ITAC

International Trade Administration Commission of South Africa

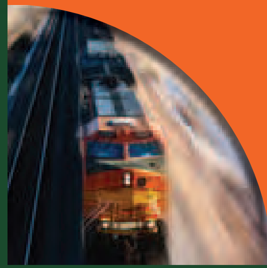
ANNUAL REPORT

2012 • • • • 2013

enabling

FAIR TRADE





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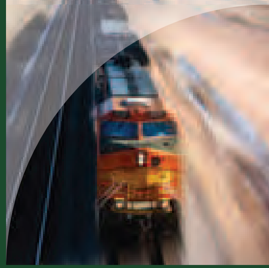


VISION AND MISSION

Vision

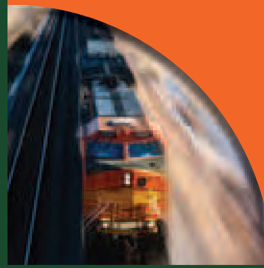
An institution of excellence in international trade administration, enhancing economic growth and development.

Mission

ITAC aims to create an enabling environment for fair trade through:

- Efficient and effective administration of its trade instruments, and
- Technical advice to Economic Development Department and **the dti**.



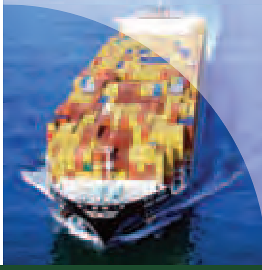


CORE VALUES

ITAC is guided by the following set of core values:

- **I**ntegrity;
- **T**rust;
- **A**ccountability; and
- **C**ommitment.

Report of the Chief Commissioner



Mr Siyabulela Tsengiwe
Chief Commissioner of ITAC

The year under review saw a rise in applications and approvals by the Commission for tariff support to domestic producers. This is due to the tough global economic conditions and cost pressures. Post the global recession, traditional and major trading partners including the USA continue to experience an economic slowdown and Europe is experiencing a fiscal and financial crisis. This has an adverse impact by weakening the demand especially for South Africa's manufactured exports. It also means that these traditional and major trading partners due to challenging domestic economic conditions are increasingly exploring export markets, including South Africa.

According to the October 2012 Medium Term Budget Policy statement, export volumes contracted at an annual rate of 6% in the second quarter of 2012 after falling by 1.5% in the first quarter. Import volumes at the time were almost 4% above the pre-crisis highs, while exports were still well below their peak, contributing to the widening current account deficit. Structurally, South Africa's balance of payments position remains a challenge. The weakening demand for South Africa's products by the traditional trading partners has necessitated an added emphasis on diversifying trade with emerging economies of the South that tend to be growing rapidly, although at a lower rate than before. It must be noted that the current global economic slowdown has meant growth in China and India has also slowed down, affecting the South African economy through lower commodity prices and slower growth in trade.

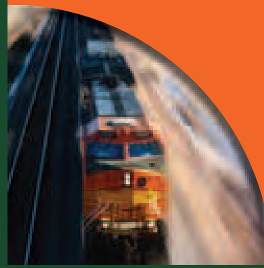
In the context of the challenging domestic and global economic conditions, ITAC has to exercise flexibility in its administration of a developmental approach to trade policy. Tariff increases were recommended, among others, on geo-synthetic clay liners from zero to 25%, alkyd resins from zero to 15%, mussels from zero and 5,5c/kg to 25%, uncooked pasta from 30% to 40%, lawn mower blades from zero to 20%, outdoor aerials from zero to 20%, conical drums from zero to 15%, set-top boxes from zero to 15%, automotive wind screens from 15% to 30%, and taps and mixers from 15% to 20%.

In addition, a number of rebates of duty provisions have been recommended and implemented over the past year, to reduce the cost of production for manufacturing firms and also to improve their international competitiveness. The rebates include products ranging from specific mechanisms for the manufacture of loose-leaf binders, to petroleum bitumen.

The primary use of petroleum bitumen is in road construction and maintenance where it is used as the glue or binder, mixed with aggregate particles, to create asphalt concrete. It is a by-product of crude oil refining. The four refineries in the SACU have historically refined most petroleum bitumen used for road construction and maintenance in the region. However, there is currently a supply shortage amounting to approximately 20 per cent of the SACU demand. Imports of bitumen have increased from roughly 150 000 kg in 2009 to more than 17 000 000 kg in 2012.

As bitumen is a material critical to infrastructure development in the SACU, the Commission found that the importation of bitumen, over and above the 10% import tariff, has significant additional cost implications as it requires expensive specialised equipment and storage facilities. However, the Commission found it prudent, at this juncture, to recommend a rebate of duty facility administered by ITAC by way of a permit system, rather than a straight reduction in the duty, thereby balancing the interests of the domestic producers of petroleum bitumen and the industrial users and importers of bitumen.





There were only two tariff reductions on hydraulic brake fluid and alternators. Reductions in duties are considered, upon application and prudent investigation, in particular cases where goods, including consumption, intermediate and capital goods are not manufactured domestically. Tariffs on products that are not manufactured domestically or where there is no tangible potential to manufacture domestically, have an unnecessary cost-raising effect.

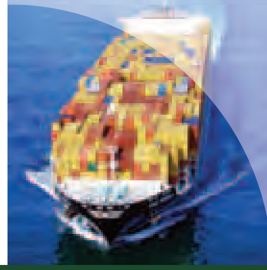
The Commission follows a developmental approach to tariff setting for both agricultural and industrial goods. It is neither a rigid blanket increase nor blanket reduction in tariffs. Tariffs are instruments of industrial policy. The Commission's recommendations are evidenced-based and conducted on a case-by-case basis. The focus is on the outcomes: increased domestic production, investment, job retention and creation, as well as international competitiveness.

Seven new trade remedy investigations were initiated in the past year on products ranging from potato chips and paracetamol to mirrors and hand tools. Although anti-dumping remains the mostly used instrument, the past year saw increased interest in the other two trade remedy instruments: safeguards and countervailing duties.

ITAC administers import and export controls on selected products mainly, for health, safety, and environmental reasons. During the reporting period, 14 977 import permits and 6 982 export permits were adjudicated and issued.

This past year, due to the tough global economic conditions and domestic cost pressures, saw an increasing demand for ITAC instruments. These demands had to be met without compromising on quality while simultaneously striving to meet the set turnaround times. ITAC in this regard has embarked on an organisational development project in order to remain effective into the future.

Siyabulela Tsengiwe
Chief Commissioner



Commentary by the chairperson of the Commission

Ms Tina Eboka
Chairperson of the Commission

By international standards, the South African economy is a relatively open economy. For South Africa, international trade is a major component of economic growth and international economic conditions have an immense and direct impact on the domestic economy.

Fiscal and financial market stress have continued to dampen growth in the advanced high-income countries (our major trading partners) also resulting in declining growth rates in the emerging-market economies such as China and India. This has an adverse impact by weakening the demand for South Africa's exports and increasing its exposure to low-priced imports.

For South Africa, with its structural constraints such as persistent current account deficits that inhibit growth, its economy must be able to participate competitively in the global arena.

The vast majority of applications for tariff support and trade remedies are in respect of relatively low-priced imports originating from the emerging economies.

In the light of the global economic slowdown and relatively low economic growth forecast for South Africa, the Commission will be hard-pressed to provide tariff support and relief, and trade remedies to domestic producers.

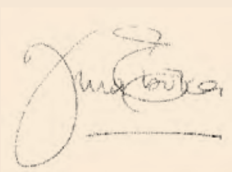
Over the past year, the Commission found that tariff support for the domestic industries producing geosynthetic clay liners; certain alkyd resins; mussels; pasta; lawn mower blades; television antennas; conical steel drums; set top boxes; automotive windscreens; and taps and mixers, would improve the price-competitive position of these industries in the face of fierce low-priced competition from abroad.

A number of rebate of duty provisions have also been recommended, to reduce the cost of production and increase the international competitiveness of firms.

The Commission's recommendation that definitive anti-dumping duties be imposed on glass frit, originating or imported from Brazil, was implemented.

The Commissioners who come from diverse backgrounds, (Economics, International Trade Law, Agriculture, Business and Labour), have been a valuable asset in decision-making.

In conclusion, the year can be summarised in a few words: The Commission faced significant challenges and further challenges lie ahead. To our staff, our fundamental resource, I sincerely thank you for your commitment and all that you do to deliver on our purpose.



Tina Eboka
Chairperson

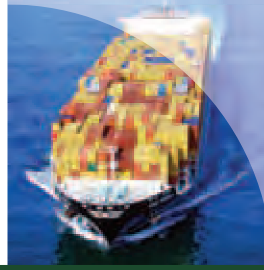
Background to ITAC

ITAC was established through an Act of Parliament, the International Trade Administration Act, 2002 (Act No. 71 of 2002), which came into force on 1 June 2003.

The aim of ITAC, as stated in the Act, 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 Union Area by establishing an efficient and effective system for the administration of international trade subject to this Act and the Southern African Customs Union (SACU) Agreement. The core functions are: **customs tariff investigations; trade remedies; and import and export control.**

The ITA Act makes provision for a Chief Commissioner who serves as the Chief Executive Officer. The Chief Commissioner is assisted by a Deputy Chief Commissioner and a maximum of ten Commissioners who can be appointed to serve on a full or part-time basis. There is currently a full-time Chief Commissioner with ten part-time Commissioners.

The Commission meets once a month to evaluate investigations conducted by the investigative staff and make recommendations to the Minister of Trade and Industry. The Commissioners come from diverse backgrounds including: Economics, International Trade Law, Agriculture, Business and Labour.



Commissioners

Ms Tina Eboka
Chairperson of the Commission

Mr Siyabulela Tsengiwe
Chief Commissioner

Mr Boikanyo Mokgatle
Commissioner

Ms Tanya van Meelis
Commissioner

Mr Ndaba Ntsele
Commissioner

Mr Etienne Vlok
Commissioner

Mr Matome Morokolo
Commissioner

Ronny Mkhwanazi
Commissioner

Adv Nomazotsho Memani-Balani
Commissioner

Ms Nomfundo Tshazibana
Commissioner

Dr Raymond Ngcobo
Commissioner

Senior Management Team

Mr Siyabulela Tsengiwe
Chief Commissioner

Mr Chris Arnold
Senior Manager:
Technical Advisory Services

Mr Alexander Amrein
Senior Manager:
Policy and Research

Mr Zanoxolo Koyana
Chief Financial Officer

Mr Phillip Semela
General Manager:
Corporate Services

Ms Lihle Mndebela
Senior Manager:
Human Resources

Kathleen Maya
Senior Manager:
Legal Services

Ms Rika Theart
Senior Manager:
Tariff Investigations I

Ms Nomonde Somdaka
Senior Manager:
Tariff Investigations II

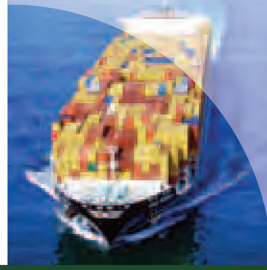
Ms Zoleka Xabendlini
Senior Manager:
Trade Remedies II

Ms Carina van Vuuren
Senior Manager:
Trade Remedies I

Dr Moses Obinyeluaku
Chief Economist

Mr Phillip Snyman
Senior Manager:
Import and Export Control

Mr Bhekithemba Kgomo
Senior Manager:
Internal Audit



List of reports issued by ITAC in 2012/2013

REPORT NUMBER	REPORT TITLE
393	Sunset review of the anti-dumping duties on unframed glass mirrors, originating in or imported from Indonesia: Final determination
394	Sunset review of the anti-dumping duties on clear float glass, originating in or imported from Indonesia: Final determination
395	Investigation into the alleged dumping of fully threaded screws with hexagon heads, excluding those of stainless steel, originating in or imported from the People's Republic of China: Preliminary determination
396	Increase in the rate of duty on lawn mower blades
397	Reduction in the rate of customs duty on hydraulic brake fluid
398	Investigation into the alleged dumping of frit, originating in or imported from Brazil: Preliminary determination
399	Investigation into the alleged dumping of frozen meat of fowls of the species gallus domesticus, whole bird and boneless cuts, originating in or imported from Brazil: Final report
400	Investigation into the alleged dumping of screw studding (rods threaded throughout) of stainless steel and steel (commonly known as threaded rods), originating in or imported from the People's Republic of China (PRC): Preliminary determination
401	Increase in the rate of customs duty on alkyd resins
402	Creation of a rebate facility for specific mechanisms for the manufacture of loose-leaf binders or files
403	Reduction in the general rate of customs duty on ac generators (Alternators)
404	Withdrawal of rebate item 70.01 in schedule No. 4 to the Customs and Excise Act, 1964
405	Increase in the rate of duty on textile fabric interlayered or otherwise combined with bentonite clay
406	Increase in the general rate of customs duty on outdoor television antennas
408	Investigation into the alleged dumping of fully threaded screws with hexagon heads, excluding those of stainless steel, originating in or imported from the People's Republic of China: Final determination
409	Review of the general rate of customs duty on reception apparatus for television not designed to incorporate a video display or screen (Set Top Boxes) with a value for duty purposes, not exceeding R5 000
410	Increase in the rate of customs duty on uncooked pasta, not stuffed or otherwise prepared, classifiable under tariff subheading 1902.19
411	Increase in the general rate of customs duty on conical steel drums
412	Review of the tariff structure for salmon and trout
413	Increase in the rate of customs duty on mussels
414	Investigation into the alleged dumping of frit, originating in or imported from Brazil: Final determination
415	Amendment of rebate item 316.17/00.00/03.00 for goods of any description used in the manufacture of reception apparatus for television, not designed to incorporate a video display or screen (Set Top Boxes)
416	Increase in the rate of duty on laminated safety glass
418	Application for rebate of duty on imported split buffalo leather for the manufacture of safety footwear
419	Creation of rebate item 317.03 governing the Automotive Production and Development Programme (APDP)
420	Investigation into the alleged dumping of screw studding (rods threaded throughout) of steel and stainless steel (commonly known as threaded rods), originating in or imported from the People's Republic of China (PRC): Final determination
421	New shipper review for acetaminophenol, originating in or imported from the People's Republic of China: Final determination
422	Creation of a rebate of duty facility for petroleum bitumen
423	Review of rebate items 460.07/4011.10/01.06 and 460.07/4011.61/01.06 for new pneumatic tyres used in organised motor sport and agricultural or forestry vehicles and machines
424	Application for remedial action against the alleged dumping of unframed mirrors of a thickness of 2mm or more but not exceeding 6mm, originating in or imported from the People's Republic of China (PRC): Preliminary determination
425	Increase in the general rate of customs duty on taps and mixers.

[1] *Report not yet implemented*

Tariff Investigations

As enunciated in the New Growth Path and the Trade Policy and Strategy Framework, the Commission follows a developmental or strategic approach to tariff setting with the objective of promoting domestic manufacturing activity, employment retention and creation, and international competitiveness.

An increase in customs duties is considered, on a case-by-case basis, to support domestic producers, particularly those that are important from an employment or value-addition perspective, that are experiencing threatening import competition.

On a case-by- case basis, tariffs for mature resource-based capital-intensive upstream industries are selectively reviewed and in some cases reduced or removed in the interest of lowering input costs into labour-intensive employment-creating downstream activities.

Over the past year, the Commission recommended tariff increases, on geo-synthetic clay liners, from free to 25%; alkyd resins, from free to 15%; mussels, from free and 5.5c/kg to 25%; uncooked pasta not stuffed or otherwise prepared, from 30% to 40%; retaining the 25% *ad valorem* duty and rebate provisions on salmon and trout; lawn mower blades, from free to 20%; outdoor aerials, from free to 20%; conical drums, from free to 15%; set-top boxes, from free to 15%; laminated automotive windscreens, from 15% to 30%; and taps and mixers, from 15% to 20%.

The application for an increase of duty on sardines in airtight containers was rejected by the Commission. The Commission firstly considered the cost and price information at its disposal and the competitive position of the industry and found that domestic producers did not experience price disadvantages *vis-à-vis* foreign producers.

The Commission also considered the level of imports into the SACU of canned sardines in the light of a domestic shortage of sardines for canning purposes. It found that imports of canned sardines had not risen since 2009.

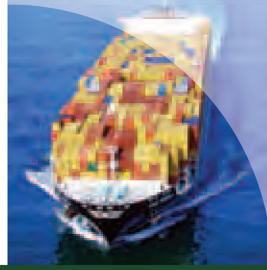
The Commission took into consideration the cost-raising impact that higher tariffs on canned sardines would have, especially for low-income consumers of this beneficial and inexpensive source of protein.

In addition, a number of rebate of duty provisions have been recommended and implemented over the past year, to reduce the cost of production for manufacturing firms and increase their international competitiveness, such as rebate of duty provisions for mechanisms for lever-arch files; petroleum bitumen; merging the export-promoting rebate items 470.01 and 470.03; tightened conditions attached to guidelines for rebate for worn clothing for wiping rags; caustic soda for meta-silicates, review of rebate for set-top boxes to exclude populated PC boards and other designated inputs; review of rebate for tyres for organised motor sport and agricultural/forestry vehicles and machines; the creation of rebate item 317.03 for the implementation of the Automotive Production Development Programme (APDP); Semi-Knocked Down (SKD) manufacturing of minibuses; Extension of the claiming period for the Productive Asset Allowance programme to 2015, and review of the guidelines for claiming under the Productive Asset Allowance by component manufacturers.

On 01 January 2013, the Automotive Production and Development Programme (APDP) replaced the Motor Industry Development Programme (MIDP) which has been in place since 1995. The objective of the APDP is to create an enabling environment for the domestic industry to significantly grow production volumes and local value addition, leading to the creation of additional employment opportunities across the value chain. Whereas the MIDP was export-oriented, the APDP is based on production.

The Minister of Economic Development requested ITAC to develop, in consultation with the South African Revenue Service (SARS), the APDP administrative framework, including its implementation, legislation and administrative procedures.

The APDP is a customs-based programme comprising a tariff component, production incentive (PI), volume assembly allowance (VAA) and automotive Investment scheme (AIS). The AIS is administered by **the dti**. The APDP consists of rebates and refunds of the relevant customs duties classifiable in Chapters 87 and 98 of Part 1 of Schedule No.1 to the Customs and Excise Act and rebate items 317.03 and 460.17 of Schedule Nos 3 and 4 to the Customs and Excise Act. The relevant refund provisions can be found in items 536.00, 537.00 and 538.00 in Schedule No. 5 to the Customs and Excise Act.



The following applications for rebate provisions were rejected by the Commission: Buckles, magnetic locks and studs for belts; fabric for bulk containers; leather for protective footwear; fabric for impregnation or coating; and panels for refrigerated trailers.

Apart from the industrial policy considerations in the case of the intermediate input materials manufactured by the resource-based capital-intensive industries mentioned above, a reduction or removal of duties is considered, upon application and prudent investigation, in particular cases where goods, (consumption goods, intermediate or capital goods) are not manufactured domestically or unlikely to be manufactured domestically. Consequently, a limited number of tariff reductions have been recommended over the past year and implemented: on brake fluid and AC generators. Tariffs on products which are not manufactured domestically and applicable where there is no potential to manufacture domestically have an unnecessary cost-raising effect.

The following applications for reduction were rejected by the Commission: White pea beans; frosting; camp chairs; aluminium slugs; and mineral fibre ceiling tiles.

The Commission revised its timeframes, from 12 to six and four months, respectively, for ordinary tariff investigations, and those for sectors in distress. In certain instances these timeframes have not been met due to the complexity and challenges posed by some applications. The vast majority of applications for tariff support are due to a still fragile global and domestic economic environment, and are in response to relatively low-priced imports from emerging economies.

Highlights in respect of those tariff investigations where domestic beneficiaries have made reciprocal commitments that will be monitored and evaluated by the Commission:

Pasta (Agro-processing)

Following the Commission's recommendation in November 2012, the general rate of duty on uncooked pasta was increased in February 2013, from 30 per cent *ad valorem* to 40 per cent *ad valorem*.

In reaching its findings and taking into account that the WTO-bound rate on pasta is 54% *ad valorem*, the Commission, on the one hand, took the domestic industry's competitive position into consideration, and, on the other, the possible cost–raising impact of a higher duty on an important source of nutrition.

The Commission found that the majority of dry pasta imports originate from the European Union, in particular from Italy, dutiable at free of duty in terms of the SA-EU Agreement, but that low-priced imports from Turkey have reached appreciable levels.

The Commission concluded that an increase in the rate of duty on pasta would improve the price-competitive position of the domestic industry in the face of fierce foreign competition. The support should lead to better utilisation of existing production capacity and further investment in this industry in a market that is growing significantly.

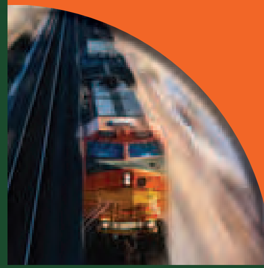
The applicant, Cape Town-based Sasko Pasta, submitted that, should the duty on pasta be increased, an approved capital expansion programme would resume in 2013, resulting in a significant increase in production capacity. It is expected that the increase in production capacity would lead to the creation of approximately 15 permanent employment opportunities. Sasko Pasta currently employs 71 people. The application was supported by the largest domestic manufacturer, Tiger Brands (Fattis & Monis). The total annual value of domestic pasta production amounts to an approximate R650 million.

The Commission decided that the duty be reviewed after a period of three years, to determine its impact on the industry's competitive position, further development, and the full value chain.

Geosynthetic clay liner (Infrastructure)

Following a recommendation by the Commission in November 2012, the general rate of duty on textile fabric inter-layered or otherwise combined with bentonite clay, known as geosynthetic clay liner (GCL), was increased in December 2012 from free of duty to 25 per cent *ad valorem*. [GCL is an assembled structure of geosynthetic materials and low hydraulic conductivity earth materials





(clay or bentonite) in the form of a manufactured sheet, used in contact with soil or rock or other geotechnical material in civil engineering applications such as power station infrastructure and waste management, typically liquid and gas landfill containment barriers for environmental protection].

The duty should serve to eliminate the price disadvantage experienced by the Western Cape and KZN-based domestic manufacturer of GCL (Kaymac Pty Ltd) *vis-à-vis* emerging South and East Asian producers of GCL. However, the bulk of GCL imports originate from the EU. Nevertheless, there are indications that the emerging South and East Asian economies have rich bentonite clay deposits and are attracting investments for the manufacture of GCLs.

The Commission found that the domestic competitors of the sole domestic manufacturer of GCL currently source their GCL requirements from producers in the EU and that an increase in the general rate of duty would not have an immediate adverse impact on these producers as in terms of the SA – EU Agreement, the applicable duty on CFL is zero.

The Commission concluded that an increase in the rate of duty on GCL would improve the price-competitive position of a domestic industry in its early stages of development and in the face of stiff foreign competition. The support should enable the domestic industry to increase the domestic demand for its products, currently at R60 million per annum (far below production capacity); to fully utilise its underutilised production capacity; and achieve economies of scale with a reduction in the marginal cost of production.

In terms of reciprocity, Kaymac envisages to increase its production through additional shifts and accordingly increase its current employment level (nine people), in this particular line of business. It also committed to continuing its considerable investment in the research and development of geosynthetics.

It was recommended that the duty be reviewed after a period of three years to determine its impact on the industry value chain.

Set-top boxes (STBs) (Consumer electronics)

On balance, after a proactive review, the Commission found adequate justification for an increase in the general rate of customs duty on STBs from free of duty to 15% *ad valorem*. Its recommendation was made in November 2012 and implemented in January 2013.

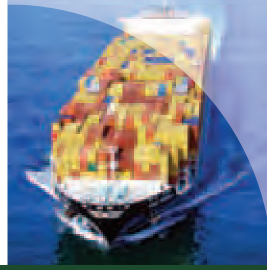
Digital decoder STBs for satellite reception are already domestically designed, manufactured and exported by Durban-based Altech UEC (Pty) Ltd, employing 864 people, with a production value approaching R2 billion per annum. In addition, different STBs will soon be required to convert the free-to-air digital to analogue signal for television sets which do not have digital satellite television ("Dstv") reception or a built-in digital converter. There are a number of other domestic manufacturers (in the Western and Eastern Cape regions), together employing roughly 900 people, that have the potential to manufacture STBs, including Divitech (Pty) Ltd, RC&C Manufacturing (Pty) Ltd, Tellumat (Pty) Ltd, and Vektronix (Pty) Ltd. The estimated initial production value for terrestrial STBs will be roughly R1.5 billion per annum.

The duty increase covers both STBs for satellite and terrestrial signal transmission.

Although the WTO-bound rate is 30% *ad valorem*, the Commission sought to balance the interest and further development of the domestic STB manufacturing industry against the possible cost-raising impact downstream on the providers of commercial subscription broadcast services. An STB is a critical component and key input into these operations. The Commission therefore decided on a duty of 15% *ad valorem* to offset the price disadvantage experienced by the domestic STB manufacturing industry.

The domestic industry, not producing at full capacity, is in a position to meet the full SACU market requirement. The duty of 15% *ad valorem*, would improve the price-competitive position of a developing domestic industry in the face of fierce foreign competition, especially from East Asia. The support should enable the domestic industry to increase the domestic demand for its products; to fully utilise its production capacity; and achieve economies of scale with a reduction in the marginal cost of production.

One prospective STB manufacturer indicated that it has geared its plant for the digital migration process by investing in new



capital equipment and that there is potential to increase their current workforce by 20%, i.e. approximately 100 to 130 jobs.

The Commission recommended that the duty be reviewed after three years, effective from the date of implementation to determine its impact on the industry value chain.

In tandem with the duty increase, a rebate of the duty provision was introduced to allow the STB manufacturers access to intermediate inputs, not manufactured locally, at world-competitive prices. The domestic STB manufacturers (and also contract manufacturers and system integrators) have invested in highly automated capital intensive production lines for the placement or population of electronic components on printed circuit boards. The majority of these electronic components are not manufactured domestically and have to be imported.

Conical steel drums (Fabricated steel, with "green industry" elements)

In January 2013, the general rate of customs duty on conical steel drums with a capacity of 235 litres or more was increased from free of duty to the WTO-bound ceiling rate of 15% *ad valorem*. The application was brought by the sole domestic manufacturer of conical steel drums, Cape Town-based Peninsula Drums cc. No objections to the application were received. The Commission made its recommendation in November 2012.

The conical steel drums are intended for storage and transportation of liquids and hazardous materials. The flexibility of the structure and dimensions of the conical steel drum makes it more attractive for safe transportation and storage purposes.

The Commission found that price disadvantages *vis-à-vis* foreign competitors are experienced by the domestic industry and that tariff support would significantly improve the price competitive position of an emerging domestic industry in its early stages of development. The applicant's current production is 50 000 units per annum. It employs 77 people. Based on current investment, the production capacity is projected at 620 000 units per annum at a value of approximately R70 million. With the tariff support, it will be in a position to meet the full SACU market requirements.

The tariff support should enable the domestic industry to fully utilise its existing production capacity and achieve economies of scale. It is estimated that, through this tariff increase, an additional 25 people will gain employment.

Taps and mixers [Beneficiation (scrap metal) with green industry elements]

In February 2013, the Commission recommended an increase in the duty on taps and mixers from 15% to 20% *ad valorem*. The applicant, Gauteng-based Cobra Watertech, is the dominant domestic manufacturer of taps and mixers, produced from brass ingots and rod domestically produced by non-ferrous metal producers using locally sourced non-ferrous scrap. Cobra employs 913 people and its annual production value amounts to approximately R250 million.

The Commission considered that the domestic industry manufacturing taps and mixers invested a considerable amount of capital to establish excellent production facilities. However, it found that the industry experiences price disadvantages, especially *vis-à-vis* East Asian manufacturers of low-priced taps and mixers that have eroded its market share.

The additional tariff support to the WTO-bound rate of 20% *ad valorem* should improve the price-competitive position of the industry, lead to further investment with a concomitant increase in employment opportunities, and enable the industry to utilise its existing production capacity and achieve increased economies of scale.

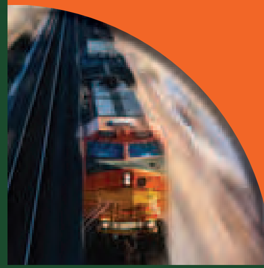
With an increase in duty, Cobra Watertech committed to further investments, especially in "green" technology and the creation of an additional 137 employment opportunities.

Bitumen rebate provision (infrastructure)

In March 2013, SARS implemented a recommendation by the Commission made in January 2013 for the duty-free importation of petroleum bitumen in such quantities, at such times, and under such conditions as ITAC may allow by specific permit.

The primary use of petroleum bitumen is in road construction and maintenance where it is used as the glue or binder, mixed with aggregate particles, to create asphalt concrete. It is a by-





product of crude oil refining. The four refineries in the SACU have historically refined most petroleum bitumen used for road construction and maintenance in the region. However, there is currently a supply shortage amounting to approximately 20 per cent of the SACU demand. Imports of bitumen have increased from roughly 150 000 kg in 2009 to more than 17 000 000kg in 2012. The applicant, Colas SA, operating throughout South Africa, is a specialist manufacturer and applicator of bituminous binders for road surfacing and a major importer of bitumen, that has invested in excess of R50 million towards the production of binders. The applicant projects further investment expenditure of approximately R24 million.

As bitumen is a material critical to infrastructure development in the SACU, the Commission found that the importation of bitumen, over and above the 10% import tariff, has significant additional cost implications as it requires expensive specialised equipment and storage facilities. However, the Commission found it prudent, at this juncture, to recommend a rebate of duty facility administered by ITAC by way of a permit system, rather than a straight reduction in the duty, thereby balancing the interests of the domestic producers of petroleum bitumen and the industrial users and importers of bitumen.

Through the permit system, ITAC will monitor the supply and demand conditions as well as the depth and size of the industry involved in this sector, with the aim of launching a review of the tariff structure three years after implementation.

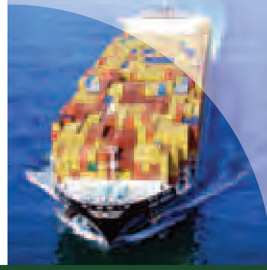
Frozen half-shell mussels (Aquaculture)

Having received and considered an application from Saldanha-based Blue Ocean Mussels (Pty) Ltd, supported by the Saldanha Mussel and Oyster Farmers Forum, the Commission, in December 2012, recommended an increase in the general rate of import duty on frozen half-shell mussels from free of duty to 25 per cent *ad valorem*. In arriving at its recommendation, the Commission took into account that the aquaculture industry has been identified as a priority sector in the Government's Industrial Policy Action Plan 2 for its capacity to contribute to employment-generating economic growth. The recommendations were implemented in February 2013.

The Commission found that an increase in the rate of duty on mussels would enhance the price-competitive position of a domestic industry in its early stages of development, in the face of low-priced competition from abroad. The support should lead to an improved utilisation of existing production capacity and to further investment and employment in the industry to achieve economies of scale.

The applicant expects to expand its processing capacity substantially subsequent to the increased tariff support. However, the expansion in mussel farming capacity requires time. Seven to eight years of continuous investment is needed to reach a sustainable production capacity. Approximately 30 jobs on mussel farms and more than 130 jobs in mussel processing may be created as a result of the increase in the customs duty. Currently, the applicant's production value amounts to approximately R7 million per annum and it employs 72 people.

The Commission decided that the duty be reviewed after a period of three years, to determine its impact on the industry's further development, investment performance, and on the full mussel production value chain.



Trade Remedies

ITAC is responsible for conducting trade remedy investigations (anti-dumping, countervailing and safeguard) in accordance with policy, domestic law and regulations and consistent with World Trade Organisation (WTO) rules. Applications to ITAC, in the main, are for anti-dumping action. Anti-dumping action is a critical trade instrument to protect jobs and industries against unfair competition from abroad.

Dumping, which is a form of international price discrimination, refers to the practice of a firm selling the same goods at a lower price in an export market than in its domestic market.

Dumping becomes an unfair business practice and actionable under domestic and international law when it causes or threatens to cause material injury to domestic manufacturers producing an identical or similar product to the dumped import.

Material injury is measured in terms of declines in the prices, sales volume, profits, market share, employment and other factors of domestic manufacturers. There must therefore be a necessary link between dumping and injury without which remedial action by national investigating authorities is not permissible.

Anti-dumping actions are an exception to the WTO principles of bound tariffs and non-discrimination between trading partners (also known as the most-favoured nation principle). Anti-dumping actions are narrowly targeted at specific products from specific countries and, in those countries, at specific producers or exporters.

Countervailing duties are imposed to offset the injury to the SACU industry caused by subsidised imports. The procedure followed and the time taken to complete an investigation, are similar to that of an anti-dumping investigation.

Safeguards are trade remedy measures against an unforeseen surge in imports that causes and/or threatens to cause serious injury to domestic producers.

During the year under review, the Commission initiated the following investigations:

Potato chips – Safeguard investigation

Following an application by the SACU industry, a safeguard investigation on imports of frozen potato chips was initiated in November 2012, but due to irregularities in the notification of this initiation to the WTO, had to be terminated. A new investigation was therefore initiated in March 2013. This is the second safeguard investigation in the history of ITAC's existence after the first safeguard investigation on imports of lysine was initiated in 2007. A safeguard investigation is conducted where it is determined that there is a surge in imports causing or threatening to cause serious injury to the SACU industry. It is considered a fair trade action taken to enable the domestic industry to adjust. The application is still under consideration by the Commission.

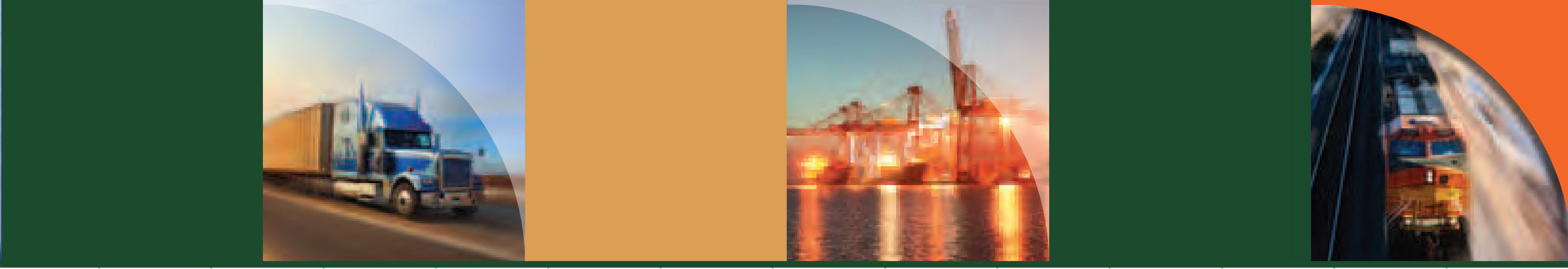
Mirrors – Anti-dumping investigation

The only original anti-dumping investigation initiated in the past financial year related to imports of glass mirrors from the People's Republic of China. In its preliminary determination, the Commission found that mirrors were imported into SACU at dumped prices causing material injury to the SACU industry and on 8 March 2013, decided to impose provisional payments of 40,22% *ad valorem* to protect the SACU industry while the investigation continued.

Paracetamol - New shipper investigation

The Commission initiated a new shipper investigation upon receipt of an application by a foreign producer who did not export during the original period of investigation, providing *prima facie* proof that the producer concerned is not related to any of the exporters in the exporting country who are subject to anti-dumping duties on the product.

The Minister of Trade and Industry approved the Commission's recommendation to exempt the concerned



PRC manufacturer/exporter from the applicable anti-dumping duty. The Minister's decision was implemented and the investigation was finalised on 15 February 2013.

PVC rigid and hand tools (picks, spades, shovels) – Sunset reviews

Anti-dumping duties remain in place for a period of five years, after which a sunset review investigation is conducted, to determine whether there is a likelihood that the removal of the duty would lead to a continuation or recurrence of injurious dumping, in cases where the domestic industry has submitted *prima facie* proof thereof.

Two sunset review investigations relating to imports of polymers of vinyl chloride (PVC) and hand tools from the People's Republic of China were initiated.

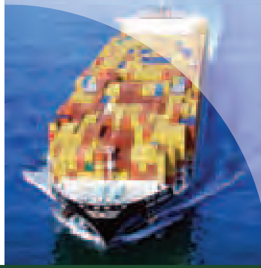
PVC rigid

An investigation into the possible exclusion of PVC strips, used in the furniture manufacturing industry, imported from the People's Republic of China, from applicable anti-dumping duties was initiated in the year under review.

Investigations carried over from previous years

In addition to investigations initiated in the 2012/2013 financial year, the following original anti-dumping (AD) investigations, which were initiated in the previous year/s were finalised: frit, from Brazil, initiated on 23 September 2011 and finalised on 15 February 2013 - anti-dumping duty imposed; threaded rods, from the PRC, initiated on 23 September 2011 and finalised on 1 February 2013 - no duty imposed; chicken meat from Brazil, initiated on 24 June 2011 and finalised on 8 March 2013 - no duty imposed; and, threaded screws, from the PRC, initiated on 18 November 2011 and finalised on 16 November 2012 - duty imposed.

The following sunset review investigations, initiated in the previous financial year were finalised in 2012/2013: chicken meat from the US, initiated on 24 June 2011 and finalised on 5 April 2012 - anti-dumping duty maintained; unframed mirrors, from Indonesia, initiated on 23 September 2011 and finalised on 27 July 2012 - duty maintained; and, clear float glass, from Indonesia, initiated on 23 September 2011 and finalised on 20 April 2012 – duty was maintained.



Import and Export Control

The Import and Export Control regime, administered by ITAC in terms of Section 6 of the International Trade Administration Act, 2002 (Act No. 71 of 2002), regulates the movement of specific goods across the borders of South Africa for the purpose of complying with international agreements such as, inter alia, the Montreal Protocol on Substances that Deplete the Ozone Layer.

Control measures are also applied to enforce environmental, health, safety and technical standards in terms of international agreements and domestic law. The exportation of certain goods such as ferrous and non-ferrous waste and scrap is also controlled in an endeavour to assist domestic foundries and mills in providing information pertaining to scrap metal destined for export.

The exportation of paper waste is also controlled in an effort to ensure that sufficient levels of paper waste is available as feedstock in manufacturing. In the administration of the regulatory regime it is imperative for ITAC to have formal as well as informal relationships with other Departments and agencies such as the South African Police Service, the Department of Environmental Affairs; Mineral Resources; Agriculture, Forestry and Fisheries; South African Revenue Service; SABS and the National Regulator for Compulsory Specifications; and the Cross Border Road Transport Agency.

During the 2012/2013 financial year, the co-operation agreements laid the platform for formal co-operation between ITAC and stakeholder departments and agencies in the process of regulating the movement of controlled goods across borders. The co-operation agreement between ITAC and the Department of Agriculture Forestry and Fisheries (DAFF) also created the space for ITAC and DAFF to engage in technical discussions in the process of aligning the activities of parties in controlling the importation and exportation of certain marine resources.

Draft amendments to the import control regulations were prepared to provide for the inclusion of used printed books of customs tariff heading 49.01 and used musical instruments of customs tariff heading 92.05 to be added to the list of used goods that may be imported without the requirement of an ITAC-issued import permit.

ITAC also published Draft Export Control Guidelines on the Exportation of Ferrous and Non-Ferrous Metal Waste and Scrap, pertaining to the introduction of a price preference system to assist domestic foundries and mills to purchase scrap metal at a preferential price for the purpose of local beneficiation.

ITAC participated in the activities of the Department of Health`s Ministerial Task Team to advise on regulatory functions related to radio-active sources.

During the reporting period, 14 977 import permits and 6 982 export permits were issued. The bulk of the import permits namely 3 347 were issued to import machinery and mechanical appliances, equipment and parts thereof of Chapter 84 to the Harmonized Customs Tariff. A total of 2 571 import permits were issued for the importation of vehicles and parts thereof of chapter 87; a total of 1 400 import permits were issued to import fish, crustaceans, molluscs and other aquatic invertebrates of Chapter 03; a total of 1 501 permits were issued to import rubber and articles thereof, including tyres, of chapter 40; a total of 968 permits were issued to import arms and ammunition of chapter 93; a total of 858 permits were issued to import electrical machinery and equipment and parts thereof of chapter 85;a total of 671 permits were issued to import metals of chapters 72 to 81; a total of 394 permits were issued to import mineral fuels, mineral oils and products of their distillation of chapter 27; and a total of 524 permits to import inorganic and organic chemicals of chapters 28 and 29.

The bulk of export permits namely a total of 2 416 were issued for the exportation of ferrous and non-ferrous waste and scrap of chapters 72 to 81 of the Customs Tariff; a total of 1 621 export permits were issued for the exportation of organic and inorganic chemicals of chapter 28 and 29; and 2 446 for the exportation used motor vehicles of chapter 87; a total of 343 export permits were issued to export mineral fuels, mineral oils and products of their distillation of chapter 27.

The enforcement component of the Import and Export Control Unit conducts enforcement activities in terms of Section 41 of the International Trade Administration Act, 2002 (Act No. 71 of 2002). Enforcement is crucial in detecting contraventions of the Act and the import and export



control regulations and to ensure that there is compliance to conditions and terms reflected in import and rebate permits.

Enforcement activities are made up of scheduled inspections, unscheduled or surprise inspections, and investigations. During the 2012/2013 financial year, 769 scheduled inspections and 506 unscheduled or surprise inspections were conducted, and 14 investigations were carried out. Industry sectors inspected were clothing, ferrous and non- ferrous waste metals, automotive, pneumatic tyres and machinery and equipment.

Investigations conducted were based on *prima facie* evidence of contravention of the ITA Act and import and export control regulations. Illegally imported goods or goods destined for illegal exportation are subject to seizure in terms of the provisions of the Act. During the financial year, investigators seized illegally imported goods in seven instances. The sector affected by these seizures were clothing and automotive.

In two instances transgressors of the import control regulations pertaining to the illegal importation of tyres were tried in a court of law, found guilty and sentenced.

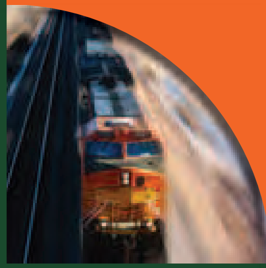
The Enforcement Unit also successfully participated in enforcement operations with other agencies such as SARS and SAPS.

TARIFF INVESTIGATIONS

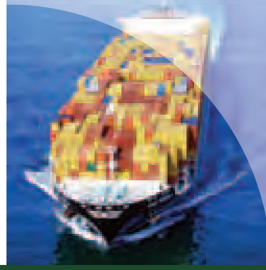
STRATEGIC OBJECTIVE 1

Contribute to employment creating growth and development through effective delivery of international trade instruments

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2013
Tariff investigations	Customs Tariff amendments on reductions, increases and rebates investigated in order to reduce cost of production, sustain job-creation, investment and improve international competitiveness	51 Tariff amendment investigations
	Motor Industry Development Programme (MIDP) managed in order to issue certificates to reduce cost of production and improve international competitiveness	• 2 500 Import Rebate Credit Certificates (IRCC) • 60 Productive Asset Allowance Certificates (PAAs) • 40 Eligible Export Certificates (EECs) • 100 Heavy Commercial Vehicles Certificates (HCVs)
	MIDP verifications conducted in order to ensure compliance	240 MIDP verifications
	Textile and Clothing Industry Development Programme (TCIDP) Duty Credit Certificates issued in order to reduce input costs and increase competitiveness	250 DCC Certificates
	Import rebates and drawback permits issued in order to reduce input costs and increase competitiveness	650 permits



PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
Number of evaluated and presented investigations, resulting in approved letters, government gazetting, reports, or amendment to the relevant Schedules of the Customs and Excise Act	64 Tariff amendments	ITAC is an adjudicating body and mostly reacts on applications received from external parties. Tariff Investigations Unit received more applications than anticipated due to the prolonged effect of the global economic crisis, which negatively affects employment, production, investment and international competitiveness of the SACU industries.
Number of certificates issued in accordance with legislation, policy, rules and regulations	• 2 010 IRCCs • 50 PAAs • 68 EECs • 63 HVCs	• ITAC is an adjudicating body and reacts on applications received from external parties. • MIDP has been replaced by the APDP (80 EPCs were issued, while 68 EECs were issued).
Number of MIDP verifications conducted in accordance with legislation, policy, rules and regulations	191 MIDP verifications	Conducted less verifications than anticipated.
Number of DCC certificates issued in accordance with Legislation, Policy, Rules and Regulations	251 DCCs	Received 1 more application than anticipated in Q1 and Q2. No certificates were issued in Q3 and Q4 as the administration of the TCIDP programme ended on 30/09/2012.
Number of permits issued in accordance with legislation, policy and guidelines	878 permits	ITAC is an adjudicating body and reacts on applications received from external parties. In addition, additional rebate provisions were created, which are subject to a permit from ITAC that resulted in an increase in the number of permits issued.



STRATEGIC OBJECTIVE 2

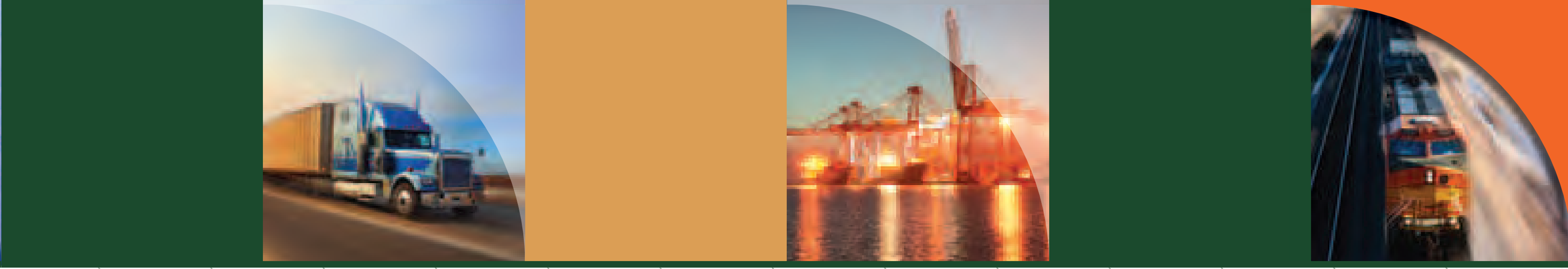
Ensure strategic alignment and continued relevance with the Economic Development Department and National Agenda

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2013
Tariff investigations	Engagements on technical advice on policy implementation, trade negotiations and regional integration	29 engagements

STRATEGIC OBJECTIVE 3

Ensure organisational efficiency and effectiveness

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2013
Tariff investigations	Reviewed/Implemented Tariff Investigations policies and procedures	Develop/revise and implement guidelines and questionnaires for rebate provisions which are subject to a permit from ITAC
	Reviewed/ Implemented Customs Tariff Policy and Tariff Regulations	Implemented Customs Tariff Policy and Tariff Regulations



PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
Number of engagements	78 engagements	Received more requests from stakeholders for engagement than anticipated.

PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
Approved guidelines and questionnaires for rebates	Developed, revised and implemented a number of rebate provisions subject to a permit from ITAC with guidelines and questionnaires, which were approved by the Commission.	Stringent control measures were implemented to ensure compliance
Amended and implemented Customs Tariff Policy and Tariff Regulations	Implemented Customs Tariff Policy and Tariff Regulations through internal training session with staff on evaluation of tariff applications and how to present to the Commission on Tariff investigations conducted.	Target met.

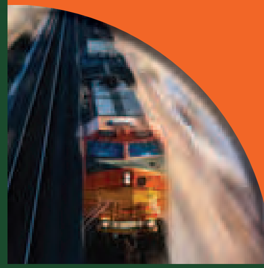
TRADE REMEDIES

STRATEGIC OBJECTIVE 1

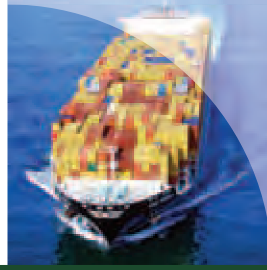
Contribute to employment creating growth and development through effective delivery of international trade instruments

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2013
Trade Remedies	Conducted Trade Remedies (AD, CVD, SG) investigations	15 investigations





PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
Approved reports and gazetted amendments to the relevant schedules of the Customs and Excise Act.	• 1 Anti-dumping • 0 Countervailing • 2 Safeguards • 2 Sunset Reviews • 1 Exclusion investigation • 1 New Shipper Review • (7 investigations initiated)	Less anti-dumping and countervailing applications and requests to review the duty before the expiry (sunset reviews) were received than anticipated. In addition to what was anticipated, a request for an exclusion of the duty on a particular product and a request to be regarded as a new shipper was received.

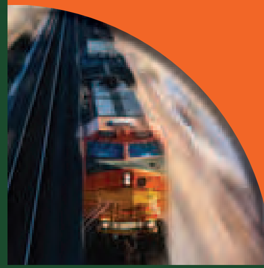


STRATEGIC OBJECTIVE 2

Ensure strategic alignment and continued relevance with the Economic Development Department and National Agenda

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2013
Trade Remedies	Participation in multilateral and other trade negotiations	8 engagements - according to WTO schedule
		6 engagements according to **the dti** schedule





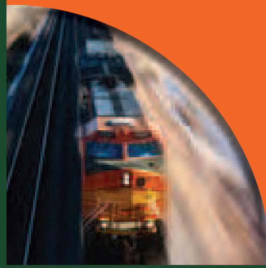
PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
Feed-back reports and approved input papers and submissions	Attended 1 WTO Committee meeting and 1 technical group meeting at the WTO.	Fewer engagements were scheduled and approval was only granted to attend 1 committee meeting and 1 technical group meeting.
Feed-back reports and approved input papers and submissions	(Eleven engagements) • 3 Tripartite negotiations engagements attended. • 1 meeting attended regarding the SACU Tribunal Annex. • 2 SACU task team meetings regarding establishment of Tariff Board and National Bodies attended. • 1 meeting with SACU Secretariat regarding capacity-building and establishment of National Bodies attended. • 1 interdepartmental preparatory meeting for next round of Tripartite negotiations attended. • 3 EPA negotiations engagements attended.	• Achieved target. • **the dti** scheduled more engagements than anticipated

STRATEGIC OBJECTIVE 3

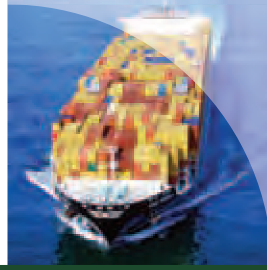
Ensure organisational efficiency and effectiveness

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2013
Trade Remedies	Reviewed policy, regulations, questionnaires, investigation guidelines.	Implemented anti-dumping policy, anti-dumping and countervailing regulations and questionnaires
	Conducted ad-hoc research projects	Research reports on identified trade remedies related topics





PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
Implemented anti-dumping policy; gazetted AD and CVD Regulations and implemented revised questionnaires	• Anti-dumping Policy not yet implemented • Reviewed anti-dumping regulations not yet implemented • Reviewed anti-dumping questionnaires have been implemented • Reviewed Countervailing regulations not yet implemented • Reviewed Countervailing questionnaires have been implemented • Countervailing Manual not yet implemented	• Awaiting approval of policy by EDD • Awaiting approval of regulations by EDD • Achieved target • Awaiting approval of regulations by EDD • Achieved target • Implementation of the manual is dependent on implementation of regulations
Approved research papers	No research projects were undertaken for the period.	No topics were identified for the period of reporting.



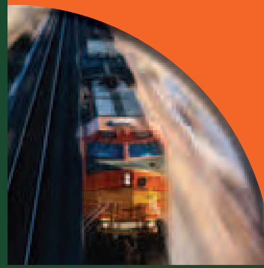
IMPORT AND EXPORT CONTROL

STRATEGIC OBJECTIVE 1

Contribute to employment creating growth and development through effective delivery of international trade instruments

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2013
Import and Export Control	Issued import and export permits	• 13 500 import permits • 7 500 export permits
	Enforcement of permit conditions through inspections and investigations	• 500 scheduled inspections • 700 unscheduled inspections • 16 investigations completed





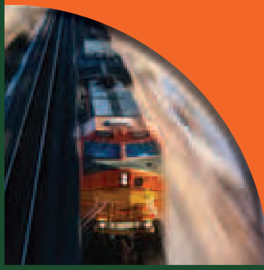
PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
Permits issued in accordance with regulations and policy	• 14 977 import permits	• Increase in the number of import permit applications received.
	• 6 982 export permits	• Decrease in the number of export permit applications received
Timely, effective and efficient inspections conducted	• 769 scheduled inspections	• Increase in number of requests to conduct scheduled inspections
	• 506 unscheduled inspections	• Increase in the number of scheduled inspections conducted influences the ability to conduct unscheduled inspections
	• 14 investigations	Decrease in the number of contraventions detected

STRATEGIC OBJECTIVE 2

Ensure strategic alignment and continued relevance with the Economic Development Department and National Agenda

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2013
Import and Export Control	Engagement with government departments to provide input on import and export control regulations pertaining to quality, safety and standards and draft legislation	8 engagements
	Amended Import and Export Control Regulations, policies and guidelines and co-operations agreements to comply with international agreements, standards, environmental and health reasons	Amended Import Control Regulations to consolidate all amendments done during the 2010 and 2011
		• Export Control Regulations published • Confirmed/signed agreement
		• Confirmed/signed agreement with the Department of Agriculture, Forestry and Fisheries
		• Confirmed/signed agreement with Department of Mineral Resources





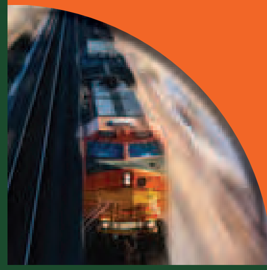
PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
Number of engagements to provide input on import/export control regulations pertaining to quality, safety standards and draft legislation	19 engagements with departments to provide input on import and export control measures	Increase in the requirement to engage with stakeholders on operational matters of mutual interest
Import Control Regulations published	Amendment to import control regulations approved by Chief Commissioner on 4 February 2013	The final approval was received in April 2013, and published in April.
• Amended Export Control Regulations to consolidate all amendments done during 2010 and 2011	• Not published	• As a result of the technical discussions between ITAC and DAFF regarding control measures on marine resources not being concluded, the regulations could not be amended
• Reviewed Co-operation Agreements with stakeholder departments to formalise co-operation and the flow of information in the process of adjudicating applications and administering control measures:		
• 1988 Convention (SAPS)	• Reviewed and confirmed agreement	• No variance
• Agreement with former Department of Agriculture and Forestry	• Agreement signed between ITAC and DAFF, regarding export control measures on certain wood species	• No variance
• Agreement with former Department of Minerals and Energy	• Not done, stakeholder non-responsive	• Numerous requests sent to stakeholder to establish the status of the process or reviewing the current agreement without success

STRATEGIC OBJECTIVE 3

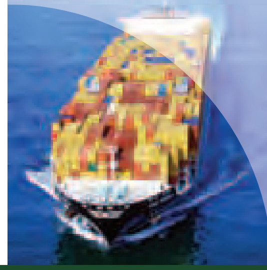
Ensure organisational efficiency and effectiveness

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2013
Import and Export Control	• Amended/review/drafted policy guidelines and permit application forms and process and procedure manuals • Marine products	Implemented policy guidelines application forms, and procedure manuals
	• Used tyre casings	
	• Montreal Protocol chemicals	
	• Import permit applications forms	
	• Export permit application forms	
	• Conducted ad-hoc research: - Agriculture machines and equipment - Horticultural machines and equipment	Implemented (research findings)



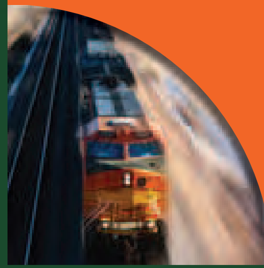


PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
Policy guidelines, application forms and procedure manuals approved and posted on ITAC website	Policy guidelines for marine products not drafted	Guidelines can only be drafted once the export control regulations pertaining to marine resources are amended. Technical workshops between ITAC and DAFF still being held. Two technical workshops conducted during financial year
	Policy guidelines for used tyre casings reviewed	No variance
	Policy guidelines for chemicals controlled in terms of the Montreal Protocol reviewed	No variance
	Import permit application forms reviewed and updated	No variance
	Export permit application forms reviewed and updated	No variance
Researched information implemented	• Research project on agricultural and horticultural machines completed • Current research project on importation of used collectors vehicles in final draft stages	As it is the intention to amend the import control policy based on the research findings, various interested parties had to be consulted resulting in the completion of the project taking longer than anticipated

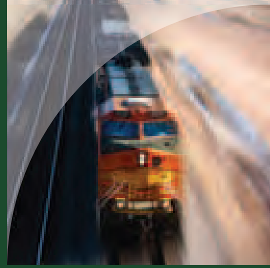


BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2013
Import and Export Control	• Organised information-sharing sessions with stakeholders and representative business organisations	7 sessions per annum
	• SAPS on Second-hand Goods Act	
	• Department of Environmental Affairs (DEA)	
	• Cross Border Road Transport Agency (CBRT)	
	• SARS/ITAC discussion forum	
	• Paper Manufacturers Association	
	• Tyre Dealers Association (TDA)	
	• Business chambers	
	Tested and implemented electronic permit system at SACU Land Border Post to measure functionality	Implemented (electronic permit system at SACU Land Border Post)





PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
7 information-sharing sessions per annum		
	• 4 sessions held	• Increase in need to meet with SAPS to discuss matters of mutual operational interest.
	• 5 sessions held	• Increase in the need to meet with DEA to discuss matters of mutual operational interest
	• 4 sessions held	• Increase in the need to meet with CBRTA to discuss matters of mutual interest.
	• 4 sessions held	• Increase in the need to meet with SARS to discuss matters of mutual interest
	• 1 session held	
	• 3 sessions held	• Increase in the need to meet with TDA to discuss issues of mutual interest
	• 2 sessions held	• No invitations received from business chambers. Two presentations were, however, done, one to foreign economic representatives, and one to DAFF to display and transfer into electronic permit system
Import permits for goods entering SA via SACU Land Border Post electronically marked off SARS	• Flow of electronic permit information to SARS tested • Flow of electronic permit information to SARS fully implemented. Hard copy permits for SACU border posts discontinued	No variance



Annual Financial Statements

for the year ended 31 March 2013

INDEX

The reports and statements set out below comprise the Annual Financial Statements presented to the Parliament:

ITAC adheres to a comprehensive set of policies designed in accordance with input from all appropriate stakeholders. This contributes towards the effectiveness of corporate governance strategies and in accordance with the Public Finance Management Act, (No 1 of 1999).

ITAC Corporate Services Delegations of Authority and Policies, were reviewed and approved in the reporting period under review.

1. Internal Financial Control

Internal Financial Control focus on the critical risk areas, which are identified by Management and reviewed by the Audit Committee. The Executive Committee and the governing structures are confident that the standards that have been set and the systems on internal control and accounting control that have been implemented are adequate to ensure the integrity and reliability of the financial statements and accountability of ITAC's assets. These systems are continously monitored throughout the year by both Management and the Internal Audit Unit.

2. Risk Management

An independent risk management process is in place to enable Management to effectively identify, evaluate and assess risks. The Internal Audit Unit monitors the prescribed procedures of risk management in line with Treasury Regulations. The Internal Audit Unit has direct access to the Chief Commissioner, the Audit Committee and Management.

A materiality framework was developed and approved by the Accounting Authority.

Accounting Authority's Responsibilities and Approval

for the year ended 31 March 2013

The International Trade Administration Act, 2002 (Act No. 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 2013, fairly present the state of affairs of ITAC, its financial performance and its financial position as at the end of the year in terms of Standards of Generally Recognised Accounting Practice (GRAP) as disclosed in the accounting policies. These Annual Financial Statements are based on appropriate accounting policies, supported by reasonable and prudent judgments.

The Annual Financial Statements, for the year ended 31 March 2013, are the responsibility of the Chief Commissioner. The Auditor-General is responsible for independently auditing and reporting on the financial statements.

The Chief Commissioner has reviewed ITAC's budgets and cash flow forecasts for the year ended 31 March 2013. On the basis of this review, and in view of the current financial position and existing resources of the Economic Development Department (EDD) by way of transfer payments to ITAC, the Chief Commissioner has every reason to believe that ITAC 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 Executive 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. ITAC maintains internal financial controls to provide assurance regarding the safeguarding of assets against unauthorised use or disposal.

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

The Executive Committee has reviewed ITAC’s systems of internal control and risk management for the year ended 31 March 2013, and is of the opinion that ITAC’s systems of internal control and risk management were effective for the period under review.

I am satisfied that these financial statements represent a fair reflection on the results of ITAC for the year ended 31 March 2013.

Siyabulela Tsengiwe
Chief Commissioner
Date: 31 July 2013

Report of the Audit Committee

for the year ended 31 March 2013

We are pleased to present our report for the financial year ended 31 March, 2013.

Audit Committee members and attendance

The Audit Committee consists of the members listed hereunder and should meet at least four times per annum as per its approved terms of reference. During the current year, four meetings were held.

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED
S. Hari (Chairperson)	4
P. Mvulane	4
K. Singh	4
P.R. Mnisi	2
S. Tsengiwe	4

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal control applied by ITAC over financial risk and risk management is effective, efficient and transparent.

In line with the PFMA and the King III Report on Corporate Governance requirements, the Internal Audit Unit provides the Audit Committee and Management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and Management Report of the Auditor-General, it was noted that matters were not reported indicating any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control for the period under review was efficient.

The role played by the Audit Committee has been instrumental in identifying corrective actions and providing guidance on necessary enhancements to the controls and processes that have an effect on ITAC's compliance, risk and performance environment as well as responsibilities that ITAC has to its external environment.

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Authority of ITAC during the year under review.

Evaluation of Annual Financial Statements

The Audit Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the Auditor-General and the Accounting Authority;
- Reviewed the Auditor-General of South Africa's Management report and Management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs with and accepts the Auditor-General of South Africa's report on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The Audit Committee is satisfied that the Internal Audit function is operating effectively and that it has addressed the risks pertinent to ITAC subsequent to the appointment of the co-sourced Internal Audit function.

Report of the Audit Committee

for the year ended 31 March 2013

Auditor-General of South Africa

The Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Closure

The Audit Committee wishes to congratulate the Chief Commissioner and the Management Team of ITAC for their commitment in striving towards excellence that has resulted in ITAC receiving an unqualified audit report for the 2012/2013 financial year.

Shaila Hari

Shaila Hari
Chairperson of the Audit Committee
Date: 31 July 2013

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the International Trade Administration Commission of South Africa (ITAC) set out on pages 38 to 77, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the International Trade Administration Commission of South Africa (ITAC), and its financial performance and cash flows for the year then ended 31-March-2013 in accordance with PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIRMENTS

7. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 20 to 37 of the annual report.

9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported

performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

10. The reliability of the information in respect of the selected predetermined objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

11. There were no material findings concerning the usefulness and the reliability of the information.

Additional matter

12. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the matters below. My opinion is not modified in respect of these matters.

Achievements of planned targets

13. Of the 34 planned targets of all programmes, only 21 of the targets were achieved during the year under review. This represents 38% of the total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

    For further details on the extent and reasons for deviations between planned targets and actual performance, refer to page 20 to 37 of the annual performance report.

Compliance with laws and regulations

14. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

Internal control

15. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. I did not identify any deficiencies in internal control which I considered sufficiently significant for inclusion in this report.

Auditor-General

Pretoria
31 July 2013

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

1. Introduction

Report by the Accounting Authority.

2. Operating results

The surplus of ITAC for the period to 31 March 2013 was R1 596 669 (2012: R2 905 882). The interest received year to date is R1 219 858.

3. Review of activities

Main business and operations

The aim of ITAC, as stated in the Act, 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 Union Area by establishing an efficient and effective systems for the administration of international trade subject to this Act and the Southern African Customs Union (SACU) Agreement. The core functions are: customs tariff investigations, trade remedies and import and export control. ITAC's primary source of revenue is the quarterly transfer of funds from EDD. Funds were applied to defray personnel and operating expenses, as well as costs involved in the establishment and maintenance of ITAC's infrastructure, and the costs of litigation. The costs for running ITAC are increasing annually as a result of the increased human resource costs which are in excess of the "year-on-year" growth of the government grants. Legal costs are increasing due to the complex nature of the cases dealt with by ITAC as well as an increase in the number of new cases.

	2013	2012
	R	R
Total operating costs	(74 770 277)	(68 830 191)
ITAC budget allocation from EDD (transfers)	74 403 000	69 604 000

4. Member and executive managers emoluments

Disclosure of the Executive Management remuneration is detailed in note 21 to the Annual Financial Statements.

5. Review of financial position

ITAC was granted permission by the National Treasury to retain the 2011/2012 surplus of R2 905 882.

6. Materiality and significant framework

ITAC has developed and adopted a materiality and significant issues framework for reporting losses through criminal conduct, irregular, fruitless or wasteful expenditure, as well as for significant transactions envisaged per section 54(2) of the PFMA. The materiality amount for the year is R385 895. This represents 0.5% of ITAC's total approved revenue budget for the financial year under review. ITAC's total approved revenue budget for the 2012/2013 financial year is R77 179 000.

7. Business address

the dti Campus (Building E)
77 Meintjies Street
Sunnyside
Pretoria

8. Approval of the Financial Statements

The Financial Statements, set out on pages 38 to 77, have been approved by the Executive Committee and signed on its behalf by the Chief Commissioner.

Siyabulela Tsengiwe
Chief Commissioner
Date: 31 July 2013

Statement of Financial Position

for the year ended 31 March 2013

	Note(s)	2013 R	2012 R
Assets			
Current Assets			
Inventory	5	43 248	46 019
Trade and other receivables	6	647 402	1 116 949
Prepayments		271 695	-
Cash and cash equivalents	7	29 463 129	27 224 625
		30 425 474	28 387 593
Non-Current Assets			
Property, plant and equipment	2	1 927 770	1 715 305
Intangible assets	3	823 754	394 346
		2 751 524	**2 109 651**
Total Assets		**33 176 998**	**30 497 244**
Liabilities			
Current Liabilities			
Finance lease obligation	9	308 863	261 914
Trade and other payables	11	3 245 977	4 069 725
Provisions	10	3 549 138	3 707 425
		7 103 978	**8 039 064**
Non-Current Liabilities			
Finance lease obligation	9	46 663	436 714
Provisions	10	4 112 586	1 704 361
		4 159 249	2 141 075
Total Liabilities		**11 263 227**	**10 180 139**
Net Assets		**21 913 771**	**20 317 105**
Net Assets			
Accumulated surplus		21 913 771	20 317 105

Statement of Financial Performance

for the year ended 31 March 2013

	Note(s)	2013 R	2012 R
Revenue			
Interest received - investment	12	1 219 858	1 374 722
Other income	12	744 088	757 351
Government grants and subsidies	12	74 403 000	69 604 000
Total revenue		**76 366 946**	**71 736 073**
Expenditure			
Employee benefits expense	14	(55 198 587)	(51 404 163)
Depreciation and amortisation		(1 307 888)	(1 883 234)
Finance costs	15	(91 840)	(159 114)
Debt impairment		(20 552)	(376 721)
Repairs and maintenance		(9 914)	(5 876)
Operating costs	13	(18 141 496)	(15 001 083)
Total expenditure		**(74 770 277)**	**(68 830 191)**
Operating surplus		**1 596 669**	**2 905 882**
Surplus for the year		**1 596 669**	**2 905 882**
Attributable to:			
Owners of the controlling entity		1 596 669	2 905 882

Statement of Changes in Net Assets

for the year ended 31 March 2013

	Accumulated surplus	Total net assets
	R	R
Balance at 01 April 2011	**17 411 223**	**17 411 223**
Changes in net assets		
Surplus for the year	2 905 882	2 905 882
Total changes	2 905 882	2 905 882
Balance at 01 April 2012	**20 317 102**	**20 317 102**
Changes in net assets		
Surplus for the year	1 596 669	1 596 669
Total changes	1 596 669	1 596 669
Balance at 31 March 2013	**21 913 771**	**21 913 771**

Cash Flow Statement

for the year ended 31 March 2013

	Note(s)	2013 R	2012 R
Cash flows from operating activities			
Receipts			
Government grants and subsidies		74 403 000	69 604 000
Interest received - investment		1 219 858	1 374 722
Other income		744 088	757 351
		76 366 946	71 736 073
Payments			
Employee benefits expense		(55 198 587)	(51 404 163)
Suppliers		(16 515 126)	(15 098 562)
Finance costs		(91 840)	(159 114)
		(71 805 553)	(66 661 839)
Net cash flows from operating activities	18	**4 561 393**	**5 074 234**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(1 547 748)	(619 488)
Purchase of other intangible assets	3	(432 039)	(343 558)
Net cash flows from investing activities		**(1 979 787)**	**(963 046)**
Cash flows from financing activities			
Finance lease payments		(343 102)	95 532
Net increase / (decrease) in cash and cash equivalents		**2 238 504**	**4 206 720**
Cash and cash equivalents at the beginning of the year		27 224 625	23 017 905
Cash and cash equivalents at the end of the year	7	**29 463 129**	**27 224 625**

1. Basis of preparation

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with section 55 of the Public Finance Management Act (Act no.29 of 1999).

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3 and hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenues and expenses have not been offset except when off-setting is required or permitted by a Standard of GRAP. These accounting policies are consistent with the previous period, unless explicitly stated. The details of any changes in accounting polies are explained in the relevant policy. The principal accounting policies adopted in the preparation of these Annual Financial Statements are set out below.

ITAC is a going concern and will be in the year ahead.

1.1 Presentation currency

These Financial Statements are presented in South African Rand, as that is the currency in which the majority of ITAC's transactions are denominated.

1.2 Significant judgments and sources of estimation uncertainty

In preparing the Annual Financial Statements, Management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgments include:

Trade receivables

The entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

Unquoted financial assets are measured at fair value using valuation techniques. Inherent to these techniques are certain uncertainties like time of cash flows and interest rates used for discounting. The carrying value of trade receivables are assumed to approximate their fair value.

Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions were raised and Management determined an estimate based on the information available. Provisions are recognised when ITAC has a present legal or constructive obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be reliably estimated. The determination of provisions, in particular legal provisions remains a key area where Management's judgment is required. The resulting provisions could also be influenced by changing economic and statutory considerations. It is envisaged that, based on the current information available, any additional liability in excess of the amounts provided, will not have a material adverse impact on ITAC's financial position, liquidity or cash-flow.

Useful lives of property, plant and equipment

ITAC's Management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with any changes in estimates accounted for on a prospective basis. The estimate is based on the condition and use of the individual asset, in order to determine the remaining period over which the asset can and will be utilised.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and,
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

ITEM	AVERAGE USEFUL LIFE
Office furniture, fittings and equipment	6 to 8 years
IT equipment:	
• Computer equipment	3 to 5 years
• Servers	5 to 7 years
• iPads	2 to 3 years
Leased equipment	3 to 5 years

Where the carrying amount of an asset is greater than its recoverable amount, it is written down immediately to its recoverable amount. Estimated useful lives, residual values and the depreciation methods are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

ITAC tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the recoverable amount or recoverable service amount, it is written down immediately to its recoverable amount or service amount and an impairment loss is charged to the Statement of Financial Performance. A previously recognised impairment loss is reversed when there is an indication that it may no longer exist or may have decreased, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment been recognised in prior years.

Items of entity are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that is attributable to the asset will flow to the entity; and,
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

ITAC's intangible assets include computer software and the development of a website. Computer software that is not an integral part of the hardware and that can be identified and separated is capitalised as an intangible asset. Costs associated with developing or maintaining in-house computer software programmes are capitalised when they are incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Intangible assets are amortised over a period of five years on the straight-line method. Expenditure that enhances or extends the performance of software programmes beyond their original specifications is recognised as a new acquisition.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If the recoverable amount is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a re-valued amount under the standard. Where an impairment loss subsequently reverses, the carrying of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Computer software: 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential is expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

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

A financial asset is:

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

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

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

ITAC has the following types of financial assets (classes and category) as reflected on the face of the Statement of Financial Position and in the notes thereto:

CLASS	CATEGORY
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost

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

CLASS	CATEGORY
Trade and other payables	Financial liability measured at amortised cost
Finance leases	Financial liability measured at fair value

Initial recognition

Financial assets and liabilities are recognised in the Statement of Financial Position when ITAC becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value. Financial assets are recognised using trade date accounting.

Initial measurement of financial assets and financial liabilities

The initial measurement depends on the category to which a financial instrument has been classified. The category of the financial assets and financial liabilities depends on the purpose for which the financial instruments were obtained or incurred.

Subsequent measurement of financial assets and financial liabilities

Financial assets and liabilities are subsequently measured at amortised cost, using the effective interest rate method. All financial assets measured at amortised cost are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value are quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

- If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly, or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.
- If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was

recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

ITAC derecognises financial assets using trade date accounting. ITAC derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- it transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, ITAC :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its Statement of Financial Position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including, any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the Statement of Financial Position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Tax

Tax expenses

ITAC is currently exempt from Income Tax in terms of Section 10 (1)(a) of the Income Tax Act, 1962.

1.7 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

Operating leases - lessee

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

1.8 Inventory

ITAC inventory consists of stationery and consumables. Inventory is initially measured at cost, except where inventory is acquired through a non-exchange transaction, then its cost is its fair value as at the date of acquisition.

Subsequently, inventory is measured at lower of cost and net realisable value on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventory comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition.

When inventory is sold, the carrying amounts of this inventory is recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventory to net realisable value and all losses of inventory are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventory, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

1.11 Employee benefits

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

ITAC's short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits such as employer contribution to medical aid, and subsidised cellphones for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-retirement benefits: Defined contribution plan
Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

ITAC provides a defined benefit scheme for its employees, which is the Government Employees Pension Fund (GEPF). The fund is funded by payments from employees and ITAC. ITAC's contributions to the GEPF are charged to the Statement of Financial Performance in the year to which they relate. ITAC is not liable for any deficit due to the difference between the present value of the benefit obligations and the fair value of the assets managed by the GEPF. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the Financial Statements of ITAC.

1.12 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and,
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are recognised when ITAC has a present legal or constructive obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be reliably estimated. The determination of provisions, in particular legal provisions remains a key area where Management’s judgment is required. The resulting provisions could also be influenced by changing economic and statutory considerations. It is envisaged that, based on the current information available, any additional liability in excess of the amounts provided, will not have a material adverse impact on ITAC’s financial position, liquidity or cash-flow.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

ITAC does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

1.13 Revenue from exchange transactions

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

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

ITAC's revenue from exchange transactions consists of revenue from interest on call accounts, staff debtors and other income.

Measurement
Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Interest from call account
Revenue arising from the use by others of entity assets yielding interest income is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Other income
Other income is recognised on an accrual basis.

1.14 Revenue from non-exchange transactions

Revenue is recognised when it is probable that future economic benefits will flow to ITAC and these benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

ITAC's revenue from non-exchange transactions consists of transfers received from the Economic Development Department.

Recognition
Revenue is recogised when it is probable that future economic benefits will flow to ITAC and these benefits can be measured reliably. Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

Government grants and subsidies
Government grants are recognised in the year to which it relate, once reasonable assurance has been obtained that all conditions of the grant has been complied with and the grants have been received.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

1.15 Events after reporting date

Recognised amounts in the Financial Statements are adjusted to reflect events arising after the reporting date where there is evidence that indicate that the condition existed at the reporting date. Any event that occurred after the reporting date and that a condition arose after the reporting date are dealt with by way of a note.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial

Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular, fruitless and wasteful expenditure

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

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

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

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

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

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

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

1.20 Budget information

ITAC is subject to budgetary limits in the form of budget appovals from the National Treasury via the Economic Development Department.

ITAC provides financial reports providing information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/04/01 to 2013/03/31.

The Annual Financial Statements and the budget are not on the same basis of accounting, therefore, a reconciliation between the Statement of Financial Performance and the budget have been included in the Annual Financial Statements. Refer to note 26.

1.21 Related parties

GRAP 20 for related parties have been issued and not yet effective, therefore IPSAS 20 is applied.

Parties are considered to be related if one party has the ability to control the other party or to exercise siginificant influence or joint control over the other party in making financial and operational decisions. A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management refer to those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.22 New GRAP standards issued but not yet effective

GRAP 18: Segment reporting - will not have an impact on the financials of ITAC.

GRAP 20: Related party disclosure - the standard was early adopted by ITAC in the 2010/2011 financial year. Note 22 disclosed.

GRAP 25: Employee benefits - this standard is early adopted by ITAC in the current financial year. Note 15 disclosed

GRAP 105: Transfer of functions between entities under common control - this standard is not applicable to ITAC and will not have an imapct on the financials of ITAC.

GRAP 106: Transfer of functions between entities not under common control - this standard is not applicable to ITAC and will not have an impact on the financials of ITAC.

GRAP 107: Mergers - this standard is not applicable to ITAC and will not have an impact on the financials of ITAC.

2. Property, plant and equipment

	2013 R Cost / Valuation	2013 R Accumulated depreciation and accumulated impairment	2013 R Carrying value	2012 R Cost / Valuation	2012 R Accumulated depreciation and accumulated impairment	2012 R Carrying value
Office furniture	1 094 564	(830 269)	264 295	1 357 840	(965 050)	392 790
IT equipment	1 676 089	(320 676)	1 355 413	3 451 433	(2 772 496)	678 937
Leased assets	995 226	(687 164)	308 062	1 018 130	(374 552)	643 578
Total	**3 765 879**	**(1 838 109)**	**1 927 770**	**5 827 403**	**(4 112 098)**	**1 715 305**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture	392 790	53 205	-	(181 700)	264 295
IT equipment	678 937	1 461 447	-	(784 971)	1 355 413
Leased assets	643 578	33 096	(30 026)	(338 586)	308 062
	1 715 305	**1 547 748**	**(30 026)**	**(1 305 257)**	**1 927 770**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Reclassifications	Depreciation	Total
Office furniture	529 588	57 569	(2 338)	36 076	(228 105)	392 790
IT equipment	1 610 674	204 473	(13 356)	(36 076)	(1 086 778)	678 937
Leased equipment	587 363	357 446	-	-	(301 231)	643 578
	2 727 625	**619 488**	**(15 694)**	**-**	**(1 616 114)**	**1 715 305**

The review of the estimated remaining useful life of property, plant and equipment was conducted and no re-estimation was done. ITAC is leasing photocopiers and printers under a finance lease. The lease agreement does not impose any restrictions. The carrying amount of the leased assets at the end of the current financial year is R308 062.

3. Intangible assets

	2013 R			2012 R		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	1 428 527	(604 773)	823 754	996 487	(602 141)	394 346

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	394 346	432 039	(2 631)	823 754

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	317 908	343 558	(267 120)	394 346

The useful life of intangible assets still in use was re-assessed and estimated to five years, effective from 01 April 2012.

4. Financial assets and liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2013

	R	
	Loans and receivables / payables at amortised cost	Total
Trade and other receivables	647 402	647 402
Cash and cash equivalents	29 463 129	29 463 129
Trade and other payables	(3 245 977)	(3 245 977)
Finance leases	(308 863)	(308 863)
	26 555 691	**26 555 691**

2012

	R	
	Loans and receivables / payables at amortised cost	Total
Trade and other receivables	1 116 949	1 116 949
Cash and cash equivalents	27 224 625	27 224 625
Trade and other payables	(4 069 725)	(4 069 725)
Finance leases	(261 914)	(261 914)
	24 009 935	**24 009 935**

5. Inventory

2013

	R	
	Loans and receivables / payables at amortised cost	Total
Stationery and consumables	43 248	46 019

In the year under review, inventory amounting to R8 588 was expensed as the items were obsolete.

6. Trade and other receivables

	Loans and receivables / payables at amortised cost	Total
Cellphones	38 067	9 905
Subsistence and travel	67 908	5 317
Bursaries	2 752	6 255
Other debtors	291 438	369 262
the dti-secondment	267 789	726 210
Provision for bad debts	(20 552)	
	647 402	**1 116 949**

No trade and other receivables were pledged as security for any financial liability. A provision for bad debts for R20 552 was raised for the ex-employees' debts. The estimate was based on the time period (in excess of 91 days) since the debts were outstanding, and were a consideration of costs against benefits.

Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

	2013	2012
	R	R
31 to 60 days	43 045	-
61 to 90 days	239 272	369 262
In excess of 91 days	364 665	742 370

Trade and other receivables neither past due nor impaired

	2013	2012
	R	R
30 days	20 972	5 317

7. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term, highly liquid deposits that are held with National Treasury-approved banking institutions, with maturities of three months or less and that are subject to insignificant interest rate risk. Cash and cash equivalents are measured at realisable value. ITAC was exempted by the National Treasury from the requirement of Treasury Regulation 31.3 to invest surplus funds with the Corporation for Public Deposits.

	2013	2012
	R	R
Cash on hand	5 979	1 337
Bank balances	839 103	72 026
Call account	28 618 047	27 151 262
	29 463 129	**27 224 625**

Management considers that all the above cash and cash equivalent categories are of good quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of cash and cash equivalent mentioned above. During the year under review, under review cash and cash equivalents were placed overnight and interest earned ranged between 4.80% and 5.30%. The cash and cash equivalents were not pledged as security for any financial liabilities.

8. Accumulated surplus

Accumulated surplus at the end of the 2011/2012 financial year amounted to R20.3 million. Approval to retain the 2011/2012 surplus of R2.9 million was granted by the National Treasury via EDD on the 28 March 2013.

9. Finance lease obligation

	2013	2012
	R	R
Minimum lease payments due		
- within one year	340 068	434 942
- in second to fifth year inclusive	48 987	389 056
	389 055	823 998
less: future finance charges	(33 529)	(125 370)
Present value of minimum lease payments	**355 526**	**698 628**
Present value of minimum lease payments due		
- within one year	308 863	261 914
- in second to fifth year inclusive	46 663	436 714
- later than five years	-	-
	355 526	**698 628**

ITAC leased photocopiers and printers under a finance lease. Obligations under the finance lease are secured by the leased asset. The terms are three years and expire on 31 March 2014 and 30 September 2014, respectively. The average interest rate is 9% per annum. There are no restrictions imposed on ITAC in terms of the lease.

10. Provisions

Reconciliation of provisions - 2013

	R			
	Opening balance	Raised during the year	Utilised during the year	Total
Legal fees	597 100	2 217 500	(597 100)	2 217 500
Performance bonus	799 122	845 489	(799 122)	845 489
Workmens Compensation	308 139	178 010	-	486 149
Leave pay	3 707 425	684 436	(279 275)	4 112 586
	5 411 786	**3 925 435**	**(1 675 497)**	**7 661 724**

Reconciliation of provisions - 2012

	R			
	Opening balance	Raised during the year	Utilised during the year	Total
Legal fees	1 037 957	597 100	(1 037 957)	597 100
Performance bonus	736 296	799 122	(736 296)	799 122
Workmens compensation	140 792	167 347	-	308 139
Leave pay	3 652 615	188 739	(133 929)	3 707 425
	5 567 660	**1 752 308**	**(1 908 182)**	**5 411 786**

	2013	2012
	R	R
Non-current liabilities	4 112 586	1 704 361
Current liabilities	3 549 138	3 707 425
	7 661 724	**5 411 786**

Legal fees provisions

Legal fees represent amounts payable in respect of counsel fees for trade administration litigation matters in progress.

Performance bonus

Performance bonus represents amounts that may be payable to qualifying employees who meet the predetermined performance targets for the period under review.

Workmens compensation

Workmen’s compensation represents an estimate of the amount payable to the Workmen’s Compensation Commissioner on receipt of the final assessment for the 2012/13 tax year.

Leave pay provision

Leave pay provision represents the potential liability in respect of leave outstanding at year end.

11. Trade and other payables

	2013 R	2012 R
Service bonus	1 152 376	1 115 235
IT and technical support	441 891	3 920
Training	36 433	7 068
Internal audit fees	104 810	220 046
Legal fees	562 079	820 182
Other accruals	942 057	1 903 274
Staff telephone creditors	6 331	-
	3 245 977	**4 069 725**

Creditors are paid within 30 days of receipt of invoice. Trade and other payables are interest free and unsecured.

12. Revenue

	2013 R	2012 R
Revenue from exchange transactions		
Interest received - investment	1 219 858	1 374 722
Other income	744 088	757 351
	1 963 946	**2 132 073**

	2013 R	2012 R
Revenue from non-exchange transactions		
Government grants and subsidies	74 403 000	69 604 000

13. Included in operational expenses are:

	2013	2012
	R	R
Advertising	220 125	331 700
Consulting and professional fees	1 138 233	916 871
Flowers	66 382	85 775
Insurance	197 605	249 011
IT expenses	1 341 717	369 072
Lease rentals on operating lease	2 862 837	3 099 195
Promotions and sponsorships	173 634	149 521
Legal fees	2 928 552	1 130 229
Motor vehicle expenses	291 494	54 335
Recruitment expenditure	222 774	238 331
Postage and courier	112 570	67 176
Printing and stationery	804 571	544 537
(Profit)/Loss on disposal of assets	3 076	15 695
Employee wellness	200 404	171 822
Subscriptions and membership fees	310 008	251 751
Telephone and fax	906 345	946 873
Training	306 223	490 868
Travel - local	1 874 117	2 540 130
Travel - overseas	623 454	723 682
Assets expensed	5 516	7 135
Protective clothing	5 239	-
Staff bursaries	336 737	105 810
Offsite storage - documents	117 110	98 138
Audit Committee remuneration	180 121	104 630
Part-time Commissioners' remuneration	275 887	207 474
Workshops and conferences	892 033	442 907
Fraud and prevention investigation	30 948	79 222
Other expenses	8 589	846
	18 141 496	**15 001 083**

14. Employee benefits expense

	2013 R	2012 R
Basic	43 258 700	40 716 303
Bonus	883 586	817 001
Medical aid - company contributions	998 847	1 282 124
UIF	197 187	178 795
WCA	178 009	167 347
Leave pay provision charge	684 436	188 739
Post-retirement benefits expense	4 785 368	4 474 055
13th Cheques	2 746 171	2 473 289
Car allowance	15 354	58 180
Housing benefits and allowances	279 074	127 882
Group Life	49 408	44 652
Non-pensionable cash allowance	1 117 047	875 796
	55 193 187	**51 404 163**

15. Finance cost

	2013 R	2012 R
Interest paid	-	35 074
Finance leases	91 840	124 040
	91 840	**159 114**

16. Auditor's remuneration

	2013 R	2012 R
External audit fees	915 664	1 064 453
Internal audit fees	608 513	326 719
	1 524 177	**1 391 172**

17. Operating lease

At year end there were outstanding commitments under non-cancellable operating leases, which are as follows :

Vehicles are classified as operating leases as they do not meet the criteria of classification as finance leases. Rent is for premises occupied by ITAC on **the dti** campus on a year-to-year rental. There is no lease agreement between ITAC and **the dti** for the premises occupied, thus the rate has been applied as if no increases will take place.

Lease payments for motor vehicles are fixed over the lease term and therefore no equalisation of payments was done. The lease expires on 12 September 2013.

2013	R		
	Up to 1 year	2 to 5 years	Total
Premises - rent	3 021 353	12 085 412	15 106 765
Vehicles	173 154	-	173 154
	3 194 507	**12 085 412**	**15 279 919**

2012	R		
	Up to 1 year	2 to 5 years	Total
Premises - rent	3 021 284	12 085 136	15 106 420
Vehicles	346 308	173 154	519 462
	3 367 592	**12 258 290**	**15 625 882**

18. Cash generated from operations

	2013	2012
	R	R
Surplus	1 596 669	2 905 882
Adjustments for:		
Depreciation and amortisation	1 307 888	1 883 234
Debt impairment	20 552	376 721
Movements in provisions	2 249 938	(155 874)
Other non-cash items	30 023	15 692
Changes in working capital:		
Inventory	2 771	2 866
Trade and other receivables	469 547	(817 763)
Provision for bad debts / Debt impairment	(20 552)	(376 721)
Prepayments	(271 695)	32 528
Trade and other payables	(823 748)	1 207 669
	4 561 393	**5 074 234**

19. Commitments

ITAC had the following commitments other than lease commitments at year end.

Contract Description	R Commitment up to Year 1	R Commitment after Year 1
Internal audit services	522 085	522 085
Employee Health and Wellness Programme	151 961	12 663
Standard Bank fleet rental	140 275	-
Software licences	666 563	-
Subscriptions and books	192 604	104 272
Supply of fresh flowers	67 273	39 243
	1 740 761	**678 263**

20. Contingencies

In terms of the PFMA, Section 53 (3), all surplus funds at year end may be forfeited to the National Treasury should an application for retention of surplus funds be denied. ITAC will therefore submit a request of approval from the National Treasury to retain the surplus of R1 596 669.

21. Related parties

Relationships

Economic Development Department	National Department in National Sphere
The Department of Trade and Industry	National Department in National Sphere
Department of Justice and Constitutional Development	National Department in National Sphere
Key members of Management	Mr. S.T Tsengiwe (Chief Commissioner)
	Ms. B.L Chipeio (Deputy Chief Commissioner)
	Mr. K.T.N Khuse (General Manager: Corporate Services)
	Dr. M Obinyeluaku (Chief Economist)
	Mr. Z.C Koyana (Chief Financial Officer)

ITAC is a schedule 3A public entity as outlined in the Public Finance Management Act, reporting to the Economic Development Department.

Related party transactions	2013 R	2012 R
Department of Trade and Industry (the dti)		
Payments received from **the dti**	(1 112 583)	-
Rent	2 836 886	2 663 809
Telephone and internet	569 804	540 255
Economic Development Department		
Transfer payments received from EDD	(74 403 000)	(69 604 000)
Department of Justice and Constitutional Development		
Legal costs	1 496 693	189 804
Mr. S.T Tsengiwe (Chief Commissioner)		
Basic	1 041 950	1 019 485
Bonus (13th cheque)	59 745	59 448
Pension	146 972	92 738
Medical	30 850	17 280
	1 279 517	**1 188 951**
Ms. B.L Chipeio (Deputy Chief Commissioner)		
Basic	577 599	742 650
Car Allowance	6 666	79 992
Bonus (13th cheque)	57 244	48 160
Pension	80 304	75 131
Medical	18 028	17 280
	739 841	**963 213**

Contract ended on 03 December 2012.

	2013 R	2012 R
Mr. K.T.N Khuse (General Manager: Corporate Services)		
Basic	122 268	719 922
Housing allowance	20 000	120 000
Bonus (13th cheque and service bonus)	65 834	48 160
Pension	19 944	75 131
	228 046	**963 213**

Resigned on 31 May 2012.

	2013 R	2012 R
Dr. M Obinyeluaku (Chief Economist)		
Basic	323 043	-
Car allowance	10 000	-
Bonus (13th cheque)	36 175	-
Pension	35 627	-
	404 845	**-**

Appointed on 01 November 2012.

	2013 R	2012 R
Mr. Z.C Koyana (Chief Financial Officer)		
Basic	710 323	130 445
Housing allowance	60 000	10 000
Pension	65 114	10 570
	831 958	**137 265**

Appointed on 01 February 2012.

	2013 R	2012 R
Mr. J. Daniel (Chief Financial Officer)		
Basic	-	595 424
Bonus (13th cheque)	-	15 512
	-	**610 936**

Related party balances

	2013 R	2012 R
Department of Trade and Industry (the dti)		
Payable at year end	-	(53 061)
Receivable at year end	267 789	726 210
Department of Justice and Constitutional Development		
Payable at year end	(332 873)	(820 182)

The outstanding balances are included in trade and other payables. **the dti** receivable relates to secondment of one ITAC employee.

22. Risk management

Financial risk management

The main risks arising from ITAC's financial instruments are liquidity risk, market risk and credit risk. ITAC policies and procedures are used to manage its risks and the approach is consistent with prior years.

ITAC's overall risk management approach involves the work done by the Internal Audit Unit and the Chief Risk Officer, who report to the Audit and Risk Committee on risks, internal control, financial management and compliance matters.

Liquidity risk

ITAC's risk to liquidity is as a result of the funds available to cover future commitments. ITAC regards this risk to be low; taking into consideration ITAC's current funding structures and availability of cash resources. ITAC manages the liquidity risk through an ongoing review of commitments and maintaining of sufficient cash resources.

The following reflects ITAC's exposure to liquidity risk from financial risk.

	R			
At 31 March 2013	**Carrying amount**	**Total cash flow within 1 year**	**Contractual cash flow within 1 year**	**Contractual cash flow between 1 and 5 years**
Other financial liabilities	11 263 227	11 263 227	7 103 978	11 263 227

	R			
At 31 March 2012	**Carrying amount**	**Total cash flow within 1 year**	**Contractual cash flow within 1 year**	**Contractual cash flow between 1 and 5 years**
Other financial liabilities	10 180 139	10 180 139	8 039 064	10 180 139

Interest rate risk

ITAC is exposed to interest rate changes in respect of returns on its investments with financial institutions and interest payable on finance leases contracted with outside parties. ITAC's exposure to interest risk is managed by investing, on a short-term basis, in call accounts with Standard Bank.

Sensitivity analysis

A change in the market interest rate at the reporting date would have increased / (decreased) the surplus for the year by the amounts below.

2013	R		
	Change in investments	Increase / (decrease) in net surplus for the year Upward change	Increase / (decrease) in net surplus for the year Downward change
Cash and cash equivalents	1 %	294 932	(294 932)
Finance lease	1 %	(308 863)	308 863

2012	R		
	Change in investments	Increase / (decrease) in net surplus for the year Upward change	Increase / (decrease) in net surplus for the year Downward change
Cash and cash equivalents	1 %	272 246	(272 246)
Finance lease	1 %	(261 914)	261 914

Credit risk

ITAC trades only with recognised, creditworthy third parties. It is ITAC's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that ITAC's exposure to bad debts is not significant. The maximum exposure is the carrying amounts as disclosed in Note 7. There is no significant concentration of credit risk within ITAC.

With respect to credit risk arising from the other financial assets of ITAC, which comprise cash and cash equivalents, ITAC's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. ITAC's cash and cash equivalents are placed with high credit quality financial institutions, therefore, the credit risk with respect to cash and cash equivalents is limited.

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

Financial instrument	2013	2012
	R	R
Call account	28 618 047	27 151 262
Current account	839 103	72 026

23. Events after the reporting date

Litigation was instituted against ITAC in May 2013 and was finalised in June 2013. The judgment was in ITAC's favour and the estimated financial effect is R800 000.

24. Fruitless and wasteful expenditure

	2013 R	2012 R
Opening balance	37 932	2 858
Add fruitless and wasteful expenditure	-	35 074
Less amounts condoned	(37 932)	-
	-	**37 932**

No fruitless and wasteful expenditure was incurred in the 2012/2013 financial year.

25. Irregular expenditure

	2013 R	2012 R
Opening balance	788 708	-
Add: Irregular expenditure *	193 815	788 708
Less: Amounts condoned	(788 708)	-
	193 815	**788 708**

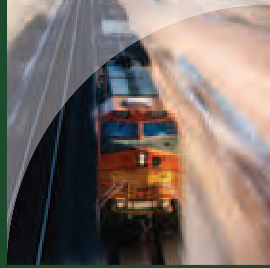
* The irregular expenditure of R193 815 relates to non-compliance with SCM regulations. Irregular expenditure consists of R10 260 (5%) for requesting less than three quotations and R183 555 (95%) for not specifying the preference points in the request for quotations. The irregular expenditure of R183 555 results from continuing contracts as identified by the Auditor- General in the previous financial year. The irregular expenditure of the previous financial year of R788 708 and the R193 815 of the year under review were condoned. The irregular expenditure of R193 815 in the year under review was condoned on 10 April 2013. The Auditor-General and National Treasury were notified.

26. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2013 R	2012 R
Net surplus per the statement of financial performance	1 596 669	2 905 882
Adjusted for:		
Other income	(701 927)	(757 351)
Transfer from retained income for depreciation recovery	1 832 000	1 794 000
Interest income	(275 643)	(430 722)
Payroll expenditure in excess / (lower than) of budget	(1 904 342)	(1 871 762)
Operational expenditure in excess / (lower than) of budget	(546 757)	(1 640 047)
Net surplus per approved budget	**-**	**-**





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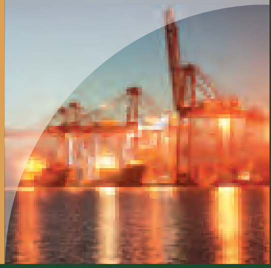
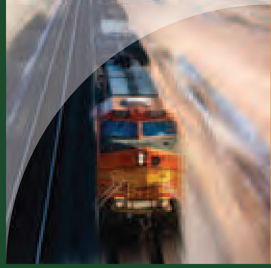

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