equities	60
Cash Flow Statement	61
Accounting Policies to the Annual Financial Statements	62
Notes to the Annual Financial Statements	68
Report of the Audit Committee	84
Human Resources	86
Acronyms	88





*Empowerment and transformation of the Tourism Sector will contribute to its growth and sustainability. THETA has turned the corner and with continued support from the sector, will put back what is expected.*

## Chairman's Overview

Congratulations to South Africa for winning the rights to host the Soccer World Cup in 2010, one of the biggest, most spectacular sporting events in the world. Preparations have commenced and the opportunity exists to showcase South Africa to the world. Tourism and Sport are powerful forces for development, which stimulate investment in infrastructure, hotels and restaurant projects for enjoyment of local population and tourists. Events create jobs and it is THETA's responsibility to meet the skills requirements of the sector.

2005 marks the end of the first five year cycle of the skills development strategy. Not only did the Sector Education and Training Authorities (SETAs) achieve the targets set, but in certain sectors, far exceeded expectations. The impact of these successes has already begun to transform people's lives.

Well done to the staff, stakeholders and partners of THETA for being selected by the Minister of Labour, the Honourable Mr. Membathisi Mdladlana, as one of the SETAs that will continue their work during the second skills development cycle. The improvement in service delivery as well as a research in future skills needs and expected economic trends were positive contributions to the decision. We are grateful for the Minister's confidence in us to play a meaningful role in skills development in the tourism, hospitality and more importantly, the sports sector.

The Sho't Left initiative aimed at developing domestic tourism has taken off successfully and is proving to be a success as a brand and a program. The increasing demand on the sector has resulted in rising needs for THETA services. The domestic market is currently valued at R47 billion with further opportunity for growth.

The Tourism Black Economic Empowerment (BEE) Scorecard and Charter development process was launched by the Minister of Environmental Affairs and Tourism, the Honourable Mr. Martinus Van Schalkwyk on the 13th July 2004 and sets the standard for the level of inclusion of black people in the Tourism Sector.

Empowerment and transformation of the Tourism Sector will contribute to its growth and sustainability. THETA has turned the corner and with continued support from the sector, will put back what is expected.

### CHALLENGES

Funding the shortfall in levies collected from SMME's with a payroll of less than R500 000 per annum will impose a major

challenge. It is predicted that THETA would forfeit around 6000 employers. The challenge lies in convincing the public sector to voluntarily contribute to their relevant SETA. THETA in this regard would like to thank the government departments in the sector, who have already contributed, for their valued support.

### HIGHLIGHTS

We have achieved stability in terms of keeping the staff turnover at senior management level relatively low. This ensures a smooth operation as result of stable and constant leadership and continuity within THETA.

The Skills Gap Study has helped to ensure that smaller sectors within THETA such as sport receive the attention they deserve, and subsequently the necessary learnerships to enhance the required skills have been put in place.

THETA concentrated on project scoping during the period and managed to launch 16 projects successfully, contributing immensely to the targets set.

### ACKNOWLEDGEMENTS

We said our farewells to Kananelo Makhetha previous Chairman of THETA and thank him for his valuable contribution during his tenure. We wish him well for the future.

My gratitude goes to our Board Members and Stakeholders for their constant support and valued inputs. A special thanks to Mike Tsotetsi who led THETA successfully during the past two years and for his valued effort in taking the organisation forward. I would also like to thank Bettie van Straaten for her contribution during the period worked with us as Chief Operating Officer and congratulate her on the appointment as Chief Executive Officer of MERSETA.

I am looking forward to celebrating the success of THETA during the next skills development cycle.

**Thabo Mahlangu**  
Chairperson



*The re-establishment of THETA for the next skills development cycle demonstrates the confidence that the Department of Labour and other stakeholders have in us. The onus is now on us to ensure that we work together to develop the skills of people to allow the country to deliver a world class service.*

## CEO's Overview



I am extremely happy and proud in the achievements of THETA during the past year. There was a remarkable contribution towards the National Skills Development Strategy, set five years ago, and targets for THETA were achieved in all but one section. Hard work and a focused approach paid off. I would like to thank all the employees for their valued contribution during this tiring but rewarding period.

During the five year cycle 700 000 workers embarked on and completed a structured learning programme of which 117 000 were women and 447 000 were black. THETA managed to place 24 enterprises on the Investors in People Program and paid back skills development grants to 74 large and 179 medium-sized enterprises. These achievements far exceed the targets set for us and shows our commitment towards skills development in South Africa.

We embarked on a skills development impact study during the year to investigate and analyse the implementation of skills development programmes, learnerships and structured learning by employers, and to determine the impact of these programs in the sector. Overall these programs are making a positive contribution to the sector. The study also revealed that we need to revisit the implementation of learnerships and the support given to SMME's in this regard with communication playing a pivotal role. The impact of THETA would also increase if we segmented the market and not used a one size fits all approach.

Another research initiative relating to the need for Adult Basic Education and Training (ABET) within the sectors of THETA highlighted the daunting challenges we face. The research revealed that less than 20% of the sector provides ABET and support. This is of concern because ABET is the access route for most adults into THETA learnerships. THETA will concentrate on this challenge during the coming years and we have already set ourselves a target of 5000 learners on ABET level 4 for the coming year.

We have at last a reliable learnerships database which was developed and fine-tuned during the past year. This was a huge task as the database was corrupted with duplicate and incorrect entries of the past. Due to the accurate tracking of learners and correct information available in the system approximately 12 000 learner certificates were issued to learners in all the THETA sectors. In the coming months

another 10 000 certificates will be issued.

THETA now has a visible, operational and documented Quality Management System. Management and staff are committed to the implementation and maintenance of the system which ensures documented processes and conformity in the organisation.

Our contribution towards the capacity building of Skills Development Facilitators (SDF's) delivered a low return due to the lack of commitment to training. The workshops however received excellent reviews despite the low attendance. It was disappointing to note the low turnouts even though confirmations were received.

Our Standard Generating Body/Qualifications scoping project has earmarked to review and re-write in accordance with the South African Qualifications Authority requirements 33 qualifications of which 16 are on NQF level 5. Five new qualifications, 3 in Hospitality, Guiding and 2 in Conservation, Tourism have been completed. Changes have also been made to THETA Online to improve the registration process and to allow a core group to be added for consultation on any particular qualification. THETA is contributing to new and exciting careers in the sectors we serve.

### FINANCES

It was unfortunate to receive a qualified report from the Auditor-General in relation to the overspending of the 10% administration threshold. Overall we received a positive report from the Auditor-General in relation to financial management and control and we have already managed to pull the administration expenses back for the coming year and are committed to operating within the set parameters. As early as September 2004, SETA became aware that the income had been overestimated, which would impact negatively on expenditure. Regulations state that prior approval must be obtained if over expenditure is anticipated and SETA made several attempts to obtain such approval through the Department of Labour to National Treasury. The matter has been exacerbated as previously project income (R 1.1 million) allowed as administration income was rejected this year. The finance department has been stabilised, internal controls implemented and a supply chain department, as required, has been established. THETA now operates within the parameters of regulations and shall continue to tighten our internal

