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Auditor-General's Report





Auditor-General's Report

Report of the Auditor-General to parliament on the financial statements and performance information of South African Tourism for the year ended 31 March 2009

Report on the financial statements

Introduction

1. I have audited the accompanying financial statements of the South African Tourism which comprise the statement of financial position as at 31 March 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 131 to 169.

The accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note xx and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Tourism Act, 1993 (Act No. 72 of 1993) 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.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 14(3) of the Tourism Act, 1993 (Act No. 72 of 1993), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the South African Tourism as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 of the annual financial statements and in the manner required by the PFMA.

Basis of accounting

8. Without qualifying my opinion, I draw attention to accounting policy note 1 to the financial statements, which describes the basis of accounting. The public entity's policy is to prepare financial statements on the basis of accounting, determined by the National Treasury.

Other matters

9. Without qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Governance framework

10. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting authority and executive management and are reflected in the key governance responsibilities addressed below:

Key governance responsibilities

11. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

Matter	Yes	No
Clear trail of supporting documentation that is easily available and provided in a timely manner		
1. No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
Quality of financial statements and related management information		
2. The financial statements were not subject to any material amendments resulting from the audit.	✓	
3. The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
Timeliness of financial statements and management information		
4. The annual financial statements were submitted for auditing as per the legislated deadlines 55 of the PFMA.	✓	
Availability of key officials during audit		
5. Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and governance practices		
6. Audit committee	✓	
• The public entity had an audit committee in operation throughout the financial year.	✓	
• The audit committee operates in accordance with approved, written terms of reference.	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	✓	
7. Internal audit	✓	
• The public entity had an internal audit function in operation throughout the financial year.	✓	
• The internal audit function operates in terms of an approved internal audit plan.	✓	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.	✓	
8. There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	✓	
9. There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	✓	
10. The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11. A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 27.2.	✓	
12. Powers and duties have been assigned, as set out in section 56 of the PFMA.	✓	
Follow-up of audit findings		
13. The prior year audit findings have been substantially addressed.	✓	
14. SCOPA resolutions have been substantially implemented.	n/a	
Issues relating to the reporting of performance information		
15. The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	✓	
16. Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	✓	
17. A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the South African Tourism against its mandate, predetermined objectives, outputs, indicators and targets per Treasury Regulations 30.	✓	
18. There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

Report on performance information

12. I have reviewed the performance information as set out on pages 40 to 45.

The accounting authority's responsibility for the performance information

13. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

The accounting authority's responsibility for the performance information

14. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008.
15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
16. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

Appreciation

17. The assistance rendered by the staff of the South African Tourism during the audit is sincerely appreciated.

Auditor - General

22 July 2009



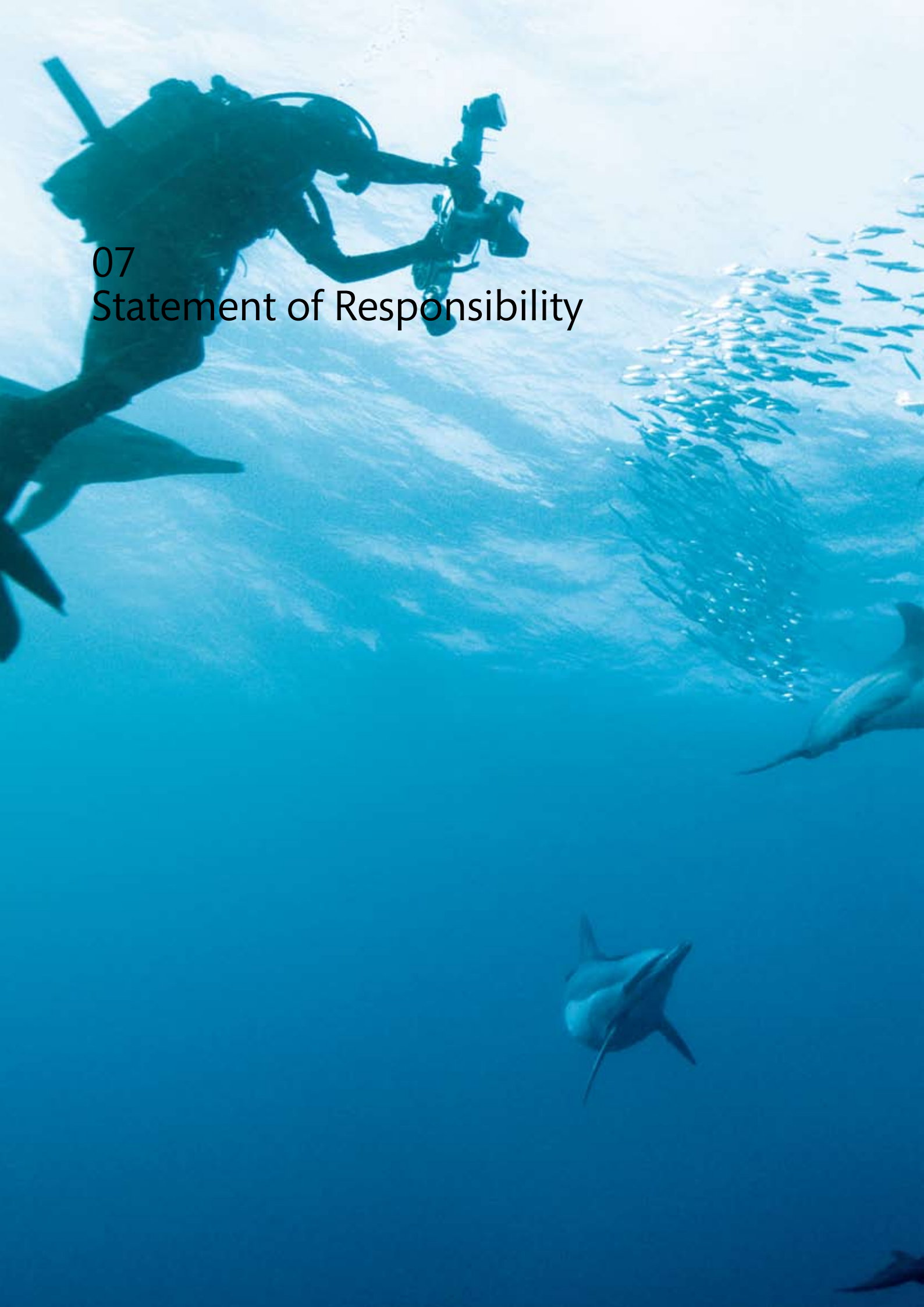
AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



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Statement of Responsibility





Statement of Responsibility for the financial year ended March 31 2009



Jabu Mabuza
Chairperson

1. Requirements of the Public Finance Management Act

The members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent SA GAAP Statement as follows:

Standard of GRAP

GRAP 1: Presentation of financial statements

GRAP 2: Cash flow statements

GRAP 3: Accounting policies, changes in accounting estimates and errors

Replaced Statement of SA GAAP

AC 101: Presentation of financial statements

AC 118: Cash flow statements

AC 103: Accounting policies, changes in estimates and errors

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

- the accounting authority to ensure that the organisation keeps full and proper records of its financial affairs
- that the annual financial statements fairly present the state of affairs of the organisation, its financial results, its performance against predetermined objectives and its financial position as at the end of each financial year
- that the annual financial statements are presented in terms of Generally Accepted Accounting Practice (GAAP).

2. Objective of the Statement of Responsibility

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

3. Responsibilities around annual financial statements

The annual financial statements are the responsibility of the accounting authority, in the case of SA Tourism Board represented by its Board of Members and hereinafter referred to as the "Board". Management is responsible to the Board for the preparation and integrity of the financial statements and related information included in this annual report.

The Auditor-General is responsible for independently auditing and reporting on the financial statements. The Auditor-General has audited SA Tourism Board's financial statements and the Auditor-General's report appears on pages 124 to 129.

4. Basis for preparation

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The annual financial statements are prepared on the historical cost basis and incorporate the principal accounting policies, set out in the annual financial statements.

5. Going concern

The Board has reviewed the organisation's budgets and cash flow forecasts for the year ended 31 March 2009. On the basis of this review, and in view of the current financial position, the Board has every reason to believe that the organisation will be a going concern in the year ahead and have continued to adopt the going concern basis in preparing the financial statements.

6. Internal control and risk management

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

Internal financial controls have been maintained in the period under review to provide assurance regarding:

- the safeguarding of assets against unauthorized use or disposition; and
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

Trained, skilled personnel with an appropriate segregation of duties have been appointed to implement and maintain these controls. They are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls. An effective system of internal control therefore aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, financial statement presentation. Furthermore, because of changes in conditions, the effectiveness of internal controls may vary over time.

As part of the system of internal control, an internal audit function was in place for the entire period under review and operational, financial and specific audits have been conducted in line with an Internal Audit Plan approved by the Board.

All such internal audit reports, which incorporate comments from management on audit findings, have been made available to external auditors, whose responsibility is limited to reporting on the financial statements.

7. Board's opinion

The Board has reviewed the organisation's systems of internal control and risk management for the period 1 April 2008 to 31 March 2009. The Board is of the opinion that:

- the organisation's systems of internal control and risk management were effective for the period under review;
- no material losses, irregular expenditure, fruitless expenditure or wasteful expenditure occurred in the period under review;
- the annual financial statements fairly present the financial position of SA Tourism Board at 31 March 2009 and the results of its operations and cash flow information for the year and that the Code of Corporate Practices and Conduct has been adhered to.

8. Approval of annual financial statements

The annual financial statements for the year ended 31 March 2009, set out on pages 134 to 169, were submitted for auditing on 31 May 2009 and approved by the Board in terms of section 51 (1) (f) of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended and is signed on its behalf by:



Jabu Mabuza
Chairperson

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Report by the Accounting Authority
to the Executive Authority





Report by the Accounting Authority to the Executive Authority

1. Corporate activity

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

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

2. SA Tourism Business Units and markets

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

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

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

2.1 Core markets: These markets are very attractive and easier access from a tourism-marketing point of view, deliver the "bread & butter" in terms of tourism for South Africa and approximately 60% of organisation's effort (in terms of human capital and budget) is deployed in these markets. Until 31 March 2011, these markets are Botswana, Kenya, Nigeria, USA, UK, Australia, India, France, Germany, the Netherlands and the domestic South African market.

2.2 Investment markets: These markets are also very attractive, but more difficult to access from a tourism-marketing point of view. Given the potential of these markets, it is of great importance for SA Tourism to invest in these markets, ahead of the future returns. Approximately 20% of organisation's effort (in terms of human capital and budget) is deployed in these markets. Until 31 March 2011, these markets are Angola, Democratic Republic of the Congo, Mozambique, Zimbabwe, Canada, China (including Hong Kong), Japan, Italy and Sweden.

2.3 Tactical markets: These markets are less attractive, but very easy to access from a tourism-marketing point of view. Approximately 15% of organisation's effort (in terms of human capital and budget) is deployed in these markets. Until 31 March 2011, these markets are Ghana, Swaziland, Tanzania, Lesotho, Singapore, Ireland and Switzerland.

2.4 Watch-list markets: These markets are less attractive and more difficult to do from a tourism-marketing point of view. However, limited exploratory marketing, largely in conjunction with South Africa's overseas missions and tour operators, is to be undertaken by SA Tourism in these markets as they might grow into future, more prominent markets for South Africa from a tourism point of view. Approximately 5% of organisation's effort (in terms of human capital and budget) is deployed against these markets. Until 31 March 2011, these markets are Egypt, Namibia, United Arab Emirates, Brazil, Malaysia, New Zealand, Republic of Korea, Austria, Belgium, Denmark, Norway and Spain.

2.5 Strategic hubs: Limited marketing activities are also undertaken around key international airline hubs given the available airlift from such markets to South Africa or markets where our country has a national strategic interest. Until 31 March 2011, these hubs are Ethiopia, Zambia, Senegal, Argentina, Thailand, Greece, Bahrain, Oman, Qatar and Saudi Arabia.

The specific segments of tourists in the abovementioned markets have been identified through extensive global research that commenced in 2001 and has been ongoing ever since. The above-mentioned markets will be reviewed again before 31 January 2010 based on latest research whereafter a final portfolio of focus markets will be determined for the next 3 years effective 1 April 2011 (and included in the 2011/12 Business Planning & Budgeting process for all business units and country offices that will commence in February 2010).

In line with its Tourism Marketing Growth Strategy, SA Tourism has executed a broad spectrum of segment specific marketing activities and support activities through 17 business units, each with its own business plan and budget, reporting to a Business Unit Manager. These business units, the sub business units that fall under each business unit and the name of the designation that manages each business unit as Business Unit Manager on 31 March 2009 were (see page 137):

Name of business unit	Designation of business unit manager	Sub business units falling under this business unit
1. Research	Chief Research Officer	
2. Americas & UK Portfolio	Regional Director: Americas	2.1 USA office 2.2 UK office 2.3 Americas & UK Head office
3. Europe Portfolio	Regional Director: Europe	3.1 German office 3.2 French office 3.3 Netherlands office 3.4 Italy office 3.5 Europe Portfolio Head office
4. Asia & Australasia Portfolio	Regional Director: Asia	4.1 Australia office 4.2 Japan office 4.3 China office 4.4 India office 4.5 Asia Portfolio Head office
5. Africa Portfolio (including Domestic)	Regional Director: Africa	5.1 SADC 5.2 Domestic 5.3 East Africa 5.4 West Africa 5.5 Africa Portfolio Head office
6. Central Marketing	Chief Marketing Officer	6.1 Advertising & Marketing Management (including Global Brand Management, Corporate Identity compliance and all agency management excluding PR) 6.2 Global Projects 6.3 Channel Management (including the management of Strategic Hubs)
7. Public Relations & Communication	GM: Pr & Communication	7.1 Stakeholder Management (including all watch-list markets)
8. E-Marketing (including the management of the Outsourced International the Call Centre)	Manager: E-Marketing	8.1 Content Management 8.2 Online Marketing
9. Finance (including Supply Chain and Payroll)	Chief Financial Officer	9.1 Financial Management 9.2 Supply Chain Management 9.3 ISO Quality Management 9.4 Payroll Management 9.5 Performance Information 9.6 Risk Management
10. Tourism Grading Council of South Africa	CEO: TGCSA	-
11. Human Resources	GM: Human Resources	-
12. Office of the CEO/COO	Chief Operating Officer	12.1 Legal 12.2 Administration (including fixed asset and insurance management) 12.3 Board Secretarial 12.4 Internal Audit 12.5 CEO Projects
13. Business Systems (including all IT support functions)	Manager: Business Systems	-
14. Events Platform (including all 2010 marketing and activation)	Global Manager: Events	-
15. Product and Itinerary	Global Manager: Product & Itinerary	-
16. Charter Council (TECSA)	CEO: TECSA	-
17. Business Tourism	Global Manager: Business Tourism	-

Included in SA Tourism's Portfolio Business Units are its ten overseas country offices:

- Amsterdam (Netherlands)
- Beijing (China)
- Frankfurt (Germany)
- London (UK)
- Milan (Italy)
- Mumbai (India)
- New York (USA)
- Paris (France)
- Sydney (Australia)
- Tokyo (Japan)

3. Review of operations

Of the many other activities SA Tourism has successfully executed during the 2008/09 financial year, which are reported on in detail earlier in the Annual Report, the following activities and results deserve special mention:

3.1 Numerous awards were awarded to South African Tourism, its country offices and various South African tourism products during the year under review. Significant awards for South African Tourism and the country includes:

- 3.1.1** For South African Tourism, its offices and activities:
- 3.1.1.1** European CEO Magazine's Tourist Board of the Year Award for its outstanding efforts in marketing South Africa as a destination (European CEO Magazine Award);
 - 3.1.1.2** Best destination marketing organization in Africa (World Travel Awards);
 - 3.1.1.3** Best NTO in India 2008 (Hospitality India & Explore the World International Awards);
 - 3.1.1.4** Africa's leading travel exhibition (Indaba) (World Travel Awards); and
 - 3.1.1.5** Shortlisted for the Best Tourism Board Award, with Australia, Barbados, Canada, Dubai and Jamaica (TTG Travel Awards – UK).
- 3.1.2** For South Africa:
- 3.1.2.1** Best International Adventure Tourism Destination (India) (Today's Traveller Magazine (India);
 - 3.1.2.2** Best Destination (long haul) (Travel Weekly China Award);
 - 3.1.2.3** Best Eco-tourism Destination (Travel Weekly China Award); and
 - 3.1.2.4** One of the developing world's Ten Best Ethical Travel Destinations (2008 Ethical Traveler Report).

3.2 The new Corporate Identity manual for SA Tourism was developed and approved by Exco during April 2008.

3.3 The new Induction Programme of South African Tourism was completed and all Exco and Manco staff members were re-inducted during August 2008. The roll-out of this Induction Programme to other staff members commenced in February 2009.

3.4 Awareness scores in all markets increased by 1% while positivity scores decreased by 1% respectively during 2008.

3.5 The number of positive consumers in target markets seeking information about South Africa and the number of positive consumers in target market visiting SA decreased by 1% compared to 2007.

3.6 South African Tourism maintained a resignation rate of lower than 7% during the first six months as well as the second six months period. 6,72% of staff resigned during the first 6 month and 5,67% resigned during the second six months period. A total of 17 employees resigned during the financial year.

3.7 South African Tourism achieved its target of 70% participation in the annual Deloitte Best-Company-to-Work-for Survey and achieved 45th position in the Small Company category (out of 55 participants).

3.8 Following the completion of all job analysis and job verifications at South African Tourism, South African Tourism was able to complete a comprehensive database of all skills by 31 January 2009.

3.9 In its endeavours to build and retain relationships with Leisure & Business Tourism trade by using the Sales Contact Management system, a Leisure Trade- and Business Tourism strategy was drafted. These documents will be considered for approval by Exco no later than 30 June 2009.

3.10 South African Tourism hosted 104 international buyers and 15 international media at Meetings Africa during February 2009.

3.11 In terms of improving its dialogue stakeholders, South African Tourism increased its database to 34,502 foreign trade contacts and 2 021 SA trade contacts by 31 March 2009.

3.12 Tourism Grading Council graded 1 808 new properties during the financial year. This is in addition to the annuals where 5 132 were regraded.

3.13 Continued input and pressure from TECSA contributed to the gazetting of the Tourism BB-BEE scorecard by the DTI in June 2008. Milestones were adjusted to 2012 and 2017 from 2009 to 2014 respectively.

3.14 Various pieces of collateral were produced during the financial year including a Business Tourism Destination DVD, pocket maps, trade presenter, meeting planners guide, banners and promotional gifts.

3.15 Through sustained marketing efforts, South African Tourism managed to increase its Global Trade Extranet users to 9,437 by 31 March 2009.

3.16 Despite some problems, SA Tourism continued to improve its South African expert online training course known as FUNDI. The objective is to make Fundi one of the leading online country expert courses in the world. SA Tourism also continued to conduct numerous Fundi workshops around the world (whereby the people working for the outbound operator became an expert on the tourism product platform in South Africa). As at 31 March 2009, SA Tourism had 1 680 qualified Fundi Experts and 5 164 Registered Fundis.

3.17 Public Relations and Communications activities included:

3.17.1 The release of 80 media releases;

3.17.2 Over 100 interviews covering topics ranging from tourism & economy, 2010 readiness to global campaign/deals, ETEYA, Welcome and Business Tourism (BT);

3.17.3 5 x face to face meetings with foreign correspondents – Took place from 17 Nov – 2 Dec 2008 with the New York Times – Associated Press New York – Financial Times, Voice of America and Chinese Correspondents;

3.17.4 1 x Explore SA feature;

3.17.5 1 x Archbishop Desmond Tutu editorial for Der Spiegel (Germany);

3.17.6 1 x Indian Economic Times editorial (1000 words); and

3.17.7 4 x Miss World media hosting: Austria, Spain and Denmark.

3.18 SA Tourism hosted 780 media representatives (2007/8: 415) from 19 countries (2007/8: 21) countries on 147 trips to 9 provinces (2007/8: 8). The media coverage value from this is estimated at more than R1,4 billion (2007/8: R 921 million).

3.19 SA Tourism continued with the implementation of its Global Messaging Strategy.

3.20 SA Tourism continued with the marketing of its Media Extranet and had 577 media-representatives registered as at 31 March 2009 (31 March 2008:224).

3.21 SA Tourism hosted its most successful Indaba to date where, compared to Indaba 2008:

3.21.1 the total number of attendees at Indaba 2008 increased by 3%, from 12 056 in 2007 to 12 420 in 2008;

3.21.2 the total number of visitors increased by 7.5% (previous year: 2%);

3.21.3 the total number of international travel buyers increased by 13.5% (previous year: 2.8%);

3.21.4 the total number of local trade attendees increased by 28.4% (previous year: 135%); and

3.21.5 the total number of exhibiting companies decreased by 1.7% from 1 755 in 2007 to 1 725 in 2008, of which 196 exhibiting companies (previous year: 184) are registered HDIs

3.22 South African Tourism continued with its global media campaign on CNN, BBC World, Eurosport, National Geographic and News Corporation. This global campaign reached over 600 million consumers via a combination of Brand and channel-specific television commercials as well as online and programme sponsorships. During 2008/9, South African Tourism achieved a combination of 4800 brand spots and vignettes and just over 80 million online impressions which reached over 600 million consumers ensuring that Brand South Africa's awareness is at a premium ahead of the 2010 FIFA World Cup™.

Rooms	Assessment fee	Joining fee	Total (ex VAT)
1-3	R1,389	R63	R1,452
4-8	R1,893	R126	R2,019
9-15	R2,276	R253	R2,529
16-25	R2,650	R253	R2,903
26-50	R3,537	R253	R3,790
51-75	R4,169	R253	R4,422
76-100	R4,544	R253	R4,797
101-150	R5,300	R253	R5,553
151+	R6,525	R253	R6,778

Details	Situation as at 31 March 2009	Situation as at 31 March 2008	Situation as at 31 March 2007
Total number of permanent SA Tourism employees including those locally recruited overseas	153	162	148
Total number of permanent SA Tourism employees excluding those locally recruited overseas (A)	109	124	111
Total number of interns included in (A)	4	7	9
Total number of HDI employees included in A above (referred to as B below)	93	100	91
Employment equity % (B as a % of A)	78.9%	80.6%	82.0%

3.23 SA Tourism successfully negotiated Joint Marketing Agreements (JMAs) with key trade and other stakeholders in South Africa to promote domestic tourism. These key trade stakeholders included Kulula, Southern Sun, SAB Miller and First National Bank.

3.24 SA Tourism sponsored or partly sponsored familiarization trips for overseas travel agents (hosting) to South Africa.

3.25 Various road shows were conducted in counties (where SAT brings tourism product owners and tour operators from South Africa in direct conduct with outbound operators in the market).

3.26 The Tourism Grading Council successfully managed to contain the cost of grading and had the following fee structure as at 31 March 2009 (which represents no increase on the fee structure as at 31 March 2008) after having increased fees by 6% only (see bottom of page 133):

3.27 SA Tourism continued to meet its employment equity targets in 2008/09 (see top of this page):

3.28 SA Tourism continued to monitor and enhance its Oracle Financial system given the critical importance of this real-time financial system for the organization.

3.29 In addition to the 40 770 calls received at SA Tourism's International Call Centre in Johannesburg during the 2008/9 financial year (2007/8: 39 589), the Call Centre also received 18 513 fax- and e-mail enquiries (2007/8: 16 146), an increase of 14,7 % over that of the previous financial year.

3.30 SA Tourism continued to measure the performance of employees against performance contracts every 6 months. Performance bonuses for employees are paid on 1 June every year.

3.31 During the previous financial year SA Tourism acquired 100% of Meetings Africa, a Business Tourism exhibition, from Thebe and commenced with a strategy to elevate Meetings Africa to the level where it will be the largest Business Tourism exhibition platform on the African continent. Meetings Africa 2009, which took place from 25 to 27 February 2009 at the

Sandton Convention Centre, accordingly continued to build on the previous year's exhibition and attracted 163 exhibiting companies and 1 370 visitors of which 637 were international travel buyers and 290 were international buyers. Research conducted at the event indicated that 90% of exhibitors and 96% of visitors confirmed that Meetings Africa was beneficial to them.

3.32 SA Tourism continued to work with Expedia to help raise awareness on SA globally. This resulted in 5 775 additional passengers that bought a trip to South Africa and 14 438 additional room nights sold. In total, these 5 775 passengers lead to incremental turnover of USD 12,7 million to the South African Tourism Industry (2007/8: USD 28,4 million).

3.33 SA Tourism continued with the aggressive marketing of provincial and trade Sho't Left product offering via website support of consumer facing campaigns. Exposure of the domestic product offering was maximised through alignment with trade partners servicing consumers from SADC countries.

3.34 SA Tourism has continued to provide top-end providers in the channel (regular visits, regular telephone calls, informal get-togethers, provide appropriate toolkits, collateral & service in general, etc.).

3.35 SA Tourism undertook a number joint provincial road-shows with TOMSA and the TBCSA. These sessions provide feedback as we account to levy payers on how Tourism (TOMSA) levies collected by them were used for marketing purposes in order to grow arrivals.

3.36 The development and production of the 5th edition of a comprehensive guide of graded SA Tourism products that were launched at Indaba 2008.

3.37 The continuation of ETEYA (Emerging Tourism Entrepreneur of the Year Award) in association with Absa, which proved to be the leading competition in South Africa that contributes to job creation, financial sustainability of SMME businesses and transformation within the tourism industry.

3.38 Participated in the Cape Town International Jazz Festival, held in Cape Town at the end of March 2009.

3.39 SA Tourism, through its Research Business Unit, was, amongst others, responsible for the following:

- 3.39.1** Published various research booklets;
- 3.39.2** Continued to participate in the Tourism Satellite Account (TSA) process; this included:
 - 3.39.2.1** The finalisation of definitions which was submitted to StatsSA for inclusion as official statistics;
 - 3.39.2.2** The certification of the Departure Survey to be recognised as official stats by StatsSA.
- 3.39.3** Conducted a 5-year tourism review (against SA Tourism's objectives); this is a complete analysis of tourism's performance in relation to the tourism objectives;
- 3.39.4** Continued to deepen consumer insights; this process includes the development of consumer portraits for focus segments in US, UK and Germany integrating segmentation results (quant & qual) and brand tracking analytics across 13 countries; and
- 3.39.5** Conducted a Business tourism research review (against SAT objectives) and updated SA Tourism's Business Tourism Strategy accordingly.

In conclusion, Brand South Africa has worldwide a highly desirable and recognisable reputation which in itself has immense marketing value for SA Tourism and the SA Tourism trade in general. Accordingly, SA Tourism has continued with an extensive process of registering all its trade marks in South Africa and in all its core international markets, to ensure the global competitiveness of the Brand South Africa and providing the tourism trade with a platform from which to market our beautiful Mzansi!

4. Review of activities

The successful hands-on execution of the above:

- 4.1** Assisted South Africa to outperform the average 2008 global growth rate in international tourist arrivals of 1.3% and grow international tourist arrivals to South Africa by 5.5% from 9,1 million in the 2007 calendar year to 9,6 million in the 2008 calendar year; total arrivals from land markets were 7 087 452, which was 0.5% above target while total arrivals from air markets was 2 504 376, which was 5.3% under target.
- 4.2** Assisted South Africa to achieve an average foreign direct spend per land markets tourist of R 6 200 per person, an increase of 12% over 2007.

4.3 Assisted South Africa to achieve an average foreign direct spend per air markets tourist of R 13 800 per person, an increase of 35% over 2007.

4.4 Assisted South Africa to achieve a respectable 33 million domestic trips inside South Africa during 2008 despite the poor state of the economy; this represents a drop of 3 million domestic trips over 2007.

4.5 Assisted South Africa to receive R 74,2 billion in foreign direct spend from tourists in the 2008 calendar year (2007: R60,1 billion).

4.6 Assisted SA Tourism to increase the total number of unique visitors to its websites during the 2008/09 financial year from 1 676 540 in the 2007/8 financial year to 1 806 650 in the 2008/09 financial year.

4.7 Increase brand awareness of South Africa as a tourist destination for all overseas markets from 75% in 2007 to 76% in 2008.

4.8 Decrease positivity towards SA in overseas markets from 38% in 2007 to 37% in 2008.

4.9 Was done while SA Tourism, for the fourth consecutive year, reached the target of spending 40% of its available spend on HDI organizations.

5. General review of the state of financial affairs

SA Tourism incurred total expenses of R 724.27 million (2007/8: R 627.75 million) during the 2008/9 financial year, leaving a net surplus of R 6.94 million (2007/8: R 23.6 million) for the year under review.

A total of R 586.09 million (2007/8: R 517.6 million) of SA Tourism's funding, representing 80% (2007/8: 79%) of total revenue, came from Government. Other revenue of R 154.86 million (2007/8: R 139.25 million) was earned from voluntary Tourism levies, interest received, exhibitions, grading activities, sale of marketing items, sale of advertisement space in publications and raising sponsorships.

6. Key performance areas for the 2009/10 financial year

6.1 SA Tourism has included four high-level objectives for the organisation in its 5-year Strategic Plan that will be vigorously pursued during the 2009/10 financial year. These 4 high-level objectives will be achieved through the execution of 6 very specific strategies containing clear actions and how the success of these actions will be measured.

6.2 These 4 high-level objectives are:

- 6.2.1 achieving 9 824 858 foreign tourist arrivals to South Africa during the 2009 calendar year, an increase of 233 030 or 2.4% over the 9 591 828 foreign tourist arrivals to South Africa during the 2008 calendar year;
- 6.2.2 achieving R 9 900 average spend per tourist inside South Africa during the 2009 calendar year, an increase of R 2 600 or 35.7 % over the R 7 300 expected average spend per tourist inside South Africa during the 2008 calendar year;
- 6.2.3 to make South Africa the most preferred Tourism Brand by 2014, meaning South Africa should be in the top 3 countries in our competitor set considered by any tourist planning to travel long-haul from any of our core markets. In order to achieve this, we should during the 2009 calendar year achieve a 3% increase in total awareness in all markets and maintain levels of awareness in markets with more than 85% total awareness, we should achieve a 2% increase in "consideration" in core markets and we should achieve an above average rating in "affiliation" in core markets; and
- 6.2.4 that SA Tourism should become the best Tourism Organization in the world by 2010, as decided by the Annual Tourism Awards Committee of the World Tourism Organization, and as attested to by the most credible award committees in our chosen core markets. In order to achieve this, SA Tourism should, during the 2009/10 financial year, continue to receive clean external audit reports, achieve a staff retention of 85%, increase its ranking in the "Best-company-to-work-for" competition by 5 positions and continue to receive in-market awards for marketing.

SA Tourism's actual performance against these four high-level objectives will be comprehensively reported on in SA Tourism's 2009/10 Annual Report. It will also be subjected to a Performance Information audit by the Auditor-General during the 2009/10 external audit.

7. The Board of SA Tourism, Executive Management and other matters to report

7.1 The Board of SA Tourism

The non-executive Board was appointed by the Minister of Environmental Affairs and Tourism for a period of 3 years effective 1 July 2006. It consisted of 2 executive Board members and 13 non-executive Board members. The term of the current Board was subsequently shortened to 31 May

2009 for operational reasons. Non-executive members of the Board complement the skills and experience of the EXCO, contributing to the formulation of policy, strategy and high-level decision-making through their knowledge and experience of other businesses and sectors. All members of the Board bring an independent judgment to the issues of strategy, performance, and resources, including key appointments and standards of conduct.

No remuneration was paid to any Board member during the current financial year.

7.2 Executive Management (EXCO)

The EXCO generally has responsibility for proposing strategy and for making and implementing operational decisions on running SA Tourism.

The following employees served on Exco as at year end:

Name	Designation
M E Mosola	Chief Executive Officer
D Moyle	Chief Operating Officer
R Singh	Chief Marketing Officer
J N van der Walt	Chief Financial Officer

Details of South African Tourism's EXCO, its MANCO (medium management level) and remuneration paid to these parties are disclosed on page 136:

7.3 SA Tourism's Retirement Fund Board of Trustees

- Mr. J v/d Walt (Chairperson & employer representative)
- Mr. F. van der Spuy (Employee representative)
- Ms. B. Mphuthi (Employer representative)
- Mr. M. Maloma (Employee representative)
- Mr T. Thumbran (Employee representative)

8. Subsequent events

There have been no significant events subsequent to the financial year end that have had an impact on the financial statements.



Jabu Mabuza
 Chairperson
 26 May 2009

Name	Designation	Basic Salary	Other Earnings	Total Company Contributions	Total package 2008/09
ME Mosola ¹	Chief Executive Officer	2,074,500	741,312	337,926	3,153,738
D Moyle	Chief Operating Officer	762,450	689,252	120,358	1,572,060
R Singh	Chief Marketing Officer	730,480	239,442	148,180	1,118,102
JN van der Walt	Chief Financial Officer	913,770	518,141	172,019	1,603,930
BS Auret	Acting Global Manager: E-Marketing	532,001	127,934	67,142	727,077
FG Buchner	Regional Director: Europe	504,457	286,147	79,896	870,500
L Dube	Manager: Administration	437,790	115,757	60,180	613,727
PE Dhlomo ²	Regional Director: Africa and Domestic	338,680	170,557	35,613	544,850
R Essop ²	Manager: Business Systems	184,029	97,093	20,470	301,592
T Kunene	CEO: TGCSA	684,000	388,667	84,621	1,157,288
AI Lue ²	Global Manager: Business Tourism	216,300	175,856	45,046	437,202
NC Ndlovu ²	Global Manager: Business Tourism	279,830	137,973	36,204	454,007
EM Mahlaba	Global Manager: Channel & Customer Management	617,180	343,387	117,690	1,078,257
MP Maloma	Manager: Finance	602,100	156,947	96,035	855,082
BM Mosupye	Acting CEO: TECSA	521,757	231,832	30,145	783,734
BM Mphuthi	General Manager: Human Resources	501,600	194,776	70,966	767,342
ZT Mukozho	Regional Director: Asia & Australasia	420,250	304,246	103,009	827,505
B Muthaya	Manager: Research	439,950	287,959	97,353	825,262
S Pillay	Global Manager: Events	560,760	308,190	72,984	941,934
WAF Price ²	Global Manager: E-Marketing	465,000	50,398	42,172	557,570
H Slabber	Global Manager: Product	487,200	182,844	129,246	799,290
WM Tlou	Global Manager: Communications	439,140	276,065	47,575	762,780
MC Williams	Regional Director: UK & Americas	619,800	231,805	69,382	920,987
		13,333,024	6,256,580	2,084,212	21,673,816

¹ = In line with the Board's approval, the CEO was paid an additional two months remuneration upon departure on 31 March 2009. An additional bonus of R 322,500.00 was paid to the CEO of South African Tourism by the International Marketing Council during the financial year for services rendered in his capacity as Acting CEO of the IMC.

² = Not employed for the full financial year.

09
The Financials





The Financials

Statement of financial position			
		As at 31 March	
	Notes	2009 R	2008 R
Assets			
Current Assets			
Trade and other receivables	2	36,711,599	41,896,469
Trade and other receivables	6	81,700	35,185
Cash and cash equivalents	3	162,614,916	178,604,322
		199,408,215	220,535,976
Non-Current Assets			
Property, plant and equipment	4	70,430,622	49,848,748
Intangible assets	5	16,477,649	12,655,007
Other receivables	6	-	51,460
		86,908,271	62,555,215
Total Assets		286,316,486	283,091,191
Net assets and liabilities			
Current Liabilities			
Trade and other payables	7	180,546,058	202,334,106
Other financial liabilities	8	1,237,262	1,633,735
Provisions	9	1,127,707	-
Income received in advanced	10	20,179,252	1,671,372
		203,090,279	205,639,213
Non-current liabilities			
Provisions	9	10,587,000	9,694,000
Other financial liabilities	8	3,602,539	5,668,642
		14,189,539	15,362,642
Total Liabilities		217,279,818	221,001,855
Net Assets		69,036,668	62,089,336
Net Assets			
Reserves			
Accumulated surplus		54,565,845	47,370,860
Revaluation reserve		14,470,823	14,718,476
Total Net assets and liabilities		69,036,668	62,089,336

Statement of financial performance			
For the year ended 31 March			
	Notes	2009 R	2008 R
Revenue			
Government grants		586,085,732	517,620,975
Other grants		55,700,000	57,000,000
	11	641,785,732	574,620,975
Other income			
Sundry income	12	66,665,863	46,703,295
Sale of marketing material		29,367	1,345,802
Grading income		6,426,396	3,849,470
Interest received		26,038,096	17,836,492
Foreign currency gains		-	12,512,766
		99,159,722	82,247,825
Operating expenses			
Marketing	15	(537,669,991)	(494,633,455)
Employee costs		(110,911,933)	(95,269,951)
Auditors remuneration	13	(2,417,493)	(2,508,649)
Other operating expenses	17	(54,839,080)	(31,192,696)
Depreciation, amortisation and impairments		(8,638,522)	(4,146,541)
Loss on disposal of assets		(1,044,101)	(2,819)
Foreign currency losses		(8,748,211)	-
		(724,269,331)	(627,754,111)
Operating surplus			
Finance costs	16	(9,728,791)	(5,551,745)
Surplus for the year		6,947,332	23,562,944

Statement of changes in net assets			
	For the year ended 31 March		
	Revaluation reserve R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	14,966,129	20,897,821	35,863,950
Adjustments			
Prior year adjustments	-	2,662,442	2,662,442
Balance at April 1 2007	14,966,129	23,560,263	38,526,392
Changes in net assets			
Surplus for the year	-	23,562,944	23,562,944
Transfer of revalued depreciation	(247,653)	247,653	-
Total changes	(247,653)	23,810,597	23,562,944
Balance at April 1 2008	14,718,476	47,370,860	62,089,336
Changes in net assets			
Surplus for the year	-	6,947,332	6,947,332
Transfer of revalued depreciation to retained earnings	(247,653)	247,653	-
Total changes	(247,653)	7,194,985	6,947,332
Balance at March 31 2009	14,470,823	54,565,845	69,036,668

Cash flow statement			
	For the year ended 31 March		
	Notes	2009 R	2008 R
Cash flows from operating activities			
Cash receipts from customers		712,264,414	606,889,852
Cash paid to suppliers and employees		(708,013,411)	(571,276,881)
Cash generated from operations	18	4,251,003	35,612,971
Interest income		26,038,096	17,836,492
Finance costs		(8,382,722)	(3,827,938)
Net cash from operating activities		21,906,377	49,621,525
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(25,107,475)	(4,058,821)
Purchase of leased assets		(186,627)	(530,528)
Sale of property, plant and equipment	4	149,066	68,981
Purchase of other intangible assets	5	(8,942,103)	(9,268,399)
Net cash from investing activities		(34,087,139)	(13,788,767)
Cash flows from financing activities			
Finance lease payments		(3,808,645)	(4,575,549)
Total cash movement for the year		(15,989,407)	31,257,209
Cash at the beginning of the year		178,604,322	147,347,112
Net increase (decrease) in cash and cash equivalents	3	162,614,915	178,604,321

Notes to the Annual Financial Statements for the year ended 31 March 2009

1. Basis of preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replaced Statement of SA GAAP
GRAP 1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP 2: Cash flow statements	AC 118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

Terminology differences:

Standard of GRAP	Replaced Statement of SA GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends

The cash flow statement can only be prepared in accordance with the direct method.

Specific information has been presented separately on the statement of financial position such as:

- Receivables from non-exchange transactions, including taxes and transfers;
- Taxes and transfers payable;
- Trade and other payables from non-exchange transactions;

Amount and nature of any restrictions on cash balances is required

Paragraph 11 – 15 of GRAP 1 has not been implemented due to the fact that the local and international budget reporting standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

The financial statements are prepared on a going concern basis and are presented in South African Rands.

1.1 Significant judgements

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.

Trade receivables / Held to maturity investments and/or loans and receivables

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 9 – Provisions.

Post retirement benefits

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

The consultant to South African Tourism determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the consultant considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The entity used the repo rate applicable to the different overseas offices to discount future cash flows and an interest rate of 10% to discount finance leases. Additional information is disclosed in Note 21.

Other

Extended useful life of assets

Significant judgement was applied in determining the extended useful lives of fixed assets in terms of IAS 16 Property, Plant and Equipment. Additional information is disclosed in Note 4.

1.2 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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

1.3 Fruitless and wasteful expenditure

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

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

1.4 Irregular expenditure

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

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

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded

appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as bad debt and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.5 Employee benefits

Retirement fund

The South African Tourism Retirement Fund is classified as a defined contribution pension fund. A defined contribution plan is a pension plan under which the organisation pays fixed contributions into a separate entity. The organisation has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Retirement benefits are based on the growth of each member's investment done by the trustees' through the funds administrators.

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

Post retirement health-care benefit

The liability recognised in the balance sheet in respect of defined pension plan is the present value of the defined benefit obligation at the balance sheet date less the value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.6 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to South African Tourism and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

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

- the entity has transferred to the buyer 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 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.

Revenue from the rendering of services is recognised when all the following conditions are satisfied:

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

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

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

1.7 Interest

Revenue is recognized as the interest accrues (taking into account the effective yield on the asset) unless recoverability is uncertain.

1.8 Government grants

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

Grants related to income are presented as a credit in the income statement (separately).

Government grants are brought to account in terms of contracts with Government or Government Departments of South Africa and are recognized at their fair value where there is reasonable assurance that the grant will be received.

Other grants consist of grants received from Tourism Business Council (SA) is also recognized at its fair value where there is reasonable assurance that the grant will be received.

1.9 Borrowing costs

Borrowing costs are recognized as an expense in the period which they are incurred, except to the extent that they are capitalized in accordance with the allowed alternative accounting treatment.

1.10 Translation of foreign currencies

Foreign currency transactions

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

At each statement of financial position date:

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

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

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

1.11 Property, plant and equipment

Land and Buildings include structure, lift, air conditioning and electrical installation. Land and Buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the organisation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. Depreciation arising from the revaluation adjustments is released from the asset revaluation reserve to accumulated surplus/deficit. Upon disposal, any revaluation reserve is transferred to accumulated surplus/deficit. The residual value, useful life and

depreciation method is reviewed annually by SAT management. The estimated useful lives are as follows:

Buildings	50 years
Furniture and fixtures	3-40 years
Motor vehicles	4-8 years
IT equipment	3-8 years
Leasehold improvements	Period of the lease or shorter as may be appropriate
Air Conditioning	5-20 years
Lift	5-50 years
Electrical installation	15 years

Furniture and fixtures, computer equipment and motor vehicles are reviewed periodically for impairment.

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

1.12 Leases

Classification of Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases. Classification is made at the inception of the lease.

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form. Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the lease assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Finance leases

Assets subject to finance leases are capitalised at the lower of the fair value of the asset, and the present value of the minimum lease payments, with the related lease obligation recognised at the same value.

Capitalised leased assets are depreciated over the shorter of the lease term and the estimated useful life if SA Tourism does not obtain ownership thereof. Finance lease payments are allocated, using the effective interest rate method, between the finance cost of the lease, which is included in the financing costs, and the capital repayment, which reduces the liability to

the lessor. The corresponding rental obligations, net of finance charges, are included in short term and long term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant period rate of interest on the remaining balance of the liability for each period.

Operating leases – lessor

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

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

Operating leases

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

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

1.13 Deferred funds

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

1.14 Provisions

Provisions are recognized when present obligation exists as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

1.15 Financial instruments

Financial assets

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus

or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

Effective interest method

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

AFS financial assets

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

De-recognition of financial assets

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

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

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

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

Financial liabilities

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Impairment of financial assets

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

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

Impairment losses are recognised in surplus or deficit.

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

Reversals of impairment losses are recognised in surplus or deficit.

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

1.16 Intangible assets

An intangible asset is recognised when:

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

Research and development

Research costs are expensed when incurred. Development cost are capitalized, provided that the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable, and the entity intends to and have sufficient resources to complete the development and to use or sell the asset. Capitalised development costs are carried at cost less accumulated amortization and accumulated impairment losses. Development costs have a finite useful life and are amortised based on the relevant number of years depending on the nature of the development costs capitalised.

Patents and Trademarks

Patents and trademarks acquired are initially recognised at cost. Patents and trademarks have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate cost and estimated useful life.

Marketing rights

Marketing rights acquired are initially recognised at cost. Patents and trademarks have a finite useful life and are carried at cost less accumulated amortization and accumulated impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. 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 every period-end.

Internally generated intangible assets are not capitalized.

Amortisation on the different classes of intangible assets is calculated as follows:

Patents and trademarks	5 years
Website costs	4 years
Marketing rights	5 years
Computer software	4 years

1.17 Related Parties

All transactions and balances with National departments of Government and state-controlled entities are regarded as related party transactions and are disclosed separately in the notes to the annual financial statements (refer to note 22). Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operational decisions. A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

2. Trade and other receivables

	2009 R	2008 R
Trade debtors	28,627,023	9,338,812
Impairment of trade receivables	(15,372,848)	(533,638)
Deposits	3,349,986	3,123,986
Staff Debtors	184,850	186,026
Prepaid expenses	19,922,588	29,781,283
	36,711,599	41,896,469

Total trade receivables (net of impairment) held by the entity at 31 March 2009 amounted to R 13.25 (2008: R 8.80m). Trade and other receivables are discounted using the interest rates in note 21.

The average credit period on debtors is 30 days. Interest is charged on staff loans and advances at 12% per annum on the outstanding balance.

The entity has provided fully for all receivables over 180 days because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable.

South African Tourism's debtors consists mainly of staff debtors and Funders, i.e. provincial tourism authorities and Government Departments. South African Tourism does not impair these debtors' because settlements of monies owed takes longer than usual. Recovery of these monies is not regarded as high risk because contracts are in place between the parties. The human resources department performs credit checks on all staff, hence loans are granted to them based on this information.

Included in the entity's trade receivable balance are debtors with a carrying amount of R0.107 m and (2008:1.56m) which are past due at the reporting date which the entity has not impaired because they fall in the category of funder debtors and are still considered recoverable. The entity does not hold any collateral over these balances.

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

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	2009 R	2008 R
Ageing of past due but not impaired		
91-180 days	-	-
181-360 days	30,309	551,418
360 + days	77,656	1,009,917
Total	107,965	1,561,335
Movement in the allowance for debtors		
Doubtful debts		
Opening balance	533,638	820,578
Amounts written off	(14,839,210)	(438,282)
Movement in the allowance for debtors	29,678,420	151,342
Closing balance	15,372,848	533,638

	2009 R	2008 R
Ageing of impairment		
60 - 90 days	3,750,000	-
91 -180 days	-	350,620
181 - 360 days	11,103,401	-
361+ days	519,447	183,018
	15,372,848	533,638

South African Tourism believes that there is no further credit provision required in excess of the current allowance for doubtful debts.

3. Cash and cash equivalents

	2009 R	2008 R
Cash and cash equivalents consist of:		
Bank balances	162,614,916	178,604,322

4. Property, plant and equipment

	2009			2008		
	Cost / Valuation R	Accumulated depreciation R	Carrying value R	Cost / Valuation R	Accumulated depreciation R	Carrying value R
Land	7,600,978	-	7,600,978	7,600,978	-	7,600,978
Buildings	30,963,436	(2,911,999)	28,051,437	24,884,366	(2,592,029)	22,292,337
Furniture and fixtures	22,620,294	(3,912,944)	18,707,350	8,629,792	(4,342,196)	4,287,596
Motor vehicles	580,837	(268,783)	312,054	768,198	(371,675)	396,523
Computer equipment	9,010,300	(4,749,691)	4,260,609	8,097,238	(4,407,574)	3,689,664
Leasehold improvements	5,285,096	(687,440)	4,597,656	2,239,397	(335,023)	1,904,374
Leased Assets	12,761,567	(5,861,029)	6,900,538	13,776,573	(4,099,297)	9,677,276
Total	88,822,508	(18,391,886)	70,430,622	65,996,542	(16,147,794)	49,848,748

Reconciliation of property, plant and equipment - 2009

	Opening Balance R	Additions R	Disposals R	Depreciation R	Total R
Land	7,600,978	-	-	-	7,600,978
Buildings	22,292,337	6,027,027	-	(267,927)	28,051,437
Furniture and fixtures	4,287,596	14,469,042	(137,992)	88,704	18,707,350
Motor vehicles	396,523	-	(15,614)	(68,855)	312,054
Computer equipment	3,689,664	1,560,573	(288,876)	(700,752)	4,260,609
Leasehold improvements	1,904,374	3,050,833	-	(357,551)	4,597,656
Leased Assets	9,677,276	186,627	(750,685)	(2,212,680)	6,900,538
Total	49,848,748	25,294,102	(1,193,167)	(3,519,061)	70,430,622

Reconciliation of property, plant and equipment - 2008

	Opening Balance R	Additions R	Disposals R	Depreciation R	Total R
Land	7,600,978	-	-	-	7,600,978
Buildings	21,899,640	1,113,369	-	(720,672)	22,292,337
Furniture and fixtures	3,212,519	922,154	(38,266)	191,189	4,287,596
Motor vehicles	271,760	-	(3,430)	128,193	396,523
Computer equipment	2,114,975	1,099,330	(30,104)	505,463	3,689,664
Leasehold improvements	1,231,710	923,968	-	(251,304)	1,904,374
Leased Assets	10,154,119	530,528	-	(1,007,371)	9,677,276
Total	46,485,701	4,589,349	(71,800)	(1,154,502)	49,848,748

Details of properties

	2009 R	2008 R
House and stand in Amsterdam, Holland (De Bosborus 50, Amstelveen, Amsterdam, Holland)		
- Balance at beginning of the year	2,346,465	2,400,000
- Cost capitalised	2,129,382	-
- Depreciation	(162,357)	(53,535)
	4,313,490	2,346,465
Head Office, Bojanala House 90 Protea Road, Chislehurst, Sandton		
- Balance at beginning of the year	27,493,314	27,100,619
- Cost Capitalised	4,124,113	469,141
- Disposals	(10,575)	-
- Depreciation	(267,927)	(76,446)
	31,338,925	27,493,314

The historic depreciated cost of buildings as at 31 March 2009 is R 16 013 207.

Change in accounting estimate

During the year South African Tourism undertook an exercise to extend the useful lives of certain categories of assets in accordance with the requirements of IAS 16. The effect of the change in accounting estimate is a decrease in the depreciation expense for the current year of R 990 989 and an increase in the depreciation expense for future periods amounting to R 4,145,799. The breakdown of asset categories are as follows:

Asset Category	Current Change R
Computer equipment	422,871
Furniture and fixtures	436,597
Buildings	122,423
Motor Vehicles	9,098

5. Intangible assets

	2009			2008		
	Cost / Valuation R	Accumulated depreciation R	Carrying value R	Cost / Valuation R	Accumulated depreciation R	Carrying value R
Patents	-	-	-	-	-	-
Computer software	5,115,151	(1,852,900)	3,262,251	2,638,958	(846,562)	1,792,396
Website costs	18,529,153	(7,063,755)	11,465,398	11,788,116	(3,175,505)	8,612,611
Marketing rights	2,500,000	(750,000)	1,750,000	2,500,000	(250,000)	2,250,000
Total	26,144,304	(9,666,655)	16,477,649	16,927,074	(4,272,067)	12,655,007

Reconciliation of intangible assets – 2009

	Opening Balance R	Additions R	Amortisation R	Total R
Patents	-	-	-	-
Computer software	1,792,396	2,449,796	(979,941)	3,262,251
Website costs	8,612,611	6,492,307	(3,639,520)	11,465,398
Marketing rights	2,250,000	-	(500,000)	1,750,000
Total	12,655,007	8,942,103	(5,119,461)	16,477,649

Reconciliation of intangible assets – 2008

	Opening Balance R	Additions R	Amortisation R	Total R
Patents	-	-	-	-
Computer software	1,117,588	1,171,430	(496,622)	1,792,396
Website costs	5,261,060	5,596,969	(2,245,418)	8,612,611
Marketing rights	-	2,500,000	(250,000)	2,250,000
Total	6,378,648	9,268,399	(2,992,040)	12,655,007

6. Other receivables

	2009 R	2008 R
Staff loans – Non current	-	51,460
Staff loans – Current	81,700	35,185
	81,700	86,645

7. Trade and other payables

	2009 R	2008 R
Trade payables	82,299,029	71,539,728
Accrued liabilities	98,247,029	130,794,378
	180,546,058	202,334,106

8. Other financial liabilities

	2009 R	2008 R
Minimum lease payments due		
- within one year	2,386,335	3,201,234
- in second to fifth year inclusive	5,772,508	8,174,805
- later than five years	913,171	2,539,321
	9,072,014	13,915,360
Less: future finance charges	(4,232,213)	(6,612,984)
Present value of minimum lease payments	4,839,801	7,302,376
Non-current liabilities	3,602,539	5,668,642
Current liabilities	1,237,262	1,633,735
	4,839,801	7,302,377

Finance leases relate to office premises, office equipment and motor vehicles. Legal title does not transfer to the lessee for any of these leases. The economic substance over the legal form was considered in classifying these leases as finance leases. The two conditions that

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

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

Staff and other guarantees

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

9. Provisions**Reconciliation of provisions – 2009**

	Opening Balance R	Settlements in the current year R	Increase in provision R	Total R
Legal proceedings	-	-	1,127,707	1,127,707
Post Retirement Health-care benefits	9,694,000	(2,026,040)	2,919,040	10,587,000
	9,694,000	(2,026,040)	4,046,747	11,714,707

Reconciliation of provisions – 2008

	Opening Balance R	Settlements in the current year R	Increase in provision R	Total R
Provision – Pasis	23,222,321	(23,222,321)	-	-
Post Retirement Health-care benefits	9,435,000	(2,386,552)	2,645,552	9,694,000
	32,657,321	(25,608,873)	2,645,552	9,694,000
Non-current liabilities			10,587,000	9,694,000
Current liabilities			1,127,707	-
			11,714,707	9,694,000

10. Income received in advanced**Movement during the year**

	2009 R	2008 R
Balance at the beginning of the year	1,671,372	22,795
Additions during the year	18,738,492	1,648,577
Income recognition during the year	(230,612)	-
	20,179,252	1,671,372
Deferred revenue	20,179,252	1,671,372

Income received in advance mainly comprises of revenue received from Funders and other institutions in terms of contractual commitments where services will be rendered in the 2009/10 financial year.

11. Revenue

	2009 R	2008 R
Government grants	586,085,732	517,620,975
Other grants	55,700,000	57,000,000
	641,785,732	574,620,975

12. Other income

	2009 R	2008 R
Sundry income	66,665,863	46,703,295
Profit or loss on sale of assets and liabilities	(1,044,101)	(2,819)
Sale of marketing material	29,367	1,345,802
Grading income	6,426,396	3,849,470
Total grading revenue	16,259,671	11,795,408
Assessors fees	(9,833,275)	(7,945,938)
	72,077,525	51,895,748

13. Auditors' remuneration

	2009 R	2008 R
Fees	2,417,493	2,508,649

14. Operating lease

	2009 R	2008 R
Premises	10,958,083	6,046,956
Motor vehicles	37,018	19,257
Equipment	1,382,708	209,251
	12,377,809	6,275,464

15. Marketing

	2009 R	2008 R
Consultants fees	34,422,532	76,345,564
Other marketing expenditure	503,247,459	418,287,891
	537,669,991	494,633,455

16. Finance costs

	2009 R	2008 R
Finance leases	1,346,069	1,723,807
Accounts Payable Discounting	8,382,722	3,827,938
	9,728,791	5,551,745

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 9,728,791 (2008: R 5,555, 745).

17. Other operating expenses

	2009 R	2008 R
Administration and management fees	26,372,281	24,478,950
Bad debts	16,088,990	438,282
Lease rentals on operating lease	12,377,809	6,275,464
Premises	10,958,083	6,046,956
Motor vehicles	37,018	19,257
Equipment	1,382,708	209,251
	54,839,080	31,192,696

18. Cash generated from operations

	2009 R	2008 R
Surplus before taxation	6,947,332	23,562,944
Adjustments for:		
Depreciation and amortisation	8,638,522	4,146,541
Deficit on sale of assets	1,044,101	2,819
Interest received	(26,038,096)	(17,836,492)
Finance costs	9,728,791	5,551,745
Movements in provisions	2,020,707	(22,963,321)
Changes in working capital:		
Trade and other receivables	5,184,870	(32,924,198)
Staff loans – Current	(46,515)	(35,185)
Staff loans – Non current	51,460	(12,096)
Trade and other payables	(21,788,049)	74,471,637
Income received in advanced	18,507,880	1,648,577
	4,251,003	35,612,971

19. Commitments

	2009 R	2008 R
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	9,700,000	6,750,000
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	9,332,675	4,456,376
– in second to fifth year inclusive	17,096,018	1,089,850
	26,428,693	5,546,226

Operating leases relate to rental of premises, with lease terms varying between 4 to 8 years, and rental of office equipment with lease terms varying between 2-3 years. All operating lease contracts contain market review clauses taking economic factors into consideration in increasing operating lease rentals. The entity does not have an option to purchase the leased asset at maturity of the lease period.

20. Employee benefits

Post retirement contribution plan

South African Tourism has a defined contribution pension fund plan covering substantially all of its employees. Retirement benefits are based on the growth of each member's investment done by the trustees' through the funds administrators.

This is an unfunded plan obligation meaning that the sum of plan assets and total fund liability amounting to R37,677,920 (2008: R35,772,914) breakeven.

	2009 R	2008 R
Plan Assets	37,677,920	35,772,914
Total fund liability	(37,677,920)	(35,772,914)
Net Surplus / (Unfunded benefit obligation)	-	-

South African Tourism also offers post retirement health-care benefits to all eligible domestic retired employees. Retirees share in the cost of their health care benefits through service-related contributions. Post retirement health-care benefits are unfunded.

Accounting provision for health care liabilities

	2009 R	2008 R
Liability at 1 April	9,694	9,435
Expenses:		
Service Cost	378	363
Benefits	(711)	(625)
Interest Cost	841	730
Actuarial Gain	385	(209)
Liability at 31 March	10,587	9,694

	2009 R	2008 R
Plan Assets	37,677,920	35,772,914
Total fund liability	(37,677,920)	(35,772,914)
Net Surplus / (Unfunded benefit obligation)	-	-

	Service Cost		Interest Cost		Accrued Liability	
	Amount (R'000)	Change %	Amount (R'000)	Change %	Amount (R'000)	Change %
Change in inflation						
None	378	-	841	-	10,587	-
1% increase	493	+30.4%	946	+12.5%	11,841	+11.8%
1% decrease	292	-22.8%	754	-10.3%	9,550	-9.8%

The movements in provision for post retirement health-care benefits and litigation are included in the statement of financial performance.

Assumptions:		
Assumed return on assets	10.00% p.a.	9.00% p.a.
Assumed subsidy inflation	7.84% p.a.	6.86% p.a.
Net discount rate	2% p.a.	2% p.a.
Actuarial method:	Projected Unit Credit	Projected Unit Credit

21. Financial instruments

Financial risk management objectives and policies

South African Tourism is exposed to market risk, including primarily changes in interest rates and currency exchange rates.

Interest rate risk

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

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

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

Foreign currency risk

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

Exchange rates used for conversion of foreign items were:

USD	9.7205	8.194
GBP	13.8163	16.3479
JPY	0.09994	0.08261
EUR	12.8286	12.872
INR	0.1878	0.2052
AUD	6.6443	7.52
CNY	1.4241	1.1702

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. The entity has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss. The entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

Country	Bank	Balances	Percentage of funds invested
South Africa	Nedbank	52,218,187	49.37%
USA	JP Morgan Chase Bank	100,472	0.09%
UK	Nedbank	31,568,007	29.85%
Germany	Frankfurter Volksbank	32,818	0.03%
Netherlands	ABN Amro Bank	14,756,858	13.94%
Italy	Unicredit Corporate Bank	3,181	0.01%
France	Credit du Nord	465,420	0.44%
Australia	Westpac business	6,627,657	6.27%
		105,772,600	100.00%

Liquidity risk

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

	2009 R	2008 R
Financial Assets		
Carrying Amount of Financial Assets	241,013,622	220,535,976
Loans and receivables		
Trade and other receivables	36,793,299	41,931,654
Available for sale financial assets		
Cash and cash equivalents	162,614,916	178,604,322
Financial Liabilities		
Carrying amount of financial liabilities	185,385,858	209,636,483
Other financial liabilities		
Finance lease obligation – Non current portion	3,602,539	5,668,642
Finance lease obligation – Current portion	1,237,262	1,633,735
Trade and other payables	180,546,057	202,334,106

Trade and other receivables have not been discounted as the effects of discounting are considered to be immaterial. The amount of cash and cash equivalents approximates the fair value of the financial asset.

Trade and other payables have been discounted using interest rates as at 31 March 2009 from the World Interest Rate Table as follows:

South Africa	9.50%
America	0.25%
United Kingdom	0.50%
Japan	0.10%
China	5.31%
Australia	3.25%
India	5.50%
Germany	1.50%
France	1.50%
Italy	1.50%
Netherlands	1.50%

22. Related parties

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

The chairperson of the Board, Mr. Jabu Mabuza, has an interest in Tsogo Sun Gaming, and Southern Sun Hotels across the country. During the financial year South African Tourism incurred cost of R 176 980 (2008: R 122 647) with Tsogo Sun Gaming and R 1 898 391 (2008: R 2 387 996) with Southern Sun Hotels for hotel and accommodation expenses. An amount R 0 (2008: R 33 847) was owed to Tsogo Sun Gaming and an amount of R 73 055 (2008: R 117 2691) was owed to Southern Sun Hotels as at 31 March 2009.

South African Tourism is 100% controlled by its shareholder, the government, represented by the Department of Environmental Affairs and Tourism. South African Tourism constitutes a Schedule 3A public entity in terms of the Public Finance Management Act. The related party disclosure is required in terms of Circular 4 of 2005 issued by the South African Institute of Chartered Accountants. During the financial year South African Tourism received grant income of R587 968 903 (2008: R 515 392 785). No amounts were due to DEAT by South African Tourism as at the 31 March 2009 (2008:Nil).

According to Circular 4 of 2005, South African Tourism transacted with the following public entities that fall within the ambit of the National Sphere of Government. Transactions with these entities and balances owed are as follows:

Related party transactions

	2009 R	2008 R
Public Entity		
Telkom	649,931	586,809
SA National Parks Board	-	14,723
UIF	317,530	302,448
Robben Island Museum	-	36,768
SARS	11,808,368	10,495,185
National health laboratory services	5,600	-
	12,781,429	11,435,933
Key management personnel compensation		
Short-term employee benefits	5,876,089	16,393,474
Post-employment benefits	1,019,498	1,843,290
Termination benefits	480,064	201,905
Equity compensation benefits	-	-
Other long-term benefits	10,982	-
	7,386,633	18,438,669

Related party balances

	2009 R	2008 R
Public Entity		
Telkom	114,824	49,042
SA National Parks Board	-	-
UIF	-	-
Robben Island Museum	-	-
SARS	-	-
	114,824	49,042

23. Taxation

South African Tourism is exempt from income tax in terms of section 10(1)(CA)(1) of the Income Tax Act.

24. Contingent Liabilities

South African Tourism had no contingent liabilities for the year ended 31 March 2009.

10 Glossary





AIME	Asia Pacific Incentives and Meetings Expo	MANCO	Management Committee (of South African Tourism)
ASAE	American Society of Association Executives	MICE	Meetings, Incentives, Conference and Exhibitions
ASTA	American Society of Travel Agents	MTEF	Medium-Term Expenditure Framework
BB-BEE	Broad-Based Black Economic Empowerment	NCP	National Communications Partnership
BEE	Black Economic Empowerment	NGC	National Geographic Channel
CEO	Chief Executive Officer	PDI	Previously Disadvantaged Individual
COO	Chief Operating Officer	PFMA	Public Finance Management Act
CSR	Corporate Social Responsibility	PR	Public Relations
DEAT	Department of Environmental Affairs and Tourism	RDP	Reconstruction and Development Programme
DMS	Destination Marketing Services	SAA	South African Airways
DTI	Department of Trade and Industry	SABC	South African Broadcasting Corporation
ETEYA	Emerging Tourism Entrepreneur of the Year Award	SADC	Southern African Development Community
EXCO	Executive Committee (of South African Tourism)	SANEC	South Africa and Netherlands Chamber of Commerce
GAAP	Generally Accepted Accounting Practice	SANParks	South African National Parks
GRAP	Generally Recognised Accounting Practices	SARS	South African Revenue Service
HDI	Historically Disadvantaged Individual	SAT	South African Tourism
HR	Human Resources	SAX	South African Express
IAS 16	International Accounting Standard 16	SIC	Standing Interpretations Committee (of the International Accounting Standards)
ICC	International Cricket Council	SITE	Society for Incentive Travel Executives
IFRS	International Financial Reporting Standards	SMME	Small, Medium and Micro Enterprises
IMC	International Marketing Council	TBCSA	Tourism Business Council of South Africa
Indaba	South Africa's premier tourism exhibitions (Durban, South Africa)	TBEECC	Tourism BEE Charter Council
ISO	International Organisation for Standardisation	TECSA	Tourism Empowerment Council of South Africa
IT	Information Technology	TGCSA	Tourism Grading Council of South Africa
IT&ME	Incentive Travel and Meeting Executives Show	TOMSA	Tourism Marketing South Africa
ITB	International Tourism Bourse	TSA	Tourism Satellite Account
JATA	Japan Association of Travel Agents	UK	United Kingdom
JMA	Joint Marketing Agreement	UIF	Unemployment Insurance Fund
King II	King Committee on Corporate Governance in South Africa, 2002	UNWTO	United Nations World Tourism Organisation
		USD	United States Dollar
		WOM	Word of Mouth
		WTM	World Travel Market

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South African Tourism Offices





South Africa Head Office

Bojanala House
90 Protea Road
Chislehurst
2196
South Africa

Private Bag X10012
Sandton
2146
South Africa
Telephone: +2711 895 3000
Fax: +2711 895 3001
E-mail: info@southafrica.net

Australia

South African Tourism
Level 1, 117 York Street,
Sydney, NSW 2000
Australia
Telephone: +61 2 9261 5000
Fax: +61 2 9261 2000
Email: info.au@southafrica.net

China

South African Embassy: Beijing
5 Dongzhimenwai Dajie
Beijing 100600 P.R.C
Telephone: (86) 10 653 20171
Fax: (86) 10 653 27319
Email: info.ch@southafrica.net

France

South African Tourism
61 Rue La Boetie
75008 Paris
France
Telephone: +33 1 456 101 97
Fax: +33 1 456 10196
Email: info.fr@southafrica.net

Germany

South African Tourism
Friedensstr. 6-10
Frankfurt
60311
Germany
Telephone: +49 69 92 91 290
Fax: +49 69 28 0950
E-mail: info.de@southafrica.net

India

South African Tourism
44, Maker Chambers VI
Jamnalal Bajaj Marg
Nariman Point
Mumbai 400 021
India
Telephone: +0991-22-22850409/855651
Fax: +0991-22-22873012
Email: india@southafrica.net

Italy

South African Tourism
Via Mascheroni, 19
20145 Milano
Italy
Telephone: +39 02 4391 1765
Information Telephone: +39 02 439
11150
Fax: +39 02 4391 1158
E-mail: info.it@southafrica.net

Japan

South African Tourism
Akasaka Lions Building
1-1-2 Moto Akasaka
Minato-Ku
Tokyo 107-0051
Japan
Telephone: +3478 7601
Fax: +81 3 3478 7605
E-mail: info@southafricantourism.or.jp

Netherlands

South African Tourism
Jozef Isarëlskade 48 A
NL-1072 SB Amsterdam
Netherlands
Telephone: +31 20 471 3181
Fax: +31 20 662 9761
E-mail: info.nl@southafrica.net

United Kingdom

South African Tourism
6 Alt Grove
London SW19 4DZ
United Kingdom
Telephone: + 44 (0) 20 8971 9350
Fax: + 44 (0) 20 8944 6705
E-mail: info.uk@southafrica.net

United States of America

South African Tourism
500 5th Avenue
20th Floor,
Suite 2040,
New York NY 10110
United States of America
Telephone: +91 212 730 2929
Fax: +91 212 764 1980
E-mail: info.us@southafrica.net