



KWAZULU-NATAL TOURISM AUTHORITY
ANNUAL REPORT 2015/2016







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An aerial photograph of a tropical coastline. In the foreground, a dense, lush green forest covers a hillside. Below the forest, a river flows into the ocean, creating a sandy beach and a lagoon. The ocean is a deep blue with white waves breaking near the shore. In the background, more hills and mountains are visible under a clear sky.

PART A: General Information



Public Entity's General Information

REGISTERED NAME:	KwaZulu-Natal Tourism Authority
PHYSICAL ADDRESS:	iThala Trade Centre, 2nd Floor 29 Canal Quay Road, Point Waterfront
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EMAIL ADDRESS:	info@zulu.org.za
WEBSITE ADDRESS:	www.zulu.org.za
EXTERNAL AUDITORS:	Auditor-General of South Africa
BANKERS:	First National Bank
BOARD SECRETARY:	Mrs Pinky Radebe

KwaZulu-Natal Tourism Authority

The KwaZulu-Natal Tourism Authority, trading as Tourism KwaZulu-Natal (TKZN), was established in terms of the KwaZulu-Natal Tourism Act, 1996, as amended by Act No. 2 of 2002.

It is responsible to the KwaZulu-Natal provincial government's Department of Economic Development, Tourism and Environmental Affairs (DEDTEA) and is tasked with the responsibility, both directly and indirectly, of ensuring the ongoing development, promotion and marketing of tourism into and within KwaZulu-Natal.

Vision

To position the province of KwaZulu-Natal as Africa's leading tourism destination, nationally and internationally.

Mission

To initiate, facilitate, co-ordinate and implement:

- Strategic tourism marketing; and
- Demand-driven tourism development programmes
Which will grow tourism, thereby serving to achieve:
- The transformation of the tourism sector within the province; and
- The provision of economic benefits to all stakeholders and the province.

Objectives

TKZN's business objectives include:

- Increasing foreign arrivals;

- Increasing the share of domestic visitors;
- Increasing tourism expenditure (spend);
- Reducing foreign seasonality;
- Increasing geographic spread;
- Improving destination image and service excellence;
- Promoting responsible and demand-driven tourism development and accessibility;
- Fostering strategic leadership;
- Promoting transformation; and
- Providing an enabling environment.

Values

- We value the contribution of our people by recognising their performance and appreciating them as people;
- We all strive for superior delivery of customer service, both internally and externally;
- We are committed to making KwaZulu-Natal the top destination in Africa;
- In performing our duties, we will trust each other to be honest and reliable;
- In all our dealings we will act with integrity, so that people trust us;
- Through our professionalism, people will value dealing with us; and
- Team spirit is what will make TKZN a great place to work!



State of the Tourism Economy – Macro Goals and Targets: KwaZulu-Natal

Introduction

The measurement of the state of the country's tourism economy is carried out through a national Tourism Satellite Account (TSA).

This is a measurement framework, based on the concepts, definitions and classification of the System of National Accounts (SNA), developed in order to present a credible measure of the economic contribution of the tourism sector to the economy of the country. It consists of a set of inter-linked tables which, when fully populated, enable the economic contribution of the tourism – and other sectors to be measured.

It should be appreciated that it is only possible for a TSA to be developed at a national level and not at a provincial level, as it is currently not possible to populate these tables at a provincial level.

Other indicators embraced by various tourism organisations or entities are used for greater detail and understanding of tourism performance. These include the two major global tourism entities, the United Nations World Tourism Organisation (UNWTO) and the World Travel and Tourism Council (WTTC), as well as other organisations, such as the Travel and Tourism Research Association (TTRA). The information from these bodies, in terms of indicators selected, is used to develop a picture of the state of the tourism sector from a range of viewpoints and at a variety of levels, namely global, national and provincial.

The different indicators utilised by the two major organisations are detailed as follows:

The UNWTO measures tourism using the following indicators:

- Arrivals – purpose of visit and mode of transport;
- Receipts; and
- Expenditure in outbound markets.

The WTTC measures tourism using the following indicators:

- GDP to the world economy – direct and total;
- Employment – direct and total;
- Visitor exports; and
- Investment.

Within the South African context, the National Tourism Sector Strategy (NTSS), which was developed by the National Department of Tourism (NDT), has adopted the following indicators:

- Arrivals;
- Spend;
- Length of stay;
- GDP contribution;
- Purpose of visit;
- Increase in domestic tourists;
- Job creation;
- Geographic spread; and
- Seasonality.

At a provincial level, the KwaZulu-Natal Tourism Master Plan has adopted the following sets of indicators so as to measure the performance and growth of the tourism sector effectively:

- GGP contribution (provincial GDP);
- International arrivals;
- Domestic trips;
- Employment (direct and indirect); and
- Geographic spread.

Furthermore, to increase the clarity of the tourism picture at a provincial level, TKZN also utilises information obtained from other organisations for more detailed information on the performance of tourism in the province.

In considering the table opposite, it should be noted that there were issues that had seriously negative effects on the tourism sector from approximately mid-2014 and during the whole of 2015. These are explained further elsewhere in this document.

Macro Goals and Targets – KwaZulu-Natal							
Measure	2013	2014	2015	2016*	2017*	2018*	T
Domestic trips (m)	7,1	5,2	4,3	4,7	4,8	4,9	↓
Foreign tourists	847 146	768 228	806 639*	846 971	889 319	933 785	↓
Domestic spend per person per trip	R726	R979	R955	R1 002	R1 052	R1 105	↑
Foreign spend per person per trip	R7 201	R8 350	R8 767*	R9 205	R9 666	R10 149	↑
Direct contribution to GGP (bn)	R27,9	R17,6	R18,5*	R19,4	R20,4	R21,4	-
Total contribution to GGP (bn)	R39,3	R35,1	R36,8*	R38,6	R40,5	R42,5	-
Direct employment	177 542	105 322	110 588*	116 117	121 923	128 019	-
Geographic spread (foreign)	1,3	1,3	1,3	1,3	1,3	1,3	=
KZN hotel occupancy	64,6%	62,7%	65,0%	65,1%	65,3%	66,6%	↑
Air passenger movements	-5,1%	4,0%	5,0%	5,9%	6,1%	6,3%	↑
Road traffic arrivals	-6,3%	5,0%	6,4%	7,0%	7,1%	7,3%	↑

* = Estimated; T = Trend; N/D = data not yet available

Disclaimer and Assumptions for Targets

- Figures assume South African Tourism (SAT), UNWTO and WTTC projections are reasonable;
- TKZN has negligible control over the number of foreign arrivals, foreign spend or foreign geographic spread;
- 2009 was used as the original base year, as this was the year in which SAT changed its methodology to be more in line with global standards and reported only tourists. Day visitors were no longer included in the total;
- 2010 was used as the baseline for domestic trips;
- Both of these base years had to be adjusted in view of the constrained economic climate;
- A 1% increase was applied to domestic trips, based on historical increases from 2006;
- A 5% increase was applied to foreign arrivals based on historical increases from 2006;
- A 5% increase was applied to domestic and foreign spend per person per trip, based on historical increases from 2006;
- A 5% increase was applied to GGP growth, based on historical growth rates from 2006; and
- The global economic situation remains stable.

Indicator Definitions and Explanation of Table

The above detailed table requires a degree of explanation and analysis in order to indicate how KwaZulu-Natal has performed during the course of the past year. Below are a series of globally accepted

definitions of terms that have been used in the table, together with an outline of the findings and figures contained in the table.

Domestic Trips

In line with global definitions, a domestic trip is regarded as any trip taken within the borders of South Africa by an adult resident of this country. In order for such a trip to be regarded as a domestic tourism trip, it must have:

- Been to a destination more than 40kms from the respondent's home (one way);
- Lasted one night, but less than 365 nights;
- Not been for relocation purposes;
- Not been part of the respondent's regular commuting (unless it was for leisure or recreational purposes); and
- Not resulted in the respondent receiving payment within the place visited for services rendered or goods delivered.

Trips are utilised instead of tourists on the basis that most of South Africa's domestic tourists undertake more than one trip a year.

Official SAT 2015 statistics indicated that some 24,5 million domestic tourism trips were undertaken compared against 28,0 million in 2014, suggesting a decrease of 12,5% in the number of trips taken in South Africa compared to 2014. Statistics from STATSSA indicated that of a total of 24,5 million trips taken in South Africa in 2015, KwaZulu-Natal received approximately 4,3 million of those trips.

Foreign Arrivals

The UNWTO's definition of foreign tourists is used and states that a foreign arrival is a person who arrives in the country and who spends

at least 24 hours, but less than one year there, and is not remunerated during that time.

The Department of Home Affairs and STATSSA have collaborated during recent years in order to align data sets with the UNWTO's definition. Foreign arrivals were down 6,8% in 2014 to 8,9 million.

Due to tourism having strong human elements in terms of destination decision-making, this is a sector that is extremely sensitive to events that may be perceived as having a negative effect on tourists' well-being. Reactions to such events may be rapid and significant. This also makes forecasting extremely difficult and often apparently inaccurate.

Arrival numbers were, to a degree, affected by three events during 2015. These included the continued effects of the Ebola virus epidemic, the implementation of new visa regulations for South Africa, and the unstable economic climate prevailing in the country. The net result was a 4,9% decrease in overseas arrivals, and an overall 6,8% decrease in total arrivals to the country. Obviously, these affected the province as well.

Domestic Spend

Domestic spend is calculated by adding the per-capita spend for each trip taken during the period and reported in nominal terms, unless otherwise stated. This is determined through the utilisation of the TSA measurement framework. The figures for domestic spend for 2015 was estimated at R960 per trip.

Foreign Spend

Foreign tourist expenditure is based on an entire trip, inclusive of amounts spent in their home country, but accruing to South Africa during the trip and stay at the destination. This is calculated by adding all pre-paid expenses – including airfares – and all expenses incurred in South Africa. This totalled R68,2 billion in 2015.

The amount spent by foreign tourists in KwaZulu-Natal as a result of their entire trip increased from R7 201 in 2013 to R8 350 in 2014. The figures for 2015 are not yet available.

Direct and Total Contribution to GDP

The contribution of tourism to a country's GDP or GGP is calculated utilising the TSA measurement framework. Information for 2014 remains provisional at this stage. According to STATSSA's TSA document of March 2015, the value of the tourism sector to South Africa was calculated at R103,6 billion in 2013.

Employment

Tourism employment is a measure of the number of jobs in tourism, as well as non-tourism, though related industries, in line with the TSA measurement framework. This information is not yet available for 2014, but will be calculated once the national figures have been provided. In 2013, however, it was calculated that some 1 404 million people in South Africa were employed in the tourism sector, directly or indirectly.



Geographic Spread

Geographic spread relates to the average number of provinces visited by a foreign tourist during a trip to South Africa. This has, for the past number of years, remained comparatively stable and amounted to 1,18 in 2015.

KwaZulu-Natal Hotel Occupancy

Hotel occupancy information pertaining to KwaZulu-Natal is acquired from STR Global, a company that provides monthly data on hotel occupancies and other related data for a number of areas. It is worth noting that KwaZulu-Natal and its primary city, Durban, performed well during 2015, in terms of hotel occupancies. Both

KwaZulu-Natal and Durban out-performed the 2015 national occupancy rate of 62,8%.

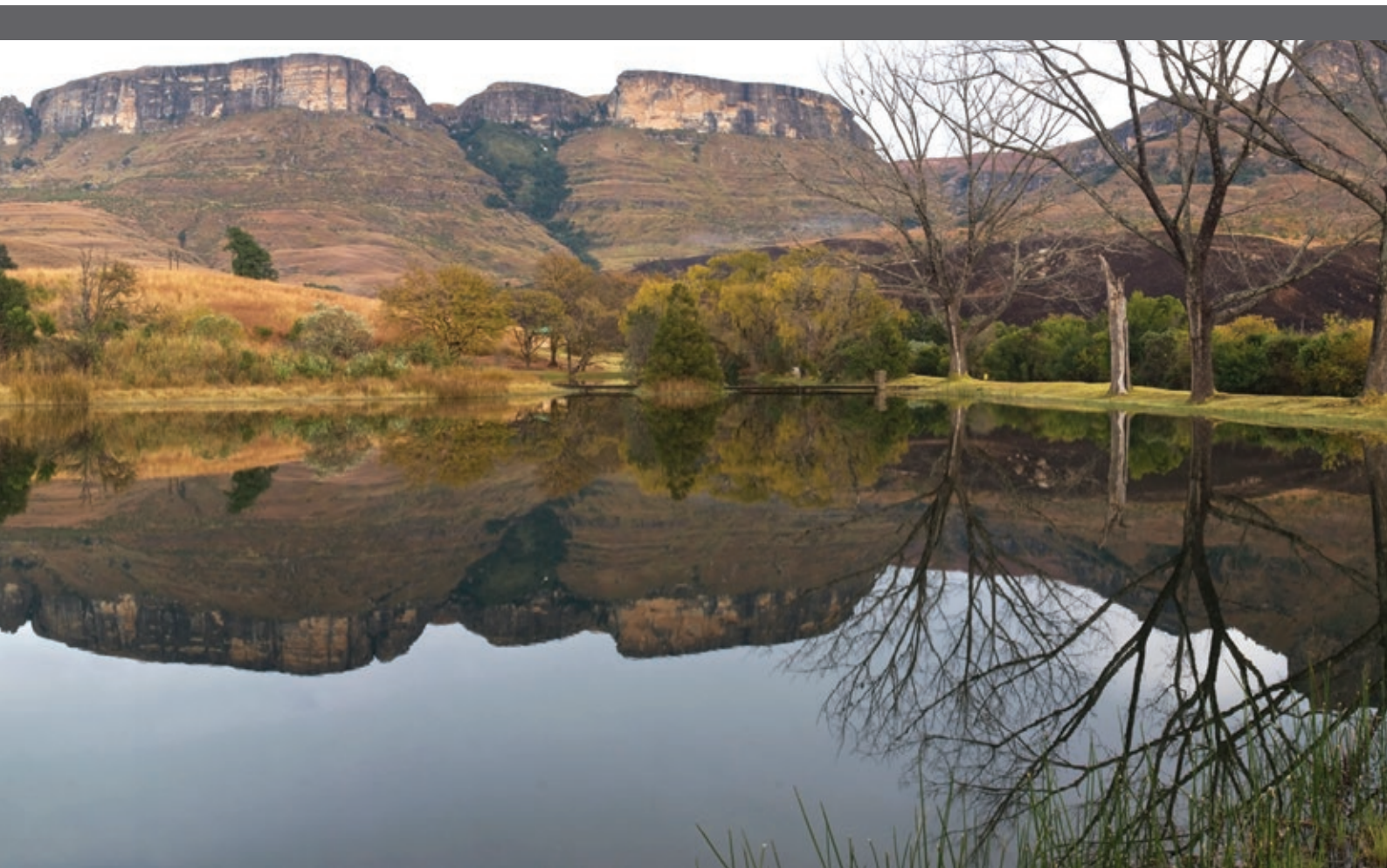
Air Passenger Movements

According to Airports Company South Africa (ACSA), air passenger arrivals at KwaZulu-Natal's King Shaka International Airport in 2015 totalled 2 388 066, against 2 241 238 in 2014, an increase of 6,6%.

Road Traffic Arrivals

Road traffic arrivals in KwaZulu-Natal reflected a 6,4% increase in vehicles travelling to the KwaZulu-Natal coast in 2015 when compared against figures for 2014.

Sources of Indicator Information	
Domestic Trips and Spend	Statistics South Africa and South African Tourism quarterly survey;
Foreign Tourist Arrivals	Statistics South Africa and South African Tourism departure surveys;
Foreign Tourist Spend	South African Tourism departure surveys;
Contribution to GGP	Statistics South Africa, South African Tourism and Provincial Treasury, TKZN Analysis;
Total and Direct Employment	Statistics STATSSA, South Africa Tourism and Provincial Treasury, TKZN Analysis
Geographic Spread	South African Tourism departure surveys and trend analysis.





MEC's Foreword

Sihle Zikalala (MPL)

MEC for Economic Development, Tourism and Environmental Affairs

Our country is one of the fastest growing leisure and business tourism destinations globally, prompting an increase in efforts to secure additional market share, in the knowledge that this is a highly competitive sector and one in which tourists have many exceptional destinations from which to choose.

For our part, the KwaZulu-Natal Provincial Government is committed to creating conditions conducive to economic growth and business expansion. This is especially true of the tourism sector. It is our objective to see service providers flourish and both tourism and tourism-related businesses thrive, thereby creating sustainable employment opportunities, while opening the door to new, historically disadvantaged entrepreneurs.

As a tourism destination of significance, we must broaden our international tourism marketing base to ensure the widest possible reach to attract foreign direct investment. Our task is to create widespread awareness of our region's offering, to promote skills development within the tourism sector – to ensure visitors receive world-class service – while simultaneously expanding the scope and geographic spread of available attractions.

But as we seek to further grow our tourism market share, we must be equally mindful of the need to use this sector as a tool to quicken the pace of transformation and ensure that the previously

marginalised, the youth and women in particular, also participate meaningfully in all spheres of the tourism sector.

KwaZulu-Natal and, especially, Durban is a destination rapidly growing in popularity among business travellers. Indeed, our region is fast-becoming the conference centre of South Africa – if not Africa – led by the exceptional work undertaken by the Durban KwaZulu-Natal Convention Bureau. Already, KwaZulu-Natal has achieved the enviable status of an International Congress and Convention Association top 100 ranking. Now, the goal must surely be to climb the ranks as a leading conferencing destination.

It is well-known that business travellers enjoy better spend levels than leisure tourists and it is, therefore, imperative that we endeavour to attract more major events and business conferences to our shores. Pleasingly, the Convention Bureau – an initiative jointly created by my Department and eThekweni Municipality – already has move after events a number of future events, scheduled for the next four years.

Of course, our international event bidding efforts received a





massive boost with the announcement that Durban had successfully secured the rights to host the 2022 Commonwealth Games. This momentous achievement meets a major goal contained in our KwaZulu-Natal Provincial Tourism Master Plan.

This sort of mega-event will do much to focus the world spotlight on Durban and KwaZulu-Natal in the coming months, ahead of the Games themselves. It is essential that, collectively, we redouble our efforts to promote our destination effectively and cost-efficiently.

By rising to the challenge and delivering world-class facilities, service and security, we could see KwaZulu-Natal tourism soar to new heights, with appreciable growth in African and international tourists flocking to our shores long after the sporting event. This will herald notable economic growth, significant employment stimulation and a decline in poverty and, by association, crime. The future of tourism, therefore, lies firmly in our own hands.

Equally important is improved destination access. In line with our province's Airlift Strategy, we were delighted to have hosted the hugely influential World Route Development Forum – or World Routes – in Durban during 2015, more so for the fact that several international carriers utilised this platform to announce the





introduction of direct flights into Durban from long-haul destinations. This significantly improves direct access to our destination from Europe, North Africa and the Middle East, agreeably supplementing existing links to Mauritius and the Middle East.

Of course, our varied topography and excellent year-round weather combine to make KwaZulu-Natal a top destination for outdoor adventure pursuits, ideal for those in search of an adrenaline rush, while also giving rise to this province becoming the country's sports hotspot. Destination KwaZulu-Natal is home to a range of, especially, endurance events of world-class stature and which draw both participants and supporters from around the globe.

Lastly, the fiscal austerity measures introduced during the past year have necessitated that we, in Provincial Government, prioritise initiatives and focus intently on our mandate. While our support for destination awareness promotion and the attraction of tourism

investment is undiminished, we have had to take decisive action; action which has negatively impacted on Tourism KwaZulu-Natal's onerous promotions task during the review period.

I must, therefore, congratulate the organisation's Board and executive management for their responsible approach to the fiscal constraints implemented and for their professional attitude to meaningful delivery in difficult circumstances.

Mr Sihle Zikalala, MPL

MEC: KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs





Chairperson's Statement

Sadha Naidoo

Chairperson

With the recent downward revision of global economic growth projections, coupled with the likelihood of the trend of slow growth set to persist, the 2015/2016 financial year proved to be a most challenging period in the history of TKZN.

Global economic constraints and a related drop in discretionary spend levels, as well as problems associated with the local operating environment, conspired to slow tourism growth during the review period. The prevailing gloomy economic conditions undoubtedly put the brake on demand for TKZN's tourism products, from both an international and domestic perspective, following a phase of sustained growth in the sector during the course of recent years.

However, and in spite of tourism-curtailling downbeat influences, the longer-term outlook for tourism in South Africa generally, and KwaZulu-Natal specifically, remains optimistic and very encouraging.

Indeed, TKZN was able to draw many positives from the 2015/2016 financial year; positives that will stand its market segment in good stead going forward.

From an international perspective, TKZN recognised the tremendous local tourism growth potential its close association has with BRICS members, being major emerging economies inclusive of Brazil, Russia, India, China and, of course, South Africa. These are countries that TKZN aims to target with a significantly increased focus in the future, highlighting the vast range of attributes KwaZulu-Natal offers visitors from these regions. Sadly, and given that economic conditions have had an effect on incoming tourists, it was not possible to capitalise on these new markets during the past financial year.

Exchange rate issues and the Rand having lost significant value against other currencies in recent times, lent credence to the fact that South Africa and, more specifically, KwaZulu-Natal, provided tourists with excellent value for money, although this was – to some large degree – diluted by the fact that other related costs, such as airfares, remained high, effectively mitigating against the attractiveness of the province as a potential long-haul destination.

Such concerns were also previously exacerbated by regulatory issues around visa requirements, the resolution of which will reflect in the recovery of tourist numbers going forward.

TKZN's goal, from an international perspective, has been to intensify efforts to create an awareness of destination KwaZulu-Natal in overseas markets among tourism consumers, trade representatives and the international media. TKZN has been, and will continue, looking to continuously give effect to increasing tourist volumes as a counter to the drop in discretionary spend levels.

TKZN's message to valued stakeholders in the international arena is simple: KwaZulu-Natal is open for business.

With regard to local tourism, TKZN remains immensely proud of the fact that KwaZulu-Natal is this country's leading domestic tourism destination. Sadly, economic constraints and the attendant drop in discretionary spend levels affected the performance to some degree of the domestic tourism sector during the period under review.

That said, TKZN may be justifiably proud of the fact that the sector did not shed jobs and hotel occupancies still remained above national levels during this difficult time. It is imperative that occupancy levels do not drop below 50% to ensure sustainability, but should obviously be considerably higher if TKZN is to develop new, sustainable employment opportunities within this important sector of the provincial economy.

The 2015/2016 achievement of Durban and KwaZulu-Natal hotel occupancy levels being well above the national average is indicative of the fact that KZN is, indeed, the country's preferred holiday destination and that the KwaZulu-Natal Provincial Tourism Master Plan is working, in spite of the various barriers thrown in the province's path during the review period.

Critically, one of the Plan's major aspirations was to ensure that KwaZulu-Natal was placed within the top 100 International Congress and Convention Association (ICCA) ranki therefore, very pleased to

be able to report that the province has far surpassed this ambitious target, indicating just how much effort has gone into the active promotion of KZN locally, nationally and internationally in recent times.

Apart from the welcome and exceptionally pleasing increased private sector participation in the tourism sector through new developments and drives to promote long-weekend and traditional holiday season trips to the province, a huge amount has been done to bring events to KwaZulu-Natal, giving effect to significantly increased and important business tourism.

This is thanks, in no small measure, to the sterling work of the Durban KwaZulu-Natal Convention Bureau, an initiative created by the MEC for Economic Development, Tourism and Environmental Affairs, Mr Michael Mabuyakhulu, in conjunction with the eThekweni Municipality. The move was the consequence of trade calls for the establishment of a body that would be dedicated to promoting and developing business tourism on behalf of both Durban and KwaZulu-Natal.

Since its initial establishment, the Convention Bureau has been assigned to TKZN, so allowing it to concentrate on business tourism generation activities, without the need to deal with administration, a function that has been absorbed on its behalf by TKZN.

Not only has the Convention Bureau used the financial year under review to successfully generate an array of events for the province, but it also has a pipeline of future events through to 2019. Its continued partnership with private sector roleplayers, improved air connectivity to and from long-haul destinations and constantly improving and expanding destination marketing interventions, coupled with its own leads network, stands this component of TKZN in good stead for the future generation of business tourism in the province.

TKZN has been both pleased and privileged to witness South Africa and, more specifically, Durban and KZN securing significantly bigger events in recent times. With the KwaZulu-Natal Provincial Tourism Master Plan calling for the hosting by KwaZulu-Natal of a mega event, attaining the 2022 Commonwealth Games for Durban keeps TKZN well on track to meeting the Plan's objectives.

It, of course, goes without saying that a tremendous amount of work lies ahead of that single event and it would be true to say that all the partners in bringing the Games to fruition are in no doubt

of the magnitude of such work. All are passionate about delivering exceptional games; a multi-sport event that will focus the eyes of not only the Commonwealth, but also the world on Durban the, province and country.

Marketing the attributes of the province as a stunning tourism destination and top sports centre to countries of the Commonwealth will begin in earnest on the completion of the 2018 Commonwealth Games, set to be held on the Gold Coast, Queensland, Australia.

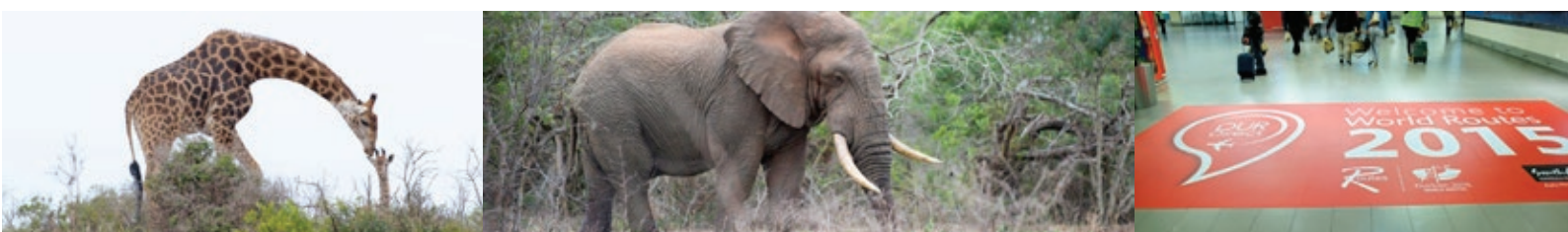
Attracting consumers of both leisure and business tourism to the province's shores has been made somewhat easier as a result of steadily improving long-haul connectivity. TKZN is all most proud of the fact that Durban secured the rights to host the 21st World Route Development Forum, more commonly referred to as World Routes, in September 2015. This was the first time World Routes had been staged anywhere in Africa, the continent being regarded as a new frontier for growth.

With Durban hosting this, the largest global event of its kind held annually and one that attracts top airline, airport and tourism authority representatives, TKZN was in the prime position to showcase the province as a flourishing, vibrant tourist destination and growing aviation hub.

It is well-documented that Durban is fast-emerging as an important gateway to South Africa, Africa and the world. TKZN was, accordingly, proud to be a significant roleplayer in engagement with airlines during the course of World Routes 2015.

Critically, airline announcements emanating from the 2015 Forum have significantly improved the organisation's ability to extend its marketing reach internationally and, particularly, through airline networks. Ethiopian Airlines, Qatar Airways, Turkish Airlines and Zambia's Proflight, all confirmed their intention to commence direct flights to and from Durban's King Shaka International Airport, supplementing SA Express, SA Airlink, Emirates and Air Mauritius, which already operate regular international services between Durban Harare, Lusaka, Maputo and Dubai and Mauritius respectively.

The advent of these additional international air services provides for a most positive outlook for tourism in KwaZulu-Natal and will, no doubt, have the effect of building on the sound foundation already laid as a result of TKZN's concerted international and domestic marketing and promotional interventions and endeavours to date.





In conclusion, I would like to say how appreciative TKZN, is of all the efforts made by roleplayers active in the provincial tourism sector for keeping the flag flying high, ensuring that tourism in the province remains top-of-mind for all those with whom TKZN, interact. This, in spite of the dark clouds of economic gloom hanging over tourism, suggests that the industry comprising business participants who are very serious about taking tourism to an altogether new level and growing employment in KwaZulu-Natal. The passion so obviously displayed for the products and attributes TKZN sees around it will not be extinguished by negative elements over which it has little or no control.

I also thank, most sincerely, Mr Michael Mabuyakhulu, the then MEC for Economic Development, Tourism and Environmental Affairs, for his support of TKZN, the Board and, critically, the work that TKZN do in meeting its mandate. TKZN gratefully acknowledges his interest in and desire for the top-flight promotion of tourism in KwaZulu-Natal. Responding to such positive provincial government support, let me say that TKZN, is totally committed to contributing meaningfully to efforts to exceed targets contained in the KwaZulu-Natal Provincial Tourism Plan.

Thank you, too, to my Board colleagues and the organisation's Executive Management team for the wonderful support I have received during the past year. I most certainly appreciate the extraordinary amount of time, effort and commitment provided,

without which TKZN would be the poorer. I am most grateful for the leadership displayed and the expertise that has been brought to bear in taking the organisation forward, overcoming hurdles and emerging the better for the journey and with lessons learned for future implementation.

To the members of staff, thank you all for your commitment to the organisation and your passion for delivery. Such dedication will assist in taking TKZN to new heights going forward.

Finally, to investors in the provincial tourism sector, my heartfelt thanks for your support of a majorly important South African economic sector. Through your efforts, TKZN will jointly work to grow the economy and create new and sustainable employment opportunities for tourism in KwaZulu-Natal.

In spite of poor economic growth projections, a lethargic economy and a range of domestic challenges, TKZN has shown the resilience to tackle the challenges of decreasing tourist numbers to rise above the gloom and to set ourselves now to redouble efforts to exceed expectations in terms of promoting, marketing and developing KwaZulu-Natal's tourism sector.

Sadha Naidoo
Chairperson





Chief Executive Officer's Report

Ndabo Khoza

Chief Executive Officer

The tourism sector in KwaZulu-Natal forms a critical and integral part of the provincial economy. It is a significant contributor to GDP and impacts positively on employment creation within the province.

Accordingly, it is TKZN's task to position the province as Africa's leading tourism destination, nationally and internationally, through strategic marketing efforts and demand-driven tourism development programmes.

TKZN's supreme guide in achieving these, the organisation's primary goals, is the long-term KwaZulu-Natal Provincial Tourism Master Plan, introduced in 2013, which provides for the 2030 tourism vision for the province. TKZN's role in this regard is to strive towards increasing GDP levels, growing domestic and international tourist visits, improving tourism's geographic spread in KwaZulu-Natal, creating new, sustainable employment opportunities within the sector and promoting the transformation of the sector to enhance the incorporation of historically disadvantaged roleplayers.

Tourism Economy

Lending support to the importance of the sector in KwaZulu-Natal is the fact that tourism here contributes some 9% of the provincial GGP and employs in excess of 180 000 people throughout the sector's value chain.

Employment in TKZN's tourism sector is driven by a range of roleplayers, each very different in nature. Some are substantial, such as airlines, car hire companies, conference centres, hotels, cruise operations and the like. Others are small and include bed-and-breakfast operations, guiding businesses, restaurants and attractions. Each is as important as the next and each has contributed to the sustainability of employment in the past and, especially, during the difficult times of the past months. As a collective, such roleplayers have – through their contribution to the tourism economy – made the provincial tourism brand what it is today.

The global economic situation and reduced discretionary spend levels during, particularly, the 2015/2016 financial year has thrown up serious challenges in terms of sustaining the growth of this sector, in line with existing strategies. TKZN's response, as an organisation, was to look to the identification of diversification interventions to insulate the sector against the debilitating effects of difficult economic conditions.

Business Tourism

The 2015/2016 financial year saw the organisation inject greater influence over the business tourism sub-sector through the Durban KwaZulu-Natal Convention Bureau.

Business tourism, by its very nature and professional operational setting, is less dependent on the availability of disposable income than is the case with leisure tourism. The attendant multiplier effect associated with business tourism results in greater spend levels than may be achieved in the leisure market, thus creating a more resilient and durable environment.

Such intensive focus on this conference-based sub-sector during the review period, coupled with the private sector's recognition of the importance of business tourism, paid dividends and contributed to target achievement and, more importantly, towards sustaining business tourism arrivals well beyond the KwaZulu-Natal Provincial Tourism Master Plan 2020 mark.

Events

Closely coupled with TKZN's drive to secure both local and international conferences, for KwaZulu-Natal has been the intensification of marketing of events, both sporting and social.

KZN is blessed by the fact that excellent year-round weather

and sub-tropical climate have resulted in the province becoming this country's sporting centre. Major and longstanding sports events – which attract national and international participants and their entourages – inclusive of the Vodacom Durban July premier horse racing event, the ultra-distance Comrades Marathon, the three-day Dusi Canoe Marathon and the long-distance cycling event, the Tsogo Sun Amashova Durban Classic, remain major drawcards. Most encouragingly, sports enthusiasts flock in increasing numbers to KwaZulu-Natal to participate in or support these stalwart events year in and year out.

The 2015/2016 financial year also saw the South Coast town of Margate host Africa Bike Week for the sixth consecutive year. This is the largest motorcycle event in South Africa and attracts thousands of motorcycle enthusiasts from far and wide to KwaZulu-Natal each year.

While it is true that tourists coming to KZN are attracted to major centres and attractions such as Durban and its beaches, the importance of events being staged in other areas is that TKZN will increasingly be able to drive tourists to more far-flung parts of the province, areas which might not otherwise be considered for a visit. This goes a long way towards expanding the geographic spread of tourism in KZN to the benefit of greater numbers of its people. TKZN's objective is to continue growing the reach of tourism in this province, so bringing more players into the sector and widening the overall tourist offering.

Of course, TKZN is also most grateful that Durban is also playing host to an increasing number of events, not least of which was the SABC's Metro FM Music Awards held in February 2016. Metro FM is the broadcaster's biggest commercial radio station and its music awards have been staged for the past 15 years – the past four at the Durban International Convention Centre. Pleasingly, whereas previous awards rewarded only local artists, the 2016 event saw artists from beyond the borders also being recognised. This will do much to create awareness about KZN destination from a cultural perspective.

Working with the Department of Economic Development, Tourism and Environmental Affairs

Given that TKZN reports to the Department of Economic Development, Tourism and Environmental Affairs, the organisation used the financial year under review to give serious consideration to how best to develop mechanisms to support events through leveraging.

TKZN recognised and has a keen appreciation for the need for fiscal constraint, given the prevailing economic conditions and,

accordingly, set out to overcome funding challenges by being creative in its approach to every aspect of its tasks, so ensuring the achievement of desired outcomes in spite of reduced expenditure capabilities.

Tourism Brand

Fundamental features of the organisation's task include promoting the more equitable distribution of tourism across KZN and securing fair exposure for the attributes making up the offering.

TKZN works closely with SA Tourism to ensure that KZN is well represented in nationally-produced marketing collateral and that tourist attractions across the province are featured.

The recent refinement of the brand has greatly assisted in the uniformity of communication and the avoidance of consumer confusion and mixed or overlapping messaging regarding the tourism attributes of South Africa and its various provinces. In further promoting the brand and highlighting little-known areas of KwaZulu-Natal, TKZN conducted educational trips for a number of tour operator companies in new geographic areas in order that tour companies might package such offerings for the benefit of their clients in future.

Excellent exposure of destination KwaZulu-Natal at international trade shows also contributed significantly to growing awareness of the brand and KZN.

On the domestic front, TKZN's earlier break into the television environment with the airing of *Holiday Swap KZN* on SABC 1 culminated in viewership levels early in the 2015/2016 financial





year of 4,9 million – second only to the hugely popular TV show, *Generations*. This was hugely encouraging, creating widespread awareness of the province throughout the nation. Highly positive feedback indicated that the show most certainly generated intense interest in the province as a holiday destination.

The challenge TKZN faced was to use this window of opportunity to begin the mammoth task of converting such interest into actual visits to KwaZulu-Natal. In this regard, passenger movements since the screening of *Holiday Swap KZN* have been most encouraging. Indeed, there has been a noticeable increase in holiday traffic from, especially, the Free State, Limpopo and North West to the coastal paradise. Historically, visitors from Gauteng have dominated visitor flows from the hinterland, and while this market remains important to TKZN, TKZN welcomes the increased influx of tourists from other parts of the country. A particularly inspiring campaign that TKZN launched during the review period was initiated during September 2015, purposely coinciding with Tourism Month. The organisation challenged renowned travel blogger and self-styled African travel activist, Meruschka Govender, better known as Mzansi Girl, to seek out and report on KwaZulu-Natal's hidden tourism gems independently, without being influenced by TKZN. The month-long

'Rediscover KwaZulu-Natal with Mzansi Girl' campaign saw Mzansi Girl travelling with members of the media to different parts of the province and capturing the enthralling stories that make KwaZulu-Natal a must-visit tourism destination.

The world has embraced the digital age and people today use their laptops, tablets and mobile phones to source information. Travel is no exception, so TKZN deemed it important that KZN adapts in order to reach its consumers. The Mzansi Girl intervention most certainly enabled TKZN to grow its presence in the digital space and to interact with its customers in a medium with which they are already clearly familiar and comfortable.

This digital campaign, which went a long way towards highlighting the fact that KwaZulu-Natal abounds with exceptional experiences, formed just one component of a very busy Tourism Month. province-wide events held throughout the month were designed to enable people from near and far to re-discover KwaZulu-Natal, a destination where the next exceptional experience is just a 'Sho't Left' away.

The East3Route, operational for the past three years, has also done much to achieve cross-border tourism brand awareness. This route is an initiative, which aims to promote tourism as a collective at

regional level and includes South Africa (KwaZulu-Natal), Swaziland, Mozambique and, more recently, the Seychelles. Since its inception, the route has enjoyed increasing and widespread coverage by the media, both local and international. As a consequence, the route is progressively gaining in popularity and TKZN has witnessed a steady increase in visitors from both Swaziland and Mozambique to KwaZulu-Natal.

Support for and the promotion of the East3Route will be continued and with the Seychelles having become an additional part of the route, TKZN hopes to realise the introduction of a cruise experience as well, involving KwaZulu-Natal, Mozambique and the popular Indian Ocean islands, Seychelles. TKZN is quietly confident that the cruise component concept could well become reality, given the significant drop in acts of piracy off the East African coast, giving cruise operators renewed confidence in expanding operations in the Indian Ocean.

Cruise tourism is a market segment of increasing popularity and KwaZulu-Natal, enjoyed a particularly good cruise season during the review period, in line with the maritime tourism focus TKZN has applied during the past several years and particularly in terms of Operation Phakisa initiatives relating to the Blue Economy, which are being driven at a national level.

In order to crown TKZN's tourism brand development activities from a maritime standpoint, The organisation hopes Durban's Cruise Passenger Terminal – a catalytic project – will soon be resolved by Transnet. TKZN sees such a facility as key to development of Durban as a turn – around port and something that requires urgent attention.

TKZN has invested considerable time and effort in promoting brand alignment throughout KwaZulu-Natal and works tirelessly to ensure sound alignment between provincial and national promotion activities. This is a work-in-progress, but is evolving well.

Tourism Intelligence

During the period under review, TKZN worked diligently to formulate impact studies relating to various events within the province so as to better understand the broad effect they have on tourism and to assist the organisation in assessing and improving return on investment.

A study framework has been developed and will be implemented during the course of the 2016/2017 financial year.

In line with the provincial government's fiscal consolidation initiative and as an entity responsible for the development of tools to contribute to economic growth and employment creation, TKZN has turned to the online space as a means of containing costs. The review period brought with it concerted endeavours to update its organisation's ICT platform, thus ensuring that TKZN's website – a

prime tool for today's digitally-aware consumers – is relevant and capable of contributing to converting interest into trips to KZN. TKZN has recorded a significant increase of 'hits' on its website of late.

Importantly, too, TKZN worked on the development of a Tourism App, which is likely to be launched during the 2016/2017 financial year.

As part of the cost consolidation process, TKZN also commenced with a major operation, digitising its printed marketing collateral, as it believes that much of this could be contained in the app development, so achieving significant cost savings going forward. TKZN has, with the exception of one, however, retained its network of tourism information offices.

By embracing the digital age, TKZN is intent now on identifying ways and means to respond to the online trend, using technology to become more agile in responding to market needs. An example of this thinking revolves around the fact that most hits on TKZN's website centre on accommodation needs. TKZN has, therefore, launched a project to identify a partner capable of playing this administrative function. In addition, this will enable many small-scale providers of accommodation not currently featured anywhere to be afforded online exposure.

Lastly, TKZN is investing in website optimisation in order to ensure that it features at the top of all search engines in future.

Destination Access

A top tourism destination is best characterised by its capability of ensuring apposite access for visitors and their distribution across the destination.

This gives effect to the provision of socioeconomic benefits to communities and service providers within the destination, while speed, time and cost benefits accrue to visitors. In essence, destination access provides a critical competitive advantage. In this regard, the 2015/2016 financial year proved to be something of a watershed year. TKZN has been in discussion with a number of airlines since 2007 regarding the introduction of direct routes to and from Durban. However, 2015 proved a turning point... KZN was selected to host the 21st World Route Development Forum, more commonly referred to as World Routes.

World Routes 2015 was held in Durban, enabling TKZN, as part of a team from a range of entities, to showcase its destination to and engage with the most influential airline and airport executives in the world. From a staging point of view, World Routes 2015 proved exceptionally good and delivered a most memorable event. In terms of business liaison, TKZN was greatly encouraged about the level of engagement and were especially pleased with key announcements



by four international airlines of their intention to introduce direct routes to Durban.

The introduction of additional long-haul routes affords the province with access from more than 100 international destinations. Importantly, too, their introduction paves the way for TKZN to collaborate with these airlines in terms of marketing destination KwaZulu-Natal. The first step will be to link with media representatives and travel agents with whom they already have established relationships. TKZN will, of course, also engage with local tourism roleplayers with regard to the destination access these routes have provided.

It would be remiss, at this point, not to acknowledge the outstanding support provided by the National Department of Transport as regards growing air connectivity between long-haul destinations and Durban. TKZN greatly appreciate the co-operation.

Tourism Indaba

Durban has hosted the Tourism Indaba for many years. This is the single biggest marketing platform for tourism in Africa and provides a three-day window to showcase the province and meet key tourism decision-makers.

The 2015 event marked the 36th Tourism Indaba and TKZN was heartened by the most fruitful exchanges and engagements, which gave rise to TKZN being able to encourage the development of new itineraries through which to 'sell' KwaZulu-Natal as an exclusive destination. This move was prompted by the fact that dropping discretionary spend levels have led to reduced stays in recent years. It has emerged that the so-called round-trip no longer works, with the need to introduce seven-day special itineraries instead.

Emanating from the event was an agreement that KZN will once again host the 2016 show, while endeavours to restructure the event and secure a strategic partner continue. TKZN is most keen to retain

Indaba, as the biggest show of its kind on the African continent, and reaffirm the organisation's desire to be a part of the event. Accordingly, SA Tourism may count on TKZN's full co-operation in this endeavour, given that this trade show is good for KZN. Local tourism sector roleplayers benefit as a result of the show being on their doorstep, while the value of Tourism Indaba's direct impact is estimated at some R200 million. However, such value goes well beyond the event itself, in view of the amount of business generated post-event, which is in excess of R1 billion.

Corporate Governance

TKZN maintains that adherence to good corporate governance principles is a business imperative today and is fundamental to the way in which it conducts its day-to-day business.

TKZN give practical expression to its corporate governance commitment by operating the organisation transparently and openly, while complying with all laws and regulations.

After spending 15 years based at Tourist Junction in the Durban city centre, the 2015/2016 financial year brought about a move to new premises in the Ithala Trade Centre in Durban's emerging waterfront area. This move reflects the confidence TKZN has, as the province's tourism authority, in eThekweni Municipality's development of this city node. TKZN foresees that in time, the waterfront will blossom as the tourism hub in Durban.

With the move complete and being cognisant of the prevailing fiscal consolidation implementation guidelines, TKZN draws extensively on the principles of good governance practice in its efforts to comply fully and absolutely in order that the organisation remains relevant and capable of meeting its mandate. TKZN's intent is simple: it is to deliver maximum return on investment on behalf of its shareholder, the provincial government of KwaZulu-Natal, by following best practice ideals in all that it does.

Appreciation

Challenges have been appraised and overcome, delivery of achievements in spite of fiscal constraints became the order of the day and the best practice ideal has been maintained. The 2015/2016 financial year is, perhaps, best characterised for the hurdles TKZN has had to jump, while maintaining its equilibrium.

TKZN did this thanks to the overwhelming assistance the organisation received during the trying 2015/2016 financial year.

Consequently, I would use this opportunity to extend my personal thanks to Mr Michael Mabuyakhulu, the then MEC for Economic Development, Tourism and Environmental Affairs, and to the Head of Department Mr Desmond Golding, for their consistent support of TKZN's work and the guidance they have provided in terms of the KwaZulu-Natal Provincial Tourism Master Plan. It is a credit to their unstinting dedication to driving tourism within the province that TKZN is well on-track to deliver on the targets contained within the Master Plan.

I would also thank officials of the Department for their assistance, backing and co-operation during the review period.

TKZN's Chairperson, Mr Sadha Naidoo, ably supported by his Board colleagues, has been a pillar of strength and I am most grateful for the guidance and strategic direction TKZN's Chairman and Directors have afforded the organisation.

To all the tourism stakeholders with whom TKZN interacts, may I extend my appreciation for your backing and co-operation, for your belief and confidence in the tourism sector and for investments made. The journey together is based on the spirit of collaboration, a critical component of any business relationship, and I am, therefore, most thankful for the shared vision.

Last, but not least, I must thank and congratulate my Executive Management Team and all members of staff for the hard work of the past financial year. Working in the tourism environment requires innovation, dedication and the will to work tirelessly. TKZN has, within TKZN, people with the ability to deliver and the capacity to position KZN such that it enjoys a competitive advantage in a tough operating environment.

As committed sector roleplayers all, let's recommit ourselves now to driving the tourism vision forward.



Ndabo Khoza
Chief Executive Officer





Statement of Responsibility

For the Year Ended 31 March 2016

The Public Finance Management Act, 1999 (Act No.1 of 1999), as amended, requires the Accounting Authority to ensure that the Public Entity keeps full and proper records of the financial affairs of the Public Entity.

It also requires that the annual financial statements fairly present the state of affairs of the Public Entity, its business, its financial results, its performance against pre-determined objectives and its financial position as at the end of each financial year in terms of Generally Recognised Accounting Practices (GRAP).

TKZN acknowledges that the annual financial statements are the responsibility of the members of the Authority.

The Auditor-General of South Africa is responsible for independently auditing and reporting on the annual financial statements.

The annual financial statements have been prepared in accordance with the statement of GRAP. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

The members have reviewed the Public Entity's budget and cashflow forecasts for the Year Ended 31 March 2016. On the basis of this review, and in view of the current financial position, the members have every reason to believe that the Public Entity will be a going concern in the year ahead and have continued to adopt the going concern basis in preparing the annual financial statements.

To enable the members to meet the above responsibilities, the Board sets standards and implements systems of internal controls and risk management that are designed to provide reasonable, but not absolute assurance against material misstatements and losses.

The Public Entity maintains internal financial controls to provide assurance regarding the safeguarding of assets against unauthorised use or disposition, and the maintenance of proper accounting records, and the reliability of financial information used within the business.

In the opinion of members, based on information available to date, the annual financial statements fairly present the financial position of TKZN at 31 March 2016, the results of its operations and cashflow information for the year then ended, and that the Code of Corporate Governance has been adhered to.

The annual financial statements for the Year Ended 31 March 2016, set out on pages 77 to 101 were approved by the Accounting Authority in terms of section 51(1)(f) of the Public Finance Management Act 1999 (Act No. 1 of 1999), as amended and are signed on its behalf by:



Mr S. Naidoo
Chairperson



Mr N. Khoza
Chief Executive Officer



Strategic Overview

Legislative and Other Mandates

The purpose of the KwaZulu-Natal Tourism Authority, which trades as TKZN, is to develop, promote and market tourism into and within the South African province of KwaZulu-Natal, located on the eastern seaboard of South Africa.

This sub-tropical destination is a piece of paradise. Its idyllic, year-round tourist-friendly climate and diversity of experiences are enough to satisfy even the most demanding desires of discerning travellers, locally, regionally and internationally.

KwaZulu-Natal is South Africa's leading domestic holiday destination and, increasingly, is attracting the attention of growing numbers of both African and longer-haul international tourists.

TKZN's role, in essence, is actively to promote the province's tourist potential and its undoubted competitive advantages to the market in South Africa, southern Africa and identified international environments.

This organisation, which is a provincial public entity of the KwaZulu-Natal government, achieves this by striving to increase local and foreign arrivals, reduce foreign seasonality, increase tourist spend and length of stay within the province, improve the geographic spread of tourist visits across the province, improve the destination's overall image, promote responsible, demand-driven tourism development and industry transformation, and to nurture strategic leadership.

Ultimately, TKZN's vision is to position this province as Africa's leading tourism destination.

Known colloquially as the Zulu Kingdom, this is an ever-warm region widely acclaimed for its natural beauty, diversity, culture, adventure and mystery – a destination offering exceptional holiday activities and outstanding travel and accommodation infrastructure, together with warm and welcoming hospitality.

In short, KwaZulu-Natal is considered by shrewd and perceptive local, regional and international tourists as an enormously desirable holiday destination.

The brilliant heat of the coastal belt, with its golden beaches and pleasantly warm waters of the Indian Ocean, gives way to green and pleasant hills of the refreshing Midlands, overlooked by the mighty peaks of the Drakensberg mountains – snow-capped in winter – to

the west, and flanked by the north eastern plains where the Big Five roam free, and history and Zulu culture come together to offer the most memorable of experiences.

KwaZulu-Natal boasts not one, but two World Heritage Sites, the iSimangaliso Wetland Park – a vast eco-wilderness area, incorporating a pristine marine reserve, lakes and coastal dune forests on the north coast – and the uKhahlamba-Drakensberg Park, which forms part of the Drakensberg mountain range, or barrier of spears, with its many historic sandstone caves, which form natural galleries for the rock art of the ancient San people.

Durban, the province's principal city, is a sophisticated, cosmopolitan port city and top beach holiday destination. It stands apart because of its glorious beaches, exceptional water sports and eclectic mix of cultures, which themselves draw together the richness of eastern, western and African influences.

Just 90km inland lies the historic city of Pietermaritzburg and the Midlands Meander, a fascinating arts and craft route, while to the north is located the cradle of Zulu culture, together with numerous scattered battlefields echoing the epic struggles of yester-year.

KwaZulu-Natal is well-known for being a region of extremes – from adrenalin-pumping outdoor adventure, Big Five game viewing and thundering rivers, to cool indigenous forests, pristine beaches, eco-sensitive marine reserves and the quiet vibrancy of colourful Zulu culture, expressed through traditional rituals, ceremonies, dances and exquisitely created hand-made crafts.

The sheer diversity of this destination makes it unique.

Against this backdrop, TKZN set out to bring the Zulu Kingdom's immense holiday experiences, attractions and attributes to the attention of the world, creating an enabling environment designed to further the development of tourism here, while actively growing inbound tourists keen to share in the paradise that is KwaZulu-Natal.

Notably, TKZN was the first Destination Management Organisation (DMO) in Africa to be accredited as a United Nations World Tourism Organisation (UNWTO)'s Best DMO and to receive the prestigious UNWTO Ulysses Award for Innovation in Tourism Governance. This award was presented in recognition of the organisation's Knowledge Management Programme. TKZN is an associate member of the UNWTO and a member of its Destination Council.

Organisational Structure

Board of Directors	
During the course of the 2015/2016 financial year, TKZN's Board of Directors comprised 11 members, as depicted below:	
Mr Sadha Naidoo	Chairperson
Ms Sindiswa Nhlumayo	Deputy Chairperson until February 2016
Ms Patricia Lebenya	Human Resources and Compensation Committee Chairperson
Prof. Thandi Nzama	Marketing and Tourism Development Committee Chairperson
Mr Musa Mzimela	Audit and Risk Committee Chairperson
Mr Thamsanqa Mzileni	Convention Bureau Committee Chairperson
Mr Siddiq Adam	
Mr Michael Jackson	
Ms Zodwa Msimang	
Mr Terence Delomoney	
Mr Ndabo Khoza	Chief Executive Officer, ex-officio

Membership and Attendance: Board Meetings – 2015/2016					
Member	5 June 2015	26 June 2016	4 September 2015	4 December 2015	30 March 2016
Mr Sadha Naidoo (Chairperson)	P	P	P	P	P
Ms Sindiswa Nhlumayo (Deputy Chairperson)	P	P	P	P	A
Ms Patricia Lebenya	P	P	P	P	P
Prof. Thandi Nzama	P	P	P	P	P
Mr Musa Mzimela	P	P	P	P	P
Mr Siddiq Adam	P	A	A	P	A
Mr Michael Jackson	P	P	P	P	P
Ms Zodwa Msimang	P	P	P	P	P
Mr Thamsanqa Mzileni	P	P	P	P	P
Mr T Delomoney	P	P	P	P	A

P = Present A = Apology

Membership and Attendance: Board Meetings – 2015/2016						
Member	20 May 2015 (special)	20 April 2015	24 July 2015	26 October 2015	12 February 2016	26 February 2016 (continuation)
Mr Musa Mzimela (Chairperson)	P	A	P	A	P	P
Ms Patricia Lebenya	P	P	P	P	P	P
Ms Sindiswa Nhlumayo	P	P	A	A	A	A
Mr Rakesh Garach (Independent Audit Committee Member)	A	P	P	P	P	P
Ms Pumla Mzizi (Independent Audit Committee Member)	P	A	P	P	P	P

Membership and Attendance: Marketing and Tourism Development Committee - 2015/2016

Member	05 May 2015	16 July 2015	27 October 2015	11 February 2016
Prof. Thandi Nzama (Chairperson)	A	P	P	P
Ms Michael Jackson	P	P	P	P
Ms Zodwa Msimang	P	P	P	P
Mr T. Delomoney	P	A	P	P

P = Present A = Apology

Membership and Attendance: Convention Bureau Committee – 2015/2016

Member	16 July 2015	27 October 2015	11 February 2016
Mr T. Mzileni (Chairperson)	P	P	P
Ms Michael Jackson	P	P	P
Prof. A. T. Nzama	P	P	P

P = Present A = Apology

Membership and Attendance: Human Resource and Compensation Committee – 2015/2016

Member	16 April 2015	24 July 2015	1 October 2015 (special)	26 October 2015	12 February 2016	26 February 2016	16 March 2016 (special)
Ms Patricia Lebenya (Chairperson)	P	A	A	P	P	P	P
Mr Thamsanqa Mzileni	P	P	P	P	P	P	A
Mr Musa Mzimela	A	P	P	A	P	P	P

P = Present A = Apology

Executive Management

During the 2015/2016 financial year, TKZN's Executive Management team comprised nine members, as shown below:

Mr Ndabo Khoza	Chief Executive Officer
Ms Phindile Makwakwa	Chief Operating Officer
Mr Fidzani Nduna	Chief Financial Officer
Ms Boni Mchunu	General Manager: Marketing (July 2015)
Mr Bongani Mthiyane	General Manager: Marketing (from 1 December 2015)
Mr James Seymour	General Manager: Tourism Information Services (Seconded to Durban KwaZulu-Natal Convention Bureau – 30 September 2015) Chief Convention Bureau Officer (from 1 October 2015)
Vacant	General Manager: Tourism Development
Mr Anir Bidesi	Senior Manager: Information Communication Technology
Ms Thandazile Mokhohlouloane	Senior Manager: Human Resources and Administration
Ms Ncumisa Mafunda	Senior Manager: Public Relations and Communications (1 December 2015 – 31 March 2016)

Organisational Structure

Board of Directors

During the course of the 2015/2016 financial year, TKZN's Board of Directors comprised the following members:



Mr Ndabo Khoza
(Chief Executive Officer,
ex-officio)



Mr Sadha Naidoo
(Chairperson)



Ms Sindiswa Nhlumayo
(Deputy Chairperson)



Ms Patricia Lebenya
(Human Resources and
Compensation Committee
Chairperson)



Prof. Thandi Nzama
(Marketing and Tourism
Development Committee
Chairperson)



Mr Thami Mzileni
Chairperson: Conventions
Bureau



Mr Musa Mzimela
(Audit and Risk Committee
Chairperson)



Mr Siddiq Adam



Mr Michael Jackson



Ms Zodwa Msimang



Mr Terence Delomoney



Ms P. Radebe
Manager: Board Secretariat Risk and
Compliance

Executive Management

During the 2015/2016 financial year, TKZN's Executive Management team comprised eight members, as shown below:



Mr Ndabo Khoza
Chief Executive Officer



Ms P. Makwakwa
Chief Operating Officer



Mr F. Nduna
Chief Financial Officer



Mr J. Seymour
Chief Conventions Bureau Officer



Ms N. Mafunda
Senior Manager:
Public Relations and Communications



Ms T. Mokhohlouloane
Senior Manager: Human
Resources and Administration



Mr A. Bidesi
Senior Manager: Information
Communication Technology



Mr B. Mthiyane
General Manager: Marketing



Chief Executive Officer
NDABO KHOZA

Programmes:

- Office of the CEO
- PR & Communications



Chief Operating Officer
MS PHINDILE MAKWAKWA

Programmes:

- Tourism Information Services
- Tourism Development
- Marketing



Chief Financial Officer
MR FIDZANI NDUNA

Programmes:

- Human Resources & Training
- Supply Chain Management (SCM)
- Finance



Chief Conventions Bureau Officer
JAMES SEYMOUR

Programme:

- Convention Bureau

PART B:

Performance Information



Chief Executive Officer's Office

Purpose

To provide strategic leadership in the development and promotion of tourism for the province, creating an enabling environment for tourism stakeholders, as well as championing TKZN's strategy development, with overall responsibility for strategic planning and organisational accountability.

Strategic Objectives

- To ensure the provision of effective corporate governance;
- To provide strategic direction and leadership to industry and the organisation, based on global outlook industry standards, national and provincial legislation, prescripts and guidelines and tourism sector intelligence;

- To ensure the creation and maintenance of a positive image for TKZN and the provincial tourism; and
- To ensure the co-ordinated development and promotion of tourism among Government stakeholders and private sector partners.

Key Performance Areas

- Corporate governance, including administration, enterprise risk management and compliance with applicable laws and regulations;
- Strategy and leadership;
- Corporate and brand positioning; and
- Strategic partnership and alignment.

Linking Performance with Budget

Programme	2014/2015			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	'000	'000	'000	'000	'000	'000
Chief Executive Officer's Office	R14 702	R14 060	R642	R8 478	R8 402	R76
Total	R14 702	R14 060	R642	R8 478	R8 402	R76





Performance Information: Chief Executive's Office

Measurable Objectives	Programme Performance Indicators	Annual Target (APP) 2015/2016	Actual Performance	Variance	Comments
To provide strategic direction to the organisation through appropriate governance structures in place	Number of Board Committee meetings held to assist the Board to discharge its fiduciary duties	16	21	5	Due to special meetings held by the HR and Compensation Committee and the Audit and Risk Committee
	Number of Board meetings held to provide strategic direction to the organisation, aligned with the KwaZulu-Natal Tourism Master Plan	4	5	1	A special meeting of the Board was convened on 25 June 2015
To undertake risk assessments for the effective management of business risks	Annual risk assessment undertaken to develop the risk register for the organisation	1	1	Nil	N/A
	Number of risk reports submitted to ensure TKZN's exposure to business risk is properly managed and mitigated	4	4	Nil	N/A
To present to stakeholders the state of tourism from a global, national and provincial perspective, based on intelligence gathered	Analysis of performance and trends in the tourism sector, in relation to TKZN activities, and production of a strategic report highlighting achievements, gaps and necessary interventions	1	1	Nil	N/A
To utilise national and provincial tourism co-ordinating structures to drive the provincial tourism agenda, within the context of the national and provincial mandate, thus ensuring a synergistic approach in pursuit of tourism activities	Number of reports produced, highlighting national and provincial tourism decisions taken with the influence of TKZN	4	4	Nil	N/A
To engage with international and domestic strategy parties to lobby for joint destination promotion	Number of programmes implemented with strategic partners	4	4	Nil	N/A

Tourism Information Services

Purpose

To facilitate appropriate research, information and knowledge management in order to inform KwaZulu-Natal's tourism strategies and plans, and to facilitate tourism information provision and dissemination, as well as to ensure adherence to global quality standards.

Strategic Objectives

- To conduct research, manage information and knowledge, and collate international and local sector information to guide strategy and monitor the programmes and performance of KwaZulu-Natal's tourism sector;
- To provide accessible and user-friendly tourist information through strategic contact points and to disseminate promotional material in accordance with the demands of TKZN's operational divisions; and
- To benchmark and monitor KwaZulu-Natal's tourism product and destination management practices against international best practice guidelines and standards.

Key Performance Areas

- Research, information and knowledge management;
- Information office services;
- Distribution;
- Database development and maintenance;
- Information and communication technology; and
- Quality assurance and benchmarking.

Programme Performance Highlights

Introduction

TKZN utilises a systematic investigative process for the increase and refinement of current knowledge and information in terms of the global, national and provincial tourism sectors.

This is utilised to assist in driving strategy for the benefit of both the organisation and the tourism sector as a whole.

During the 2015/2016 financial year, Tourism Information Services continued its close relationship with both the Provincial

Department of Economic Development, Tourism and Environmental Affairs and the National Department of Tourism,

as a sitting member on the National Research, Information and Knowledge Management Committee. Such relationships enable a close alignment in terms of tourism measurement and reporting.

TKZN's destination management system, or network of websites, was further upgraded and amplified, with social marketing segments receiving continued focus. It is envisaged that this platform will continue to grow within the forthcoming financial year.

The provision of information to tourists, supplying them with the tools necessary to make informed decisions regarding trips to KwaZulu-Natal, is regarded as a priority for the organisation. With a recent move, relocating TKZN's offices to the Durban Point, Tourism Information Services revamped the uShaka Marine World tourism information office into a flagship facility for the organisation. Information dissemination is further achieved through the dissemination of marketing collateral and other promotional materials by way of more than 175 distribution platforms, nationally and internationally.

Research

During the 2015/2016 financial year, the organisation completed a number of important pieces of research. Such work will greatly assist in directing tourism in KwaZulu-Natal into the future, as well as enabling the preparation of a comprehensive Research Training Plan.

Completed Research Projects

- A study into tourism niche markets, as one of the baseline studies required for the KwaZulu-Natal Tourism Master Plan, was completed. Once a baseline study has been completed, trends in terms of development may be identified and targets set. Further baseline studies will continue to be undertaken for this purpose. The review year saw the development of the avitourism niche market research report completed;
- The economic impact assessments (EIA) of a range of major events staged in the province, such as the Midmar Mile, Dusi Canoe Marathon, the Amashova Classic Cycle Race and Comrades Marathon, as well as an increasing number of conferences, were conducted during the review period. This again underlined the importance of events, particularly in terms of their economic contribution to the province. For the first time, surveys of the Durban International Film Festival and the Tsogo Sun Sprint were also conducted; and

- The tracking of the performance of the tourism sector against a variety of tourism indicators for the province was continued and included air passenger movements at King Shaka International Airport, incoming road traffic arrivals via toll plazas and hotel occupancy figures for the province, together with a range of other national destinations. This information is of critical importance to the Marketing department, enabling staff to make informed decisions as to which markets to pursue.

Given the need to ensure that TKZN continuously remains abreast of global tourism trends, a Research Development Plan was rolled-out for the 2015/2016 financial year. The plan outlined attendance by members of the research division at relevant international conferences so as to gain exposure to and an understanding of the latest trends and processes in terms of global tourism research. The senior researcher attended the Global Adventure Tourism Summit in Southern Chile, working with international specialists and obtaining insights into global best practice in terms of adventure tourism.

Information Services

The original lead information office was closed when TKZN relocated from the centre of Durban to the Point. Simultaneously, the uShaka Marine World information office was completely refurbished to become the organisation's flagship information office for the province.

Information desks were again provided and manned at all the major shows and events during the review period, as well as for the docking of the MSC cruiseliner. During the 2015/2016 period a total of 95 385 queries were responded to via email, fax, telephone and attendance to 'walk-ins,' as opposed to a total of 164 759 during the 2014/2015 period, a decrease of 42%. This was largely due to the closing of the historical lead tourism information office in the centre of Durban. As the new flagship information office located in Durban's

Point area becomes better established, it is envisaged usage will again increase.

The 175 targeted distribution platforms, both national and international, decreased to 157 as a result of a decrease in the production of marketing collateral and the move towards the provision of increased electronic marketing materials.

Information and Communication Technology

Technology is a key component that keeps TKZN connected.

Technology compliance formed a major focus for the organisation during the 2015/2016 financial year, with the successful resolution of all ICT audit findings for the year under review.

To continuously support the employees of the organisation, new end-user computing devices were rolled-out during the review period. This ensured that the organisation's greatest asset – its staff – were equipped with the correct tools in order to perform optimally. The roll-out, too, of a tourist WiFi hotspot at the uShaka Marine World information office is regarded as a positive mechanism for the drive to ensure enhanced access to tourism information in the province.

TKZN's website is regarded as a key platform for the effective promotion of the destination. The website touches a global audience, with particular interest displayed by the following top five countries, being the United States of America, the United Kingdom, Germany, South Africa and Kenya. The databases, which feed information to the website, have been updated to include a new section designed to outline tourism activities for the benefit of consumers.

Looking ahead, the key focus for the forthcoming financial year includes the launch of a KwaZulu-Natal mobile application, online booking systems and virtual reality in tourism projects.

Division Performance

The Tourism Information Services Division achieved all targets detailed in the action plan.

Linking Performance with Budget						
Programme	2014/2015			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	'000	'000	'000	'000	'000	'000
Tourism Information Services	R14 624	R15 852	-R1 228	R15 762	R14 570	R1 192
Total	R14 624	R15 852	-R1 228	R15 762	R14 570	R1 192

Performance Information: Tourism Information Services

Measurable Objectives	Programme Performance Indicators	Annual Target (APP) 2015/2016	Actual Performance	Variance	Comments
To undertake research studies, produce the requisite reports and disseminate findings to internal and external stakeholders	Economic impact assessments conducted on events and conferences	11	13	2	Supplementary research reports were produced
	Tourism Master Plan baseline study on a niche tourism sector developed	1	1	Nil	N/A
	TKZN market segmentation review completed	1	1	Nil	N/A
Provision and collection of tourism information through strategically positioned distribution points, and through information offices, and report on these	Number of platforms utilised for the distribution of marketing brochures and publications in primary and secondary market, international and domestic trade and consumer shows, SA tourism offices and General Sales Agency offices, SA embassies, Consulate	176	157	19	Production was reduced due to budget constraints
	Number of reports submitted on tourists and tourist activity in KZN	2	4	2	Quarterly reports were produced
	Report benchmarking the TKZN tourism information offices and information provision based on international best practice	1	1	Nil	N/A
Benchmark research and knowledge management against international best practice through active participation at strategic international and domestic knowledge management platforms	Number of strategic international and domestic platforms in which TKZN actively participates	3	10	7	Target exceeded due to participation in domestic platforms that were new opportunities
To provide a sustainable Information and Technology Platform to support the organisation	Infrastructure uptime	99.5 %	99.5%	Nil	N/A
	Digital Board pack solution	1	1	Nil	N/A
	Updating 100% of the DMS database records	100% of the product database updated	100% of the product database has been updated	Nil	N/A
	SAP Business One	1	1	Nil	N/A



Tourism Development

Purpose

To facilitate responsible and demand-driven product development, accessibility and the transformation of tourism in KwaZulu-Natal.

Strategic Objectives

- To facilitate tourism destination development;
- To promote tourism investment; and
- To champion the transformation of the tourism sector.

Key Performance Areas

- Destination development;
- Tourism infrastructure;
- Broad-based Black Economic Empowerment and Small, Medium and Micro Enterprise advisory services; and
- Tourism Broad-Based Black Economic Empowerment and Small, Medium and Micro Enterprise skills development.

Programme Performance Highlights

Introduction

TKZN's Tourism Development Division works to promote destination and enterprise development through appropriate product generation, while also encouraging meaningful transformation within the tourism sector in KwaZulu-Natal.

Other important components of the division's role include facilitating improved market access, providing comprehensive advisory services and delivering vital skills development interventions. All are geared towards enhancing the provincial destination to the benefit of visitors.

Destination and Enterprise Development

TKZN's tourism sector has long been regarded as a noteworthy contributor to the economy here. It is, however, also recognised that there remains massive untapped potential to further grow the KwaZulu-Natal tourism environment.

In this regard, TKZN works indefatigably to facilitate new demand-driven product development through involvement in the provision and sharing of vital project and infrastructure advice. The organisation looks seriously at the viability of tourism projects

and prepares appropriate business plans around such projects. A highlight of this function during the 2015/2016 financial year was the Shakaland Project, located near Eshowe. Working in close liaison with the Ithala Development Finance Corporation, TKZN's overall intention was to ensure the upgrade of facilities.

Consideration was also given to a beach resort development on the province's north coast, with the development of a concept for Tinley Manor. The financial year under review saw the market plan process being implemented, with a document being compiled for exposure to interested parties, using several investment platforms.

Such platforms included the South African Property Owners Association (SAPOA) convention and property exhibition locally and the African Hotel Investment Forum, held in Ethiopia.

In addition, the beach resort concept was taken to MIPIM in Cannes. This is a key conference, exhibition, networking and transaction event and draws highly influential roleplayers from a range of international property sectors. This event is renowned as offering unrivalled access to development projects across the globe. The purpose of TKZN's involvement in MIPIM was to expose prospective investors, developers and internationally-branded hotel and resort operators to the potential Tinley Manor offers as a stunning beach resort location.

TKZN's efforts met with most encouraging levels of interest.

Yet another initiative in which TKZN played a significant role revolved around route enhancement within its destination. Spanning the border between South Africa and Lesotho, the Maloti-Drakensberg Route is widely regarded as a highly innovative project, covering, as it does, sizeable parts of the Mountain Kingdom, the Drakensberg Mountain range in KwaZulu-Natal and parts of both the Eastern Cape Highlands and the Eastern Free State.

The objective of this collaborative exercise was to encourage sustainable tourism activities, stimulate employment and boost visitor flows to these areas, opening up this under-resourced region and enhancing available tourist experiences here.

Initial efforts centred on awareness creation and involved the staging of a training and capacity-building workshop for the benefit of both tourism stakeholders and local communities, pointing out the benefits of the route and providing advice about participation in the sector.

TKZN also maintained its support for the East3Route during the review period, working to conceptualise and develop trip itineraries

and offering suggestions as to how route experiences may best be packaged.

In addition, TKZN participated in the annual East3Route investment seminar, held in the Seychelles – a new partner to the route. A number of tourism investment and development opportunities were highlighted to both local and international businesses and trade representatives, while extensive and very positive media coverage of the route and its investment prospects was also received.

During September 2015, TKZN attended the Hotel Investment Conference Africa – staged in Sandton, Gauteng – where one of this province's numerous projects, iSibaya, was showcased to great acclaim. Staff were excited by the level of interest the project garnered.

From an infrastructure development perspective, TKZN played an important role in the KwaZulu-Natal Tourism Signage Project. This, the organisation regards as a vital project within the provincial tourism landscape, given the need to ensure ease of access by visitors to each and every one of the experiences on offer.

During the 2015/2016 financial year, some 271 signs were manufactured and installed. Of this number, 185 were placed along the R22 route, north from Hluhluwe, in the uMkhanyakude District Municipality area, located in the far north of KwaZulu-Natal and bordering Swaziland and Mozambique, as well as the provincial districts of Zululand and uThungulu.

The balance of the signs produced during the review period were designated for installation in the eThekweni Municipality region, along the coast from Umhlanga in the north to Umgababa in the south.

Cruise tourism is steadily gaining momentum in KwaZulu-Natal and in recognition of this increasingly important market segment TKZN made further inroads towards achieving widespread awareness of the idyllic cruise conditions which exist off TKZN's coast. There is increasing demand from cruise operators for new cruise destinations, with great interest being shown in African destinations in particular.

It, therefore, remains TKZN's intention to promote cruise route development from the port of Durban robustly – a move which, could provide a major drawcard for visitors accessing our province to join cruises departing from the port. TKZN, therefore, energetically continued its involvement with the Cruise Indian Ocean Association, a body whose primary objective is to develop and market cruising in the Indian Ocean.

In view of the fact that cruise tourism has the capacity to boost visitor levels, increase spend, lead to enterprise development and boost employment, TKZN works solidly to give real and meaningful effect to its commitment to cruise tourism development. TKZN was represented at the Seatrade Cruise Global event in Florida, USA, in

March 2016, exhibiting, distributing marketing material and sharing information about Durban as an amazing destination for offshore tourism. TKZN also made concerted efforts to have KZN included in future cruise packages.

In addition, TKZN attended the first eThekweni Cruise Summit, uniquely held aboard the MSC Sinfonia. This summit was regarded as being most significant, in view of the growing recognition of the exciting growth prospects cruise tourism offers Durban, specifically, and KwaZulu-Natal generally.

With cruise tourism emerging as one of the world's fastest growing tourism segments, the eThekweni Cruise Summit looked to accelerate cruise industry growth by turning the spotlight very firmly on Durban.

Transformation

TKZN's tourism sector boasts great potential for development into the future, but in growing the tourism product base here necessitates the telling transformation of the sector, improving access and, thus, the better inclusion of the historically disadvantaged.

This, it is recognised, is a process, but one which must be effectively driven and efficiently managed to be successful.

Accordingly, the role the organisation plays is to contribute to the establishment of an environment within the provincial tourism space that encourages the favourable participation of emerging entrepreneurs from historically disadvantaged backgrounds. TKZN is geared to promote tourism opportunities and market access for emergent small and medium-sized businesses across the tourism spectrum in the province.

During the review period TKZN provided the private sector with transformation advice in terms of business support, while equipping both new and existing business enterprises with the knowledge and skills necessary to break into the mainstream tourism value chain and be both sustainable and competitive.

A primary focus during the review period was on further developing TKZN's well-known incubator programme so as to expand advisory and skills development initiatives, opening the door to improved access to markets in the name of Broad-based Black Economic Empowerment.

Market Access

TKZN actively upholds its market access ideals by affording especially identified and deserving small and medium-sized enterprises access to major events, including the annual Tourism Indaba trade show in Durban and the Gauteng Getaway show in South Africa's hinterland.

TKZN promotes market access for such roleplayers by facilitating their exposure, in particular, to trade representatives in SADC countries, markets of growing importance to TKZN's provincial tourism awareness efforts.

During the review period, TKZN targeted Lesotho, Swaziland and Mozambique, taking emergent tourism entities on excursions with the objective of linking them with product owners and tour operators in those countries immediately neighbouring South Africa's borders.

Representatives of local business enterprises were able to successfully introduce their offerings and form relationships, especially with tour operators beyond TKZN's borders.

TKZN was also able to successfully facilitate access to a major exhibition in Mauritius for a group of local tour operators. The show attracted 10 000 visitors and the participating KwaZulu-Natal-based tour operators secured both interest and bookings as a consequence of their involvement in this Indian Ocean Island show. TKZN, together with a number of its incubator enterprises, were also represented at the Mozambique Travel Show, which drew some 50 000 visitors and afforded small-scale operations from KwaZulu-Natal exceptional exposure.

Importantly, TKZN also maintained its ongoing support for the Afriportico brand during the 2015/2016 financial year. This brand was created in 2010 as a joint initiative by partners TKZN, the DEDTEA and Africa Unit Tourism Enterprise Network. The purpose of Afriportico was to create a brand through which the logistics and information and marketing materials of its members might be collectively communicated, distributed and shared with potential buyers. In this regard, TKZN staged a series of workshops, promoted cruise tourism and led excursions into neighbouring countries as a means of creating broad exposure for members.

In addition, and most importantly, the period also witnessed an examination of the Afriportico brand with a view to growing the concept and taking the operation to another operating level.

Of critical importance to the province and market access considerations, TKZN played a contributory role in World Routes 2015, held in Durban during the past financial year. The event – the first of its kind to be held anywhere in Africa – provided the platform for several international airlines to announce their inclusion of Durban on direct long-haul air routes. Such enhanced long-haul connectivity will do much for TKZN's market access activities and, in particular, efforts to establish critical upmarket beach resorts here. Greater airlift is most certainly seen as a crucial component of beach resort development here and the improved connectivity announcements of the review period, therefore, go hand-in-hand with TKZN's international efforts to promote TKZN's coast as being ideal for new beach resort development.

In a similar vein and in view of Durban's international airport forming the core of an emergent aerotropolis on the northern fringes of Durban, TKZN formed part of a special aerotropolis team which visited China to actively promote TKZN's aerotropolis initiative.

Advisory Services

Small business development within TKZN's tourism sector is critical to growing the overall tourism industry in KwaZulu-Natal.

Small business enterprises active in or entering this arena generally lack the necessary skills and expertise to remain sustainable without supportive advisory services. TKZN supplies this in its quest to move emergent businesses to new operating levels and enabling them to become mainstream economic contributors within the sector.

TKZN facilitated and rolled-out tourism enterprise advisory service workshops across the province during the period under review, sharing with delegates from within the tourism business community information that would assist in the more efficient operation of their businesses and capacitate them with opportunities for business growth.

Pleasingly, some tourism enterprise owners participated in TKZN's business development workshops during the review period.

Skills Development Interventions

There is a growing need to fill prevailing skill gaps in the provincial tourism sector and TKZN's works to facilitate the effective upskilling of tourism business owners especially from historically disadvantaged backgrounds.

Such interventions are deemed critical to future tourism business development and greatly assist in giving effect to meaningful transformation within this industry sector.

Acknowledging the need for skills development, TKZN has, in past years, facilitated a wide variety of training programmes and workshops for small and medium-sized businesses active in the provincial tourism sector. The 2015/2016 financial year was no exception in this regard.

Division Performance

The Tourism Development Division achieved all targets detailed in the action plan.

Linking Performance with Budget						
Programme	2014/2015			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	'000	'000	'000	'000	'000	'000
Tourism Development	R9 268	R3 510	R5 758	R7 460	R3 915	R3 545
Total	R9 268	R3 510	R5 758	R7 460	R3 915	R3 545

Performance Information: Tourism Development					
Measurable Objectives	Programme Performance Indicators	Annual Target (APP) 2015/2016	Actual Performance	Variance	Comments
Drive tourism destination development	Number of tourism development concepts formulated in partnership with Trade & Investment KZN and other relevant stakeholders	2	2	Nil	N/A
	Number of interventions for route enhancement	4	4	Nil	N/A
	Number of initiatives to improve accessibility to the destination	2	2	Nil	N/A
	Number of tourism infrastructure initiatives facilitated	2	2	Nil	N/A
	Number of universal accessibility initiatives driven in collaboration with the Tourism Grading Council of SA, FEDHASA and SATSA	2	1	1	Need to align to NDT and EDTEA's new initiative on universal accessibility
Facilitate tourism investment	Number of projects packaged for investment promotion	4	5	1	TKZN, in conjunction with TIKZN, packaged tourism projects for the East3Route investment mission
	Number of new platforms created in collaboration with TIKZN for tourism investment promotion	8	8	Nil	N/A
	Number of trade platforms utilised for tourism investment promotion	4	3	1	The planned platform was the Hotel Investment Conference and Exhibition in Germany, which had to be cancelled due to budgetary constraints
To contribute towards transformation of the tourism sector	Number of tourism enterprises receiving targeted business support through TKZN's SMME Business Support Programme	40	43	3	Three more SMMEs were added to the eThekweni Cruise Tourism programme
	Number of access to market platforms created for tourism businesses	4	4	Nil	N/A
	Number of interventions to build the AfriPortico brand	4	4	Nil	N/A



Marketing

Purpose

To promote the province generically and to create an enabling environment for the region's communities and private sector stakeholders to market their offerings optimally within the umbrella branding and destination marketing framework and strategy for KwaZulu-Natal.

Strategic Objectives

- To build a strong, integrated KwaZulu-Natal tourism brand;
- To defend KwaZulu-Natal's domestic market share;
- To grow international arrivals;
- To grow KwaZulu-Natal's business tourism, in partnership with the Durban KwaZulu-Natal Convention Bureau;
- To create brand alignment and synergy with sub-brands; and
- To strengthen trade relations with trade partners.

Key Performance Areas

- Brand and leisure marketing;
- International marketing;
- Trade marketing;
- Events marketing;
- Tourism Indaba; and
- Group tourism support.

Programme Performance Highlights

Introduction

TKZN's Marketing Division is charged with the responsibility of promoting KwaZulu-Natal dynamically so as to advance and expand awareness of this provincial destination, nationally and internationally, with a view to boosting arrivals in the province and encouraging the geographic spread of tourists across all experiences.

TKZN employs a range of marketing platforms to reach its internal and, especially, external stakeholders. Innovation of approach is key to TKZN's delivery of interventions that best communicate the products and services available within its tourism environment and which have the flexibility to evolve with this ever-changing economic sector. It must be stressed that TKZN's Marketing division provides a business-wide function, providing for seamless integration of effort across all its organisation's business activities.

Domestic and African Activations

KwaZulu-Natal is South Africa's leading domestic tourism destination and also enjoys a growing support base in neighbouring African countries, regarded as a new and critical source market for KZN.

As South Africa's top beach destination, KZN has the potential to appeal to communities within this country's hinterland and to prospective visitors from land-locked countries north of TKZN's borders – especially first-time tourists. Accordingly, TKZN's marketing machine rolled into action during the 2015/2016 financial year, initiating activations designed for both the domestic and African markets.

On the domestic front, TKZN worked with Tsogo Sun to activate a beach festival-themed campaign in Johannesburg early in the review period. The Zulu Kingdom Easter Beach Festival provided TKZN an ideal platform to interact with, especially, Gauteng's large high-end market. While the primary focus of the activation centered on beach-based experiences, TKZN also marketed the Midlands and promoted the hugely popular, uniquely South African and highly successful *Holiday Swap KZN* television reality show. The Zulu Kingdom Easter Beach Festival generated keen interest in TKZN by prospective tourists from Gauteng and its environs.

An undoubted highlight of the financial year was the culmination in May 2015 of the aforementioned *Holiday Swap KZN* TV show. The show was flighted on SABC 1 and ranked as the second most-watched reality TV show in South Africa. Viewership grew by more than 500% from the first episode, drawing a staggering 4,9 million viewers by the end of the series. Such success contributed significantly towards the achievement of TKZN's awareness creation objectives, while also enabling it to defend existing market share. The programme attracted the attention of the country's growing middle class and opened peoples' eyes to the world of affordable travel.

In line with plans to forge strategic partnerships with non-tourism-related trade players who have strong brand appetite for destination promotion, TKZN partnered with H&G Exhibition (Pty) Ltd, affording TKZN a platform to exhibit at the East Coast Radio House and Garden Show in 2015. To ensure top-of-mind tourism awareness, the show was used to launch the KZN Travel and Adventure Show. TKZN's participation in the House and Garden Show was a first and gave the organisation traction in a non-tourism space, so extending its reach in marketing KwaZulu-Natal's tourism attributes.

A key 2015/2016 marketing platform and one of which TKZN

has long taken advantage of was the Tourism Indaba. In addition to our annual hosting of a KZN Stakeholder Business Breakfast, TKZN exhibited at the show, focusing on key tourism developments and featuring – as the central theme – TKZN's untold stories, unpacking such attributes as our heritage, adventure, safari and beach experiences.

TKZN continued our destination awareness activities through participation in the Gauteng Getaway Show, which included exposing established small business participants in TKZN's incubator programme to the lucrative Johannesburg market.

The annual year-end holiday season provides a critically important marketing opportunity for TKZN and at the end of 2015, the organisation embarked on a special Welcome Campaign to mark the festive season. This marketing campaign, launched in conjunction with other like-minded partner organisations, was aimed primarily at domestic tourists and resulted in TKZN's utilisation of various hotSpot provincial entry points to welcome visitors, sharing with them safety tips and recommended activities.

The campaign was multi-faceted and set out to enhance the destination as a must-visit place of warmth, family-orientation and friendliness, and a preferred beach destination for tourists. A further important goal was to vigorously heighten safety awareness among tourists.

Turning to the rest of Africa, the Connecting Africa project was staged in May 2015. This was a joint initiative between TKZN, TIKZN and driven by TKZN's partner, East Coast Radio. First activated in 2012, this learning exchange and tourism showcase project aimed to form and nurture close alliances with radio stations in both Zambia and Zimbabwe, as well as South Africa inland areas. The 2015 event provided for the hosting of influential broadcasters in KZN and the opportunity to show-off TKZN's tourism offerings on the Elephant Coast, in Durban and within the Midlands area, with participating DJs crossing live to their respective home-based audiences on a daily basis.

TKZN also participated in Descubra Mozambique, an international tourism fair, as part of its East3Route marketing efforts, giving the organisation the opportunity to further cement the partnership it enjoys with both Mozambique and Swaziland. Involvement in the fair allowed TKZN to meet with key tour operators and to promote KwaZulu-Natal as a preferred destination for the Mozambique market.

TKZN also engaged with select trade representatives in Ethiopia to discuss future collaborations, with a view to the trade in that country packaging and selling KwaZulu-Natal as a top destination to Ethiopian consumers. This linkage followed an announcement by Ethiopian Airlines that it intended introducing direct flights to

Durban, which aligned perfectly with TKZN's efforts to optimise tourism marketing in line with improved air connectivity.

From a trade perspective, TKZN partnered with Non-Government Organisation Project Enza in order to focus on youth development through a 'Youth in Tourism and Hospitality' initiative, which saw TKZN hosting tourism and hospitality students. TKZN used its time with them to showcase the Nelson Mandela Capture Site as a prime experience for both domestic and international travellers.

TKZN also partnered with 5Star Durban magazine and *Durban Roots* to promote TKZN's destination's brand and encourage peoples' immersion in TKZN's cultural diversity. The Durban Roots initiative, in particular, afforded people the opportunity to come together in celebration of TKZN's unique heritage. The initiative also served to highlight the economic impact tourists make in the province.

An important trade intervention undertaken during the review period included tour operator training. TKZN ran a number of destination training courses for the benefit of a range of tour operators from around the country, attracting numerous agents keen to learn more about our offering.

TKZN also used regular Trade Growth Forum meetings between TKZN and municipalities in the province to continue laying the groundwork necessary for collaborative efforts designed to woo trade representatives and the media by way of familiarisation trips.

International Activations

KwaZulu-Natal, as an international destination, has made steady gains in years past and is aware of the need for robust marketing in the global arena in order to compete effectively with other destinations world-wide. It is most certainly the intention of the organisation to expand our share of international travellers.

To this end, the organisation entered into tactical Joint Marketing Agreements with strategic partners in the international arena, embarked on a series of planned hosting exercises, facilitated training for agents and participated in select trade shows.

Joint Marketing Agreements

The organisation places great store in finalising Joint Marketing Agreements with various like-minded bodies operating in the international field as a means of cost-effectively furthering its marketing reach across the globe.

Two such agreements, with Knecht Reisen in Germany and Sydafrikaresor in Sweden, were reaching their expiry dates in the 2015/2016 financial year. The association with both has proved highly beneficial to TKZN in years past. Importantly, however, TKZN was successful in concluding a number of new Joint Marketing Agreements during the period under review. One such agreement

was with SAA Vacations, a general sales agent for SAA in the USA market. TKZN's agreement will lead to the re-inforcement of awareness about KwaZulu-Natal in the USA marketplace, while also cementing relationships with key agents representing SAA Vacations.

Of equal importance was the completion of a Joint Marketing Agreement with Goway, one of the biggest tour operators in Toronto, Canada, which boasts a network of some 40 affiliated retail agent companies. This 2015 Joint Marketing Agreement paved the way for a comprehensive familiarisation trip and an online e-marketing destination campaign.

Turning to Asia, TKZN also set about the finalisation of a Joint Marketing Agreement with Cox and Kings, a leading tour operator in India with 12 offices across the country and a global presence in the major travel markets of the United Kingdom, USA, Japan, Russia, Singapore and Dubai. It also has associate offices in Germany, Italy, Spain, Sweden, Australia and – importantly – South Africa. The intention is to initially focus on hosting incentives buyers, with the later addition of a leisure programme, which would include a brochure listing, trade workshops and targeted destination promotion so as to drive increased tourist volumes from India.

Trade Hosting

The organisation's partnership with Tourvest Destination Management Company resulted in the hosting of the DERTOUR Laenderspecial in KwaZulu-Natal during 2015/2016. This saw 100 travel agents from Germany and other European countries visiting KwaZulu-Natal for a first-hand destination experience and training.

A further German linkage saw TKZN partner with SAA Germany and Inspiration Tours, hosting six influential travel agents from Germany and familiarising them with TKZN and its diverse offerings.

TKZN also partnered with the United Kingdom-based destination marketing company, Followme2AFRICA during the review period. The company has a footprint in both Russia and South America. They selected their top 60 agents from the United Kingdom, Russia, the USA, Australia and other countries to attend the Followme2AFRICA Travel Academy in South Africa. Workshop sessions were used to showcase provincial product offerings and 16 agents from the group participated in tours of KwaZulu-Natal to become familiar with TKZN destination. As a consequence of the organisation's association with this destination marketing company, more than 100 properties are now featured, resulting in greater tourist volumes for KwaZulu-Natal.

Working with SA Tourism (UK), TKZN hosted an additional 15 buyers and four trade journalists from the United Kingdom during the year, educating them about destination KwaZulu-Natal and familiarising them with tourist experiences. TKZN were also successful in concluding a hosting partnership with Emirates Airline

and Tour d'Afrique, which included a visit to KZN shores by a further five key trade members from the United Kingdom.

Trade Shows

Trade show involvement forms a vital element of the organisation's marketing undertakings internationally and, indeed, the value of participation in exhibitions and trade shows abroad cannot be over-emphasised.

During 2015/2016, TKZN participated in the ABAV Travel Expo, utilising the SA Tourism pavilion. TKZN were most thankful to SA Tourism (Brazil) for the role played in linking the organisation with key volume drivers from Brazil, which led to TKZN hosting five top tour operators on a familiarisation tour of KwaZulu-Natal. In addition, a TV crew visited KZN to cover the Sardine Run and other experiences. The expo in Brazil enabled TKZN to further consolidate relations with trade representatives and deliver destination training exercises.

An important highlight was TKZN's partnership with Akilanga, a top Johannesburg-based destination marketing company, in the Top Resa event in France during 2015. Akilanga used this platform to launch a new brochure featuring new properties in KwaZulu-Natal.

TKZN again participated in the World Travel Market event in London, promoting KwaZulu-Natal as a preferred tourist destination, forging new and enhancing existing trade relations. Strategic business-to-business meetings were also conducted, creating awareness of and interest in the experiences available here.

Maintaining a European focus, TKZN took part in Austria's four-day Ferienmesse Consumer Show which attracted almost 150 000 visitors. The exhibition stand delivered a distinct KwaZulu-Natal focus and included exposure for several local product providers. TKZN utilised the event to deliver a special destination presentation to a carefully identified audience of 40 people.

The organisation also enjoyed a presence at the ever popular CMT Consumer Show in Stuttgart, Germany, where 220 000 visitors were exposed to a range of tourism offerings. An important take-out from involvement at this show was a tourist trend towards self-drive tours instead of guided tours.

Exhibiting through the SA Tourism pavilion at the 50th ITB trade show in Berlin, Germany, TKZN set out to establish new customer contacts. This show, attended by 10 000 people from 185 countries, is widely regarded as the foremost business platform of its kind for engagement with international trade and is Germany's premier tourism event. KwaZulu-Natal was prominently profiled within the exhibit and TKZN was successful in engaging with numerous trade partners and former Joint Marketing Agreement partners.

With Turkish Airlines having announced its intention to introduce direct flights between Istanbul and Durban, it was considered



strategically important that TKZN participate in the Eastern Mediterranean International Travel and Tourism (EMITT) Exhibition. Attracting 5 000 exhibitors from some 70 countries and attended by 65 000 tourism professionals, the EMITT Exhibition provided an ideal platform to seek joint marketing opportunities in the Turkish market.

During the review period, Knecht Reisen – with whom TKZN has a Joint Marketing Agreement – ran a KwaZulu-Natal Safari tester promotion on its website, while also hosting the two-day Reisewelten 2015 event during which the organisation delivered a destination KwaZulu-Natal presentation. Some 5 000 visitors attended the event, affording TKZN an exceptional awareness creation opportunity.

Emanating from TKZN's Goway partnership, the organisation pleased to have been invited to play a major role in the Goway Road show, staged in Toronto, Boston and Philadelphia to profile KwaZulu-Natal and share information with trade representatives about KwaZulu-Natal's offerings.

Agent Training

TKZN believes it important that agents operating abroad should receive adequate training about the attributes of TKZN – especially agents who are targeting the region for the first time.

Importantly, Tour Link Africa conducted destination training for a number of Germany's tour operators during the review period.

In addition, the ASA Roadshow took place in June 2015, covering Leipzig, Munich, Stuttgart and Frankfurt in Germany, providing destination training for a further 154 agents who attended the roadshow.

The training of 80 Knecht Reisen travel agents was also undertaken, providing important insights to TKZN. Three of these agents were set to travel to KwaZulu-Natal during the course of 2016.

Division Performance

The Marketing Division achieved all targets detailed in the action plan.

Linking Performance with Budget

Programme	2014/2015			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	'000	'000	'000	'000	'000	'000
Marketing	R34 265	R44 830	-R10 565	R36 028	R33 885	R2 143
Total	R34 265	R44 830	-R10 565	R36 028	R33 885	R2 143

Performance Information: Marketing					
Measurable Objectives	Programme Performance Indicators	Annual Target (APP) 2015/2016	Actual Performance	Variance	Comments
To partner with tourism trade domestically and internationally to grow arrivals into KwaZulu-Natal	Joint marketing activities in partnership with trade	11	14	3	The overachievement is due to the extended opportunities provided to TKZN: <ul style="list-style-type: none"> • Mango Airlines and First Car rental trade partnership as part of the Tourism Month programme; • Project Enza focusing in youth development in tourism by hosting tourism and hospitality students to promote the 'Youth in Tourism and Hospitality' initiative as part of the Mandela Day celebrations; • Partnership with <i>5 Star Durban</i> magazine on Heritage Day Celebration; and • Partnership with Qatar Airways and YOUR AFRICA for the hosting of UK tourism trade to promote the Doha-Durban route
	Number of trade growth forum (TGF) hosted	4	3	1	Although the TGF was not hosted in the first quarter, TKZN used the Action Strategy Group platform, a forum that is convened by SATSA to share key strategies and activities. The forum deals with issues affecting SATSA members in KZN and was hosted in partnership with Ezemvelo KZN Wildlife
To package destination activities through integrated marketing communication	Number of domestic tourism promotion campaigns implemented	4	5	1	The variance is as result of an opportunity through a partnership with Proactive Concepts to roll out Durban July destination activation in Gauteng Proactive Concepts organises and hosts an annual Red Carpet Experience national tour as part of the promotion of KZN and the pre and post events linked to the Durban July. The platform highlighted key experiences outside of Durban and the surroundings thereby encouraging geographic spread. Other event experiences from the Midlands Meander and the South Coast were highlighted
	Number of targeted exhibitions, workshops and brand promotion platforms domestic, SADC/Africa and international	12	13	1	The overachievement is as a result of additional opportunities in Austria through SA embassy and Turkey as part of strategic airline marketing support programme since Turkish Airlines started flying directly into King Shaka International Airport. The platforms provided an opportunity to seek key trade partners
To forge strategic partnerships with non-tourism trade that have strong brand equity for destination promotion	Implementation of the partnerships	1	1	Nil	N/A

Public Relations and Communications

Purpose

To undertake internal and external programmes to enable a positive reputation for the destination and Tourism KwaZulu-Natal among stakeholders. Further, to champion service excellence in the tourism industry and, through the activities of the organisation, to leverage media opportunities for both the destination and Tourism KwaZulu-Natal.

Strategic Objectives

- To improve destination and corporate image, manage stakeholder relationships and promote service excellence within the tourism sector.

Key Performance Areas

- Proactive media relations and the building of a positive image of the destination;
- Continuous communication of organisational key engagements and achievements with internal and external stakeholders;
- Identify leveraging opportunities within supported events and co-ordination of supported events;
- Implement an extensive tourism safety and awareness programme; and
- Champion improved customer care and service excellence within the sector.

Programme Performance Highlights

Introduction

Internal and external communication with stakeholders is the responsibility of the Public Relations and Communications Division.

The 2015/2016 financial year was utilised to build on the solid communications foundation already in place. TKZN employed a range of print and digital communication vehicles to engage with stakeholders, sharing and imparting information to actively promote destination KwaZulu-Natal and build meaningful awareness around the province's tourist offerings.

Positioning TKZN's brand prominently in the public domain is an important focus of the work and, in this regard, TKZN ensured close liaison with a wide range of media representatives, affording them access to the organisation's tourism attributes. TKZN's endeavours in

this regard proved highly successful, with extensive positive media exposure being generated during the review period.

Being aware that tourist visits to any destination are, to a great extent, determined by how safe visitors feel and how secure environments are, TKZN placed great store in safety and security initiatives as the focal point of customer care undertakings.

TKZN also set out to strengthen business relationships with identified stakeholders, inclusive of trade representatives, by way of guest relations and event support initiatives during the course of the past year.

Stakeholder Communication

There is a clear and pressing need for ongoing communication with all of the organisation's stakeholder groups to ensure heightened awareness of the role of the organisation and, of course, improved awareness of the destination and its numerous offerings.

TKZN drives high-level communication to the public at large and strives to foster long-lasting business relationships with groups with a stake in the tourism economy.

Internal Communication

To ensure the effectiveness of external communication and consistent messaging, it is imperative that the organisation's staff members are, themselves, fully informed and on 'on-message' at all times. TKZN, therefore, accords internal communication the status it deserves, creating an information sharing environment conducive to converting members of staff, at every level, into veritable tourism ambassadors for TKZN and the organisation.

This, TKZN achieved by using a variety of internally-focused channels, inclusive of co-ordinating regular Chief Executive Officer Briefing Sessions. These important sessions afforded staff opportunities to update themselves on developments within the organisation as well as gaining an understanding of the latest messaging being imparted to stakeholders within the broader environment regarding the provincial tourism sector. Equally, such sessions proved ideal for enhancing the morale of staff and instilling in the minds of every member of staff the business culture of the organisation.

Such interactive communication was supplemented by the preparation and distribution to staff of an electronic newsletter, *Exceptional Times*, detailing for the benefit of all within the

organisation past activities, upcoming projects and activations and the recognition of staff whose efforts have exceeded expectations. *Exceptional News* was another electronic communication platform used, on an ad hoc basis during the review period, for the disbursement of news about various guest relations events or other functions in which staff could become involved, so gaining first-hand experience of the organisation's externally-focused activities. This mechanism also promoted a greater sense of staff involvement in the total tourism package.

Lastly and most importantly, TKZN ensured the preparation of information to be contained in The *Media News Bulletin*, a special communication tool aimed at members of the organisation's management team, keeping them fully informed about TKZN's ongoing media relations programme and the media's interest in the organisation and/or the provincial tourism environment, as well as publicity generated by TKZN regarding promotional activities. The bulletins also contained regularly updated statistics on media exposure attained and its Rand value to the organisation.

External Communication

In recognising the importance of stakeholder communication, TKZN has developed a number of mechanisms to ensure the timely sharing of information designed to grow the public's awareness of TKZN significantly, nationally and internationally.

TKZN has also set out to develop and nurture partnerships with other roleplayers, opening the door to cost-effective and integrated communication about the province and its tourism qualities and features. Vital to this cause during the review period was TKZN's longstanding and ongoing *What, Where and When* magazine partnership, a quarterly communications channel that enables the supply and circulation of a vast array of tourism-specific and relevant features, calendar events and promotions.

This is an outstanding niche publication, targeting the very audience TKZN seeks to reach. *What, Where and When* is distributed through a range of key tourism products across South Africa, as well as through South African Airways lounges globally.

The past financial year also saw TKZN become ever more cognisant of the growing importance of business communication via social media platforms. Having previously 'dipped a toe' in this medium, TKZN acknowledges that it is the communication way of the future and the organisation will invest greater time and effort in using this cost-effective tool going forward.

TKZN's interactive website gained traction in the market during the 2015/2016 financial year, while the organisation simultaneously made gains on Facebook, with followers increasing from 16 000 in 2014/2015 to 23 155 in 2015/2016. During the course of the review period and as an effect of the phenomenal growth of social media within the tourism environment, TKZN moved to supplement its

Facebook presence with the opening of Twitter, Pinterst, Instagram and YouTube accounts. Importantly, by financial year-end, TKZN had developed a fully-integrated social strategy, a move that will stand the organisation in good stead into the future of the digital age in tourism.

Media

TKZN was able to capitalise on its already strong media partnerships and relationships during the 2015/2016 financial year.

This was particularly true of media representatives involved in lifestyle titles and trade magazines, as well as the national print media. Such positive relationships have given effect to the organisation having a much stronger voice in the public domain and, particularly, in terms of developing a direct channel of communication to talk to the trade.

TKZN was especially pleased, given the importance of Tourism Month to the organisation, to have partnered with Radio 2000 in order to actively promote activities during September 2015.

In a first for TKZN, it secured the services of a professional travel blogger during the review period to independently scout and report on KwaZulu-Natal's tourist gems.

TKZN set Mzansi Girl (Meruschka Govender) the challenge of traversing the province and to report her findings – without any influence from TKZN. Her month-long campaign, dubbed 'Rediscover KwaZulu-Natal with Mzansi Girl' took Mzansi Girl – as well as other members of the media – the length and breadth of the province, enabling her to capture and share amazing tourism adventures and to extol the virtues of tourism experiences available to all in KwaZulu-Natal.

The 'Rediscover KwaZulu-Natal with Mzansi Girl' campaign proved highly successful and most certainly contributed to TKZN's efforts to grow the public's expectations of this province as a must-visit destination. Feedback received was proof-positive that TKZN has a genuine treasure trove of top tourist pursuits to enthrall visitors in KwaZulu-Natal.

An added outcome of this major campaign was a set of videos, which were broadcasted on the *Expresso Breakfast Show* and posted and on YouTube, achieving still further gains in TKZN's quest for improved levels of destination awareness and the entrenchment of the visibility of the province in the minds people in the digital space.

In terms of optimising conventional media, TKZN researched, prepared and disseminated a total of 19 media releases during the course of the financial year, generating exposure valued at R48,6 million (or R240 million, if a factor of five is applied to the AVE total of R48,6 million) in South African media. A further R87,0 million (or R435 000 000 million, if a factor of five is applied to the AVE total of R87,0 million) in a range of international news media.

An undoubted highlight of the review period was the province's hosting of the Metro FM Music Awards and, critically, TKZN's partnering with the station, which led the province to being showcased and its tourism experiences being exposed to the radio station's 6,5 million listeners.

Event Support

TKZN has long set out to create, nurture and expand sustainable business relationships with like-minded public and private sector partners in order to promote destination awareness. Involvement in key events is regarded as an important lever in terms of attracting increasing numbers of visitors to the province.

The 2015/2016 financial year was no exception in this regard and TKZN maximised its participation in a series of major events to the benefit of tourism promotion in KwaZulu-Natal. A primary event upon which the organisation was able to impact – in line with its connectivity strategy – was the World Route Development Forum (World Routes 2015). World Routes is the biggest commercial aviation event of its kind in the world, attracting airline, airport and tourist authority decision-makers, and Durban was honoured to host the conference's first venture into Africa during the past financial year.

Importantly for the tourism industry here, several international airlines used the platform to announce their decisions to introduce direct flights to Durban, significantly increasing international direct air connectivity between Durban and the world. Ever-improving connectivity from long-haul destinations globally appreciably improves destination access – a critical factor in attracting international tourists to KZN.

Working in conjunction with partners, the DEDTEA and TIKZN TKZN also hosted the now popular annual East3Route Expedition. This yearly trip is a cross-border exercise designed to actively promote tourism, investment and culture, merging KwaZulu-Natal, Swaziland, Mozambique and, latterly, the Seychelles. The expedition provides an excellent public relations opportunity to share with the media, trade and other related roleplayers tourism attributes and investment prospects in each of the four participating countries. TKZN's goal is to promote a sense of heritage to people of different cultures and backgrounds and to encourage trade representatives to package the route for greater tourist uptake.

The 2015/2016 financial year saw the route's annual expedition's investment conference held in the Seychelles. TKZN, together with other roleplayers, co-ordinated the investment seminar, which was geared towards promoting investment in tourism development within the four partner countries. Resulting from TKZN's involvement with the East3Route seminar, the organisation was also afforded the opportunity to launch a public relations activation at the highly popular and well-attended Seychelles Carnival.

TKZN also participated again in a Business Breakfast, which traditionally marks the commencement of the annual and critically important Tourism Indaba in Durban. The theme behind the Business Breakfast was: 'Unlocking the potential of the North Coast' and the event was extremely well attended, setting the scene for yet another successful Tourism Indaba.

Given its size and being hosted in Durban, the Tourism Indaba is a vitally important platform through which TKZN is able to communicate with decision-makers from within the national and international trade environment.

The MTV Africa Music Awards, also held again in Durban during the 2015/2016 financial year, brought a large contingent of media and international artists to TKZN's shores, providing the opportunity to promote KZN to an influential audience involved in the arts, culture and music sectors.

TKZN's activations in this regard proved popular and provided another avenue to display to the market the tremendous potential for tourism that lies in the province.

Similarly, the International Jazz Extravaganza was staged in Durban and drew international jazz artists to the Durban International Convention Centre. Through this event, TKZN was successful in promoting so-called township tourism, hosting an event in KwaMashu, a large township located on the outskirts of the city. TKZN additionally supported a range of other events, sporting and social, to deliver to a range of audiences the fact that is a winning tourist destination KwaZulu-Natal.

Customer Care

A safe and secure environment is an undoubted drawcard for tourists and the organisation's customer care function is designed specifically to promote the need for safety and the delivery of excellent customer service within the tourism sector.

Such is TKZN's concern for the safety of tourists enjoying its tourism experiences, that it has continued playing an active role on the important and multi-stakeholder forum, the Provincial Priority Committee on Rural Safety and Tourism.

TKZN annually sets out to engage with both trade and law enforcement agencies, activating a range of safety initiatives, from tourist tips to road-user information and from experience ideas to safety workshops and from the employment of tourist information ambassadors to encouraging tourism award involvement by service providers. During the 2015/2016 financial year, TKZN produced some 30 000 pocket booklets for distribution across the province offering tourists advice on safety. These booklets were made available through a range of outlets and at toll plazas on the province's major roads.

TKZN also partnered with the Provincial Department of Transport, the Road Traffic Inspectorate, the KwaZulu-Natal Liquor

Authority and other interested roleplayers during the year, delivering campaigns designed to create holiday safety consciousness, driver awareness and adherence – through enforcement – to road-use regulations. At peak holiday season times TKZN ‘bolted on’ an additional concept, supplying ‘What’s On’ flyers via toll plazas, which were aimed at empowering incoming tourists to the province to better enjoy TKZN’s holiday offerings.

TKZN also co-ordinated a Tourism Safety Ambassador programme, which saw the employment and deployment of safety supervisors to strategic locations in and around Durban during the course of the Tourism Indaba. These Tourism Ambassadors were tasked to provide useful information and guidance to visitors, engendering tremendous goodwill and providing excellent tourist customer service. Remaining with the safety theme, TKZN also took a highly successful Safety Roadshow around the province, imparting a simple message: Tourism is vitally important to KZN, its people and its economy and therefore, to ensure it is necessary the safety and security of visitors so that they recommend KZN to others and keep coming back themselves.

TKZN goal was to bring to the attention of municipalities the importance of countering the threat of crime in, especially, popular tourist areas across the province.

September 2015, known as Tourism Month, resulted in a month-long and widespread campaign – ‘Exceptional Experiences are a Sho’t Left Away’ – to encourage local people to travel, demonstrating KwaZulu-Natal’s ease of accessibility and, therefore, affordability.

Of course, tourists rightly expect quality and, above all, exceptional service when holidaying. TKZN, in support of SA Tourism, actively support initiatives aimed at advancing service excellence throughout the sector and as proud, therefore, to continue the association with the Lilizela Tourism Awards.

TKZN’s aim was to persuade KwaZulu-Natal-based trade

representatives and product service providers to participate in this service recognition competition. TKZN also used this programme to again advance the importance behind the grading of tourism facilities in the province.

TKZN’s efforts in this regard paid dividends, with 32 businesses being recognised as provincial winners in KwaZulu-Natal – against just 16 in the 2014/2015 financial year – and who went on to represent the province at the national awards event. Of this number, a fantastic 16 emerged as winners.

Guest Relations

TKZN believes wholeheartedly in the importance of its guest relations programme as a mechanism for introducing carefully identified and prominent stakeholders to KwaZulu-Natal in order that they might benefit from personal and direct experience of destination KwaZulu-Natal and all it offers tourists.

This is a critical component of building the image of KwaZulu-Natal as a must-visit destination, especially internationally.

TKZN’s role is to ensure that targeted participants enjoy a memorable experience in order that they willingly return to their own countries and organisations with a commitment to endorse for the benefit of their respective tourism consumer markets the exceptional experiences it has on offer. In addition to the active trade activation the programme produces, TKZN was also able to secure critical and unsolicited coverage in international media titles for TKZN’s.

Highlights of TKZN’s 2015/2016 guest relations programme included hosting media, trade and film-making representatives from the South American countries of Brazil and Argentina. Media participants from these countries were particularly interested in focusing on sport in KwaZulu-Natal – a region becoming increasingly recognised as a major sporting centre and a top endurance sports



destination. Major events included the Comrades Marathon, Dusi Canoe Marathon, Midmar Mile and the Tsogo Sun Amashova Durban Classic Cycle Race.

Visiting filmmakers concentrated on the annual and world-renowned phenomenon that is the Sardine Run.

Working in collaboration with the KwaZulu-Natal Film Commission, the organisation also hosted filmmakers from Nigeria during the Durban International Film Festival, extolling the virtues of KwaZulu-Natal as a region rich in potential film locations.

TKZN also hosted a contingent of Qatar and German media representatives, showcasing the province for their benefit during the World Routes conference, which was held in Durban in 2015 and marking this massive aviation-based event's first venture into Africa.

The Vodacom Durban July, Durban's most prestigious horse racing event and one of the biggest in Africa, provided an ideal backdrop for the hosting of a MegaFam (familiarisation tour). Given that the Vodacom Durban July is so much more than a mere horse race, but is one of South Africa's major social and fashion events, TKZN used the opportunity to host media and trade representatives from the Southern African Development Community (SADC) countries.

The 15 member states strive for regional integration and the promotion of economic growth. In line with this and efforts to further expand TKZN's tourism promotion activities into Africa, the horse racing spectacular and the following tour of the province

afforded a fantastic chance to reach significant roleplayers from the SADC region and to induce them into giving their backing to the endorsement of KwaZulu-Natal as a viable and, especially for land-locked countries, a great beach destination for visitors from their countries. A number of Metro FM radio personalities were shown around the province during the week leading up to the Metro FM Music Awards ceremony in Durban. The purpose of this intervention was to positively enlighten the radio station's participants and to encourage them to share their views about the destination with their 6,5 million listeners.

Finally, Durban's hosting of Tourism Indaba 2015 presented TKZN with the ability to meet with a delegation from the Department of International Relations and Co-operation (DIRCO). This group included representatives from South African embassies overseas, key to TKZN's efforts to creating destination awareness among embassy staff internationally. TKZN used the available time with the embassy delegation to provide insights to TKZN and the diverse experiences available to international tourists. This empowered staff to talk about TKZN – authoritatively and with first-hand experience – to potential tourists in the countries to which they have been dispatched to represent South Africa.

Division Performance

The Public Relations and Communications Division achieved most of its targets detailed in the action plan.

Linking Performance with Budget						
Programme	2014/2015			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	'000	'000	'000	'000	'000	'000
Public Relations & Communications	R18 087	R19 582	-R1 495	R18 107	R4 961	R13 146
Total	R18 087	R19 582	-R1 495	R18 107	R4 961	R13 146

Performance Information: Public Relations and Communications

Measurable Objectives	Programme Performance Indicators	Annual Target (APP) 2015/2016	Actual Performance	Variance	Comments
To build key partnerships with local, national and international media for greater destination awareness in KZN's domestic and international markets	Development of communications strategy	1	Nil	1	Put on hold pending the outcome of the Situational Analysis and is now a deliverable of quarter 2 of the 2016/2017 fiscal
	Number of media partnerships implemented	1	1	Nil	N/A
	Number of reports on implementation of partnerships	4	4	Nil	N/A
To build and maintain relations with internal stakeholders, tourism trade and other relevant industry roleplayers	Number of reports on platforms utilised to communicate with trade	8	8	Nil	N/A
	Targeted engagements with editors and media representatives	4	1	3	One of the quarters the engagement had to be cancelled due to unavailability of parties
	Number of reports on the implementation of the tourism journalist development programme	4	Nil	4	Project transferred to EDTEA as it impacts on policy development
To build and maintain relations with internal stakeholders	Number of internal newsletters distributed	4	4	Nil	
	Number of briefings for internal stakeholders on organisational and tourism sector development	4	4	Nil	
	Number of internal activation on special projects	4	2	2	No major projects were implemented in two quarters to justify internal activations
To support and leverage off strategic events and initiatives in KZN with the aim of increasing tourism numbers and geographic spread	Number of TKZN initiatives supported	3	8	5	More leveraging opportunities availed
	Number of events targeted for leveraging opportunities	4	9	5	More leveraging opportunities availed
To improve destination packaging and top-of-mind awareness through the hosting of tourism trade, media and other strategic partners	Number of hostings	15	18	3	More educational hosting opportunities were available
To develop and implement a provincial tourism awareness and safety programme in partnership with relevant stakeholders	Number of tourism safety and awareness initiatives implemented	4	7	3	More partnership opportunities derived from provincial and local government
To drive a service excellence campaign programme to encourage and recognise excellence in the KZN tourism sector	Number of initiatives implemented in the rollout of the Lilizela campaign	4	4	Nil	N/A

Durban KwaZulu-Natal Convention Bureau

Purpose

To identify and bid for small, medium and large 'meeting, exhibition and incentive gatherings' aggressively with researched potential of significant return on investment and to raise the level of awareness of Durban and KwaZulu-Natal's wide range of business tourism-related venues and associated services.

Strategic Objectives

- To increase the level of business tourism flow to the city of Durban and other parts of the province of KwaZulu-Natal;
- To secure both private and public sector support to enable initiatives to increase the level of business tourism to this region;
- To identify and promote business tourism venues and related services in Durban and the province of KwaZulu-Natal; and
- To stimulate an awareness of the benefits and opportunities which exist in the business tourism sub-sector, particularly among the emerging business tourism community in Durban and KwaZulu-Natal.

Key Performance Areas

- Number of bid proposals prepared; and
- Comprehensive data set and understanding of KwaZulu-Natal's business event venues and services.

Programme Performance Highlights

Introduction

The Durban KwaZulu-Natal Convention Bureau was established by the MEC for Economic Development, Tourism and Environmental Affairs in conjunction with the eThekweni Municipality, in answer to call from established trade representatives for a body dedicated to the promotion and development of business tourism for the city and province.

Following a period of operation, it was decided that responsibility for the Durban KwaZulu-Natal Convention Bureau should be assigned to TKZN, which became effective from 1 April 2014.

Now in its second financial year under the administrative umbrella of TKZN, the Durban KwaZulu-Natal Convention Bureau

has reaped the benefits of being able to focus entirely on its core business, that of attracting major business and other events to Durban and KwaZulu-Natal, without the constraints of administrative activities.

Activities

During the 2015/2016 financial year, the Durban KwaZulu-Natal Convention Bureau was responsible for the formulation of no fewer than 48 business event proposals. Of this number, six were successfully converted into actual events, with a further 10 pending a decision regarding their being awarded to KwaZulu-Natal.

Critically, the Durban KwaZulu-Natal Convention Bureau's proliferation of proposal submissions for national and international events has appreciably raised awareness about KwaZulu-Natal as an events and incentives destination. Much groundwork has been completed in developing relationships with, especially, buyers in the lucrative incentives market segment.

Indeed, the Durban KwaZulu-Natal Convention Bureau's impressive track-record contributed in no small measure to KwaZulu-Natal achieving a major accolade during the review period, that of the World Travel Awards nomination as Africa's Best Meeting Destination 2015.

Over and above its business event proposal activities, the Durban KwaZulu-Natal Convention Bureau delivered five major bid presentations during the financial year, securing four successes, namely ISEA 2018, Vancouver (12-17 August 2015), the International Psychosocial Rehabilitation Congress 2017/2018/2019, the World News Media Congress 2017 or 2018 and the 2017 National Association of African American Studies Conference. The remaining event – the 2019 World Congress of Chemical Engineering – was pending and could still be awarded to Durban.

The Durban KwaZulu-Natal Convention Bureau invests significant time, effort and resources to organising and hosting site inspections, so assisting potential clients in deciding whether to bring their events to Durban and KwaZulu-Natal.

During the 2015/2016 financial year, a total of 12 site inspections were organised and professionally completed. The success of these inspections had a direct bearing on four events being secured, which are set to attract some 1 400 delegates and will generate an economic impact in the order of R47 million.

In addition, the Durban KwaZulu-Natal Convention Bureau

established support committees for six events, while raising support for a further 15.

In an effort to secure potential leads for future business events and to identify new bidding opportunities, the Durban KwaZulu-Natal Convention Bureau actively participated in six key trade shows and workshops during the review period, resulting in between 20

and 25 one-on-one appointments being made at these events and resulting in five requests for business event proposals in 2015/2016.

Division Performance

The Tourism Development Division achieved all targets detailed in the action plan.

Linking Performance with Budget						
Programme	2014/2015			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	'000	'000	'000	'000	'000	'000
Durban KZN Convention Bureau	R13 870	R9 792	R4 078	R12 522	R6 177	R6 345
Total	R13 870	R9 792	R4 078	R12 522	R6 177	R6 345

Performance Information: Durban KwaZulu-Natal Convention Bureau					
Measurable Objectives	Programme Performance Indicators	Annual Target (APP) 2015/16	Actual Performance	Variance	Comments
To ensure increased business event tourism flow to Durban and KwaZulu-Natal	Business event proposals	20	48	28	This was due to market demand and aggressive sales activities
	Bid presentations	5	5	Nil	N/A
	Site inspections	5	12	7	Target exceeded due to market demand
	Active participation in at least five business event trade shows or workshops	5	6	1	An additional marketing opportunity
Provision of support to secure and ensure the success of secured events	Number of support committees established	5	6	1	Due to market demand
	Number of funding and support in kind initiatives	8	15	7	Aggressive drive to ensure success of events secured
Identification of and promotion of Durban and KwaZulu-Natal business event services	Meeting planner guide	1	1	Nil	N/A



Corporate Services

Purpose

To provide an enabling environment for all departments within TKZN to carry out their strategic objectives and fulfil the organisation's mandate.

Strategic Objectives

- To provide skills development and training;
- To implement an efficient, effective, economic and transparent supply chain management system by managing supply chain turn-around time and compliance with relevant prescripts; and
- To adhere to good internal controls and the preparation of accurate, reliable and timely financial reports.

Key Performance Areas

- Conduct skills analysis;
- Submission of workplace skills plan;
- Implementation of work place skills plan;
- Turn-around time for bids and quotations;
- Compilation and submission of annual financial statements;
- Completion and presentation of management accounts; and
- Submission of statutory returns.

Programme Performance Highlights

Introduction

The Corporate Services Programme comprises three subprogrammes, namely Human Resources and Administration, Supply Chain Management, and Finance.

Each is viewed as being an enabler within the tourism authority, supporting other divisions to achieve their strategic objectives. Efficiency and effectiveness are key elements of the programme, which plays the essential function of ensuring the organisation's adherence to all laws and regulations and displays fiscal prudence. The individual roles of each subprogramme is detailed below.

Human Resources and Administration

The most important asset of any business organisation is its staff complement. TKZN is no exception in this regard.

It is for this reason that TKZN's recruitment, training and retention

of staff members is afforded top priority, so as to enhance TKZN's delivery against its mandate.

Recruitment is undertaken through the advertising of vacancies, rigorous reference checking, detailed short-listing of likely candidates and comprehensive selection interview sessions, together with thorough skills and competency assessments.

TKZN provides regular, comprehensive and tailored training programmes, aligned to the Workplace Skills Plan and the Personal Development Plans of individual members of staff. During the review period, a total of 12 training programmes were planned, with no fewer than 14 being completed for the benefit of participating staff.

The retention of skills is of critical importance to TKZN and the organisation strives to preserve the services of high-calibre staff through the organisation's pay progression process and a number of additional incentive programmes. The organisation provides its members of staff with market-related remuneration packages, regularly benchmarked in the marketplace to ensure competitiveness. TKZN also has a far-reaching wellness programme, in place which is geared to promoting enhanced productivity.

During the 2015/2016 financial year and because of a moratorium on filling vacancies and the consequence of fiscal consolidation moves, it was necessary to expand the scope of a number of job profiles in order to ensure the achievement of required outcomes with less than a full complement of staff.

Two key positions within the organisation were, however, filled during this time, being those of the General Manager: Marketing and the Senior Manager: Public Relations and Communications.

In another key move, the incorporation of the Durban KwaZulu-Natal Convention Bureau into TKZN was finalised. In terms of its integration, the former Chief Executive Officer of the Convention Bureau assumed the position of Chief Convention Bureau Officer, reporting to TKZN's Chief Executive Officer.

The organisation is fortunate not to suffer high staff turn-over levels. Indeed, staff turn-over during the 2015/2016 financial year was maintained at an impressive 1,1%, against 1,8% the previous year and 9,5% in 2013/2014.

Importantly too, a total of 57 staff performance agreements were submitted during the period under review and 50 were concluded.

A Situational Analysis Project, which was instituted in 2014, was completed during the course of 2015/2016 financial year, with the Board approving for execution the resultant action plan, arising from recommendations thereof.

The review period also resulted in the organisation developing both an Asset Management Policy and a Supply Chain Policy for implementation throughout TKZN. In addition, the supply chain processes were updated so as to align with SAP Business 1.

Supply Chain Management

Supply chain management may be defined as the management of demand, acquisition, logistics and disposal of goods and services. This is the engine for service delivery and transformation. For TKZN's part, an efficient, effective and transparent supply chain management practice was ensured, in line with the Public Finance Management Act and Treasury Regulations.

Following a Procurement Indaba held in Durban in 2015, Cabinet passed a resolution to utilise procurement as a tool towards achieving economic transformation. Correspondingly, TKZN has begun the process of implementing the guidelines arising from this resolution.

In addition, TKZN monitored approved procurement plans in a bid to warrant the acquisition of goods and services in a timely manner. Efforts were also made to maintain the service provider database in an updated format. TKZN also tracked the expiry dates of all existing contracts and commenced supply chain processes at least 90 days before the termination of expiring contracts. One competitive bid was conducted during the year under review. In addition many quotations for goods and services were finalised.

This period also gave effect to the introduction and implementation of SAP Business 1 to drive supply chain processes into the future. This sophisticated system effectively reduces the need for human intervention with regard to quotations and, importantly, results in a transparent, fair and equitable supply chain process.

Absolute compliance with all supply chain management processes and regulations contributed meaningfully towards the organisation attaining a clean audit for the 2014/2015 financial year, an improvement over 2013/2014's unqualified annual report with findings.

Finance

The Finance subprogramme of the Corporate Services is tasked with internal control, the compilation of financial reports, expenditure control, payment of service providers, fixed assets, debtor's management and the submission of statutory returns.

Crucially, service providers to the organisation were paid within 30 days of receipt of invoices, with the exception of any requiring query resolution. Debtor's management was carried out by way of monthly reconciliations and collections. TKZN recognises that the accurate preparation of such reconciliations is a vital internal tool for the generation of reliable, fully complete and timely financial reports and financial statements.

In addition, the organisation generated four quarterly performance and financial reports during the review period. In addition and in line with the Funding Agreement, 12 monthly cash flow reports were prepared and submitted to the Department of Economic Development, Tourism and Environmental Affairs.

As already detailed, SAP Business 1 was introduced to the organisation during the 2015/2016 financial year. The system went 'live' in April of 2015, resulting in an immediate impact as regards the ability to deliver more accurate and integrated financial reporting.

Pleasingly and in spite of the necessary fiscal consolidation implemented in 2015/16, the organisation remained in a position to finance its planned programmes and business activities. Such success was achieved through collaboration with both other state-owned entities and the private sector to achieve financial synergies and avoid the financially-debilitating effects of 'double-dipping'.

Division Performance

The Corporate Services Division achieved all targets detailed in the action plan.

Linking Performance with Budget						
Programme	2014/2015			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	'000	'000	'000	'000	'000	'000
Corporate Services	R11 623	R18 731	-R7 108	R21 034	R26 130	-R5 096
Total	R11 623	R18 731	-R7 108	R21 034	R26 130	-R5 096

Performance Information: Corporate Services					
Measurable Objectives	Programme Performance Indicators	Annual Target (APP) 2015/2016	Actual Performance	Variance	Comments
Development and implementation of training plan to address strategic skills and competence gaps within the organisation; and ensure wellness of staff in the organisation.	Training plan	1	1	Nil	N/A
	Employee Wellness activities	1	2	1	A financial wellness seminar was conducted for employees
	Implementation of training plan	12	12	Nil	N/A
Implement an efficient, effective, economic and transparent supply chain management system by managing supply chain turn-around time and complying with relevant prescripts	Prevention of irregular expenditure implementing a transparent, cost – effective and fair supply chain management system	Nil irregular expenditure	Nil irregular expenditure	Nil	N/A
	Managing turn-around time for open bids by implementing an efficient and effective supply chain management	90 days	189 days	99 days	This was a very complex tender for legal services with nine subcomponents resulting in this tender to be equivalent to nine tenders
Adhere to good internal controls and preparation of accurate, reliable and timely financial reports	Preparation and submission annual financial statements to the Auditor-General	31 May	31 May	Nil	N/A
	Compilation and completion of monthly financial performance reports	15th of following month	15th of following month	Nil	N/A
	Preparation of quarterly financial statements	31st of month following end of quarter	31st of month following end of quarter	Nil	N/A





PART C:

Governance

Introduction

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance. The KwaZulu-Natal legislature, the Executive and the Accounting Authority of the public entity, are responsible for corporate governance.

Executive Authority

Quarterly performance information reports were submitted to the Executive Authority by the Board.

The Accounting Authority

Introduction

The Board of TKZN is responsible for the establishment of a risk management approach, development of fraud prevention policies, effectiveness of internal audit and the audit committee, as well as other governance structures.

These include management processes aimed at minimising any conflict of interest and the implementation of a Code of Conduct, together with safety, health and environmental issues faced by TKZN.

Conversely, management is responsible and accountable to the Board for the design, implementation and monitoring of the above-mentioned processes. In addition it is responsible for integrating them into the day-to-day activities of the TKZN Authority.

Board Charter

The Authority's Board Charter was approved by the Board and was duly submitted to the Shareholder. The Board Charter regulates how business is conducted by the Board in accordance with the principles of good corporate governance. The Board Charter ensured that all Board members acting on behalf of the Authority were aware of their duties and responsibilities and the various

legislation and regulations affecting their conduct. It also ensured that the principles of good Corporate Governance are applied in all their dealings in respect of and on behalf of the Authority.

In accordance with the Board Charter, the Board played a meaningful role in the development and approval of the TKZN's strategic Plan 2014-2019 and the Board appreciated that strategy, risk, performance and sustainability are fully Integrated. In this regard, the Board ensured that its long-term planning will result in sustainable outcomes. Four Board meetings were held during the year in accordance with the annual schedule of meetings, and this allowed the Board to discharge its responsibilities properly. In addition, the Board Committee also held meetings to assist the Board in playing its oversight role of monitoring of operational performance, policy review process, ensuring the proper discharge of enterprise risk management and management of internal control as directed by the Board charter. In addition, the Board established a formal induction programme to familiarise incoming directors with the company's operations, its business environment, its governance structure and other relevant matters.

In 2014/2015, the Board embarked on its third Board performance evolution process, with results demonstrating that its effectiveness had improved significantly since the first and second appraisals done in 2008 and 2011 respectively. The report indicated that the Board was operating at a high level of effectiveness. According to the Institute of Directors South Africa (IoDSA), the scores rank in the top quartile of the companies for which the IoDSA has facilitated appraisals.

Composition of the Board								
Name	Designation	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Other Board Directorships	Other Committees	No. of Meetings Attended
Mr Sadha Naidoo	Chairperson	1 July 2012	N/A	BA; B Admin; Honours Degree in Industrial Psychology	Tourism Development; Marketing; Financial Management	Gold Cycle	N/A	5
Ms Sindiswa Nhlumayo	Deputy Chairperson	1 July 2012 – February 2016	N/A	Teachers Diploma, Marketing Certificate, Bachelor of Arts (Social Sciences), Bachelor of Arts (Honours) Industrial Sociology and Master of Science (Tourism Management)	Tourism Development; Marketing; Financial Management	Cullinan Holdings; Group National Heritage Council	Audit & Risk	6
Ms Patricia Lebenya	Chairperson: HR & Compensation	1 July 2012	N/A	Diploma in Business Management and Bachelor of Administration (currently studying)	Human Resource Management; Financial Management	KZN Ezemvelo Wildlife; Estate Agent Affairs Board	Audit & Risk	16
Prof. Thandi Nzama	Chairperson: Marketing & Tourism Development	1 April 2014	N/A	PhD (Geography); MSc (Environmental Management); MA (Geography); MEd; BEd; BA Hons (Geography); BPaed (Geography, Biology and Education); Secondary Teacher's Diploma	Tourism Development; Human Resource Development	KZN Ezemvelo Wildlife, Isimangaliso Wetlands Park Authority, KZN Amafa, Ilembe Enterprise Development Agency.	N/A	11
Mr Musa Mzimela	Chairperson: Audit & Risk	1 July 2012	N/A	Business Administration; B Tech Management and Advance Business Programme; Honours in Public Administration and Postgraduate Diploma in Governance and Political Transformation	Financial Management; Human Resource Management	KZN Film Commission	HR & Compensation	14
Mr Siddiq Adam	Member	1 March 2014	N/A	Master of Science (Applied Economics), Bachelor of Commerce (Honours in Economics), Bachelor of Commerce (Economics, Business Administration and Agricultural Economics)	Financial Management; Human Resource Management	KZN Growth Fund	Marketing & Tourism Development	2
Mr Michael Jackson	Member	1 July 2012	N/A	Diploma in Hotel Management, General Management Development Course and Holiday Inn Hotels University General Management Programme	Business and leisure tourism; Financial Management; Human Resource Management	Durban Chamber of Industry and Commerce	Marketing & Tourism Development	12

Composition of the Board *continued*

Name	Designation	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Other Board Directorships	Other Committees	No. of Meetings Attended
Ms Zodwa Msimang	Member	1 July 2012	N/A	BA in Communications, Higher Diploma in Education, Certificate in Public Relations, Certificate in Human Resources and Postgraduate Diploma in Company Direction (current)	Business Tourism; Marketing; Financial Management; Human Resource Management	Durban ICC	Marketing & Tourism Development	9
Mr Thamsanqa Mzileni	Member	1 April 2014	N/A	Matric, National Diploma in Public Management – incomplete	Human Resource Management	MICT SETA Board	HR & Compensation	14
Mr Terence Delomoney	Member	1 October 2014	N/A	Diploma in Hotel Management, General Management Development Course and Holiday Inn Hotels University General Management Programme	Aviation; Human Resource Management; Financial Management	La Mercy JointVenture Company Ilembe Chamber of Commerce	Marketing & Tourism Development	7

Committees

Committee	No. of Meetings held	No. of Members	Name of Members
Marketing and Tourism Development	4	4	Prof. Thandi Nzama Mr Michael Jackson Ms Zodwa Msimang Mr Terence Delomoney
HR & Compensation	7	3	Ms Patricia Lebenya Mr Musa Mzimela Mr Thami Mzileni
Audit & Risk	6	5	Mr Musa Mzimela Ms Sindiswa Nhlumayo (until February 2016) Ms Patricia Lebenya Ms Pumla Mzizi (Independent) Audit Committee member Mr Rakesh Garach (Independent) Audit Committee member
Convention Bureau	3	3	Prof. Thandi Nzama Mr Michael Jackson Mr T Mzileni

Remuneration of Board Members

Name	Remuneration (R000)	Other allowance (R000)	Other Imbursements (R000)	Total (R000)
Mr Sadha Naidoo	327	N/A	8	335
Ms Sindiswa Nhlumayo	196	N/A	7	203
Prof. Thandi Nzama	186	N/A	18	204
Ms Patricia Lebenya	201	N/A	2	203
Mr Musa Mzimela	145	N/A	22	167
Mr Michael Jackson	114	N/A	N/A	114
Ms Zodwa Msimang	102	N/A	N/A	102
Mr Thamsanqa Mzileni	195	N/A	3	198
Mr Terence Delomoney	N/A	N/A	N/A	N/A
Mr Siddiq Adam	N/A	N/A	N/A	N/A
Ms Pumla Mzizi	31	N/A	8	39
Mr Rakesh Garach	40	N/A	N/A	40
Total	1 537		68	1 605

Risk Management

To mitigate organisational risks, TKZN has a risk management policy.

The organisation develops an annual risk assessment exercise, manages corporate risks on an ongoing basis, and provides quarterly status reports in this regard.

The Board Secretary acts as the organisation's Risk and Compliance Officer.

The Audit Committee advises the public entity on risk management and independently monitors the effectiveness of risk management.

The organisation's management of risks has ensured that there are no impediments to the entity's performance.

Internal Audit and Audit Committees

The Audit and Risk Committee is required to comprise a minimum of three members. It currently comprises four members. Two of the members are independent and the remainder are appointed from the Board. The primary functions of the Committee includes reviewing and recommending the following to the Board:

Annual Financial Statements

- Examine and review the annual financial statements with management and the external auditors before submitting to

the department, and consider whether such documentation is complete and consistent with information known to members of the Committee and reflects appropriate accounting principles;

- Review with management and external auditors the results of the audit, including any difficulties encountered; and
- Review with management and the external auditors all matters required to be communicated to stakeholders under generally accepted auditing standards.

Internal Control

- Considering the effectiveness of the organisation's internal control system, including information technology security and control;
- Understanding the scope of internal and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses;
- Reviewing the effectiveness of the internal control systems;
- Reviewing the control procedures followed by management;
- Reviewing the controls designed to ensure that assets are safeguarded;
- Reviewing the Fraud Prevention Plan implemented to prevent and detect fraud;
- Reviewing risk management and related policies; and
- Reviewing compliance with prescribed accounting framework.

Internal Audit

The Audit and Risk Committee shall monitor, guide and supervise the functioning of internal audit, ensuring that the roles and functions of external and internal audit are sufficiently clarified and co-ordinated so as to provide an objective overview of the operational effectiveness of the organisation's system of internal control and reporting.

These include:

- Annually reviewing and approving the Internal Audit Charter to ensure adherence to best practices;
- Approving the three-year Internal Audit Strategic and Annual Operational plans and review performance against the plan;
- Reviewing the adequacy of corrective action taken in response to significant internal audit findings;
- Reviewing internal audit plans to ensure that high risk areas are identified and mitigation strategies developed;
- Meeting separately with the Chief Audit Executive to discuss matters that the Committee believes should be discussed privately;
- Reviewing significant matters reported by the internal audit function;
- Reviewing the objectives and operations of the internal audit function;
- Assessing adequacy of performance of the internal audit function;
- Reviewing the co-operation and coordination between the internal and external audit functions;
- Reviewing any significant disagreements or differences of opinion between management and the internal audit function; and
- Evaluating the independence and effectiveness of the internal auditors.

The table below discloses relevant information on the audit committee members:

Name	Qualifications	Internal or External	If Internal, Position in the Public Entity	Date Appointed	Date Resigned	No. of Meetings Attended
Mr Musa Mzimela	Business Administration; B Tech Management and Advance Business Programme; Honours in Public Administration and Postgraduate Diploma in Governance and Political Transformation	External	N/A	1 July 2012	N/A	4
Ms Sindiswa Nhlumayo	Teachers Diploma, Marketing Certificate, Bachelor of Arts (Social Sciences), Bachelor of Arts (Honours) Industrial Sociology and Master of Science (Tourism Management)	External	N/A	1 July 2012	N/A	2
Ms Pat Lebenya	Diploma in Business Management and Bachelor of Administration (currently studying)	External	N/A	1 July 2012	N/A	6
*Ms Pumla Mzizi	CA (SA) 2000 BCompt Honours CTA (UNISA) 1995 BCom Honours in Transport Economics (UNISA) 2003 BBusSci Finance Honours (UCT) 1992 MCom in Transport Economics on PPPs – on hold	External	N/A	1 April 2013	N/A	5
*Mr Rakesh Garach	Bachelor of Commerce (Accounting), University of Natal, Durban Postgraduate Diploma in Accounting (Honours), University of Natal, Durban CA (SA)	External	N/A	1 April 2013	N/A	4

* Independent Member – Audit & Risk Committee

Compliance with Laws and Regulations

TKZN derives its mandate from a number of pieces of legislation and government policies. The entity took the initiative to develop a compliance monitoring checklist, drawing from the key strategic documents governing the functioning of the organisation. The checklist developed is in line with the minimum requirements set in terms of the King III on compliance issues. The compliance checklist is updated on a quarterly basis to monitor issues of compliance within the organisation and with the necessary laws and regulations. Furthermore, the entity works very closely with the Provincial Treasury's Risk Assurance Unit on the Application of the GRC Model that will be shared with entities and provincial departments in order to achieve a unified compliance framework provincially, once it has been completed. The GRC Model is a key enabling mechanism to drive enhanced sustainable organisational performance.

Fraud And Corruption

The Authority has a Fraud and Corruption Prevention Policy in place. Officials are afforded the necessary confidentiality when reporting suspected fraudulent and corrupt activities.

Minimising Conflict of Interest

Conflict of interest is managed through declarations of interests at every bid committee meeting. Where a member of the committee is conflicted, the member is requested to recuse themselves from any decisions pertaining that bid. TKZN Conditions of Employment makes it clear that employment on the fixed establishment with TKZN is on a full-time basis. Hence, prior communication to and approval from management at an appropriate level, is required.

Code of Conduct

The Code of Ethics and Conduct ('the Code') for TKZN is aimed at augmenting its existing TKZN's policies and procedures. The spirit of

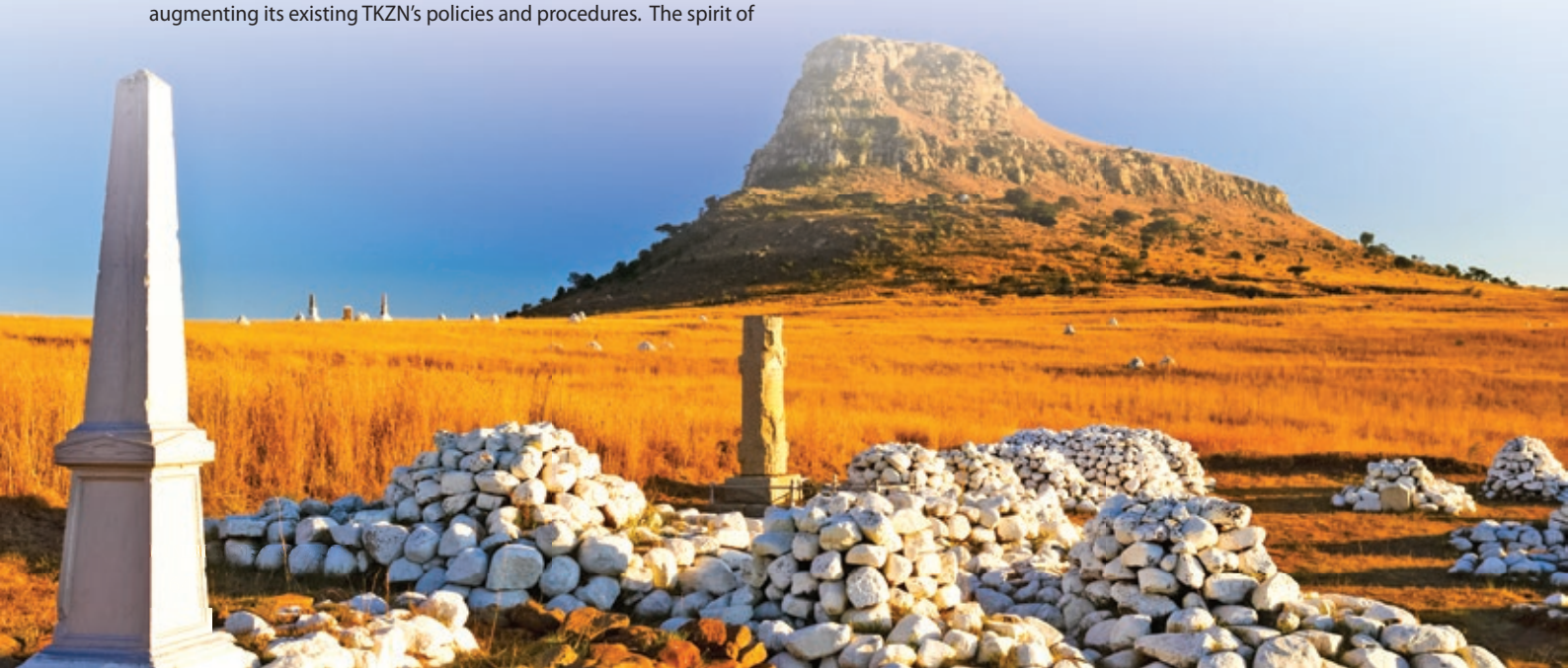
the document is to support ethical conduct by all individuals covered by it. Compliance with the Code is required of all employees of TKZN. The Code also applies to contract labour, consultants, temporary employees, part-time employees, casual employees, occasional employees, suppliers and others acting on behalf of, or dealing with TKZN. Any breach of the code of conduct is dealt in accordance to the TKZN disciplinary policy and procedure. This involves identification of a breach through investigation of the alleged breach, determining guilt or innocence based on the evidence and determining what appropriate sanction to be given.

Health Safety and Environmental Issues

The Occupational Health and Safety Policy is in place and the entity has dedicated Occupational Health and Safety Officers who are in possession of relevant tools to deal with issues of health and safety within the organisation. The Occupational Health and Safety Committee was resuscitated and management continues to implement the above-mentioned policy with particular focus given to the compliance and safety of the office building.

Board Secretary

The Board Secretary acts as the gatekeeper of good corporate governance. The responsibilities enlisted in this position include ensuring the proper induction of new Board Members, providing the necessary guidance to Board members on good governance and changes in legislation. The Board Secretary is responsible for updating the charters and the provision of Board and Committee administrative support with the preparation and distribution of Board papers, minute keeping, Board evaluation, enterprise risk management, manages administration matters in the office of the CEO, Shareholder Liaison and administration of executive management meetings.



Report of the Audit and Risk Committee

The Tourism KwaZulu-Natal Audit and Risk Committee report is presented below.

Audit and Risk Committee's Responsibility

The function of the Audit and Risk Committee is, primarily, to assist the Board in discharging its duties as they relate to the safeguarding of assets, the effective management of liabilities and working capital, the operation of adequate systems of internal controls, together with the preparation of financial reports and the annual financial statements.

The Committee reports that it has complied with its responsibilities arising from Section 50(1) of the Public Finance

Management Act and Treasury Regulations. The Audit and Risk Committee also reports that it has adopted appropriate formal Terms of Reference, as per its Audit Committee Charter. It has regulated its affairs in compliance with this Charter in the discharging of its responsibilities as contained therein.

Audit and Risk Committee Members and Attendance

The Audit and Risk Committee for the 2015/2016 financial year comprised the members detailed in the table below. Four meetings were scheduled and held. An additional two special meetings were also held during the period under review.

Name of Member	Number of Meetings Attended
M. Mzimela (Chairperson)	4
P. Lebenya	6
S. Nhlumayo (passed on in February 2016)	2
R. Garach	4
P. Mzizi	5

Risk Management

As part of ongoing efforts to further improve governance, the Audit and Risk Committee reviewed the Risk Management Strategy that was developed by the Provincial Internal Audit Unit. The Committee made recommendations regarding the implementation of the strategy.

The Committee is of the opinion that once the risk management process has been rolled-out, it will significantly improve the strategic management and corporate governance of the entity. We believe that strategy, risk performance and sustainable service delivery are inseparable.

Proper risk management will ensure that best practice is implemented and that the core function of the entity remains the focal point, so contributing enormously to service delivery. The Audit and Risk Committee will constantly monitor the roll-out of risk

management in order to ensure that the process reaches maturity within a reasonable time.

Internal Audit

Internal Audit operated within an annual and three-year rolling plan approved by the Audit and Risk Committee. The audit coverage included review of the following:

- Annual Financial Statements for Year Ended March 2015
- Interim Financial Statements for the period ended September 2015
- Performance information
- Stakeholder Management

The results of these audits were presented to management for response and also presented to the Audit and Risk Committee for final review.

Based on the reports of the Internal Auditors, the Audit and Risk Committee is satisfied that internal controls are in place and are working effectively.

The Effectiveness of Internal Controls

The system of controls is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed in line with the Public Finance Management Act and King III Report on Corporate Governance requirements. Internal audit provides for the Audit and Risk Committee and management processes, as well as the identification of corrective action and suggested enhancements of controls and processes.

Governance Processes and Accountability

The Audit and Risk Committee reports that it has adopted appropriate formal Terms of Reference as its Charter, has regulated its affairs in compliance with this Audit Committee Charter and has discharged all its responsibilities as contained therein. The Audit and Risk Committee reviewed quarterly reports and is satisfied that the controls are in place to monitor spending patterns.

The quarterly reports were submitted to the Board and the Department of Economic Development, Tourism and Environmental affairs in terms of the Transfer Funding Agreement.

Evaluation of Annual Financial Statements

The Audit and Risk Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and the Accounting Authority; and
- Reviewed significant adjustments resulting from the audit.

Appreciation

Our sincere appreciation and thanks are extended to all those who attended our meetings for their contribution and to the Chief Executive Officer and management as a whole for their support and useful interaction during the year under review. The Audit and Risk Committee concurs with and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

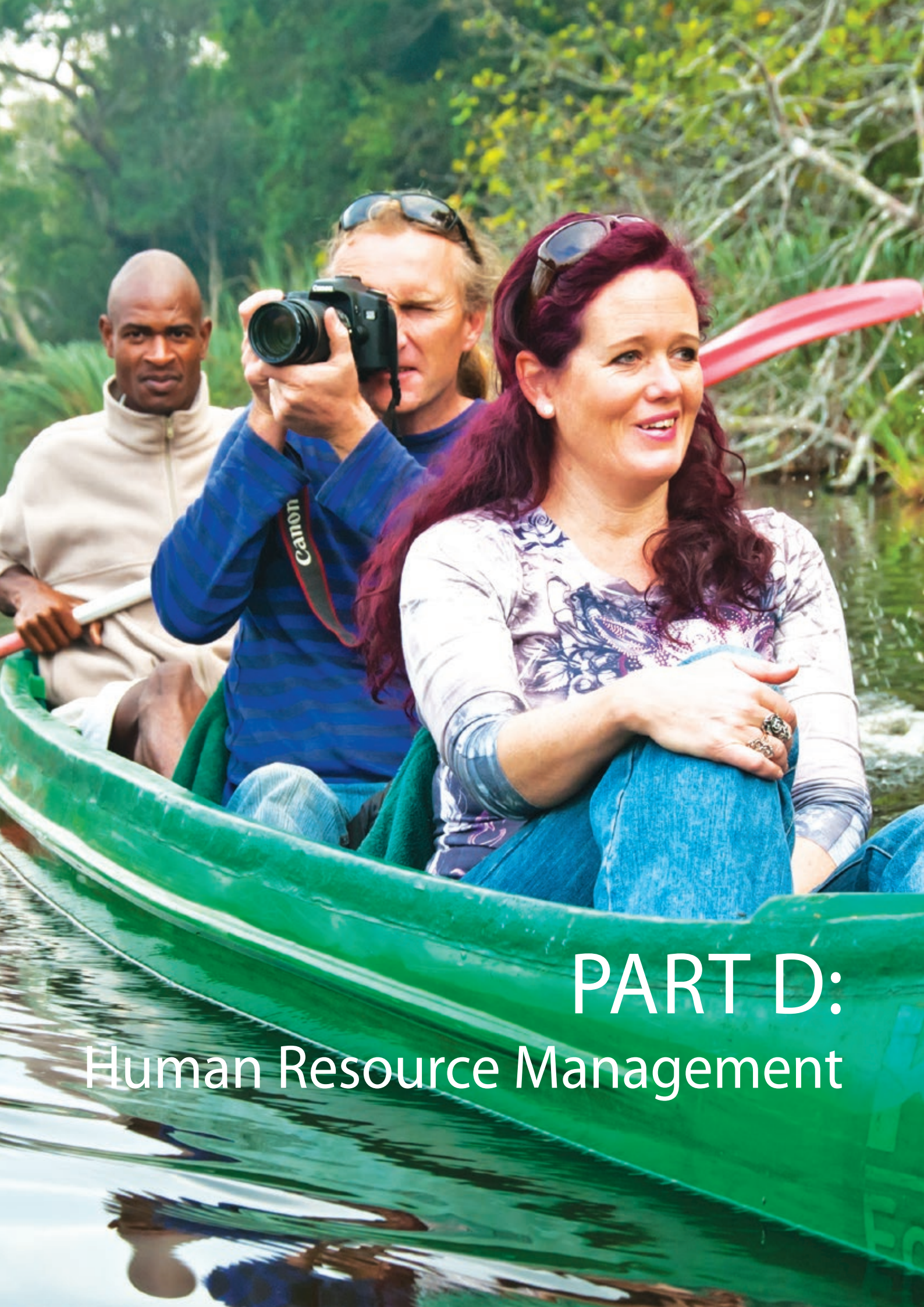
Signed on behalf of the Audit and Risk Committee:



Mr Mzimela (Chairperson)

Date: 22 July 2016





PART D:

Human Resource Management

Human Resources Report

Introduction

Overview of HR Matters

To provide dependable enabling support services to all departments within TKZN.

The role of human resource management and administration in the public entity is mainly to plan, develop, and administer policies and programmes designed to make expeditious use of an organisation's HR. Thus, it is the effective utilisation of sizable HR, desirable working relationships among all members of the organisation, and maximum individual development.

Set HR Priorities for the Year Under Review and the Impact of these Priorities

The set priorities for the year were human capital development, recruitment and staff retention, management of staff performance and the employee wellness programme. Through the Situational Analysis process, TKZN has successfully analysed comparatively between current organisational processes, TKZN objectives, identified the focus areas for future improvement, and identified the areas of misalignment stipulated in the situational analysis implementation report.

Workforce Planning Framework and Key Strategies to Attract and Recruit a Skilled and Capable Workforce

It is therefore critical that the recruitment, training and retention of staff is undertaken in such a manner as to enhance the overall performance of TKZN. Recruitment is done by way of advertising, reference checks, shortlist compilation, targeted selection interviews, skills and competency assessments.

Training is delivered through a focused programme in line with the Workplace Skills Plan, aligned to the Personal Development Plans of individual members of staff, and compiled at the time of signing performance agreements.

Staff retention is achieved by way of the organisation's pay progression process and other incentive programmes. The organisation also subscribes to a comprehensive wellness programme, which is viewed as a significant contributor in terms of improving productivity. The organisation also offers market-related remuneration packages and constantly benchmarks remuneration rates to maintain competitive levels.

During the review period, the Convention Bureau was fully integrated into TKZN as programme 6. The following positions were newly created: Chief Convention Bureau Officer, Business Development and Relations Manager, Prospecting and Research Manager. The following positions were filled: The General Manager: Marketing and Senior Manager: Public Relations and Communications.

The filling of a number of positions was in progress at the financial Year End. These included General Manager: Tourism Development, whose name changed to Destination Enterprise Development; and Business Development Manager and Board Support Coordinator. The request to fill these posts was dealt with through the Provincial Treasury circular and the Office of the Premier.

Project Manager: Transformation's title changed to Manager: Enterprise Development and the Information Officer. The General Manager: Information and Knowledge Management, Region Manager Africa & Domestic, Prospecting Research Manager, were dealt with through the cost containment measure strategy. Staff turnover was maintained at an average of 1.8% compared to 9% the previous year.

Employee Performance Management Framework

TKZN has an approved performance management policy that stipulates clear roles for HR management, supervisors and employees.

The performance appraisal function monitors employee performance to ensure that it is at acceptable levels. Performance appraisal in TKZN is mainly linked to basis for pay progression, promotion and disciplinary action and effectively used for employee development and to motivate and guide performance improvements.

As at Year End, 60 performance agreements for 2014/2015 were signed and 34 performance assessments for 2013/2014 were conducted and submitted to HR.

Employee Wellness Programmes

The entity undertakes to implement one activity per quarter with regard to employee wellness. Further to this, the entity has procured the services of independent Counselling and Advisory Services (iCAS), who provide behavioural risk management services to TKZN employees as well as immediate family members.

Policy Development

A number of Human Resources, Finance and SCM policies were reviewed.

Highlight Achievements

The execution of a situational analysis has determined business success drivers and analysed current and future demand trends and top 10 priorities for implementation were identified and approved by Board.

Challenges Faced by the Public Entity

The major challenge faced by the HR unit is capacity. The HR organogram has two positions that serve the whole entity as support

and enablers. In addition, the entity faces challenges of attracting and retaining scarce skills. As a result, certain positions have taken a long time to fill and this affects service delivery. The implementation of the recommendations of the situational analysis will assist in mitigating these challenges.

Future HR Plans/Goals

In view of TKZN's current and projected social and economic development, it is necessary to adopt a medium- and long-term approach to respond to the necessities of the organisation. HR plans are to: improve and drive a high performance culture, change management, promote employee wellness and recruitment, and develop human capital.

Human Resource Oversight Statistics					
Programme	Total Expenditure for the Programme (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of Total Expenditure (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
CEO's Office	8 402	5 059	60	6	843
Marketing	33 885	4 418	13	7	631
Tourism Information Services	14 570	12 139	83	23	528
Convention Bureau	6 177	3 276	53	3	1 092
Corporate Services	26 130	8 063	31	15	538
PR & Communications	4 961	2 523	51	6	421
Tourism Development	3 915	2 131	54	3	710
	98 040	37 609	38	63	597

Personnel Cost by Salary Band				
Level	Personnel Expenditure	% of Personnel Expenditure to Total Personnel Cost (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
Top management	6 174	16	4	1 544
Senior management	2 764	7	4	691
Professional qualified	9 467	25	11	861
Skilled	16 981	45	38	447
Semi-skilled	1 727	5	4	432
Unskilled	496	1	2	248
Total	37609	100	63	4 222

Performance Rewards			
Level	Performance Rewards	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel Cost (R'000)
Top management	Nil	6 174	0%
Senior management		2 764	0%
Professional qualified		9 467	0%
Skilled		16 981	0%
Semi-skilled		1 727	0%
Unskilled		496	0%
Total		37 609	0%

Training Costs					
Activity	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Average Training Cost per Employee (R'000)
Training (bursaries and informal training)	37 609	359	1	25	14

Employment and Vacancies				
Level	No. of Employees 2015/2016	No. of approved posts 2015/2016	No of Vacancies 2015/2016	% of Vacancies
Top management	4	4	Nil	0%
Senior management	4	6	2	33%
Professional qualified	11	15	4	27%
Skilled	38	40	2	5%
Semi-skilled	4	4	Nil	0%
Unskilled	2	2	Nil	0%
Total	63	71	8	11%

The positions were advertised internally and externally. A few internal candidates were interviewed but could not meet the strategic requirements of the job hence external appointment was made. Head hunting was done to fill some of the senior management positions due to inadequate relevant experience from applications received, which meant re-starting the recruitment process.

Employment Changes				
Salary Band	Employment at Beginning of the Period	Appointments	Terminations	Employment at the End of the Period
Top management	3	1	Nil	4
Senior management	4	2	2	4
Professional qualified	11	Nil	1	10
Skilled	39	Nil	Nil	39
Semi-skilled	4	Nil	Nil	4
Unskilled	2	Nil	Nil	2
Total	63	3	3	63

Reasons for Staff Leaving		
Reason	Number	% of Total no. of Staff Leaving
Death	-	-
Resignation	2	3.17%
Dismissal	Nil	
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other	-	-
Total	2	3.17%

Two employees resigned in July 2015. The recruitment and selection process for one was concluded and the other is dealt as per cost containment measures from Treasury.

Tourism KwaZulu-Natal Equity Targets and Employment Equity Status as at 31 March 2016																			
Occupational Levels	Male								Female								Total Current	Total Target	Grades
	African		Coloured		Indian		White		African		Coloured		Indian		White				
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target			
Top management	2	-1	Nil	Nil	Nil	Nil	Nil	Nil	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	3	Nil	2-4
Senior management	Nil	2	Nil	Nil	1	-1	1	-1	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	3	2	5-6
Professionally qualified & experienced specialists and mid-management	4	Nil	Nil	Nil	Nil	1	1	-1	4	Nil	Nil	Nil	Nil	Nil	1	-1	1Nil	Nil	7-8
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	16	Nil	1	-1	Nil	2	1	Nil	19	-3	Nil	Nil	2	Nil	Nil	1	39	3	9-12
Semi-skilled and discretionary decision making	1	1	Nil	Nil	Nil	Nil	Nil	Nil	2	Nil	Nil	Nil	1	-1	Nil	Nil	4	1	13-14
Unskilled and defined decision making	Nil	1	Nil	Nil	Nil	Nil	Nil	Nil	2	-1	Nil	Nil	Nil	Nil	Nil	Nil	2	1	15-17
Total permanent	23	3	1	-1	1	2	3	-2	29	-4	Nil	Nil	3	-1	1	Nil	61	7	
Total	23	3	1	-1	1	2	3	-2	29	-4	Nil	Nil	3	-1	1	Nil	61	7	

People with disability	Current	Target
	Nil	1

Note: Positive variance indicates too few. Negative variance indicates too many.



PART E:

Annual Financial Statements

For the Year Ended 31 March 2016

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

KwaZulu-Natal Tourism Authority Trading as Tourism KwaZulu-Natal Annual Financial Statements

For the Year Ended 31 March 2016

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Accounting Authority's Report for the year ended 31 March 2016

Report by the Accounting Authority to the Executive Authority and KwaZulu-Natal Provincial Legislature of the Republic of South Africa.

General review of the state of affairs

For the financial year 2015/2016, the Authority received a discretionary grant of R103 783 050.96 (2014/2015: R 98 999 000) from the Provincial Department of Economic Development, Tourism and Environmental Affairs and Ethekewini Municipality for their contribution towards the Durban KZN Convention Bureau.

The net operating surplus for the financial period was R10 484 000 (2014/2015: net operating deficit of R2 128 000), after taking into account the opening accumulated surplus of R1 747 000, which resulted in the accumulated surplus of R12 230 000 at the end of the financial year.

The Committees of the Board continued to play their oversight roles, and they are constituted as follows:

1. Audit and Risk Committee
2. Human Resources and Compensation Committee
3. Marketing and Tourism Development Committee
4. Durban KZN Convention bureau Committee
5. Chairpersons Committee

The terms for Board Committees remained the same throughout the year under review and are detailed in the Corporate Governance Report.

Service Rendered by the Authority

The KwaZulu-Natal Tourism Authority, trading as Tourism KwaZulu-Natal, is a statutory body responsible for the development, marketing and promotion of tourism in KwaZulu-Natal. It was established in 1997 in accordance with the KwaZulu-Natal Tourism Act No 11 of 1996, as amended by Act No 2 of 2002. The Authority reports to the KwaZulu-Natal Provincial Legislature, through the Department of Economic Development and Tourism.

Business Address

Registered Address: Ithala KZN Trade Centre, 29 Canal Quay, Durban, 4001

Postal Address: P.O. Box 2516, Durban, 4000

Bankers: First National Bank

Attorneys: M Magigaba Inc, Gcolotela & Peter Incorporated and Ndwandwe & Associates

External Auditors: Auditor-General

Internal Auditors: Internal Audit Unit, KwaZulu-Natal Provincial Treasury

Events After Reporting Date

The members are not aware of any matter or circumstance arising since the end of the financial year.

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**Approval**

The annual financial statements for the year ended 31 March 2016, set out on pages 77 to 101, were approved by the Accounting Authority in terms of section 51(1) of the Public Finance Management Act, 1999 (Act no.1 of 1999), as amended, and hereby signed on its behalf by:



S. Naidoo
Chairperson
KwaZulu-Natal Tourism Authority



N. Khoza
Chief Executive Officer
KwaZulu-Natal Tourism Authority



ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Statement of Financial Position

As at 31 March 2016

	Note(s)	2016 R'000	2015 R'000
Assets			
Current Assets			
Receivables from exchange transactions	8	6,271	3,240
Receivables from non-exchange transactions	9	9,082	8,390
Cash and cash equivalents	14	16,914	569
		32,267	12,199
Non-current Assets			
Property, Plant and equipment	6	4,608	1,624
Intangible assets	7	797	872
		5,405	2,496
Non-current Assets		5,405	2,496
Current assets		32,267	12,199
Total assets		37,672	14,695
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	25,325	10,776
Payables from non-exchange transactions	16	117	2,172
		25,442	12,948
Non-current liabilities		-	-
Current liabilities		25,442	12,948
Total Liabilities		25,442	12,948
Assets		37,672	14,695
Liabilities		(25,442)	(12,948)
Net Assets		12,230	1,747
Accumulated surplus		12,230	1,747

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Statement of Financial Performance

	Note(s)	2016 R'000	2015 R'000
Revenue			
Other income	2	297	1,841
Grants	3	103,783	98,999
Project income	10	4,784	23,572
Total Revenue		108,864	124,412
Expenditure			
Staff costs	4	(37,477)	(34,626)
Administration expenses	5	(6,481)	(6,845)
Depreciation and amortisation	6&7	(809)	(712)
Finance costs	25	(133)	-
Debt impairment	8	(84)	(149)
Project expenses	10	(4,784)	(23,572)
Tourism development expenses	11	(1,303)	(803)
Marketing expenses	12	(38,073)	(52,483)
General expenses	13	(8,867)	(7,350)
Total Expenditure		(98,011)	(126,540)
Total revenue		108,864	124,412
Total expenditure		(98,011)	(126,540)
Operating Surplus		10,853	(2,128)
Loss on asset disposal	6&7	(369)	-
Surplus (deficit) before taxation		10,484	(2,128)
Taxation		-	-
Surplus (Deficit) for the Year		10,484	(2,128)

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Statement of Changes in Net Assets

	Accumulated Surplus R'000	Total Net Assets R'000
Balance at 1 April 2014	3,875	3,875
Changes in net assets		
Surplus for the year	(2,128)	(2,128)
Total changes	(2,128)	(2,128)
Balance at 1 April 2015	1,747	1,747
Changes in net assets		
Surplus for the year	10,483	10,483
Total changes	10,483	10,483
Balance at 31 March 2016	12,230	12,230

ANNUAL FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2016

Cash Flow Statement

	Note(s)	2016 R'000	2015 R'000
Cash Flows from Operating Activities			
Receipts			
Cash receipts from debtors		30,074	12,309
Discretionary grants		103,783	98,999
Other receipts		255	113
		<u>134,112</u>	<u>111,421</u>
Payments			
Employee costs		(34,927)	(34,833)
Cash payments to creditors		(78,621)	(92,014)
Finance costs		(133)	-
		<u>(113,681)</u>	<u>(126,847)</u>
Total receipts		134,112	111,421
Total payments		(113,681)	(126,847)
Net Cash Flows from Operating Activities	20	20,431	(15,426)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	6	(3,497)	(970)
Purchase of other intangible assets	7	(588)	(117)
Net Cash Flows from Investing Activities		(4,085)	(1,087)
Net Increase/(Decrease) in Cash and Cash Equivalents			
		16,346	(16,513)
Cash and cash equivalents at the beginning of the year		569	17,082
Cash and Cash Equivalents at the End of the Year	14	16,915	569

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Reference
	R'000	R'000	R'000	R'000	R'000	
Statement of Financial Performance						
Revenue						
Revenue from Exchange Transactions						
Other income	191	76	267	297	30	#
Revenue from Non-exchange Transactions						
Transfer Revenue						
Government grants and subsidies	110,101	8,934	119,035	103,783	(15,252)	A
Project transfers	-	-	-	4,784	4,784	B
Total Revenue from Non-exchange Transactions	110,101	8,934	119,035	108,567	(10,468)	
'Total revenue from exchange transactions'	191	76	267	297	30	
'Total revenue from non-exchange transactions'	110,101	8,934	119,035	108,567	(10,468)	
Total Revenue	110,292	9,010	119,302	108,864	(10,438)	
Expenditure						
Personnel	(38,761)	630	(39,391)	(37,477)	1,914	C
Administration	(6,317)	-	(6,317)	(6,481)	(164)	#
Depreciation and amortisation	-	-	-	(809)	(809)	*
Finance costs	-	-	-	(133)	(133)	
Bad debt provision expense	-	-	-	(84)	(84)	*
Project expenditure	-	-	-	(4,784)	(4,784)	D
Tourism development expenses	(3,800)	-	(3,800)	(1,303)	2,497	E
Marketing expenses	(47,186)	(6,380)	(53,566)	(38,073)	15,493	F
General expenses	(10,928)	-	(10,928)	(8,868)	2,060	G
Total Expenditure	(106,992)	(7,010)	(114,002)	(98,012)	15,990	
	110,292	9,010	119,302	108,864	(10,438)	
	(106,992)	(7,010)	(114,002)	(98,012)	15,990	
Operating Surplus	3,300	2,000	5,300	10,852	5,552	
Loss on disposal of assets	-	-	-	(369)	(369)	
	-	-	-	10,852	10,852	
	-	-	-	(369)	(369)	
Surplus before Taxation	-	-	-	10,483	10,483	
Suplus before taxation	-	-	-	(10,483)	(10,483)	

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Statement of Comparison of Budget (continued) and Actual Amounts

	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Reference
	R'000	R'000	R'000	R'000	R'000	R'000
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	10,483	10,483	

Reconciliation of Net Surplus on Accrual to Cash Flow Statement

Actual amount on comparable basis as presented in the budget and actual comparative statement	Operating	Investing	Total
	10,483	-	10,483
Basis difference	9,947	(4,085)	5,862
	20,430	(4,085)	16,345

Legends

*: Not accounted for in budget because the budget is on cash basis and these are non-cash items.

#: Variance not considered to be material.

A: Recoveries accounted for on a cash basis in the budget and are not considered as income but a reduction in expenses on accrual basis. The adjustment budget, which is due to recovery from EDTEA, is therefore not accounted for in income.

B: Project income is also included in the grants budget but disclosed separately for the actual incurred in order to comply with GRAP 23.

C: Saving due to vacant posts.

D: Accounted for within marketing budget but disclosed separately in the financial statements.

E: ITB trade platform did not occur due to cost-cutting measures. Also collaborated with district municipalities to facilitate market access for SMMEs, thereby leveraging budgets. In addition the signage project was included in the Tourism development budget, but disclosed separately as a project in the financial statements.

F: The Loeries budget is included in marketing budget but disclosed separately in the financial statements. The entity adopted a conservative approach because of cash limitations due to EDTEA debt, the surplus is an accounting surplus not cash surplus, with its contra sitting in debtors.

G: General reduction in consulting fees including legal fees as the entity does most of the work internally.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Accounting Policies

1. Basis of Preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) as required by PFMA, issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999) as amended.

These annual financial statements have been prepared on an accrual basis of accounting, and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Accounting policies for the material transactions, events or conditions not covered by the GRAP reporting Framework have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board. The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent throughout the period. Assets, liabilities, revenues and expenses have not been offset, except where offsetting is required or permitted by the Standard of GRAP.

1.1 Going Concern

The public entity will be a going concern in the year ahead and as such, the entity continues to adopt the going concern basis in preparing the annual financial statements.

1.2 Currency

These financial statements are presented in South African Rand, which is the currency in which the majority of the entity's transactions are denominated.

1.3 Revenue Recognition

Revenue is recognised when it is probable that future economic benefits or service potential associated with a transaction will flow to the enterprise and these benefits or service potential can be measured reliably.

Interest income is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

1.4 Irregular, Unauthorised, Fruitless and Wasteful Expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- The PFMA, or
- Any provincial legislation providing for procurement procedures in that provincial government.

Unauthorised expenditure is overspending of a vote or a main division within a vote, or 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.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Irregular expenditure, fruitless and wasteful expenditure are reported to the Board on a quarterly basis and disclosed in the notes to the annual financial statements.

1.5 Foreign Currencies

Transactions in currencies other than the entity's reporting currency are initially recorded at the rates of exchange ruling on the dates of the transactions. Gains and losses arising from the settlement of such transactions are recognised in the Statement of Financial Performance.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling on the statement of financial position. Unrealised differences on monetary assets and liabilities are recognised in the statement of financial performance in the period in which they occurred.

1.6 Retirement Benefit Costs

The entity operates a defined contribution plan, the assets of which are generally held in separate trustee-administered funds. The plan is funded by payments from the entity.

Payments to the defined contribution retirement benefit plan is charged to the Statement of Financial Performance in the year to which it relates.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Accounting Policies (continued)

1.7 Taxation

The entity operated on funds derived from Government grants. In terms of a directive issued by the South African Revenue Service the receipts and accruals of the KwaZulu-Natal Tourism Authority are exempt from income tax.

1.8 Classification and Presentation of Information

All items of income and expense arising in the ordinary course of business are taken into account in arriving at income. Where items of income and expense are of such size, nature or incidence that their disclosure is relevant to explain the performance of the entity, they are separately disclosed and appropriate explanations are provided.

1.9 Leasing

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not be eventually transferred. An operating lease is a lease other than a finance lease.

The Entity as a Lessor

Lease revenue from operating leases shall be recognised as revenue on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

The Entity as a Lessee

Lease payments under an operating lease shall be recognised as an expense in the Statement of Financial Performance on a straight line basis, over the lease term unless another systematic basis is more representative of the time pattern of the users benefit.

1.10 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial assets and financial liabilities of the entity are short-term in nature and their costs/nominal amounts approximate their fair values.

Financial Assets

Financial asset is cash, a residual interest of another company; or a contractual right to receive cash or another financial asset from another entity; or exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

The entity's principal financial assets are the following:

- Trade receivables: trade receivables are stated at their nominal amount and reduced by appropriate allowance for estimated irrecoverable amount.
- Cash and cash equivalents: cash and cash equivalents are stated at nominal amount.

Financial Liabilities

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

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

The entity's principal financial liabilities are accounts payables that are stated at their nominal amounts.

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

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

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

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

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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

1.11 Property, Plant and Equipment

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

- The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and the cost of the item can be measured reliably
- An item of property, plant and equipment, that qualifies for recognition as an asset shall be measured at cost.
- The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.
- Where an asset is acquired at no cost or for a nominal cost, its cost shall be measured at its fair value as at the date of acquisition.

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less accumulated depreciation and any accumulated impairment loss.

At the end of each financial period useful lives of assets with zero carrying values are re-assessed.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following basis:

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

Item	Average useful life
Computer hardware	3 years
Office equipment	
• Photographic	6 years
• Dictaphones	3 years
• Perforating equipment	6 years
• Television	6 years
• Surveyors equipment	5 years
• Refrigeration	5 years
• Office furniture	6 years
• Office fittings and alterations	6 years

1.12 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and the cost or fair value of the asset can be measured reliably.
- An intangible asset shall be measured initially at cost. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.
- The amortisation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method on the following basis

Item	Useful life
Computer software	2 years

1.13 Impairment

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Impairment losses are immediately recognised as an expense,

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Accounting Policies (continued)

unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

1.14 Contingent Asset

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets are included in the disclosure notes to the financial statements when it is probable that an inflow of economic benefits will flow to the entity.

1.15 Provision and Contingent Liabilities

Provisions are recognised when the entity has a present obligation 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 provisions are accounted for as per GRAP 19.

Contingent liabilities are a possible obligation that arises from past event, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the entity, or a present obligation that arises from past event but is not recognised because it is not probable that an outflow of resources embodying economic benefits or services potential will be required to settle the obligation (as per GRAP 19).

The entity discloses contingent liabilities on the Notes to the Financial Statements.

1.16 Commitments

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

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are included in the disclosure notes.

1.17 Revenue from Exchange Transactions

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

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

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

Revenue from exchange transactions for the entity emanates from other income, which comes from interest income, sale of tender documents and rentals.

1.18 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, short-term investments with financial institutions and the amount deposited with financial institutions as part of the entity's current account.

Funds under administration in respect of special projects are deposited with financial institutions and are accounted for as such.

Cash and cash equivalents for the entity are made up of other income, which comes from interest, sale of tender documents and rentals.

1.19 Revenue from Non-exchange Transactions.

The guidance contained in the 'Grap Reporting Framework' issued by National Treasury has been applied in the treatment of non-exchange revenue. In applying this framework, the option chosen is to formulate an accounting policy in line with GRAP 23, of which this paragraph forms the preamble to the policy.

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

Transfers received in respect of projects are conditional grants that have stipulations that specify that the future economic benefits or service potential embodied in the assets is required to be consumed

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

by the recipient as specified or future economic benefits or service potential must be returned to the transferer. These grants are treated as revenue from non-exchange transactions as per GRAP 23.

Transfers received for future projects are in substance receipts in advance, and are recorded as liabilities and recognised as revenue during periods when project activities are undertaken. Discretionary grants are grants with stipulations that have restrictions and not conditions. These are accounted for in the Statement of Financial Performance in accordance with GRAP 23.

1.20 Employee Benefits

Short-term employee benefits

Short-term employee benefits include wages, salaries, paid annual leave and bonuses and are accounted for as required by Generally Recognised Accounting Practise (GRAP 25) 'Employee benefits.'

1.21 Related Parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control or joint control.

Related party transactions are those transactions with entities that have control, including key management, which are disclosed in the annual financial statements in the form of a note as required by GRAP 20 'Related party disclosures'.

1.22 Presentation of Budget Information

The guidance contained in the 'Grap Reporting Framework' issued by National Treasury has been applied in presenting budget information in the annual financial statements. In applying this framework, the option chosen is to present reconciliation between the budgeted surplus/deficit to the surplus/deficit as per the Statement of Financial Performance in the Notes to the Annual Financial Statements.

1.23 Events after Reporting Date

Management considers all information pertaining to the entity that comes to light during the period between the financial year end and the date that the financial statements are authorised for issue. The annual financial statements are amended to reflect any 'adjusting events' that are identifiable and quantifiable as well as disclosures for those adjusting events that cannot be quantified and those non-adjusting events after the reporting date that are material, where non-disclosure could influence the economic decisions of users taken on the basis of the annual financial statements.

1.24 Comparative Figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current 12 months. Comparative figures are consistent with prior year audited annual financial statements.

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 FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

2. Other Income

	2016 R'000	2015 R'000
Interest received	255	113
Other income	42	1,728
	297	1,841

Other income is made up of rental income, sale of tender documents and income from a former employee. In the current period, only rental income has been recognised in other income.

3. Government Grants

Discretionary grant	101,512	98,999
Other grants: City of Ethekwini for Durban KZN Convention Bureau	2,271	-
	103,783	98,999

4. Staff Costs

Basic salaries	33,931	31,367
Defined provident fund contribution plan expenses	3,546	3,259
	37,477	34,626

5. Administrative Expenses

General and administrative expenses	114	366
Auditor's remuneration – audit fees	510	804
Lease rentals in respect of buildings	4,005	3,712
Directors' emoluments	1,605	1,580
Net foreign exchange losses	248	383
	6,482	6,845

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FOR THE YEAR ENDED 31 MARCH 2016

6. Property, Plant and Equipment

	2016			2015		
	Cost/Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost/Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value
Office furniture	2,119	(589)	1,530	1,708	(1,485)	223
Office Equipment	221	(78)	143	334	(214)	120
Computer Hardware	3,372	(512)	2,860	2,450	(1,230)	1,220
Office fittings and alterations	1,456	(1,381)	75	1,451	(1,390)	61
Total	7,168	(2,560)	4,608	5,943	(4,319)	1,624

	Opening Balance	Additions	Depreciation	Scrapping/ Disposal	Total
Office furniture	223	1,386	10	(89)	1,530
Office equipment	120	-	28	(6)	142
Computer hardware	1,220	2,106	(221)	(245)	2,860
Office fittings and alterations	62	5	8	-	75
	1,625	3,497	(175)	(340)	4,607

Reconciliation of Property, Plant and Equipment – 2015

	Opening Balance	Additions	Depreciation	Total
Office furniture	218	81	(76)	223
Office equipment	42	100	(22)	120
Computer hardware	838	793	(411)	1,220
Office fittings and alterations	187	-	(125)	62
	1,285	974	(634)	1,625

The re-assessment of useful lives of assets with zero carrying amount but still in use resulted in the reduction in the depreciation by R180 468.

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements (continued)

7. Intangible Assets

	2016			2015		
	Cost/Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost/Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value
Computer software	1,441	(644)	797	1,232	(360)	872

Reconciliation of Intangible Assets – 2016

	Opening Balance	Additions	Amortisation	Impairment Loss	Total
Computer software	872	588	(634)	(29)	797

Reconciliation of Intangible Assets – 2015

	Opening balance	Additions	Impairment Loss	Total
Computer software	834	117	(79)	872

8. Receivables from Exchange Transactions

Trade debtors	2,430	2,079
Less: Provision for impairment	(345)	(261)
Prepayments	49	213
Vat receivable	3,680	777
Staff debtor	25	-
Rental deposit	432	432
	6,271	3,240

The Authority considers the carrying amount of receivables to approximate their fair value.

* The contingent liability disclosed against a previous landlord also affect the rental deposit.

The debt impairment disclosed in the Statement of Financial Performance is the movement between the prior year balance and the current balance of the provision.

Debt Impairment	R'000	R'000
Opening balance	261	112
Movement	84	149
	345	261

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

9. Receivables from Non-exchange Transactions

Receivables from non-exchange transactions arises from invoices raised to Economic Development, Tourism and Environmental Affairs and the amount receivable from SARS for PAYE (Pay as You Earn).

Details	R'000	R'000
The Department of Economic Development, Tourism and Environmental Affairs (EDTEA)	9,082	8,390

10. Accumulated Projects

Project Name	March 2015	Funding/Roll Over Received	Actual Expenditure	Total
Isibhubhu	18	-	(18)	
Tourism KZN signage	950	-	(833)	117
Loeries	-	3,933	(3,933)	-
	968	3,933	(4,784)	117

11. Tourism Development Expenses

Project management unit	-	487
Destination development	679	-
Small business support	-	305
Tourism awareness campaigns	-	11
BEE & SMME advisory services	624	-
	1,303	803

12. Marketing Expenses

Marketing activities	29,809	30,796
Marketing research and information	2,937	4,962
Image building	3,202	8,918
Business tourism	2,125	7,807
	38,073	52,483

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements (continued)

13. General Expenses

Bank charges	86	97
Consulting and professional fees	-	1,063
Insurance	89	139
IT expenses	933	4
Recruitment fees	478	269
Postage and courier	3	41
Printing and stationery	760	497
Employee wellness	115	292
Subscriptions and membership fees	816	676
Telephone and fax	1,341	820
Travelling expenses	488	567
Staff training and development	1,133	445
Consultants, contractors and special services	663	-
Legal fees	889	1,737
Other expenses	888	250
Maintenance, repairs and running costs	50	124
Advertising costs	135	329
	8,867	7,350

14. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	-	5
Bank balances	16,767	406
Short-term deposits	148	139
Isibhubhu Account	-	19
	16,915	569

Cash and cash equivalents comprise cash and short-term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to insignificant interest rate risk. The cash and cash equivalents are stated at nominal value.

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

15. Payables from Exchange Transactions

Trade payables	19,527	7,232
Other payables	438	442
Accrued leave pay	2,308	1,588
Accrued bonus	241	224
Trade accruals	1,541	527
Operating lease liability	1,270	761
	25,325	10,774

The Authority considers that the carrying amount of trade and other payables approximates to their fair value. Project funds are a liability to an extent that conditions have not been met as per GRAP 23.

16. Payables from Non-exchange Transactions

Details	R'000	R'000
Projects funds	117	969
SARS: Pay as you Earn (PAYE)	-	1,203
	117	2,172

17. Board Members Emoluments

Details	Total 2015	Fees for Services	Other	Total 2016
Mr S. Naidoo	412	327	8	335
Prof. A.T. Nzama	163	186	18	204
Mr T. Mzileni	108	195	3	198
Mr Mzimela	202	145	22	167
Ms P. Lebenya	147	201	2	203
Mr Z. Msimang	113	102	-	102
Ms S. Nhlumayo	226	196	7	203
Mr R. Garach*	56	40	-	40
Ms P. Mzizi *	55	31	8	39
Mr M. Jackson #	98	114	-	114
Ms S. Adam ^	-	-	-	-
Mr T. Delomoney ^	-	-	-	-
	1,580	1,537	68	1,605

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 FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements (continued)

Management

	Total 2015	Basic Salary	Other Allowance	Total 2016
Mr N. Khoza	2,007	1,385	630	2,015
Ms P. Makwakwa	1,364	1,006	266	1,272
Mr F. Nduna	1,134	954	301	1,255
Mr J. Seymour (started on this position on 1 October 2015)	-	640	234	874
	4,505	3,985	1,431	5,416

: Mr M. Jackson's fees are paid over to his employer Tsogo Sun as per agreement with the employer.

* : Independent members of the Audit and Risk Committee.

^ : The member does not receive remuneration as they are employees of the State.

18. Contingent Liabilities

One pending case have been disclosed as contingent liabilities, as the matter is still dealt with by the organisation legally.

Details	R'000	R'000
1. Dispute against a previous landlord	708	-
2. Dispute against a former employee	-	1,200
	708	1,200

During the period under review, the entity has had a dispute with a previous landlord, the matter has been handed over to the legal representatives of the entity.

ANNUAL FINANCIAL STATEMENTS
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19. Related Parties

Tourism KwaZulu-Natal Authority is a schedule 3 (C) public entity that reports to the Department of Economic Development, Tourism and Environmental Affairs. The following are its related parties as per GRAP 20.

Related Party

1. The Department of Economic Development, Tourism and Environmental Affairs
2. Trade and Investment KZN
3. Tourism KZN Board
4. Executive Management
5. Moses Kotane Institute
6. Richards Bay Industrial Development Zone
7. Ithala Development Finance Corporation
8. KwaZulu-Natal Growth Fund
9. KwaZulu-Natal Liquor Authority
10. KwaZulu-Natal Film Commission 1
11. KwaZulu-Natal Sharks Board 1
12. Dube tradeport
13. KZN Rehabilitation Trust
14. Ithala Limited

Relationship

Controlling department
Under same control of EDTEA
Oversight responsibility
Management of the Entity
Under same control of EDTEA
Under same control of EDTEA
Under same control of EDTEA
Under same control of EDTEA
Under same control of EDTEA
Under same control of EDTEA
Under same control of EDTEA
Under same control of EDTEA
Under same control of EDTEA

Related Party Transactions

Economic Development, Tourism and Environmental Affairs

	R'000	R'000
Annual Grant	101,512	93,128
Indaba	-	5,000
Other partnerships	14,933	14,250

Trade and Investment KZN

Transactions that resulted from joint agreements	-	1,017
Ithala Development Finance Corporation	796	-

TKZN Board and Committees

Remuneration	1,605	1,580
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TKZN Executive Management

Remuneration	5,416	4,525
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FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements (continued)

20. Cash Generated from (used in) Operations

Surplus (deficit)	10,484	(2,128)
Adjustments for:		
Depreciation and amortisation	809	713
Loss on disposal of assets	368	-
Provision for debt impairment	84	149
Changes in Working Capital:		
Receivables from exchange transactions	(3,032)	(844)
Bad debts	(84)	(149)
Other receivables from non-exchange transactions	(692)	(8,390)
Payables from exchange transactions	14,549	2,942
Payables from non exchange transactions	(2,055)	(7,719)
	20,431	(15,426)

21. Operating Lease

At the balance sheet date, the Authority had outstanding commitments in respect of properties under non-cancellable operating leases that fall due as follows:

Details

Up to 1 year	4,327	2,392
2 to 5 years	20,191	1,560
More than 5 years	3,904	-
	28,422	3,952

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

At balance sheet date, the Authority had contracted with sub-tenants for the following minimum future lease payments:

Authority as Lessor

Up to 1 year	-	58
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22. Commitments

Authorised Operational Expenditure Contracted

Contracted

• Up to 1 year	7,091	9,567
• 2 to 5 years	1,971	7,873
	9,062	17,440
Total operational commitments Contracted	9,062	17,440

This committed expenditure relates to orders made but services or goods were not delivered as at 31 March 2016 and non-cancellable contracts the entity has entered into.

23. Risk Management

Liquidity Risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments.

Cash flow forecasts are prepared.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 March 2015	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Trade and other payables	25,442	-	-	-

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements (continued)

Credit Risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread of SMMEs and other government departments. Management evaluates credit risk relating to the debtors on an ongoing basis.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument		
Cash and cash equivalents	16,914	569
Trade and other receivables	15,353	11,630

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

24. New Standards and Interpretations

24.1 Standards and Interpretations Effective and Adopted in the Current Year

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

Standard/Interpretation:	Effective Date: Years Beginning on or After	Expected Impact:
<ul style="list-style-type: none"> GRAP 1: Presentation of financial statements (as revised March 2015) GRAP 2: Cash flow Statement (as revised March 2015) GRAP 3: Accounting policies, changes in accounting estimates and errors (as revised March 2015) GRAP 4: The effects of changes in foreign exchange rates (as revised March 2015) GRAP 9: Revenue from exchange transactions (as revised March 2015) GRAP 13: Leases (as revised March 2015) GRAP 17: Property, plant and equipment (as revised March 2015) GRAP 19: Provisions, contingent liabilities (as revised March 2015) GRAP 23: Revenue from non-exchange transactions (as revised March 2015) GRAP 24: Presentation of budget information (as revised March 2015) GRAP 25: Employee benefits (as revised March 2015) GRAP 31 (as revised March): Intangible Assets GRAP 104: Financial instruments (as revised March 2015) 	1 April 2016	Impact of the amendment is not material

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements (continued)

24.2 Standards and Interpretations Adopted Early

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

Standard/Interpretation:	Effective Date: Years Beginning on or After	Expected Impact:
• GRAP 20: Related parties	1 April 2016	All related party transactions to be disclosed separately in the Notes to the Annual Financial Statements

24.3 Standards and Interpretations Issued, but not yet Effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2016 or later periods:

Standard/Interpretation:	Effective Date: Years Beginning on or After	Expected Impact:
• GRAP 32: Service Concession Arrangements: Grantor	1 April 2016	None

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24. New Standards and Interpretations (continued)

• GRAP 108: Statutory receivables	1 April 2016	None
• IGRAP17: Service concession arrangements where a Grantor Controls a significant residual interest in an asset	1 April 2016	None
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	1 April 2016	Impact will be significant should the entity elect to change measurement bases.

25. Finance Cost

Interest paid	133	-
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Finance cost were incurred due to late payment of PAYE, which was caused by cash flow challenge at the end of March 2015.

26. Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure	133	-
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The amount was incurred due to late payment of PAYE, which was caused by cash flow challenges. At 31 March 2015, the entity did not have adequate cash balance to settle SARS payments due on 7 April 2015. The entity was owed an amount of R8,3 million by Department of Economic Development, Tourism and Environmental Affairs (EDTEA) due to projects done by TKZN on behalf of EDTEA, that had to be reimbursed. The first transfer from EDTEA for 2015/2016 was only received on 16 April 2016.

27. Event after Reporting Date

The legal matter between TKZN and a former employee was concluded and TKZN received the judgement in July 2016. The Constitutional Court dismissed the former employee's application for leave to appeal. The financial statements have been amended to remove the contingent liability of R1.2 million from Note 18.



Acronyms

APTA	Association for Promotion of Tourism to Africa	KSIA	King Shaka International Airport
B-BBEE	Broad-Based Black Economic Development	KZN	KwaZulu-Natal
BRICS	Brazil, Russia, India, China and South Africa	LSM	Living Standards Measure
COGTA	Department of Co-operative Governance and Traditional Affairs	NDT	National Department of Tourism
DEDTEA	Department of Economic Development, Tourism and Environmental Affairs	NEF	National Empowerment Fund
DM	District Municipality	NTSS	National Tourism Sector Strategy
DKZN	Durban KwaZulu-Natal Convention Bureau	SA	South Africa
DMO	Destination Marketing Bureau	SAA	South African Airways
EIA	Environmental Impact Assessment	SACCI	Southern African Association for the Conference Industry
ETEYA	Emerging Entrepreneur of the Year Award	SADC	Southern African Development Community
FEDHASA	Federated Hospitality Association of South Africa	SAPOA	South African Property Owners Association
GDP	Gross Domestic Product	SAT	South African Tourism
GGP	Gross Geographic Product	SMME	Small, Medium and Micro Enterprises
GRAP	Generally Accepted Accounting Practice	TGCSA	Tourism Grading Council of South Africa
GSA	General Sales Agency	TEA	Tourism Economic Account
ICCA	International Congress and Convention Association	TEP	Tourism Enterprise Partnerships
ICT	Information Communication Technology	TIKZN	Trade and Investment KwaZulu-Natal
JMA	Joint Marketing Agreement	TKZN	Tourism KwaZulu-Natal
		TSA	Tourism Satellite Account
		TTRA	Travel and Tourism Research Association
		UNWTO	United Nations World Tourism Organisation
		WTTC	World Travel and Tourism Council







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