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INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA



The Act governing the International Trade Administration Commission of South Africa (ITAC), Act 71 of 2002, was signed in November 2002, and fully came into effect on 1 June 2003. This Act replaced the Board on Tariffs and Trade Act, 1986, and the Import and Export Control Act, 1963.



ITAC's strategic thrust marks a new era of creating an enabling environment for fair trade in the Southern African Customs Union (SACU) and is aligned with the overall objectives of the Department of Trade and Industry (**the dti**) to construct a platform that contributes to economic growth, employment and equity.

Three specialist units support the Commission with its invaluable contribution to the overall objectives of **the dti**: Tariff Investigations; Trade Remedies; and Import and Export Control.

1. VISION AND MISSION STATEMENT

In July 2003 the International Trade Administration Commission (ITAC) was launched, marking a new era in the administration of international trade in South Africa. ITAC's vision is to be one of the most effective and efficient trade commissions in the world.

The object of the International Trade Administration Act, Act 71 of 2002 (ITA Act), which governs ITAC, is to foster economic growth and development in order to raise incomes and promote investment and employment in South Africa and within the Common Customs Area. It is now widely recognised that dynamic and healthy international trade is a major instrument for economic growth and sustainable development. The benefits of international trade have the potential of addressing South Africa's most pressing problems of poverty and unemployment.

Realising these benefits demands a trade commission that is both efficient and effective in creating an enabling environment for fair trade, and well aligned to **the dti** objectives.

ITAC plays a vital role in enabling South African companies to realise trade-based growth through three key instruments. These are tariff investigations, trade remedies and import and export control.

The **Tariff Investigations Directorate** is responsible for ordinary customs duty, rebate and drawback amendments. This responsibility is carried out by conducting investigations based on applications received from the industry and in some cases through proactive investigations. Submissions on the findings of such investigations are presented to the Commission, which then makes a recommendation to the Minister of Trade and Industry. If action is recommended and approved, this is communicated to the Minister of Finance for implementation. The process of implementation is ultimately carried out by the South African Revenue Service (SARS) by amending the relevant Schedule to the Customs and Excise Act (1964). ITAC's work in tariff investigations involves the administration of tariff related programmes including the motor industry development programme (MIDP) and the duty credit certificate scheme (DCCS). Besides these dedicated programmes, ITAC also assists individual economic operators, or their representative organisations, with specific requests for tariff assistance.

The **Trade Remedies Directorate** is responsible for all aspects relating to unfair international trade practices, including investigations and policy issues. These trade remedies or trade defence instruments are anti-dumping, countervailing and safeguard measures. These instruments are the subject of Agreements in the WTO and are generally accepted exceptions to trade liberalisation. ITAC's strategic commitment to tighten the disciplines on the use of anti-dumping has resulted in the promulgation of anti-dumping regulations in 2003. These regulations provide both the procedural and substantive framework for anti-dumping and countervailing (anti-subsidy) investigations. ITAC has already started drafting safeguard regulations, which will provide a framework for investigating cases where import surges cause serious injury to the industry concerned.

The role of the **Import and Export Control Directorate** is to control the importation and exportation of identified goods to assist in ensuring that an environment is created in which economic active entities can grow and prosper and to ensure that goods with a potential eroding effect on manufacturing and job creation are imported and exported in terms of clearly defined circumstances. The Directorate also assists in ensuring that there is compliance with obligations in terms of international agreements with regard to the flow of goods across borders which have an effect on human and animal life and the environment. The work of the Directorate also expands to compliance checking and the detection of contraventions of the ITA Act and the Import and Export Control Regulations.

ITAC has a key role to play within the Southern African region. ITAC's mission is to support and participate in the building of a strong and sustainable Southern African Customs Union. To this end ITAC will create an enabling environment for fair trade in the Customs Union. ITAC has also committed itself to harmonising procedures and policies relating to good governance through, amongst other processes, transparency in decision making.

Vision

To be one of the most effective and efficient trade commissions in the world.

Value proposition

Creating an enabling environment for fair trade.

Strategic objective

The strategic thrust of customs tariff policy which is an umbrella policy framework for all ITAC offerings, is to establish a platform that optimally contributes to sustainable growth, employment and equity.

The specific objectives are to contribute towards:

- a reduction in production costs;
- down stream value addition;
- specialisation and rationalisation;
- affordable goods for consumers;
- international competitiveness; and
- export orientation.

2. FOREWORD BY THE MINISTER OF TRADE AND INDUSTRY

Mr. Mandisi Mpahlwa



The advent of a non-racial democracy in 1994 brought about significant changes in South Africa. One such change was the lifting of political and economic sanctions and the successful integration of South Africa into the world economy.

The current global trading environment is characterized by dynamic changes, with new bilateral trade agreements being forged, extensive debate occurring around the existing multilateral trading system, as well as significant developments in trade at national, regional and international levels. At the same time there is a broad recognition of the importance of trade as a vehicle for economic growth and development. In this context, trade commissions are regarded as important institutions to facilitate access to sustainable, economic activities.

In order to remain abreast of international trade administration developments and the changing political relations in Southern Africa, the Board on Tariffs and Trade Act of 1986, and the Import and Export Control Act of 1963, were replaced by the International Trade Administration (ITA) Act, 71 of 2002. The ITA Act forms the basis for the establishment of the International Trade Administration Commission of South Africa (ITAC). ITAC marks a new era in South Africa's journey to ensure increased trade harmonisation at regional level and it is an indicative milestone towards becoming a world benchmark in international trade administration.

The significance of ITAC becomes more apparent within the context of the recently re-negotiated Southern African Customs Union (SACU) Agreement, which comprises South Africa, Botswana, Lesotho, Swaziland and Namibia. The purpose of SACU is to grow intra-SACU trade within a regulated programme of steady harmonisation in the interests of higher levels of regional economic growth, employment and stronger competitiveness within the world economy.

The consolidation of SACU has important implications for strengthening trade relations in the Southern African Development Community (SADC). Economic unity within the SADC region forms the cornerstone of the vision for the African continent embodied in the African Union's New Partnership for Africa's Development (NEPAD). ITAC is therefore a key contributor to **the dti's** efforts to secure market access for South African goods and services and to promote economic development on the continent.

I wish to congratulate ITAC on their first annual report.



MR MANDISI MPAHLWA, MP
MINISTER OF TRADE AND INDUSTRY

3. REVIEW BY THE DIRECTOR-GENERAL

Dr. Alistair Ruiters



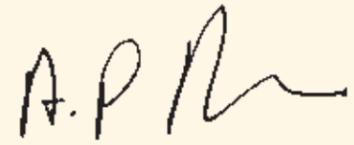
15 July 2003, the day that the International Trade Administration Commission of South Africa (ITAC) was launched, marks a significant event in the calendar of **the dti**. On this day, South Africa demonstrated its commitment to creating an enabling environment for fair trade in the Southern African Customs Union (SACU) and its ability to successfully address the global demand for an efficient, responsive, international trade administrative system.

Replacing the former Board on Tariffs and Trade, ITAC immediately after its launch, started working on simplifying the complex SACU tariff structure. Already much progress has been made towards ITAC's broad vision and goal of becoming one of the most efficient and effective trade commissions in the world. Through its efforts in tariff investigations,

trade remedies and import and export control, the Commission plays an important role in supporting local business by improving their competitiveness in a difficult global trading environment. In one year this body, a member of **the dti's** Council of Trade and Industry Institutions (COTII), has established itself as a formidable institution in the global trade administrative arena. ITAC's efforts are particularly appreciated, as their emphasis on supporting the development of small, medium and micro enterprises is consistent with the developmental goals of **the dti** and South Africa's democratic government.

It is inspiring to note that the vitality demonstrated in its first year of life is transmitted to ITAC's future goals. Specific goals include the drafting of safeguard regulations, countervailing regulations, and amending import and export regulations. In addition to these specific goals, ITAC has also committed itself to the challenge of becoming one of the most efficient and effective trade commissions in the world.

I am confident that ITAC will succeed in achieving both the specific goals set for the year ahead and the broader goal of excellence in trade administration.



DR ALISTAIR RUITERS
DIRECTOR-GENERAL



ITAC LAUNCH

15 JULY 2003



4. REPORT OF THE CHIEF COMMISSIONER

Ms. Nomonde Maimela

The past year has been a year of great challenges, most of which have been overcome. First, we managed to transform from the Board on Tariffs and Trade (BTT) and formally became the International Trade Administration Commission (ITAC), an institution that aims to become one of the most effective and efficient Trade Commissions in the world. ITAC formally came into being on 1 June 2003, and was launched successfully on 15 July 2003. We also finalised the listing of ITAC as a public entity in terms of the Public Finance Management Act, 1 of 1999, and this became effective from 1 April 2004. With the establishment of ITAC comes a new responsibility, as ITAC's purpose differs from that of the Board on Tariffs and Trade.



In terms of the International Trade Administration Act, 71 of 2002 (the ITA Act), ITAC's purpose is to foster economic growth and development in order to raise incomes and promote investment and employment in the Republic and within the Common Customs Area by establishing an efficient and effective system for the administration of international trade subject to the ITA Act and the Southern African Customs Union (SACU) agreement. The challenge, therefore, is not only about the efficient running of ITAC, but also aligning it to **the dti** objectives.

During the year, a number of milestones were achieved. These include the operationalisation of the ITA Act; the promulgation of the anti-dumping regulations; the publication of draft safeguard regulations for public comment; and the amendment of the import and export control regulations. During the coming year, both the safeguard regulations and the countervailing regulations will also be finalised. With regulations on all the trade remedies in place, ITAC will be in a position to properly allay the fears of industry regarding unfair competition from abroad. ITAC also established the Investigators' Unit in Import and Export Control to verify compliance with permit conditions and to enforce the relevant provisions of the ITA Act.

One of the key projects characterising the transition from the old BTT to the new ITAC has been a review of the Customs Tariff Policy, which is an umbrella framework for ITAC offerings that is aimed at aligning ITAC offerings to **the dti** trade and industrial policies. The new customs tariff policy will be finalised by August 2004.

ITAC has moved a step forward in ensuring an efficient administration of **the dti** two key industrial development programmes, the Motor Industrial Development Programme (MIDP) and the Duty Credit Certificate Scheme (DCCS), by beginning a process of implementing IT solutions for the two programmes. This will see an electronic processing of claims and the compilation of various kinds of reports useful for economic analysis. The MIDP has been instrumental in the good performance of the automotive industry vis-à-vis that of the manufacturing average over recent years.

ITAC has also participated in the negotiations regarding the new SACU Agreement and has visited Botswana, Lesotho, Namibia and Swaziland (BLNS) to explain its role within the new SACU. It also shared its experience with the BLNS countries as those countries prepare themselves for the new SACU dispensation. ITAC is committed to making inputs into the development of the Annexes to the SACU Agreement, in particular, in respect of the National Bodies, the SACU Tariff Board and issues relating to unfair trade. In the past year, ITAC has participated in the various Free Trade Agreement negotiations with the United States, EFTA and Mercosur countries, by providing technical support on the relevant negotiating issues. ITAC also attended important international events, including the World Trade Organisation (WTO) Ministerial Conference in Cancun, Mexico, and the WTO semi-annual meetings on trade remedies.

The process followed during the transformation was transparent and fair. None of our staff members has been left behind at **the dti**, showing their full support for the transformation. Training is an important feature of the ITAC culture and all staff members underwent some sort of training during the past year, which has had a direct and immediate effect on the efficiency of the institution. Training varied from relevant computer software training, to strategy sessions, an international trade law course presented by Trade Law Centre for Southern Africa (Tralac) and trade remedies training by the WTO. Training will remain a key focus area in the coming year, and will remain an integral part of ITAC's drive towards excellence and beyond.

ITAC has taken great care to improve good corporate governance and, other than expenditure on personnel, which was affected by the moratorium on the filling of vacancies, our expenditure has been spot-on within the budget. Several infrastructural changes were made in the past year, especially on the IT front. Amongst others, ITAC now boasts its own website (www.itac.org.za), which will be significantly upgraded in future to further enhance transparency and information sharing with all stakeholders and other interested parties. ITAC is pursuing an electronic interface with SARS on all aspects that affect ITAC's work with a view to further improving efficiencies.

We look back on a year of great achievement and look forward to further improving our service to stakeholders in the coming year.

5. COMMISSIONERS

The Commission is an expert advisory body consisting of members appointed by the President by reason of their knowledge of, and experience in, Economics, Accounting, Law, Commerce, Agriculture, Industry or Public Affairs.

The Commission makes recommendations to the Minister of Trade and Industry with regard to customs tariffs, including rebate provisions, and trade remedies (anti-dumping and countervailing duties) and advises the Minister on related matters such as policy issues with regard to import and export control. Furthermore, the Commission decides on applications for permits and rebate on the duty in terms of certain rebate provisions.

Interested parties can apply to the Commission for tariff amendments or for trade remedies. These applications are investigated by investigating officers of the Commission and reports on the investigations are submitted to the Commission for consideration at its meetings. The Commission submits a report on its findings, including a recommendation, to the Minister.

There are currently 6 part time Commissioners and one full-time Chief Commissioner. The post of Deputy Chief Commissioner is currently vacant.



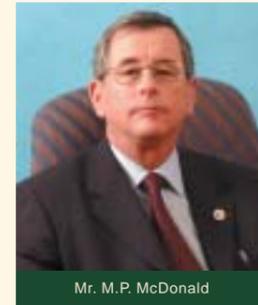
Ms. Nomonde Maimela

*Ms Nomonde Maimela has been Chief Commissioner of the International Trade Administration Commission (ITAC) since June 2003. She has experience in the sphere of marketing and export promotion, first in the private sector and later as Chief Director of the International Trade and Economic Development division at **the dti**. Ms Maimela has been instrumental in the transformation of the previous Board on Tariffs and Trade (BTT) into ITAC. She was Chief Executive Officer of the BTT and also served on the board of the Export Credit Insurance Corporation.*



Prof. C.L. McCarthy (Chairperson)

Prof. C.L. McCarthy is a Professor of Economics at the University of Stellenbosch and was Chairman of the Department for three terms. He was appointed as a member of the Board on Tariffs and Trade (BTT) in August 2000 and was Chairman of the Board from January 2003 to 31 May 2003. He served as a member of a Panel of the WTO Dispute Settlement Body, has been involved in a number of trade-related research projects, has various trade-related publications to his credit and is an Associate of the Trade Law Centre for Southern Africa.



Mr. M.P. McDonald

Mr. M.P. McDonald is the Head of Economic and Commercial Services at the Steel and Engineering Industries Federation of South Africa (SEIFSA). He was appointed as a member of the BTT in August 2000. He has served on numerous trade and industry related committees, served as business convener on the National Economic Forum and serves as business representative on the Trade and Industry Chamber of the National Economic, Development and Labour Council.



Ms. T.N. Eboka

Ms. T.N. Eboka is the Executive Vice President, CSIR. Tina is a member of several professional organisations and was appointed as a member of the BTT in August 2000. She is a non-executive board member of companies, amongst them Edcon, SearDel and UNISA SBL.



Mr. H.M.S. Msimang

Mr. H.M.S. Msimang is senior partner of the Pretoria-based law firm Maluleke, Msimang. He obtained the following degrees B. Proc at Turfloop, LLB Wits University, LLM (Human Rights) University of Pretoria and LLM (International Trade Law) University of Stellenbosch. He is the Deputy President of the Black Lawyer's Association, Deputy President of the Law Society of the Northern Provinces and the Chairperson of the Independent Development Trust.



Ms. L.S. Somo holds BPROC and LLB degrees from the University of the North. She did her articles with Edward Nathan & Friedland and was admitted as an Attorney of the Republic of South Africa in 1998. She then ventured into Communications by joining SATRA (now ICASA) as a legal Advisor to Council. She is currently a Legal and Regulatory Advisor for MTN.



Ms. T. van Meelis is the Trade and Industry Coordinator for the Congress of South African Trade Unions (COSATU). She has worked for COSATU for 3 years in this position, after working for the Chemical Workers Industrial Union. Her activities include engaging in the Trade and Industry Chamber in Nedlac - the scope of which covers trade policy, negotiations and developing sector strategies.

6. MANAGEMENT COMMITTEE



Front: Chief Commissioner: Nomonde Maimela, Director Tariff Investigations I: Bonakele Hlongwane, Chief Operating Officer: Lydia Matloga, Director Import and Export Control: Philip Snyman
Back: Director Tariff Investigations II: Siyabulela Tsengiwe, Director Human Resources: Mafondo Mohaule, Director Trade Remedies Policy and Coordination: Gustav Brink, Director Trade Remedies Investigations II: Palesa Moitse, Director Trade Remedies Investigations I: Carina Grové, Chief Financial Officer: Abdullah Ismail
Absent: Director Communication and IT: Erika Alberts

7. HUMAN RESOURCES

Since the establishment of ITAC, the **Human Resources Directorate** has been concerned with facilitating the smooth transition of staff from **the dti** into the Commission. The human resources function has been fully established within ITAC. The staff complement is 102 permanent employees. A further 28 vacancies still need to be filled, a process that will commence in the new financial year. We are pleased that we have fulfilled the important task of filling key positions in the line functions of corporate services.

The work of ITAC, which is international trade regulation, is a highly specialised field. Training in the organisation, for this reason, is one of our key responsibilities to ensure that staff is adequately equipped to carry out their various tasks effectively. In this regard, we have implemented the Workplace Skills Plan, which focuses on management and inter-personal skills as well as specialised technical skills. Given ITAC's strategic role in trade, a key training area is to understand the complex functions and regulations of the World Trade Organisation. To this end we have established a scholarship program to assist employees with further education in their line of operation.

Listed below is the current staff profile, training modules and scholarships completed at the end of this financial year.

Staff Profile

GENDER	
Men	53
Women	49

RACE	
Indian	4
Coloured	3
White	44
Africans	51

Training

In the last year there has been an intensive effort to improve the skills and knowledge base of ITAC staff through a range of degrees and short course programmes. The training programme was fully inclusive and involved representation by all directorates, levels, races and genders. Moreover, the training was carefully planned through a training needs analysis, with the ultimate goal of improving service delivery to our wide range of stakeholders.

EXTERNAL COURSE AND DATE	NUMBER OF EMPLOYEES	DIRECTORATES
Team building, April and November 2003	16	Trade Remedies, Tariff Investigations, Import and Export Control, Office of Chief Operating Officer, Human Resources, Finance and Administration
Public Administration Justice Act, April 2003	17	Trade Remedies, Tariff Investigations, Import and Export Control
Promotion of Access to Information Act, May to July 2003	23	Trade Remedies, Tariff Investigations, Import and Export Control, Office of Chief Operating Officer, Finance and Administration
Coaching & Mentoring, November 2003	28	Trade Remedies, Tariff Investigations, Import and Export Control, Finance and Administration, Communication and IT, Office of the Chief Commissioner
Meeting & Minute taking, March 2004	6	Trade Remedies, Tariff Investigations, Office of the Chief Operating Officer, Finance and Administration
International Trade Law, February and March 2004	42	Trade Remedies and Tariff Investigations
Project Management Services	3	Finance and Administration

Bursaries Allocated for 2003 and 2004

COURSE	DURATION	NUMBER OF EMPLOYEES
Master of Business Administration	3 years	3
Project Management	1 year	2
Public Administration	1 year	1
MBL	3 years	4
Bachelor of Commerce	3 years	2
Bachelor of Commerce, Honours	2 years	2
Economics (NGP)	1 year	1
Postgraduate Diploma, Bachelor of Arts	3 years	1
Bachelor of Technology	2 years	1
Bachelor of Technology	4 years	1
Matric	1 year	1
Programme in Economic & Public Finance	1 year	1
Information Technology Programmes	1 year	1
Programme in International Freight Management	1 year	1

With regard to employment equity, ITAC is committed to meeting the target as set out in the Employment Equity Plan for 2003-2006. Employment equity targets for 2006 for a projected staff complement of 130 are as follows:

GENDER	
Men	65
Women	65

RACE	
Indian	3
Coloured	5
White	39
Africans	83

Finally, we have taken strides to ensure that the relationship between management and staff is properly managed to ensure the smooth operation of the Commission. In this regard, a Bargaining Forum was established which includes the employer and the labour unions.

8. COMMUNICATIONS

Communication within ITAC's **Communications Directorate** is coordinated through the Communication and Information Systems Development Project. This project supports the key aims and objectives of ITAC: it promotes the products administered and offered by ITAC, and it assists in the efficient running of the Commission. The communication directorate is also responsible for the development and management of ITAC's corporate image and identity, which it does in a way that reflects the key values of ITAC for maximum customer recognition.

ITAC's communication and information systems are geared to supporting awareness, learning, research and administration within the Commission's structures. They also play an important role in supporting the ITAC thrust of creating an enabling environment for fair trade in the Southern African Customs Union (SACU), which will in turn construct a platform that contributes to economic growth, employment and equity.

The Communication Strategy has the following **guiding principles**:

- To ensure that relevant information is available on an open basis, except in cases where confidentiality must be preserved.
- To ensure that communication occurs within ITAC in a way that maximises information and knowledge exchanges. Communication should not be only passed down from the Executive to members; information exchange should occur both horizontally and vertically from the members to the Executive.
- To ensure that the information systems in place are easy to use, accessible, robust and reliable to maximise effective communication.
- To ensure that the Executive communicates effectively, both within the structure and between itself and the community it serves.
- To ensure that decision making and organisational structures communicate effectively so that clear accountability for all outcomes is established.

The Communications Strategy will support the aims and objectives of ITAC, promote the products it administers and offers, and assist in the efficient running of the Commission. The key **strategic aims** of the Communications Directorate are in line with these goals:

- To promote ITAC and its activities in a coherent way.
- To improve communication between ITAC and its various stakeholders.
- To facilitate access to ITAC products, services and events.
- To establish special interest groups and human networks for use by the employees.
- To regularly consult with the management team.
- To establish links with government agencies and other organisations.
- To maximise the motivation of customers to utilise ITAC through an appropriate range of information products.

There are seven channels of communication available to ITAC and managed by the communications directorate. These are: printed information; ITAC website; ITAC offerings brochure; ITAC management reports; internal and external workshops; research; press and media communication.

Printed information includes the production of banners and signage, which are best distributed at workshops and at conferences. The offerings brochure is an essential resource for both stakeholders and potential customers. The document outlines the strategic thrust of ITAC, its history and its structure. The Commission's capacity to administer tariff amendments, trade remedies and import and export control is also outlined in the offerings brochure. For each of these three activities, the offerings brochure provides information on product, process, purpose, turnaround time and contact details.

A new **Commission Handbook** has also been produced and published as an expandable ring-binder file complete with ITA Act, regulations, policies and procedures.

Press releases and television interviews are used to ensure that ITAC receives effective **media coverage**. Here the Communications directorate is involved in writing and editing material and making these available to key media partners. Other publishing outlets are trade journals, and daily and weekly newspapers. Draft policies, regulations for public comment, policies and regulations, as well as Commission decisions, are published through the Government Gazette.

Information exchange increasingly occurs through the Internet and **ITAC's website** is an important resource for highlighting the Commission's products, offerings and services. It also plays a key role in providing stakeholders with access to the Commission's offerings and decisions, guiding legislation, policies and regulations. As a service to its customers, all of the relevant ITAC forms may be downloaded from the website. In line with the Commission's communication goals, the site has been designed to be easy to use. The ITAC website will be continually updated so as to provide timely and interesting information to all stakeholders and customers. In order to ensure the effectiveness of the website, it will be evaluated annually; this evaluation process will inform how the site will be developed in the following year.

The **Communications Directorate** is responsible for compiling ITAC's **annual report** on its business activities for the fiscal year. Quarterly management reports are submitted to the Department of Trade and Industry for inclusion in an overall operational report on **the dti** activities. Minutes of weekly meetings by ITAC management on strategic and operational issues are compiled and then circulated to management for confirmation.

Internal and external workshops are the responsibility of the Communications directorate. Internal **workshops** and 'bosberaads' are important for staff morale and ensuring that the Commission has a common and agreed upon mission. External workshops, on the other hand, are for stakeholders and potential customers. They play a role in providing insight into ITAC's business offerings and they also offer the opportunity for exchange of knowledge and experience.

9. INFORMATION TECHNOLOGY

The **Information Technology (IT) Directorate** mandate is to improve the efficiency and effectiveness of ITAC's business units and directorates.

A key aspect of the **IT Directorate** in the 2003/2004 financial year has been associated with the development of IT platforms that are independent of the Department of Trade and Industry. New ITAC operated platforms (change from Novell to windows platform) were developed and installed during the financial year involving the acquisition of R3 million worth of infrastructure, hardware and software. ITAC is in the process of rolling out the Windows platform as opposed to Novell. During the 2003/2004 financial year, the **IT Directorate** played an important role in improving the efficiency and effectiveness of ITAC business units. Several new systems were introduced in Human Resources, Finance and Import and Export Control. In Human Resources, the Mirror Management System, which allows online processing of leave applications and payslip reviews was installed. In Finance, the decision to move from cash to accrual basis of accounting is being facilitated with the acquisition and installation of the ACCPAC software accounting system. This new system will ensure the smooth administration of workflow for procurement, subsistence and travel.

The Import and Export Control Directorate's IT system was moved out of **the dti** and was streamlined to enable the efficient capturing and issuing of permits. The new system for Import and Export Control also allows applicants to measure and monitor the progress made in their applications. The ability of stakeholders to monitor the progress of their applications through improved IT structures and systems meets ITAC's goal of efficiency while at the same time ensuring excellent relations with its stakeholders. The new streamlined systems have also allowed ITAC to establish electronic linkages with the South African Revenue Service (SARS) so that documents can be exchanged electronically. The directorate has also put in place a system that allows digital certification of permits through biometrics verification.

Finally, the **IT Directorate** is currently developing a number of workflow systems for other ITAC offerings and plays a crucial role in meeting ITAC's broader vision and goal of establishing one of the most efficient and effective trade commissions in the world.



10. TARIFF INVESTIGATIONS

The **Tariff Investigations Directorate** is responsible for ordinary customs duty, rebate and drawback amendments. This responsibility is carried out by conducting investigations based on applications received from the industry and in some cases through proactive investigations. Submissions on the findings of such investigations are presented to the Commission, which then makes a recommendation to the Minister of Trade and Industry. If action is recommended and approved, this is communicated to the Minister of Finance for implementation. The process of implementation is ultimately carried out by the South African Revenue Service (SARS) by amending the relevant Schedule to the Customs and Excise Act (1964).

Customs duties are a tax on imported goods. Ordinary customs duties are distinguished from anti-dumping and countervailing duties and safeguard measures, in the sense that the former are used in respect of normal competition, whereas the latter are used in respect of unfair trade. Rebates and drawbacks allow for a waiver of custom duties for domestic industries. Rebates and drawbacks were created to allow manufacturers to source inputs at internationally competitive prices and to promote exports.

The **Tariff Investigations Directorate** administers various kinds of rebates and drawbacks falling under Schedules 3, 4, and 5 of the Customs and Excise Act (1964). This Directorate administers the rebates and drawbacks by issuing permits and certificates according to the Customs and Excise Act (1964), by setting guidelines across all sectors and by granting permission to qualifying industry users to clear imported goods without paying customs duties or by receiving a refund.

A key and a timely project led by the **Tariff Investigations Directorate**, in light of the transition from the old Board on Tariffs and Trade to the new ITAC, has been the review of the customs tariff policy, which is an umbrella framework for all ITAC offerings. The review is aimed at aligning the ITAC offerings to **the dti's** trade and industrial policies. The new customs tariff policy will be completed at the end of August 2004.

10.1 Customs Duty Amendments

For the 2003/2004 financial year, the Commission received and considered 19 applications for tariff reductions and 9 applications for tariff increases. Eight of the applications for duty reduction were rejected and 11 applications were recommended (Table 1). The **Tariff Investigations Directorate** recommended that the rate of duty on 8 tariffs be increased (Table 1). Of the 8 applications recommended by the Commission for an increase in the rate of duty, six were in respect of agricultural products and only 2 in respect of industrial goods.

Table 1: Custom duty amendments

APPLICANT	TYPE	PRODUCTS
Bellambie Mining & Industrial	Reduction	Manual lever and chain hoists: 8425.19
Bayside Aluminium	Reduction	Certain aluminium wire: 7605.21
SKF SA	Reduction	Deep groove ball bearings: 8482.10.10
Blade Traders (Pty) Ltd	Reduction	Fixed blade knives and folding blade knives: 48211.93.30
Grain SA	Increase	Wheat: 1001.90
Grain SA	Increase	Maize: 10.05
Bible Society	Reduction	Paper: 4802.54.90
Oriental Rugs Dealers	Reduction	Hand knotted and woven carpets: 5701.10, 5701.90, 5702.10
SA Sugar Association	Increase	Sugar: 17.01
Soleflex Comfort Footwear	Reduction	Insoles of cork: 6406.99
Aquachlor	Increase	Tri-octyl methyl ammonium
High Tech Graphics	Reduction	Printing blankets: 4008.21.90
SA Poultry Association	Increase	Poultry products: 0207.14.20
NCS Colour Systems	Reduction	Colour charts: 4911.10.90
National Chamber of Milling	Reduction	Wheat: 1001.90
ITAC	Increase	Salmon: 0302.12, 0303.11, 0303.19, 0303.22, 0305.41, 0305.59.90, 0305.69
National Association of Maize Millers	Reduction	Maize: 10.05
Cadac	Increase	Gas Cylinders: 7311.00
Aquachlor	Increase	Tri-octyl methyl ammonium: 2828.10

The far lower number of applications for an increase in tariffs reflects the growing responsiveness of the domestic industry to government's overall trade policy direction of reducing duties. The fact that almost all of the applications for tariff increases were for agricultural products reflects global trade distortions in this sector of the global economy.

The duty amendments in the 2003-2004 financial year has involved the use of the variable tariff formula changes in respect of maize, wheat and sugar (Table 1). The variable tariff formula is different from ad valorem and specific duties and works in the following manner:

Wheat

The customs duty on wheat is calculated as the difference between the domestic reference price for wheat (US\$157/ton) and the world reference price. An adjustment to the level of protection is triggered when the 3 weeks moving average of US No. 2 ordinary hard red wheat fob price, deviates by more than US\$10/ton for 3 consecutive weeks from the moving average price at which the previous adjustment was triggered.

Maize

The customs duty on maize is calculated as the difference between the world reference price for yellow maize (US\$110/ton) and the USA No. 2 yellow maize moving average price. An adjustment to the level of protection is triggered when the 21 day moving average (American trading days) of US No. 2 Yellow maize (fob) Gulf price, deviates by more than US\$7/ton for 21 consecutive American trading days from the moving average price at which the previous adjustment was triggered.

Sugar

The customs duty on sugar is calculated as the difference between the reference price for sugar (US\$330/ton) and the moving average London No 5 sugar price. An adjustment to the level of protection is triggered when the 20 day moving average of the London No 5 price deviates by more than US\$20/ton for 20 consecutive trading days from the London No 5 price at which the previous adjustment was triggered.

In terms of the customs tariff policy, the general rule on amendments in respect of customs duties under the applied rates (Most Favored Nation (MFN) rates) is to reduce duties. These reductions may involve reducing the duty to zero immediately or may involve a gradual phasing of the duty. Under exceptional circumstances an increase in customs duties on the MFN rates is considered for the purpose of granting

temporary relief for domestic industries that may be experiencing import pressure to adjust and restructure so that in the medium to long term they can become internationally competitive without customs duty support.

10.2 Rebates and Drawbacks

Out of a total of 25 applications received and considered in the year under review, the Commission recommended the creation of rebate provisions for 7 applications (Table 2). The fact that 18 applications were rejected reflects the Commission's adherence to the policy that preference should be given to reducing duties rather than creating rebate provisions that tend to complicate the tariff structure. In light of this the Commission adjudicates applications for rebates with more rigour.

Table 2: Creation of new Rebate Provisions

APPLICANT	TYPE	PRODUCTS
Tenesa	Rebate	Components for photo sensitive semi conductive devices: 316.22/05.00.07
Defy Appliances	Rebate	Ceran glass cooking panels and electric heating resistors: 8450.11.15
Smiths Manufacturing	Rebate	Aluminium hollow profiles: 7604.21
Whirlpool Home Appliances SA	Rebate	Condensers used in the manufacture of freezers: 316.01/8418.99/01.06
Upholster All Trading as Wunderess	Rebate	Woven or knitted fabrics whether, or not coated, covered or laminated: 392.01/41.00, 392.01/50.00, 392.01/60.00
Gundle Plastics Group	Rebate	High density polyethylene: 3901.20
Skipper International	Rebate	Fabric: 52.08 311.18/52.08/01.00

10.3 Motor Industry Development Programme (MIDP)

The **Tariff Investigations Directorate** administers the MIDP. The objective of the programme is to: promote international competitiveness; provide quality and affordable vehicles; generate sustainable and increased employment; improve growth and the balance of trade. A major pillar of the MIDP is rebates that come in the form of Import Rebate Credit Certificates (IRCCs) issued by the ITAC. The good performance of the motor industry in recent years relative to the manufacturing average has been largely attributable to the MIDP. This performance has to a great extent been driven by exports.

10.4 Duty Credit Certificate Scheme (DCCS)

The objective of the DCCS is to influence and encourage textile and clothing manufacturers to compete internationally. Specialization in export products is encouraged whilst the participant's domestic product range can be broadened by importing additional goods duty free, using the duty credit certificate.

The 2003/2004 export year marked the first full export year during which participants were able to claim on a monthly basis (the DCCS was implemented in October 2002). By the end of March 2004, 51 companies had claimed a total of 91 duty credits. A total of 1984 certificates were issued, which include original certificates, sales and transfers. The export sales value of these claims totals R900 million and certificates to the value of R221 million have been issued. It is likely that there are a large number of claims outstanding for the 2003/2004 export period, which can influence these figures significantly.

During April and May 2003, workshops were held in Cape Town, Durban, Gauteng, Port Elizabeth and East London. A total of 475 persons attended the workshops, which covered an overview of the DCCS, the Training and Development Requirement, the Performance Requirement and a detailed training session on the compilation of claims. The reporting and auditing of the Training and Development Requirement was separated from the Performance Report as from the 2003/2004 export year, which has had very positive effects. Another workshop was held in December 2003 in Cape Town, specifically addressing the standardization of the Training Plan and Progress Report as well as changing the Audit Report to a factual findings report.

The Export Requirement was eliminated for the 2003/2004 export year and the requirement to export under customs supervision was discontinued in December 2003 in favor of a risk based approach.

10.5 Rebate Provision 470.03 and Drawback 521.00

One of the highlights in terms of the various rebate provisions administered by the ITAC is rebate provision 470.03 and drawback 521.00. The aim of these provisions is to promote manufacturing for export by waiving the duty on inputs that are used in the manufacture of goods destined for exports. The provisions have the effect of improving the international competitiveness of the manufacturing sector through cost reduction.

A study on the two provisions conducted by ITAC for the period January 2001 to December 2002 showed that:

- The number of applications considered for these provisions grew by 50%.
- For 13% of the applications, Germany was specified as the country of import, followed by the United Kingdom (11%), the United States (8%), France (7%) and Italy (5%).
- For 14% of exports, the United Kingdom was specified as country of export, followed by the United States (10%), Germany (9%), Australia (6%) and France (4%).

Table 3: Top ten categories of imported products in value for the year 2002

NO.	HS CODE	DESCRIPTION
1	03.03	Fish, frozen (Excluding fish fillets and other fish meat of Heading no. 03.04)
2	73.18	Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter-pins, washers and similar articles of iron or steel
3	41.04	Tanned or crust hides and skins of bovine (including Buffalo) or equine animals, without hair on, whether or not split, but not further prepared
4	72.19	Flat-rolled products of stainless steel of a width of 600mm or more

NO.	HS CODE	DESCRIPTION
5	19.01	Malt extract; Food preparations of flour, groats, meal starch or malt extract, not containing Cocoa or containing less than 40 per cent by mass of Cocoa calculated on a totally defatted basis, not elsewhere specified or included; Food preparations of goods of Headings no. 04.01 to 04.04, not containing Cocoa or containing less than 5 per cent by mass of Cocoa calculated on a totally defatted basis, not elsewhere specified or included
6	41.07	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including Buffalo) or equine animals, without hair on, whether or not split (excluding leather of Heading 41.14)
7	85.25	Transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus, television cameras, still image video cameras and other video camera recorders, digital cameras
8	87.03	Motor cars and other motor vehicles principally designed for the transport of persons including station wagons and racing cars
9	87.08	Parts and accessories of the motor vehicles of Headings nos. 87.01 to 87.05
10	87.04	Motor vehicles for the transport of goods

10.6 Rebate Provision 405.04

This rebate provision covers donated goods from abroad. It allows for the clearing of such goods without paying customs duty. There is a strong social dimension in this rebate provision in terms of addressing in particular the needs of the poor. The target groups are churches, welfare organizations, educational institutions, and people with disabilities. These provisions cover all goods excluding clothing. There are conditions, procedures and control measures that have to be complied with to ensure that such goods do not end up in the domestic market thus impacting negatively on domestic manufacturers.

In respect of donated clothing the general policy is to restrict the importation of donated clothing by not granting rebate permits. The reason for such restrictions is the sensitive nature of the clothing sector, the pressures that this sector is facing at present, and the fact that such clothes frequently end up in the market to the detriment of domestic manufacturers. Under exceptional circumstances, which only apply to areas that have been declared disaster areas, donated clothing is allowed under strict control measures.

10.7 Other rebate permits and certificates issued:

Item 460.11/60.00/01.01 provides for full rebate of the duty less 30 per cent ad valorem on used overcoats, car-coats, raincoats, anoraks, ski-jackets, duffle-coats, mantels, parkas and similar clothing articles (excluding wind-jackets and wind-cheaters) in bales not containing other clothing articles, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission of South Africa may allow by specific permit. The Commission decided to follow a restrictive approach with regard to the quantities allowed in terms of the rebate item concerned. The rationale for this approach is to promote the development of the textile and clothing industry within SACU.

In view of the above policy, a total number of 56 importers were able to apply for quota entitlements for 2004. The total quota entitlement for 2004 amounted to 1 990 400 kg. Only 29 importers applied for permits during 2004 amounting to 1 402 400 kg. The permits issued for 2003 amounted to 1 982 400 kg. In view of the above, permits for 2004 would only be issued to importers that were allowed to import in 2000 and the quantities will be the same as in 2003. From 1995 to 2000 the number of importers grew from 35 to 56.

Different types of coats are imported but the composition is mainly focused on Anoraks/zippers car coats, three-quarter coats, rain coats and wool jackets. The majority of the imported coats are sold in South Africa, while the remainder is sold in other SACU countries and within SADC. It should be noted that the selling prices of these imported products is only a fraction of the selling price to consumers of new coats manufactured in SACU.

Worn clothing and other worn articles of textile material used in the manufacture of wiping rags and cleaning cloths and the recovery of fibres. Specific provisions exist for the importation of worn clothing and other worn articles of textile material under rebate of the duty for industrial purposes. These provisions are rebate items 311.18/63.09/01.04 for the manufacture of wiping rags and cleaning cloths and item 311.12/63.09/10.04 for the recovery of fibres. All applications for the issue of permits in terms of the above mentioned rebate items are subject to the recommendation of the Commission and conditions which are set out in guidelines and permits.



11. TRADE REMEDIES

The **Trade Remedies Directorate** is responsible for all aspects relating to unfair international trade practices, including investigations and policy issues. These trade remedies or trade defence instruments are anti-dumping, countervailing and safeguard measures. These instruments are the subject of Agreements in the WTO and are generally accepted exceptions to trade liberalisation. ITAC's strategic commitment to tighten the disciplines on the use of anti-dumping has resulted in the promulgation of the anti-dumping regulations. These regulations provide both the procedural and substantive framework for anti-dumping and countervailing (anti-subsidy) investigations.

11.1 Background

As a signatory to the WTO, South Africa is authorised to use the various trade remedy measures to protect the South African economy from imports that are priced below the normal value of the exporting country (dumping) or are subsidised by the government of the exporting country or country of origin and that cause material injury to the SACU industry, or against a surge of imports from all other countries that causes serious injury to the SACU industry. Anti-dumping is covered under the WTO Agreement on Implementation of Article VI of GATT 1994 (the Anti-Dumping Agreement), subsidised export is covered under the WTO Subsidies and Countervailing Measures Agreement, and a surge of imports is covered under the WTO Agreement on Safeguards. All three remedies are provided for in the International Trade Administration Act, 2002, while specific anti-dumping regulations were promulgated in November 2003 to ensure fairness and to provide more clarity and transparency in anti-dumping investigations. The anti-dumping regulations are also applicable, with the necessary changes, to countervailing (anti-subsidy) investigations. The anti-dumping regulations are WTO-consistent. In its investigations ITAC is also subject to the Promotion of Administrative Justice Act, 2000, and the Promotion of Access to Information Act, 2000.

ITAC plays a crucial role in protecting SACU industries against unfair trade. The Trade Remedies investigative unit considers allegations of injurious dumping and/or subsidised exports and presents its findings to the Commission for its consideration. Where the Commission finds the presence of material injury caused by dumping it recommends that anti-dumping duties be imposed to offset the injury caused by such dumping,

while it will recommend the imposition of a countervailing duty where it has found that subsidised exports are causing material injury. As South Africa does not currently have safeguard regulations in place, it may not yet conduct safeguard investigations. However, the necessary regulations should be in place within the first half of the 2004/2005 fiscal year.

The number of anti-dumping investigations initiated and conducted increased in comparison to the previous fiscal year. This may be the result of the significant appreciation of the South African exchange rate, which effectively decreased the prices paid for imported products, thus causing price injury to the SACU industry.

11.2 Trade Remedies Policy

The **Trade Remedies Policy Directorate** is responsible for drafting trade remedies policy and regulations, technical training and liaison with potential stakeholders and advises the Commission regarding the WTO- and policy-consistency of its decisions. During the 2003/2004 fiscal year, the anti-dumping regulations were drafted, promulgated and notified to the WTO in accordance with South Africa's obligations under the Anti-Dumping Agreement. The safeguard regulations were drafted and discussed in-house, and were published in the Government Gazette in February 2004 for public comment. These regulations should be finalised during the first half of the 2004/2005 fiscal year. Work has also started on the countervailing regulations, and these regulations should also be promulgated in the 2004/2005 fiscal year.

Technical training for staff members took place throughout the previous fiscal year, both in respect of anti-dumping and countervailing measures, while numerous meetings were held with potential stakeholders. The policy unit, with the Chief Commissioner, on request also assisted with capacity building in Namibia during March 2004.

11.3 Trade Remedies investigations and reviews

(a) Anti-Dumping investigations

Anti-dumping investigations are conducted to determine whether to impose anti-dumping duties to protect the SACU industry against unfair trade practices where foreign producers export their products to SACU at prices lower than their normal values (normally their domestic selling prices), thereby causing material injury to the SACU industry.

(i) Brought forward from 2002/2003

The following anti-dumping investigations were brought forward from the previous fiscal period:

PRODUCT	COUNTRY	DATE INITIATED
Float glass	Indonesia	11 Jan 2002
Gypsum plaster board	Thailand	1 Nov 2002
Colour coated steel	Australia	15 Nov 2002

(ii) Initiations

The following investigations were initiated during the 2003/2004 fiscal year:

PRODUCT	COUNTRY	DATE INITIATED
Acrylic fabric	Turkey	4 Jun 2003
Acrylic fabric	China	4 Jun 2003
Grinding media	China	3 Oct 2003
Aluminium overhead conductor	India	17 Oct 2003
Mats and rovings	China, Chinese Taipei	14 Nov 2003
Gypsum plaster board	Indonesia	2 Jan 2004

(iii) Provisional payments imposed

The following provisional payments were imposed in the 2003/2004 fiscal year:

PRODUCT	COUNTRY	DATE INITIATED	RESULTS
Gypsum plaster board	Thailand	22 Aug 2003	Prov payment*
Colour coated steel	Australia	10 Oct 2003	Prov payment*
Acrylic fabric	Turkey	13 Feb 2004	Prov payment*

* - Prov payment indicates that provisional payments were imposed on imports of the product from the country indicated.

(iv) Finalised

The following investigations were finalised during 2003/2004 fiscal year:

PRODUCT	COUNTRY	DATE INITIATED	RESULTS
Float glass	Indonesia	10 Oct 2003	No dumping
Gypsum plaster board	Thailand	13 Feb 2004	Duties imposed

(v) Preliminary decisions published

The following preliminary decisions were published in the 2003/2004 fiscal year:

PRODUCT	COUNTRY	INITIATION	STAGE
Colour coated steel	Australia	15 Nov 2002	Final*
Acrylic fabric	Turkey	4 Jun 2003	Final
Acrylic fabric	China	4 Jun 2003	Preliminary
Grinding media	China	3 Oct 2003	Preliminary
Aluminium overhead conductor	India	17 Oct 2003	Preliminary
Mats and rovings	China, Chinese Taipei	14 Nov 2003	Preliminary
Gypsum plaster board	Indonesia	2 Jan 2004	Preliminary

* - This investigation was finalised on 2 April 2004

(b) Countervailing investigations

Countervailing investigations are conducted to determine whether to impose countervailing duties to protect the SACU industry against unfair trade practices where foreign producers export their products to SACU at subsidised prices, thereby causing material injury to the SACU industry.

No countervailing investigations were conducted during 2003/2004.

(c) Interim reviews

Interim reviews of anti-dumping and countervailing duties are conducted at the request of any interested party to determine whether the continued imposition of anti-dumping or countervailing duties is justified at the existing level. An interested party requesting an interim review must prove that there are changed circumstances that have led to the change in the margin of dumping, the margin of subsidy or the injury experienced by the SACU industry.

No interim reviews were brought forward from the previous fiscal period. The following interim reviews were conducted during the 2003/2004 fiscal year:

PRODUCT	COUNTRY	INITIATION	FINALISED	RESULTS
Bed linen	Malawi	4 Apr 2003	10 Oct 2003	Anti-dumping duties on certain product categories removed, but retained on other product categories.
Acrylic fabric	Turkey	16 Jul 2003	10 Oct 2003	Anti-dumping duties terminated

No interim reviews were carried forward to the next fiscal period.

(d) New shipper reviews

New shipper reviews are conducted on request in cases where an exporter in a country that is subject to a residual anti-dumping duty, which did not export to SACU during the original investigation period, wants to start exporting to SACU, and where such exporter is not related to any other party in the exporting country specifically covered by the anti-dumping duties. The purpose of the review is to enable the new shipper to prove that it will not be dumping the product on the SACU market.

No new shipper reviews were carried forward from the previous fiscal period. ITAC initiated the following new shipper review during the investigation period:

PRODUCT	COUNTRY	DATE INITIATED
Aluminium hollowware	Egypt	16 Jan 2004

The review was still pending at the end of the 2003/2004 fiscal year.

(e) Sunset reviews

Anti-dumping and countervailing duties remain in place for a period of five years after imposition or the last substantive (margin of dumping and injury) review thereof, to determine whether the continued imposition of such duties is required. In sunset reviews ITAC determines whether there is a likelihood that the removal of the duty would lead to a continuation or recurrence of injurious dumping or subsidised exports.

(i) Brought forward from 2002/2003

The following sunset reviews, which all related to anti-dumping duties, were brought forward from the previous fiscal period:

PRODUCT	COUNTRY	DATE INITIATED
Circuit breakers	France, Italy	26 Jul 2002
Amoxicillin	India	19 Sep 2002
Uncoated woodfree paper	Poland, Sweden	10 Feb 2003

(ii) Initiations

The following sunset reviews were initiated during the 2003/2004 fiscal year:

PRODUCT	COUNTRY	DATE INITIATED
Stainless steel tubes and pipes	Chinese Taipei, Korea, Malaysia	19 Jun 2003
Stainless steel hollowware	China, Chinese Taipei, Korea	3 Oct 2003
Clear float glass	China, India	19 Mar 2004

(iii) Finalised

The following sunset reviews were finalised during the 2003/2004 fiscal year:

PRODUCT	COUNTRY	DATE FINALISED	RESULTS
Circuit breakers	France, Italy	17 Oct 2003	Mixed *
Amoxicillin	India	24 Oct 2003	Duties removed
Uncoated woodfree paper	Brazil, Poland	20 Feb 2004	Duties retained

* - The anti-dumping duties against one producer in France were withdrawn, but the duties against the other French producer and the Italian producer were retained.

(iv) Carried forward to 2004/2005

The following sunset reviews were carried forward to the 2004/2005 fiscal year:

PRODUCT	COUNTRY	DATE INITIATED
Stainless steel tubes and pipes	Chinese Taipei, Korea, Malaysia	19 Jun 2003
Stainless steel hollowware	China, Chinese Taipei, Korea	3 Oct 2003
Clear float glass	China, India	19 Mar 2004

(f) Anti-circumvention reviews

Anti-circumvention reviews are undertaken in cases where it is alleged that the anti-dumping or countervailing duties are being circumvented.

No anti-circumvention reviews were undertaken during the course of the 2003/2004 fiscal year.

(g) Refund reviews

In cases where a party can show that it had paid an anti-dumping duty in excess of the actual margin of dumping for the period, it may request a refund to the extent of the overpayment.

During the course of 2003/2004 the following refund review was conducted:

PRODUCT	COUNTRY	INITIATION	FINALISED	RESULTS
Calcium propionate	Netherlands	25 Apr 2003	12 Dec 2003	Recommended that over-payment be refunded

(h) Judicial reviews

During the 2003/2004 fiscal year one company, Grip Binders, instituted legal proceedings against the Commission. The matter was still pending at the end of the fiscal year.

(i) Provisional payments in place on 31 March 2004

The following provisional payments were in place on 31 March 2004:

PRODUCT	COUNTRY
Gypsum plaster board	Thailand
Colour coated steel	Australia
Acrylic fabric	Turkey

(j) Anti-dumping duties in place on 31 March 2004

On 31 March 2004 South Africa had 91 anti-dumping duties in place against 40 products from 27 countries.

(k) Countervailing duties in place on 31 March 2004

On 31 March 2004 South Africa had 4 countervailing duties in place against 4 products from 2 countries.

12. IMPORT AND EXPORT CONTROL



Background

The International Trade Administration Act makes provision for control, through a permit system, of the import and export of goods specified by regulation. The primary function of this directorate is the administration of the provisions of the International Trade Administration Act, (Act 71 of 2002) with regard to the issuing of import and export permits in terms of Section 6 of the Act and investigations and enforcement in terms of part E of the Act.

The Minister may, by notice in the Gazette, prescribe that no goods of a specified class or kind, or no goods other than goods of a specified class or kind may be (a) imported into the Republic; or (b) exported from the Republic, except under the authority of, and in accordance with, the conditions stated in a permit issued by the Commission.

Import Control

In the administration of the relevant provisions of the ITA Act, by the **Import and Export Control Directorate**, a distinction is drawn between the importation of new goods on the one hand, used and second hand goods, and waste and scrap on the other hand. With regard to new goods, 208 tariff sub-headings are subject to import control measures. These tariff items pertain to fish and fish products, oils and other fossil fuels, inorganic acids, radioactive chemical elements, hydrocarbons, tyres, base metals, fire arms and ammunition, gambling machines and other miscellaneous chemicals, ethers and carboxylic acids. The importation of all used and second hand goods, on the other hand, is subject to import control measures.

The purpose of import control is:

1. to ensure that the importation of used and second hand goods do not erode manufacturing activities in SACU.
2. to ensure that industry sensitive goods are imported in terms of specifically defined circumstances.
3. to ensure that there is compliance with environmental and health requirements.
4. to assist agencies with the enforcement of other legislation such as safety.
5. to ensure compliance with the provisions of International Agreements.
6. to control the importation of goods for social and security reasons.

Export Control

177 tariff lines are subject to export control measures. These tariff lines pertain to the forestry sector, minerals, industrial goods, motor vehicles, health and fossil fuels.

The purpose of export control is:

1. to control the exportation of goods regarded as raw materials for manufacturing purposes.
2. to control the exportation of goods regarded as being of strategic nature.
3. to control the exportation of goods regarded as being of national interest.
4. to control the exportation of goods regarded as national assets.
5. to control in terms of international agreement.
6. to control the exportation of goods to assist other agencies in strategies of crime prevention.
7. to control the exportation of goods to ensure that the strategies of beneficiation of minerals and semi precious stones occur prior to exportation.

During the 2003/2004 fiscal year the statistics pertaining to permit applications and permits issued are as follows.

1.Import permit applications adjudicated	21700
2.Import permits issued	17076
3. Export permits issued	5583
4. Permit applications refused	195

The development of an electronic system for processing and forwarding import permit information to the South African Revenue Service (SARS) has been developed. The system entered its final testing stages during March and will be fully implemented shortly. The design of a similar system for export permits has commenced. The import control regulations and the export control regulations were amended and aligned with the ITA Act, substituting the regulations which were in force during the past 10-15 years.

The import and export control policies were reviewed and updated. Special dispensation has been created in the import control policy for small businesses, Women Economic Empowerment (WEE) and Black Economic Empowerment (BEE), enabling these economic participants in the agricultural sector to import used agricultural tractors for own use. The export control policy with regard to the exportation of ferrous and non-ferrous waste and scrap was amended to ensure that the local foundries be given an opportunity to acquire the waste and scrap prior to exportation.

In the process of conducting its business, the **Import and Export Control Directorate** has strategic partnerships with various Government Departments which include the Department of Health, SARS, the South African Police Service (SAPS), Department of Environmental Affairs and Tourism, Department of Minerals and Energy, Department of Transport, other Government Agencies such as the South African Bureau of Standards (SABS), and industry representative organisations.

The investigations unit of Import and Export Control is responsible for enforcement of relevant provisions of the ITA Act by ensuring compliance with the conditions contained in permits as well as compliance with provisions of the Act and to detect contraventions of the Act.

During the 2003/2004 fiscal year, the following activities were undertaken by the investigation unit.

1. Unscheduled inspections	87
2. Container inspections	192
3. Investigations pertaining to contravention of the Act	25
4. Seizure of illegally imported goods	5
5. Response to SAPS, SARS and possible legal procedure	246
6. Affidavits provided to SAPS for purpose of further investigation and possible legal procedure	14

During July 2003 this unit seized illegally imported vehicles. The Randburg Regional Court found an accused guilty of illegally importing used vehicles with a collective market value of R10.5 million. Besides imposing a heavy penalty on the accused, eleven of the vehicles were declared forfeited to the State.

To streamline investigative procedures conducted by the unit and to ensure that investigated cases are concluded speedily, a meeting was convened with the National Commander of the Commercial Crime Branch of the SAPS. Emanating from the meeting is close and structured cooperation between the Import and Export Control Directorate and the Commercial Crime Branch.

Training programmes have also been implemented in cooperation with the SAPS, SARS, Immigration and Business Against Crime. These programmes assist the Directorate in aligning functions enabling it to carry out duties efficiently and effectively.

The Secretariat

The Secretariat provides secretarial and administrative support to the Commission. The focus of its work is on the Commission's fortnightly meetings where the Commissioners make recommendations on the applications for tariff investigations, trade remedies and import and export control that are submitted for consideration. It supports the logistical needs of the Commissioners. The Secretariat distributes the relevant documents for discussion at the meetings and sets the agenda. It also takes minutes of the meetings and arranges travel and accommodation for Commissioners.

Organisational Structure

The structure of the Commission is based on four Key Performance Areas, namely:

1. The office of the Chief Commissioner.
2. Line function - Trade Remedies, Tariff Investigations and Import and Export Control.
3. Research and Policy - Legal Services and Monitoring.
4. Corporate Services - Communication and IT, Finance and Admin, Human Resources and the Secretariat.

The work undertaken by the Commission requires highly skilled personnel and therefore, its greatest resource is human capital. Investigators need to have sound analytical skills and to communicate at the highest level with representatives from commerce and industry. Research and economic impact analyses accompanying submissions to the Commission need to be thoughtful and thorough.

The Commission had to carry full responsibility in terms of support services, hence the establishment of the Corporate Services component.

Management Committee

Weekly management meetings are held to:

- discuss core business and corporate services issues;
- ensure compliance with corporate governance best practice;
- advise and develop a strategic formulation platform;
- assess the effectiveness and efficiency of the Commission;
- provide a learning and growth platform.

The management committee is chaired by the Chief Commissioner and names of members appear on page 19 of the Annual Report.

Internal Audit Function

The internal audit function (IAF) has been outsourced to PriceWaterhouseCoopers Inc (PWC). Its role is to assist the accounting authority and management to meet their broad objectives. They discharge their responsibilities by providing an independent appraisal of the adequacy and effectiveness of the controls set up by management to lead and manage the organization. The scope of the internal audit function extends to all areas of activities and includes financial, administrative, information technology and environmental governance; and operational activities. A risk assessment profile has been formulated for the development of a fraud prevention plan.

Internal Controls

New policies have been drafted and systems developed for the operation of the organization. Management monitors the effectiveness of internal controls in conjunction with the internal audit function.

Audit Committee

The Audit Committee was appointed after the 2003/2004 fiscal year-end, and is currently overseeing the transition from **the dti** to ITAC.

14. REPORT OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA FOR THE YEAR ENDED 31 MARCH 2004



1. AUDIT ASSIGNMENT

The financial statements as set out on pages 62 to 72, for the year ended 31 March 2004, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 24(9) of the International Trade Administration Act, 2002 (Act No. 71 of 2002). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations, which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the International Trade Administration Commission of South Africa (ITAC) at 31 March 2004 and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting practice.

4. APPRECIATION

The assistance rendered by the staff of ITAC during the audit is sincerely appreciated.

F Joubert
for Auditor-General

Pretoria
10 September 2004

INTERNATIONAL TRADE ADMINISTRATION

COMMISSION OF SOUTH AFRICA

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

Chief Commissioner

N P Maimela

Nature of Business

Regulation of Import and Export
controls and enabling Fair Trade

Auditors

Auditor-General of SA

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15. STATEMENT OF RESPONSIBILITY

The International Trade Administration Act 71 of 2002 (ITA Act), requires the Chief Commissioner to ensure that the International Trade Administration Commission of South Africa (ITAC) maintains full and proper records of its financial affairs. The annual financial statements for the year ended 31 March 2004 should fairly present the state of affairs of ITAC, its financial performance and its financial position at the end of the year in terms of generally accepted accounting practice.

The annual financial statements for the year ended 31 March 2004 are the responsibility of the Chief Commissioner. The Auditor-General is responsible for independently auditing and reporting on the financial statements. The Office of the Auditor-General has audited the financial statements and the Auditor-General's unqualified report appears on page 54.

The annual financial statements have been prepared in accordance with generally accepted accounting practice and the International Trade Administration Act, 2002. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates for the purposes of converting from cash based accounting to accrual based accounting with effect from 1 April 2003.

The Chief Commissioner has reviewed the Commission's budgets and cash flow forecasts for the year ended 31 March 2005. On the basis of this review, and in view of the current financial position and existing funds held by the Department of Trade and Industry (**the dti**) by way of transfer payment on behalf of ITAC, the Chief Commissioner has every reason to believe, that the commission will be a going concern in the year ahead and the going concern-basis has therefore been adopted in preparing the financial statements.

To enable the Chief Commissioner to meet the above responsibilities, the management committee sets standards and implements systems of internal control and risk management that are designed to provide

reasonable, but not absolute assurance against material misstatements and losses. The Commission maintains internal financial controls to provide assurance regarding the safeguarding of assets against unauthorised use or disposition. **The dti** for the year under review was responsible for the maintenance of proper accounting records and the reliability of financial information.

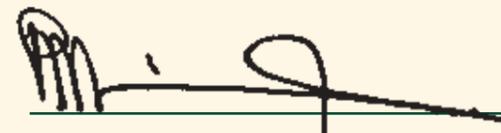
The controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls. An effective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

Management have reviewed ITAC's systems of internal control and risk management for the year ended 31 March 2004. Management are of the opinion that ITAC's systems of internal control and risk management were effective for the period under review.

No material losses have occurred due to criminal conduct nor any unauthorised expenditure, irregular expenditure, fruitless or wasteful expenditure.

Based on tests conducted during the conversion process from **the dti**, we are satisfied that these financial statements represent a fair reflection of the results of ITAC for the year ended 31 March 2004.

The Chief Commissioner in terms of The International Trade Administration Act, 71 of 2002, approved the annual financial statements for the year ended 31 March 2004, as set out on pages 62 to 73.



NOMONDE MAIMELA

Chief Commissioner

8 September 2004

Date



ABDULLAH ISMAIL

Chief Financial Officer

8 September 2004

Date

16. REPORT OF THE CHIEF COMMISSIONER

Ms. Nomonde Maimela

1. INTRODUCTION

The Chief Commissioner presents the annual report of the Commission for the year ended 31 March 2004.

The International Trade Administration Commission was established in South Africa in terms of the International Trade Administration Act, 71 of 2002. Certain sections of the enabling ITA Act provisionally came into operation during February 2003, with the remainder of the Act coming into force during June 2003. However the operations of ITAC only commenced with effect from April 2003 and the financial statements have been prepared for the period commencing 1 April 2003. ITAC is in the process of being listed as a schedule 3A National Public Entity in terms of Section 38(1)(m) of The Public Finance Management Act, 1 of 1999, (PFMA).

The Chief Commissioner is the accounting authority in terms of the PFMA and the International Trade Administration Act, 71 of 2002.

2. OPERATING RESULTS

The net loss of the Commission for the year was R303 708. This is the Commission's first year of operation.

3. REVIEW OF OPERATIONS

ITAC'S primary source of revenue is a monthly transfer payment from **the dti** equivalent to R40 377 000 for the year. Funds were applied to defray expenses such as personnel and administrative costs as well as costs involved in the establishment of ITAC's infrastructure.

4. REVIEW OF FINANCIAL POSITION

Additional funds were also spent on acquiring the following systems to ensure that ITAC functions efficiently, effectively and economically:

- Mirror Management System – Payroll and Human Resource Management Software
- ACCPAC – Accounting Software
- DBIT – Asset Management Software

Consultants were also engaged to assist with the Internal Audit function and implementing an internal control and risk management framework.

5. MATERIALITY AND SIGNIFICANT FRAMEWORK

ITAC is in the process of developing a materiality and significant issues framework for reporting losses through criminal conduct and irregular, fruitless or wasteful expenditure, as well as for significant transactions envisaged per section 54(2) of the PFMA.

6. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

No material facts or circumstances, which may affect the financial position of the commission as reflected in these financial statements, have come to our attention between the date of the balance sheet and the date of approval of this report. However ITAC will be relocating to **the dti** Campus during 2004/2005. This will result in disposing of majority of furniture and fittings and implementing a documentation system to be in line with **the dti**.

7. STAKEHOLDER RELATIONS

The key stakeholders that ITAC interact with are as follows:-

- Media
- Department of Trade and Industry
- Southern African Customs Union
- Foreign Governments
- Business Chambers
- Private Sector Firms and Organisations
- Organised Labour
- South African Revenue Service
- National Department of Agriculture
- South African Police Services
- Other National Departments

8. JUDICIAL PROCEEDINGS

During the year two legal matters were instituted against ITAC. These matters are still pending finalisation and have no significant financial implications other than the possible settlement of legal costs for the parties concerned.

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	NOTES	2004 R
Funds received from the dti	2	40 377 000
Other operating expenditure		(40 680 708)
Operating loss	3	(303 708)
Finance income		-
Loss for the year		<u>(303 708)</u>

BALANCE SHEET AT 31 MARCH 2004

	NOTES	2004 R
ASSETS		
Non-current assets		
Property, plant and equipment	4	3 213 896
Intangible Assets	5	756 185
Accounts receivable	6	24 911
Current Assets		
Accounts receivable	6	57 348
Total assets		<u>4 052 340</u>
EQUITY AND LIABILITIES		
Capital and reserves		
Accumulated loss		(303 708)
Capitalisation reserve		-
Non-current liabilities		
Provisions	8	1 934 651
Current liabilities		
Accounts payable	7	276 168
Provisions	8	2 145 229
Total equity and liabilities		<u>4 052 340</u>

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2004

	NOTES	Accumulated loss R	Capitalisation reserve R	Total R
Balance as at 1 April 2003		-	-	-
Loss for the year		(303 708)	-	(303 708)
Transfer of fixed assets	4 and 5	-	1 473 531	1 473 531
Transfer of liabilities limited to transfer of assets from the dti	8	-	(1 473 531)	(1 473 531)
Balance as at 31 March 2004		<u>(303 708)</u>	<u>-</u>	<u>(303 708)</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	NOTES	2004 R
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	10.1	3 780 827
Movements in working capital	10.2	193 909
Net Cash Inflow from Operating Activities		3 974 736
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of computer equipment, furniture and fittings		(3 086 503)
Acquisition of intangible assets		(888 233)
Net Cash Outflow from Investing Activities		<u>(3 974 736)</u>
Net increase in cash and cash equivalents		-
Cash and cash equivalents at beginning of year		-
Cash and cash equivalents at end of year	10.3	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements are prepared on the historical cost basis in accordance with generally accepted accounting practice and incorporate the following accounting policies:

1.1 Currency

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

Transactions in currencies other than the reporting currency (Rand) 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 income statement.

1.2 Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably.

1.3 Employee benefits*Post-employment benefits*• *Retirement*

The Commission provides a defined benefit fund for the benefit of its employees, which is the Government Employee's Pension Fund. The fund is funded by payments from employees and the Commission. The Commission's contributions to the Government Employee's Pension Fund are charged to the income statement in the year to which they relate. The Commission is not liable for any deficits due to the difference between the present value of the benefit obligations and the fair value of the assets managed by the Government Employee's Pension Fund. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of ITAC.

• *Medical*

No contributions are made by the Commission to the medical aid of retired employees.

Short and long-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, is recognised during the period in which the employee renders the related service.

The vesting portion of long-term benefits is recognised and provided for at balance sheet date, based on current salary rates.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Commission recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefit falls due more than 12 months after balance sheet date, they are discounted to present value.

1.4 Taxation

ITAC has submitted an application for income tax exemption in terms of section 10(1)(c)(A) of the Income Tax Act, 1962.

1.5 Property, plant and equipment

Assets purchased for less than R1000 are written off in the year of acquisition. Furniture and equipment is stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis, which is estimated to write each asset off over its useful life.

Computer equipment

Mainframe	5 years
Personal computers	3 years

Furniture and fittings 6 years

Disposals

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income.

Impairment

Where the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is written down to its recoverable amount through the income statement.

1.6 Intangible assets

Intangible assets comprise of computer software, which is measured initially at cost and amortised on a straight-line basis over their useful lives, which is on average 2 years.

1.7 Operating lease

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

1.8 Financial instruments

Financial assets and liabilities are recognised on the Commission's balance sheet upon the Commission becoming a party to the contractual provisions of the instrument.

Trade payables

Trade and other payables are stated at their nominal value.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

1.9 Provisions

Provisions are recognised where the Commission has a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation.

1.10 Capitalisation reserve

Capitalisation reserve represents a transfer of fixed assets and liabilities from **the dti** to ITAC. The transfer of assets is net of accumulated depreciation. The values of the fixed assets were determined through the use of the logis system where possible. Where this was not possible, the respective amounts were traced to the invoices. In the event that the invoice could not be found, it was agreed with **the dti** that these assets would be taken on at R1. The take on liabilities reflected against this reserve was limited to the value of fixed assets transferred from **the dti**.

1.11 Inventory

Inventory consists mainly of stationery and printing cartridges. Consumables are stated at the direct cost of purchase. Inventory is valued at the lower of cost and net realisable value determined on the first in first out basis.

1.12 Comparative figures

In the prior years ITA was a programme within **the dti**. With the promulgation of the ITA Act, a new public entity came into existence. As a result it is considered impracticable to provide comparative information, as this is ITAC's first year of operating as a public entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004 (Continued)

	2004 R
2. REVENUE	
Revenue comprises of transfer payments received from the Department of Trade and Industry. Vote 32.	40 377 000
3. LOSS FROM OPERATIONS	
Loss from operations has been arrived at after taking the following into account:	
- Audit fees	350 000
- Accounting fees	160 000
Depreciation and amortisation	1 456 916
- Computer equipment and software	1 231 105
- Furniture and fittings	225 811
Rentals in respect of operating leases	
Lease payments	1 904 141
- Office equipment	77 486
- Motor Vehicles	322 160
- Buildings	1 504 495
Staff costs	
Included in staff costs are:	10 063 919
- Defined benefit plan expense	2 216 566
- Other long-term employee benefits including long service leave etc.	7 847 353
Executive remuneration	
Employee costs include gross remuneration of the following senior staff:	
- Chief commissioner	611 064
Foreign exchange loss	5 700
No material losses have occurred due to criminal conduct nor any unauthorised expenditure, irregular expenditure, fruitless or wasteful expenditure, except as indicated below:	
Theft:	
● During the year computer equipment was stolen from ITAC.	
● The matter has been investigated and write-offs have been processed.	21 270

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2004 (Continued)

	2004 R	2004 R	2004 R
4. PROPERTY, PLANT AND EQUIPMENT			
	Computer equipment	Furniture and fittings	Total
Transfer In			
- Cost	894 737	1 081 704	1 976 441
-Accumulated depreciation	(444 880)	(465 425)	(910 305)
Net book value	449 857	616 279	1 066 136
Current-year movements			
- Additions	2 671 344	415 159	3 086 503
- Disposal theft/losses	(19 608)	(1 662)	(21 270)
- Cost	(34 050)	(2 432)	(36 482)
- Acc dep	14 442	770	15 212
- Depreciation	(691 662)	(225 811)	(917 473)
Balance at end of year	2 409 931	803 965	3 213 896
Made up as follows			
- Cost	3 532 031	1 494 431	5 026 462
-Accumulated depreciation	(1 122 100)	(690 466)	(1 812 566)
Net book value	2 409 931	803 965	3 213 896
5. INTANGIBLE ASSETS			2004 R
Transfer In			
- Cost			443 566
- Accumulated amortisation			(36 171)
Net book value			407 395
Current year movements			
- Additions			888 233
- Depreciation			(539 443)
Balance at end of year			756 185
Made up as follows			
- Cost			1 331 799
- Accumulated amortisation			(575 614)
Net book value			756 185
6. ACCOUNTS RECEIVABLE			
Staff debtors - Current			57 348
- Non-current			24 911
			82 259

						2004 R
7. ACCOUNTS PAYABLE						
Trade creditors						276 168
8. PROVISIONS						
	Leave pay provision R	Performance bonus provision R	Service bonus provision R	Provision for audit fees R	Provision for accounting fees R	Total 2004 R
Opening balance	-	-	-	-	-	-
Taken over from the dti limited to assets taken over	1 473 531	-	-	-	-	1 473 531
Provision raised during the year	957 196	690 000	523 042	350 000	160 000	2 680 238
Utilisation of provisions	(73 889)	-	-	-	-	(73 889)
Closing balance	2 356 838	690 000	523 042	350 000	160 000	4 079 880
Current	422 187	690 000	523 042	350 000	160 000	2 145 229
Non-current	1 934 651	-	-	-	-	1 934 651

The leave pay liability was incurred whilst the officials were employed by **the dti**. Whilst we have expensed a portion of the balance, we will request funds from **the dti** through adjustment estimates should ITAC become liable. The leave pay and bonus provision relates to the Commission's estimated liabilities arising as a result of services rendered by employees.

9. CASH AND BANK

During the financial year ITAC's funds were managed through the Paymaster General Account with **the dti**. A new bank account with a registered banking institution was opened subsequent to year-end.

10. NOTES TO THE CASH FLOW STATEMENT

		2004 R
10.1 Reconciliation of net loss to cash generated from operations		
Net loss		(303 708)
Adjustments for:		
- Depreciation and amortisation		1 456 916
- Theft of fixed assets		21 270
- Provision for leave pay		2 356 838
- Provision for performance bonus		690 000
- Provision for service bonus		523 042
- Provision for auditing fees		350 000
- Provision for accounting fees		160 000
- Liabilities transferred from the dti		(1 473 531)
Cash generated from operations		<u>3 780 827</u>
10.2 Movements in working capital		
- Increase in accounts payable		276 168
- Increase in accounts receivable		(82 259)
		<u>193 909</u>
10.3 Cash and cash equivalents		
		-
Cash on hand and calculated balances		<u>-</u>

11. COMMITMENTS

11.1 Capital expenditure

Approved and contracted/ordered

1 086 735

11.2 Operating lease arrangements

2004 R	Up to 1 year R	1 to 5 years R	More than 5 years R	Total R
Buildings	1 000 482	-	-	1 000 482
Equipment	23 511	7 139	-	30 650
Vehicles	397 824	-	-	397 824
	<u>1 421 817</u>	<u>7 139</u>	<u>-</u>	<u>1 428 956</u>

ITAC is leasing its business premises, photocopy machines and motor vehicles under operating leases. The remaining period for the lease related to the building is four months. The leases in respect of the photocopy machines from Nashua and Minolta are for a period of three years. The lease in respect of motor vehicles from Amasondo are for a period of one year. The lease agreements do not impose any restrictions.

12. CONTINGENT LIABILITIES

Guarantees	2004 R
Guarantees for staff housing	260 765

13. FINANCIAL INSTRUMENTS**Credit risk**

Financial assets, which potentially subject the Commission to concentrations of credit risk, consist principally of trade receivables. Trade receivables are presented as a net of the allowance for doubtful debt. Accordingly, the Commission has no significant concentration of credit risk.

Fair values

The fair values of the financial assets and liabilities are disclosed in the relevant notes.

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	2004 R
INCOME	40,377,000
Funds received – the dti	40,377,000
Expenses	(40,680,708)
Accounting fees	160,000
Advertisements	76,660
Audit fees	350,000
Bonuses	2,945,528
Cleaning services	459
Consultant services	566,923
Depreciation and amortisation	1,456,916
Entertainment	83,723
Exchange rate losses	5,700
Gifts, donations and sponsorships	10,428
Lease: motor vehicles	322,160
Lease: office equipment	77,486
Leave provision	957,196
Legal expenses	385,266
Minor expenses	15,966
Postage and courier services	40,000
Printing and stationery	963,588
Professional and special services	5,638,446
Regional service council levies	67,664
Remuneration: non-executive commissioners	708,119
Rental	1,504,495
Repairs and maintenance	264,091
Resettlement expenses	52,276
Salaries and wages	19,536,835
Seminars and shows	617,578
Telephone costs	853,380
Thefts and losses	21,270
Training and bursary costs	326,628
Travel and accommodation	2,671,927
Net loss	(303,708)

