ITAC

International Trade Administration Commission of South Africa

ANNUAL REPORT 2013/14

enabling
FAIR TRADE

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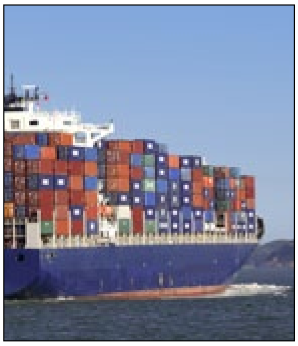


Vision and Mission

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:

Integrity;

Trust;

Accountability; and

Commitment.

Report of the Chief Commissioner

Mr Siyabulela Tsengiwe
Chief Commissioner of ITAC

South Africa's producers of industrial and agricultural goods will continue to experience cost pressures and global market distortions. The implications for ITAC are that the strategic support provided to domestic producers through its instruments vis-à-vis foreign competition will remain valuable into the near future. For sustainability, such support must however be complemented by measures that seek to address competitiveness constraints and promote exports.

It does seem that since the global economic crisis, the year 2012/13 that preceeded the year under review, i.e. 2013/2014, may have witnessed the highest number of MFN tariff increases on products cutting across agro-processing to manufacturing. The total number of the product specific tariff increases was nine in 2012/13 whereas it has declined to six in 2013/14. It must be taken into account that in terms of the current tariff structure, many industrial goods that would have warranted tariff support, including sensitive sectors, are already protected at bound rates or closer to bound rates. However, for agricultural goods, although there is still much policy space between applied and bound rates, any increases must take into account the overall objective of food security.

Although the global economy is recovering, it is not yet in a robust state. Traditional and major trading partners, including the USA and the EU, continue to experience sluggish growth. This has an adverse impact by weakening global demand, especially for South Africa's manufactured exports. The National Treasury projected gross domestic product (GDP) growth of 2.7 per cent in 2014. GDP growth is expected to recover, reaching 3.0 per cent and 3.5 per cent in 2014 and 2016 respectively. The International Monetary Fund (IMF) projected global growth of 2.9% for 2013, rising to 3.6% in 2014. The Reserve Bank has recently revised down the growth estimates from 2.6% to 2.1%. The estimated growth in the European Union is 1% for 2014 from an estimated contraction of 0.4% in 2013. Growth in sub-Saharan Africa is projected to increase from 5% in 2013 to 6% in 2014. This augers well for South African exports into Africa, in particular manufactured exports. Exports to African countries have shown a considerable increase in recent years.

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 evidence-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.

Over the past year, the Commission recommended tariff increases that were implemented by SARS on polytetrafluoroethylene (PTFE) tape from 10% to 20%; wire nails from 5% to 15%; screws, nuts and bolts from 10% to 20%; and graphite electrodes from free to 10%. Such increase would improve the international price competitiveness position of these industries, and would allow these industries to fully utilise existing production capacity and achieve economies of scale.

In addition, the import duty on whole chicken meat was increased from 27% to 82%; on boneless cuts from 5% to 12%; on bone-in portions from 220c/kg to 37%; on offal from 27% to 30%; and on carcasses from 27% to 31%. ITAC also increased support for the wheat industry by increasing the domestic reference price for wheat from US$215/ton to US$294/ton. The overriding objective here is food security.

Applications for an increase in customs duties on certain polymers, sanitary ware, and certain blades for windscreen wipers, were rejected by the Commission.

A number of rebate of duty provisions have been recommended over the past year, to reduce the cost of production for manufacturing firms and increase their international competitiveness, such rebates include provisions for certain fabrics for upholstered furniture, polyurethane flat shapes and silicone rubber straps for dust masks, pile fabrics for bedroom footwear, methyl ester sulphonate for washing preparations, cranberry juice concentrate for fruit juice, refined but not fractioned palm oil used as blend in the manufacture of edible fats and oils, aluminium slugs used for impact extrusion for the manufacture of aerosol cans; certain electronic ballasts for the manufacture of fluorescent discharge lamps, and woven fabrics of cotton for the manufacture of boxer shorts.

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 phenolic resin; Polyethylene Terephthalate (PET) film; Polyvinyl Butyral (PVB); and automotive CV joints. 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: tents of synthetic fibre, certain clothing categories, pool chemicals trichloroisocyanuric and dichloroisocyanuric acid, chrome oxide green, Calcium Hypochlorite, certain branded ice-cream, automotive wheel hubs, electric frying pans, stainless steel pressure cookers, electric smoothing irons, carbon fibre bicycles, and certain plug valves. Tariffs on these products serve to support and encourage domestic production.

ITAC is responsible for conducting trade remedy investigations in accordance with policy, domestic law, including regulations, and consistent with WTO rules. There are three trade remedies instruments, namely, anti-dumping; safeguards and countervailing measures. For the year under review anti-dumping investigations were initiated on frozen potato chips, chicken meat and soda ash. Anti-dumping duties have a life span of five years within which a sunset review has to be conducted to either retain or remove duties. Three anti-dumping sunset reviews relating to imports of welded link chain, tall oil fatty acid; wire ropes and cables were initiated. One sunset review on hand tools (picks, spades, shovels) was finalised and implemented with the effect of maintaining duties on hand tools originating from the People's Republic of China. Two investigations, one an anti-dumping on mirrors and the other on PVC (certain plastic): sunset review, were implemented during the year under review.

Import control measures or restrictions in a more globally integrated economy are limited to those allowed under the relevant World Trade Organization (WTO) Agreements. Import control measures are essentially for health, safety and environmental reasons. In this regard, ITAC makes a contribution to the green economy. In the enforcement of standards and the curbing of illegal and fraudulent trade, ITAC will be positioning itself to play a more strategic role with regard to import control measures and enforcement. Minerals beneficiation has been identified as one of the areas where jobs will be created and this has seen ITAC aligning its export control measures to give support to beneficiation. In this regard ITAC has strengthened its export control measures on scrap metal through the introduction of a price preference system to promote investment and employment opportunities in the domestic metals beneficiation and fabrication industries. This followed a policy directive by the Minister of Economic Development aimed at enabling affordable access to quality scrap metal by the consuming industry. Since this is the first time that ITAC administers such a system, the focus going forward will be on ensuring its effective administration.

Given its mandate, and given the domestic cost pressures and global market distortions, the international trade instruments managed by ITAC will remain valuable to South African industries into the foreseeable future. ITAC has managed to adapt and renew itself in response to current and complex challenges, improving on its turnaround times while ensuring quality services.

Mr Siyabulela Tsengiwe
Chief Commissioner of ITAC

Commentary by the chairperson of the Commission

Ms Tina Eboka
Chairperson of the Commission

ITAC has endured a quite challenging year. The effects of rising cost-push factors and the global economic situation on the agro processing and manufacturing industries have had a significant impact on ITAC's work.

Among a number of investigations for tariff support, two high-profile tariff investigations, namely those for an increase in import duties on sugar and on poultry (chicken meat), have attracted considerable media attention. ITAC, upon prudent investigation and in-depth analyses, recommended increases in import duties, to eliminate price disadvantages experienced by the industry and to increase its competitive position vis-à-vis foreign producers.

A growing trend seen over the past year is that interested parties adversely affected by these actions, including the importers of the products for which duty increases were recommended, resort to litigation in an attempt to prevent ITAC from conducting its investigations. Judgment in all cases over the past year was in ITAC's favour, an attestation to the ability and competency of ITAC's staff.

An association of poultry importers launched an urgent high court application seeking an interdict to prevent ITAC from finalising its investigation and to grant it access to the confidential record. This application was withdrawn after studying ITAC's prepared affidavit.

An association of sugar importers instituted an urgent application to prohibit ITAC from proceeding with the tariff investigation. It requested that ITAC halt the on-going investigation until a review application was finalised. It brought a review application to set aside the decision by ITAC to initiate the investigation. According to the association, the decision to initiate was an administrative action worthy of review and that ITAC's failure to verify the collected data before initiating its investigation was reason for the action. The application was opposed and ultimately dismissed with costs.

In a further urgent high court application, an association of scrap metal merchants sought an interdict to prevent ITAC from implementing its strengthened export control measures on ferrous and non-ferrous scrap metal. The court dismissed the application with costs. These measures were introduced to improve the competitive position of foundries and other metal fabrication industries in the face of fierce competition from abroad and to encourage reinvestment in this vital but waning manufacturing sector.

In conclusion, I wish to express my sincere appreciation to the hard working staff at ITAC whose morale and dedication never faltered during the many challenges experienced, and to my fellow Commission members for their support and advice. The diversity of experience at ITAC and the level of expertise in international trade have indeed been valuable.

Ms Tina Eboka
Chairperson of the Commission

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 nine part-time Commissioners.

The Commission meets once a month to evaluate investigations conducted by employees 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

Mr Siyabulela Tsengiwe

Ms Tina Eboka

Mr Boikanyo Mokgatle

Ms Tanya van Meelis

Mr Etienne Vlok

Mr Matome Morokolo

Mr Ronny Mkhwanazi

Adv. Nomazotsho Memani-Balani

Ms Nomfundo Tshazibana

Dr. Raymond Ngcobo

Senior Management Team


Siyabulela Tsengiwe
Chief Commissioner


Chris Arnold
Senior Manager: Technical Advisory Services


Alexander Amrein
Senior Manager: Policy and Research


Zanoxolo Koyana
Chief Financial Officer


Phillip Semela
General Manager: Corporate Services


Lihle Mndebela
Senior Manager: Human Resources


Kathleen Maya
Senior Manager: Legal Services


Rika Theart
Senior Manager: Tariff Investigations I


Nomonde Somdaka
Senior Manager: Tariff Investigations II


Zoleka Xabendlini
Senior Manager: Trade Remedies II


Carina van Vuuren
Senior Manager: Trade Remedies I


Dr Moses Obinyeluaku
Chief Economist


Phillip Snyman
Senior Manager: Import and Export Control


Bhekithemba Kgomo
Senior Manager: Internal Audit


Russell Nelson
Chief Information Officer

List of Reports issued by ITAC in 2013/2014

REPORT NUMBER	REPORT TITLE
407	Termination of the anti-dumping duties on door locks and door handles originating in or imported from the People's Republic of China
426	Increase in the general rate of customs duty on polytetrafluoroethylene (PTFE) tape
427	Application for an increase in the domestic dollar-based reference price for wheat from US$215/ton to US$294/ton
428	Rebate of customs duty on Sodium Hydroxide for the Manufacture of Sodium Metasilicates
429	Sunset review of the anti-dumping duties on plates and sheets, film, foil and strip of polymers of vinyl chloride (PVC) originating in or imported from the People Republic of China and Chinese Taipei: Final determination
430	Reduction in the rate of duty on polyether-polyols
431	Creation of a rebate prvision for aluminium slugs for impact extrusion used in the manufacturing of aerosol cans
432	Increase in the rate of customs duty on round wire nails
433	Reduction in the general rate of custom duty on constant velocity (CV) joints
434	Amendment of rebate item 311.40/5208.4/01.05 by inclusion of boxer shorts as part of the manufactured products, classifiable under tariff headings 62.07 and 62.08
435	Application for remedial action against 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): Final Determination
436	Investigation into remedial action in the form of a safeguard against the increased imports of frozen potato chips-preliminary determination
437	Termination of the Anti-Dumping duties on Acetaminophenol originating in or imported from the United States of America (USA) and People's Republic of China (China)
438	Increase in the rate of customs duty on graphite electrodes
439	Creation of a rebate provision for refined, bleached and deodorised but not fractionated palm oil used in the manufacture of edible fats or oils
441	Price Preference for Ferrous and Non-Ferrous Waste and Scrap
442	Increase in the rates of custom duty on frozen meat of fowls of the species gallus domesticus: whole bird, boneless cuts, bone-in portions, carcasses and ofal
443	Reduction in the rate of duty on laminates of phenolic resin with a basis of paper
444	Sunset review of the anti-dumping duties on gardgen picks & spades, shovels, rakes and forks originating in or imported from the People's Republic of China (CHINA): Final determination
445	Investigation into the alleged dumping of coated paper originating in or imported from the People's Republic of China (PRC) and South Korea: Preliminary determination
446	Reduction in the rate of duty on self-adhesive PET film.
448	Reduction in the general rate of duty on Polyvinyl butyral (PVB)
453	Increase in the customs duty on Screws, Bolts and Nuts
454	Exclusion of specific PVC strips of a thickness of 2mm and a width not exceeding 20mm from the existing anti-dumping duties applicable on PVC rigid originating in or imported from The People's Republic of China (PRC): Final Determination
458	Investigation into the alleged dumping of Frozen Potato Chips originating in or imported from Belgium and Netherlands: Preliminary Determination
464	Investigation into the alleged dumping of coated paper originating in or imported from the People's Republic of China (PRC) and the Republic of Korea: Final determination

Tariff Investigations

As enunciated in the New Growth Path and the Trade Policy and Strategic 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 customs duty increases recommended by the Commission were implemented on polytetrafluorethylene (PTFE) tape from 10% to 20%; wire nails from 5% to 15%; certain screws, bolts and nuts from 10% to 20% and graphite electrodes from free to 10%. The tariff support should enable the domestic industry to improve its price competitive position, and to fully utilise its existing production capacity and achieve economies scale. In addition, the import duty on whole chicken poultry was increased from 27% to 82%; on boneless cuts from 5% to 12%; on bone-in portions from 220c/kg to 37%; on offal from 27% to 30%; and on carcasses from 27% to 31%. The tariff support would allow for a fair and reasonable profit margin for producers, and further investment in the industry, with a concomitant increase in production and employment.

Also, having taken into account the decreasing profitability and diminishing returns of the wheat producing sector and its overall competitive position, ITAC increased the domestic reference for wheat from US$215/ton to US$294/ton by factoring in the latest price trends in the global wheat price, the level of global subsidization, and ocean transport costs. Should prices fall below US$294/ton, a duty equal to a sustained price differential between current world prices and the reference price, will be triggered in terms of the variable tariff formula for wheat, to protect the wheat producing sector against the damaging effects of low-priced imports.

The tariff increases finalised by the Commission but not yet implemented as of the financial year end include coated fine paper from free to 5% and heat exchange units from free to 15%. Similarly, the domestic reference price for sugar was increased from US$358/ton to US$566/ton, yielding, in terms of the variable tariff formula for sugar, an initial duty of 132c/kg, equivalent to 26% *ad valorem*.

Applications for an increase in customs duties on certain polymers, sanitary ware, and certain blades for windscreen wipers, were rejected by the Commission . The Commission considered the cost and price information at its disposal and the competitive position of the relevant industries and could not find justification for an increase in duties.

A number of rebate of duty provisions were recommended and implemented over the past year, to reduce the cost of production for manufacturing firms and increase their international competitiveness. Rebate of duty provisions have been introduced for refined palm oil used as blend in the manufacture of edible fats and oils; aluminium slugs for impact extrusion in the manufacture of aerosol cans; sodium hydroxide used for the manufacture sodium metasilicates; and for woven fabrics of cotton for the manufacture of boxer shorts.

The rebate provisions finalised by the Commission but not yet implemented during 2013/14 include certain fabrics used for the manufacture of upholstered furniture; polyurethane flat shapes and rubber straps for the manufacture of dust masks; pile fabrics for the manufacture of bedroom footwear; methyl ester sulphate for the manufacture of washing preparations; cranberry juice concentrate for the manufacture of fruit juice and certain electronic ballasts for the manufacture of fluorescent discharge lamps. The Commission also recommended that Customs Controlled Area (CCA) enterprises be allowed to utilise the rebate provisions under Schedule No. 3, to import intermediate inputs duty-free for the manufacture of products for the export market. The recommended amendments to Schedule No. 3 would assist the Industrial Development Zones (IDZs) in their efforts of attracting additional investment with employment opportunities and linkages to the domestic market, by placing IDZ investors in a CCA on a similar competitive footing in the SACU market as firms outside the CCA in the SACU manufacturing similar products.

Since the implementation of the Automotive Production and Development Programme (APDP) on 1 January 2013, certain administration challenges were experienced. This required that certain elements of the programme be rationalised and strengthened for its effective administration. In this regard ITAC conducted administrative reviews in consultation with all relevant stakeholders including **the dti**, SARS and the automotive industry. The reviews also took into consideration the implementation of policy directives for the inclusion of the specialty vehicles/replica cars under the programme; the removal of the raw automotive glass from the standard material list; and the removal of the separate tradability of Production Rebate Credit Certificates (PRCC) regarding the different vehicle categories i.e. the PRCCs for qualifying Medium and Heavy Commercial Vehicle (MHCV) components would not be tradable outside the MHCV industry. The resulting amendments were effected in the APDP Regulations and the Information Documents.

The following applications for rebate provisions were rejected by the Commission as it was found that the products in question were manufactured domestically or that the potential existed for domestic manufacture: knitted fabric for swimwear, cotton fabric for impregnation or coating of certain fabrics, pear juice concentrate, passion fruit concentrate and grape juice concentrate for the manufacture of fruit juice, non-linear glass tubes used in the assembly of compact fluorescent lamps (CFLs), and an application for an amendment to rebate item 316.17 governing the manufacture of television sets to allow the importation of incomplete or unassembled television sets.

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 were recommended and implemented over the past year on laminates of phenolic resins with a basis of paper; on self-adhesive polyethylene terephthalate (PET) film; on Polyvinyl Butyral (PVB), on polyether-polyols, and on constant velocity (CV) joints. Tariffs on products that are not manufactured domestically and applicable in instances where there also is no potential for the domestic manufacture of such products, have an unnecessary cost-raising effect.

The following applications for reduction were rejected by the Commission: tents of synthetic fibre, certain clothing categories, pool chemicals trichloroisocyanuric and dichloroisocyanuric acid, chrome oxide green, Calcium Hypochlorite, certain branded ice-cream, automotive wheel hubs, electric frying pans, stainless steel pressure cookers, electric smoothing irons, carbon fibre bicycles and certain plug valves . The Commission found that the subject products or close substitutes were manufactured locally and that the reduction of customs duty would erode the support for and encouragement to domestic industry manufacturing the relevant products, adversely affecting investment and employment opportunities in these sectors.

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

INCREASE IN CUSTOMS DUTY

1. Increase in the rates of duty on frozen chicken meat

The South African Poultry Association (SAPA) on behalf of its members, applied for an increase in the rate of customs duty on carcasses, other whole bird, boneless cuts, offal and other bone-in portions classifiable under tariff subheadings 0207.12.20, 0207.12.90, 0207.14.10, 0207.14.20 and 0207.14.90, respectively.

As reasons for the application, the applicant submitted that –

- Producers in the South African Customs Union (SACU) are in a distressed financial state and their businesses are threatened mainly by a large and rapid increase in the volume of imports of extremely low priced frozen poultry meat. This state of affairs has forced some small and medium sized producers to shut down, while certain large producers have reduced their workforce and forecast further job losses;
- Low priced imports are having a negative impact on further investment in the poultry industry and associated industries, adversely affecting both commercial and emerging broiler producers, as well as SACU production capacity and food security.

Although broiler farming has a national footprint, production is concentrated in the North West, Western Cape, Mpumalanga and Kwa Zulu–Natal provinces, which together account for almost 80% of total production.

According to the applicant, the South African poultry industry has direct employment of at least 48 000 employees with a further 60 000 indirectly employed in support industries that are dependent on the poultry industry. These figures exclude employment figures for the BLNS countries.

In terms of the developmental plan, the broader industry will retain current employment, production and investment levels. Subsequent to stabilisation of the current situation, the companies concerned will increase levels of employment, production and investment. Individual commitments were made by each of the companies concerned, which are set out in the table on the next page:

Company	Investment			Production tons			Employment		
	2013 R'000	2014 R'000	2015 R'000	2013 tons	2014 tons	2015 tons	2013	2014	2015
AFGRI Poultry	122 179	225 271	39 508	124 919	133 039	133 039	2 264	2 572	2 880
Astral	85 000	315 000	160 000	339 788	356 403	376 389	8 822	8 972	9 022
Rainbow	159 000	125 000	214 000	440 083	440 083	464 083	6 019	6 177	6 292
Sovereign Foods	65 000	35 000	35 000	95 000	95 000	95 000	2 500	2 000	2 000
Supreme Poultry	56 860	185 128	161 604	179 890	193 277	202 941	3 721	4 347	4 703

On 30 September 2013, subsequent to the approval of the Minister of Trade and Industry, the duties were increased as follows:

Tariff subheading	Product	Previous duty	New duty
0207.12.90	Whole bird	27%	82% bound rate
0207.14.10	Boneless cuts	5%	12%
0207.14.90	Bone-in portions	18% (220c/kg)	37%
0207.14.20	Offal	27%	30%
0207.12.20	Carcasses	27%	31%

It was further decided that the duties be reviewed after a period of 5 years to determine the impact on domestic production, investment and employment.

2. Increase in the rate of duty on wire and pointed screw nails

Dunrose Trading 57 (Pty) Ltd, trading as Abracon, applied for an increase in the general rate of customs duty on round wire nails and roof nails (screws) from 5% *ad valorem* to 15% *ad valorem* by way of creating three new 8-digit tariff subheadings. The applicant is based in Gauteng. As motivation for the application, the applicant argued that the imports of the subject products have increased substantially since 2009. In addition, the cost of the raw material had also increased and the local industry had lost a substantial number of its clients to imports.

In terms of the developmental plan, the applicant estimated that its annual tonnage will be increased to about 8400 tons, from the approximately 5 350 tons realised in 2012. This anticipated increase in volumes would result in an increase in employment of 30 workers as follows:

- Crane operators x 4 Production recorder x 1
- Wire draw operator x 1
- Nail machine setters x 16
- Tumbler operators x 2
- Galvanising plant operators x 3
- Ring shank operators x 2
- Forklift driver x 1.

The Commission's investigation revealed that three local manufacturers had already ceased manufacturing the subject products, mainly due to low-priced imports. The applicant's production and sales of round wire nails and roof screws have been on a downward trend from 2009 to 2011. In addition, the applicant's capacity utilisation had declined and it experienced a significant price disadvantage against imports. Having considered all the information at its disposal, the Commission recommended that the customs duty be increased from 5% *ad valorem* to the WTO bound rate of 15% *ad valorem*.

3. Increase in the rate of duty on coated fine paper

Sappi Southern Africa (Pty) Ltd applied for an increase in the general rate of customs duty on coated fine paper classifiable under tariff subheadings 4810.13.20, 4810.13.90, 4810.14.10, 4810.14.90, 4810.19.90 and 4810.29.90, from free of duty to the WTO-bound rate of 5% *ad valorem*.

The company's mill is located in Stanger, Kwa-Zulu Natal. The main reason stated by the applicant for the application is to enhance the competitive position of Sappi Southern Africa (Pty) Ltd against producers in low-cost countries, especially in Asia and South-eastern Asia. Due to the over-capacity in these markets and consequent price-undercutting, Sappi continues to lose significant market share. This loss in market share has led to significant job losses through the closure of Sappi's Enstra pulp plant at the end of February 2012 and the Adamas Mill.

According to the IPAP the forestry Industry has the potential to contribute significantly to rural and economic development by contributing to the GDP and creating job opportunities and income in poor rural communities. In 2009, 69.9% of the yield of the Forestry Industry went to the pulp industry. The Forestry Industry is worth R40 billion a year and accounted for a total employment of 96 500 jobs in 2009.

SAPPI submitted that the total number of factory workers employed at the time was 1 597. Sappi Forest division that supplies all the timber employed 733. It was further submitted by the applicant that during 2009 Sappi Southern Africa (Pty) Ltd had to retrench 141 staff because of the closure of a paper machine at the Tugela mill and a pulp machine at the Ngodwana mill. At the time, the total number of employees at Sappi's Stanger mill was 406. As stated by the applicant, the company had already suffered significant job losses through the closure of its Enstra, Tugela and Usutu pulp mills and Adamas paper mill. This closure impacted 1 500 positions.

Consequently, an increase in the tariff on Coated Fine Paper would not only enable Sappi to improve its competitive position against low-priced imported products, but would also assist the forestry industry in South Africa to achieve its developmental goals in terms of **the dti's** IPAP including broad-based black economic development.

In terms of the developmental plan, the applicant's commitments are that in view of the fact that the company had already suffered significant job losses through the closure of its Enstra, Tugela and Usutu pulp mills and Adamas paper mill, where these closures impacted 1 500 positions, it would protect and retain employment opportunities in the manufacturing industry in both upstream and downstream activities. The total number of employees at Sappi's Stanger mill was 406. In terms of production, the coated paper manufacturing machine is currently operating below 50% of its intended grades but would operate at 70% after the granting of the increase. In terms of production volumes, SAPPI had an output of less than 40 000 tons/annum. This would increase to 47 500 tons/annum in the first year and 55 000 tons in the second year. This trend would continue. Once production capacity starts improving, SAPPI will formulate and put in place specific investment plans and measures to achieve optimal production capacity.

ITAC decided to recommend an increase the rate of customs duty on coated fine paper from free of duty to 5% *ad valorem* due to the fact that the applicant experiences price disadvantages against similar imported products. It was further decided that the duties be reviewed after a period of 3 years to determine the impact on domestic production, investment and employment.

4. Increase in the rate of duty on screws, bolts and nuts

CBC Fasteners (Pty) Ltd, applied for an increase in the general rate of customs duties oncertain screws, bolts and nuts, from 10% ad valorem to 30% ad valorem. The applicable screws and bolts are classifiable under tariff subheadings 7318.15.39 and 7318.15.43 and hexagon nuts of iron or steel (excluding hexagon dome nuts, hexagon nuts with non-metallic inserts, hexagon collared nuts, and hexagon self-locking nuts) are classifiable under tariff subheading 7318.16.80. The applicant is based in Krugersdorp in Gauteng and is a major producer of fasteners in the SACU region. One of the reasons for the application was that imported products from Asian countries were enjoying a price advantage in the domestic market and increasing the customs duties to the bound level would level the playing field for SACU manufacturers.

CBC Fasteners invested over R135 million between 2010 and 2012. The company employs 205 people. In terms of the development plan, the company indicated that it would maintain the current level of investment in plant and machinery, increase capacity utilisation and aggressively pursue export markets. In line with the increases in volumes, the company expected employment levels to also increase.

The Commission found that price disadvantages were experienced by the domestic producers and that support for the industry at the level of 20% ad valorem would improve its price competitive position in the face of stiff import competition. The Commission recommended that the rate of customs duty on the subject products be increased from 10% ad valorem to 20% ad valorem. It was further decided that the duties be reviewed after a period of 3 years to determine the impact on domestic production, investment and employment.

5. Increase in the Dollar based reference price for sugar

The South African Sugar Association (SASA), on behalf of its members, applied for an increase in the dollar-based reference price (DBRP) for sugar from the existing US$358/ton to US$764.34/ton.

As reason for the application, the applicant submitted that it needed a fair level of protection, based on the importance of the South African sugar industry in the South African economy and its contribution to sustainable socio-economic development. It submitted that increasing imports affect the financial sustainability and competitive position of the domestic sugar industry.

Four of the fourteen South African mills are owned by Illovo Sugar Ltd; four mills are owned by Tongaat-Hulett Sugar Ltd; and three mills by TSB Sugar RSA Ltd. UCL Company Ltd, Gledhow Sugar Company and Umfolozi Sugar Mill each operate one mill. Two of the TSB Sugar RSA Ltd mills are located in the Mpumalanga province and the remaining mills are in the KwaZulu-Natal province.

The domestic sugar industry has considerable levels of production [R10.8 billion (SA) and R4 billion (Swaziland)], employment [105 739 (SA) and 5 000 (Swaziland)] and investment [R3.6 billion (SA)].

In terms of its developmental plan, the applicant submitted that the South African sugar industry has the potential to produce sugar, electricity and ethanol to ensure sustainable contributions to Government's objectives of reducing poverty, inequality and unemployment. The current contributions of the industry with regard to employment, production and investment, will be maintained during the period 2013 to 2016. It was submitted that the effect of a tariff increase should be almost immediate, as imports would fall away, losses would decrease through reduced exports resulting in revenue per ton increases for all small growers and small millers.

ITAC recommended that the domestic Dollar-based reference price for sugar be increased from US$358/ton to US$566/ton based on the 4-year average London No. 5 settlement price of sugar of US$558/ton, plus an adjustment for the distortion factor evident in the international sugar market of US$39/ton, less the average ocean transport cost of sugar to a South African port of US$31/ton.

In terms of the variable tariff formula for sugar, the initial duty on sugar will be calculated as the difference between US$566/ton and the price of sugar on the London sugar exchange on 3 January 2014, which amounted to US$440.40/ton at an exchange rate of R10.47 to the US$ as follows:

Reference price	
RSA domestic reference price	US$566/ton
Minus: London No. 5 settlement price of sugar on 03 January 2014	US$440.40/ton
Dollar duty on sugar	US$125.6/ton
Rand duty on sugar	132c/kg equivalent to 26% ad valorem)

When prices fall below US566/ton, a duty equal to a sustained price differential between current world prices and the reference price is triggered in terms of the variable tariff formula for sugar.

6. Increase in the rate of customs duty on heat exchange units

GEA Air-cooled Systems (Pty) Ltd applied for an increase in the rate of customs duty on heat exchange units, classifiable under tariff subheading 8419.50, from free of duty to the WTO bound rate of 15% ad valorem. The applicant is based in Germiston in Gauteng and is a manufacturer of heat transfer equipment to the power and petrochemical industries. The applicant cited the following as major reasons for the application:

- The local engineering project contractors are increasingly sourcing the product from Asian countries which offers bargain prices;
- Tariff support will enable the domestic manufacturer to be competitive against low priced imports, subsequently assist in job retention and job creation in the domestic industry; and
- Other countries apply tariffs on heat exchangers and this affects South African exports destined to these countries.

The applicant has made an investment of approximately R28 million over the years in its manufacturing facility and currently employs 143 employees (A decline from 152 employees in 2010).

In terms of reciprocity, the applicant indicated that subject to the market conditions, should the support be granted the decommissioned line will be put back into operation and 43 employees that have been laid off will be re-employed.

The Commission found that increasing imports of heat exchange units have eroded the domestic industry's market share; that price disadvantages are experienced by the domestic producers; and that considerably under-utilised production capacity has affected the industry's profitability. The Commission concluded that tariff support for the industry would improve its price-competitiveness and enable it to utilise its production capacity and achieve economies of scale. The Commission recommended that the rate of customs duty on the subject products be increased from free of duty to 15% ad valorem.

7. Increase in the rate of duty on polytetrafluoroethylene (PTFE) Tape (Non-stick coating used in pans, cook-wear and other applications)

RIC Manufacturing CC lodged an application for an increase in the rate of customs duty on PTFE tape classifiable under tariff subheading 3920.99.25, from 10% ad valorem to the WTO Bound rate of 20% ad valorem. The manufacturer is based in Johannesburg in the Gauteng Province. The reasons provided for the application were that the applicant is the only manufacturer of the subject product in the SACU region, that it has been under tremendous strain from low cost imports, that the required level of customs duty will protect the industry against a flood of low priced imports and that they were unable to compete as a result of the fluctuation in key input costs.

The applicant had a staff complement of 39 employees which they will be able to retain with the customs duty increase. Investments made during 2009 to 2011 amounted to R102 800 and further investments for process re-engineering were to be made.

In terms of the developmental plan, the applicant committed to further investment that focuses on re-engineering the production process and to reduce electricity consumption. This will entail obtaining a slit-spool machine which will ensure the correct density of output and eliminating a certain process in the manufacturing process. The applicant maintained that the gradual regaining the market share of at least 3% to 4% annually will result in an increase in production and ultimately an increase in the number of employees given the applicant's labour intensive model. The applicant will also consider exploring opportunities to diversify its export destinations, especially in regions where SACU has free trade agreements. Finally, the applicant will explore the possibility of accessing government grants for supporting SMME export initiatives. **the dti's** relevant sector desk was consulted for possible additional interventions to support this industry in light of the significant price disadvantage and very low market share. **the dti** proposed the following developmental interventions:

- Engagements with the National Regulator for Compulsory Specifications (NRCS) for quality assurance purposes and possible minimum standard setting.
- The National Cleaner Production Centre of South Africa (NCPC-SA) - a programme which is undertaken at the Council of Scientific and Industrial Research (CSIR) under the supervision of **the dti** to conduct a diagnostic plant audit in order to enhance manufacturing efficiency and cost reduction strategies. This service will be of no cost to RIC Manufacturing.
- SEDA will be engaged to conduct business analysis to identify any internal management structural inefficiencies and challenges.

The Commission found that the applicant is the only SACU manufacturer of the product and has been experiencing huge price disadvantages. It was found that the imports have surged by 1 364% and that imports from the People's Republic of China constituted 99.6% of the total imports. It was also found that the applicant's market share in terms of volume has drastically declined from 63.1% in 2009 to approximately 5% in 2012. ITAC recommended a customs duty increase from 10% ad valorem to the WTO Bound rate of 20% ad valorem. It was further decided that the duties be reviewed after a period of 3 years to determine the impact on domestic production, investment and employment.

REBATE PROVISIONS

1. Rebate of duty on aluminium slugs for impact extrusion in the manufacture of aerosol cans

Divfood, a division of Nampak Product Limited, applied for a reduction in the general rate of customs duty on aluminium slugs for impact extrusion, classifiable under tariff subheading 7616.99.30, from 10% ad valorem to free of duty. The applicant is based in Durban in the Kwa-Zulu Natal Province. The reason for the application, as cited by the applicant, was that there are no local manufacturers of aluminium slugs for impact extrusion in SACU. Due to the fact that slugs are used in the manufacture of aerosol cans, a reduction in the rate of customs duty would contribute to saving production costs of aluminium aerosol cans, enhancing local competitiveness, the ability to grow export markets and to reduce the threat of low priced imported cans.

Investment in capital equipment and machinery by the local industry with respect to the aerosol cans was approximately R74 million. DivFood employs 419 people with the number of employees directly involved in the distribution or processing of aluminium aerosol cans being 115.

The Commission found that although there are no longer local manufacturers of aluminium slugs for impact extrusion, Mthonjeni Trading (Pty) Ltd intends to manufacture the product in the Richards Bay Industrial Development Zone, which is at an advanced stage of development. Based on this, the Commission found that a reduction in the general rate of customs duty on aluminium slugs would have a detrimental effect on the planned project to manufacture aluminium slugs in SACU and, as a result, rejected the application.

The Commission decided to investigate the possible creation of a rebate provision for imported aluminium slugs so as not to disadvantage Divfood during the interim period whilst encouraging the investment by Mthonjeni Trading (Pty) Ltd.

In terms of the developmental plan, Mthonjeni Trading (Pty) Ltd indicated that it would establish an aluminium slug plant in the Richards Bay Industrial Development Zone by mid-2014. Mthonjeni Trading indicated that, having completed the viability study for the R100 million 'Mthonjeni Aluminium Products' project, it is estimated that about 170 people would be employed during the construction phase and once in full operation, the plant will employ 36 to 42 people.

The Commission approved the creation of a rebate provision on aluminium slugs for the manufacture of aluminium aerosol cans of a capacity not exceeding 500ml. The Commission further recommended that the relevant project be monitored on a quarterly basis.

2. Rebate of duty on refined but not fractionated palm oil used as oil blend in the manufacture of edible fats or oils

Sime Darby Hudson & Knight (Pty) Ltd applied for the creation of a rebate provision for refined palm oil bleached and deodorised but not fractionated, classifiable under tariff subheading 1511.90 used as oil blend in the manufacture of edible fats or oils. The applicant is a wholly owned subsidiary of Sime Darby Berhad, a Malaysian conglomerate. It is located in Boksburg in Gauteng.

As motivation for the application the applicant indicated that all palm oil is imported and that there are no substitute products produced in the SACU region; the volatility and high price of vegetable oils have put severe pressure on the cost of manufacturing; and the rebate provision will allow the applicant and Unilever to reduce the price of the final products, invest in more training and the upgrading of facilities and job creation.

The total investment in plant and machinery of the applicant was approximately R50 million in 2012. (The applicant indicated that it is not possible to apportion the relevant investment to the subject product. The same machinery is used in the processing of other products which include frying mediums, pastry margarines, bakery fats, speciality oils and shortenings.) In terms of employment 106 people are employed in the plant, 24 employees are directly involved in the processing of the palm oil.

In terms of the developmental plan, the applicant indicated that it is a major supplier to Unilever. Therefore the creation of a rebate provision and the expected increase in consumption of margarine, spreads and baking fats would lead to expansion of refining and blending capacity by the applicant. The applicant estimated that it would make an additional investment worth R250 million and would employ 25 additional people.

The Commission found that refined palm oil is a major input into the manufacturing of edible oils, and there are no local producers of palm oil or its substitutes in SACU. As a result, the Commission recommended that a rebate facility for palm oil, refined, bleached and deodorised but not fractionated, classifiable in tariff subheading 1511.90, for the manufacture of edible fats or oils, classifiable in tariff subheading 1517.90 be created, with the view to providing tariff relief; and improving the competitive position and production capacity utilisation of the domestic industry manufacturing edible oils and fats.

3. Amendment to Rebate Item 316.08/8504.10/01.06 on fluorescent lamps

ITAC considered an application by Eveready (Pty) Ltd based in Port Elizabeth in the Eastern Cape for the amendment of rebate item 316.08/8504.10/01.06 to change the minimum power rating of electronic ballasts for the manufacture of compact fluorescent lamps (CFLs) from 8W to 5W.

As reason for the application, the applicant stated that it assembles CFLs in small quantities in its factory in Port Elizabeth and that the creation of a rebate provision would enable it to competitively assemble the final product instead of importing it.

At the time, the applicant employed 355 employees of whom 44 were directly involved in the processing, sales and distribution of the CFLs and it has made a total investment of R1.3 million allocated to CFLs. The company manufactures approximately 3 million CFLs per annum and currently holds a market share of between 6-9 per cent.

Another local manufacturer, Philips Lighting Southern Africa (Pty) Ltd, with a manufacturing plant based in Lesotho, has made a total investment of close to R140 million and employs 361 employees who are directly involved in the manufacture of CFLs. The company manufactures approximately 12 million CFLs per annum and holds a market share of between 30-40 per cent.

The Applicant's commitment in terms of the development plan is to create employment opportunities for 30 more people and increase its production capacity at its plant in Port Elizabeth to full utilisation.

The Commission supported an amendment to rebate item 316.08/8504.10/01.06 to include electronic ballasts with a power rating between 5W and 8W for the manufacture of CFLs, as these electronic ballasts are not manufactured domestically.

The Commission recommended that the description of rebate item 316.08/8504.10/01.06 be amended as follows: "Electronic ballasts, for the manufacture of fluorescent discharge lamps (excluding ultra-violet lamps) of tariff subheading 8539.31.90, with a power rating of 5W or more but not exceeding 23W".

4. Rebate of duty on woven impregnated fabrics and rubberized textile fabrics used for the manufacture of upholstered furniture

Bravo Group Manufacturing (Pty) Ltd, situated in Gauteng, applied for rebate of duty on woven impregnated fabrics and rubberized textile fabrics used for the manufacture of upholstered furniture.

As reasons for the application, the applicant stated the following:

- There are no local manufacturers of the product in question within the SACU region;
- The rebate will provide all upholstered furniture manufacturers with an opportunity to reduce input material costs; and
- Provide competitive prices on household items via retailers to the consumers, thereby creating a level of job security.

The applicant has made an investment of R20 708 000, consisting of property, plant and machinery.

The applicant has indicated that it employs 2 299 employees and the total number directly involved in the manufacture of the product concerned, is 2 181. The applicant confirmed that it reduced its workforce by 1 000 owing to closure of a factory in Ga-Rankuwa and the consolidation of 2 factories in the Johannesburg region.

The Applicant's commitments in terms of the development plan were that, as a labour intensive sector, employment and investment would be increased but it could not supply specific numbers. As a result of reduced manufacturing costs, the industry would increase its production and domestic market share.

The Commission decided to recommend the creation of rebate provisions for products classifiable under tariff subheadings 5407.61, 5907.00.90 and 5903.20.90 for the manufacture of upholstered furniture, subject to a permit issued by ITAC, subject to conditions in terms of which the domestic industry has to be consulted before a permit is issued and that the industry will submit investment, production and employment figures annually in order to determine the impact on the sector concerned.

5. Application for rebate of duty on polyurethane flat shapes, silicone elastomeric and natural rubber straps for the manufacture of dust masks

3M South Africa (Pty) Ltd applied for rebate of duty on polyurethane flat shapes classifiable under tariff subheading 3919.10.07, silicone elastomeric classifiable under tariff subheading 3926.90.90 and natural rubber straps with a length not exceeding 315 mm and a width not exceeding 7 mm classifiable under tariff subheading 4016.99.90 for the manufacture of dust masks. As reasons for the application, 3M South Africa (Pty) Ltd stated that it wanted to re-introduce local manufacturing and reduce the cost of production to the market to allow it to be competitive against imports of the end product.

The applicant indicated that it has made an investment estimated at R14 500 000, which constitutes property, plant and machinery.

The applicant indicated that currently the product is imported as a complete consumer article and as a result there are no employees directly involved in the manufacture of this specific product. The applicant further indicated that in the event that the Commission approves the creation of a rebate facility, 16 employees would be hired as they plan to operate 24 hours i.e. 2 shifts 5 days a week.

The applicant's commitments in terms of the development plan are to increase its labour force from 130 to 145 and advance investment and promote employment by 2015.

The Commission found that some products for which the rebate has been applied for are not manufactured in the SACU. The Commission therefore decided to recommend the creation of rebate provisions for products classifiable under tariff subheadings 3919.10.07 and 4016.99.90 used for the manufacture of dust masks, subject to a permit issued by ITAC, subject to conditions in terms of which the domestic industry has to be consulted before a permit is issued and that the industry would submit investment, production and employment figures annually in order to determine the impact on the sector concerned.

6. Rebate of duty on methyl ester sulphate (MES) for the manufacture of washing preparations (detergents)

The Commission received an application by Unilever South Africa (Pty) Ltd (Unilever), for a rebate of duty on methyl ester sulphate (MES), classifiable under tariff subheading 3402.11, for the manufacture of washing preparations (detergents), classifiable under tariff heading 34.02. The applicant is based in the Kwa-Zulu Natal Province.

As reason for the application, the applicant stated that MES is not manufactured in the SACU and that the duty has a cost-raising effect.

Unilever South Africa (Pty) Ltd, currently uses linear alkyd benzene (LAB) as an input product in the manufacturing of laundry detergent and washing preparations, which is also imported as it is not manufactured domestically but it is environmentally unfriendly. However, the company is in a process of adjusting its manufacturing process to allow the use of MES in the manufacturing of laundry detergent and washing preparations.

Unilever employs a total number of 2 519 employees of which 536 are directly involved in the production of washing preparations. Unilever has invested approximately R83million in the domestic manufacture of washing preparations.

In terms of its developmental plan, Unilever South Africa gave the assurance that the end consumer would benefit from the rebate; a decrease in cost would allow an increase in brand investment; and increased consumption would lead to the already planned capital investment in additional production capacity and increased employment opportunities.

The Commission found that methyl ester sulphate is not manufactured in the SACU and that the existing duty has an unnecessary cost-raising impact.

The Commission therefore recommended that a rebate of duty provision be created for methyl ester sulphate classifiable under tariff subheading 3402.11, for the manufacture of washing preparations (detergents), classifiable under tariff heading 34.02.

7. Amendment to Schedule 3 to allow enterprises in a Customs Controlled Area (CCA) of the Industrial Development Zones (IDZs) to use Schedule 3 rebates

the dti requested ITAC to amend Schedule No.3 to allow CCA enterprises customs duty rebates and VAT exemption on imported inputs used to manufacture products for the domestic market.

In terms of rebate item 498, CCA enterprises do not enjoy customs duty rebates and VAT exemption if the manufactured products are destined for the domestic market. As part of the motivation, **the dti** stated that companies located in a CCA, intending to import intermediate inputs are currently at a disadvantage because they are required to pay customs duties on the imported content when the manufactured goods are declared for domestic use.

Under Schedule 3 rebates, applicable outside the CCA, manufacturers qualify for a rebate of customs duty but pay the VAT if they choose to supply their finished products to the domestic market.

In terms of reciprocity, the amendments will assist the Coega Industrial Development Zone to secure substantial investment and employment. According to **the dti**, First Auto Works, a Chinese automotive manufacturer would invest approximately R200 Million and create 1000 jobs over a period of 3 years. In addition, Great Wall Motors, another Chinese automotive manufacturer, also committed to invest approximately R1 billion and create over 880 jobs.

The Commission recommended that Schedule No.3 be amended. The amendment would assist IDZs in their efforts of attracting additional investment with employment opportunities and linkages to the domestic market, by placing IDZ investors in a CCA on a similar competitive footing in the SACU market as firms outside the CCA in the SACU market manufacturing similar products.

Trade Remedies

ITAC is responsible for conducting trade remedy investigations 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.

The international rules governing the right of contracting parties to apply anti-dumping measures are contained in Article VI of the General Agreement on Tariffs and Trade 1994 (GATT 1994) and in the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (commonly referred to as the WTO Anti-Dumping Agreement).

The World Trade Organisation Anti-Dumping Agreement (ADA) and ITAC's Anti-Dumping Regulations (ADR) provide that anti-dumping duties may be imposed where dumped imports have caused material injury to the SACU industry or a threat of material injury exists as a result of the dumping.

Dumping occurs when foreign producers export their goods to our country at prices lower than what is charged by these producers for the same product in their home country (called the "normal value"). If the export price is lower than the normal value, dumping has occurred.

During the year under review, the Trade Remedies Unit conducted the following investigations:

Potato Chips – Safeguard investigation

A safeguard investigation on imports of frozen potato chips was initiated during the previous financial year (March 2013) and finalised in this financial year. A safeguard investigation is conducted where it is determined that there is a surge of imports causing or threatening to cause serious injury to the SACU industry. A safeguard action is taken to enable the domestic industry to adjust. The investigation has been completed and a recommendation has been made to the Minister of Trade and Industry.

Hand Tools (picks, spades, shovels) – Sunset Review

A sunset review investigation relating to imports of hand tools (picks, spades, shovels) was conducted. The Commission made a final determination that the expiry of the duties would likely lead to continuation or recurrence of dumping and injury. The Commission recommended that duties be imposed on hand tools originating in or imported from China.

PVC Rigid – Exclusion Review

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

Soda Ash – Anti-Dumping

An investigation on behalf of the Government of Botswana was initiated in June 2013. The Commission made a preliminary determination in December 2013 and imposed provisional measures for the duration of the investigation. As at the end of the financial year, the investigation was still on-going.

Frozen Potato Chips – Anti-Dumping

The Commission initiated an anti-dumping investigation of frozen potato chips originating in or imported from Belgium and the Netherlands on 21 June 2013. Provisional duties were imposed on 20 December 2013. McCain Foods South Africa is the applicant in the investigation and Lambert's Bay Foods and Nature's Choice supported the application. As at the end of the financial year, the investigation was still on-going.

Frozen Chicken – Anti-Dumping

An anti-dumping investigation on frozen chicken meat originating in or imported from Germany, the Netherlands and the United Kingdom was initiated on 25 October 2013. The South African Poultry Association (SAPA) representing the domestic industry in this investigation lodged the application. The investigation continues.

Sunset Reviews

Three anti-dumping sunset review investigations relating to imports of welded link chain, tall oil fatty acid; and wire ropes & cables were initiated.

Welded Chain Link

The applicant, Scaw metals Chain products lodged a sunset review application claiming that if anti-dumping duties on welded link chain from the People's Republic of China were removed there would be a likelihood of continuation and/or recurrence of material injury to the SACU industry. The investigation was initiated on 26 April 2013. The Commission recommended to the Minister of Trade and Industry that the anti-dumping duties be terminated.

Tall oil fatty acid

Industrial Oleochemical Products (Pty) Ltd lodged a sunset review application stating that should anti-dumping duties on tall oil fatty acid imported from Sweden be removed there would be a likelihood of continuation and/or recurrence of material injury to the SACU industry. The investigation was initiated on 22 November 2013. The investigation is on-going.

Wire Ropes and Cables

A sunset review of anti-dumping duties on wire ropes and cables imported from or originating in the UK, Germany, the Republic of Korea, China and India was initiated on 13 January 2014. The investigation is on-going.

Investigations initiated in the previous years

Two investigations, (Mirrors: anti-dumping and PVC: sunset review) were initiated in the previous year but completed in the year under review:

Product	Country	Initiation date	Finalisation date	Outcome
Glass mirrors	PRC	02/11/2012	26/07/2013	40.22% duty imposed
PVC rigid	PRC	21/09/2012	10/05/2013	AD duties maintained

Import and Export Control

ITAC administers an import and export control regime in terms of the provisions of the International Trade Administration Act, 71 of 2002. In this regard, the cross- border movement of certain goods are controlled in terms of a permit system for the purpose of complying with international agreements such as, inter alia, the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and the Montreal Protocol in Substances that Deplete the Ozone Layer.

Control measures are applied to enforce compliance to technical, health, safety and environment standards. In addition, the export control measures on ferrous and non-ferrous scrap metals were strengthened through the implementation of a price preference system aimed at placing an appropriate quality and quantity of scrap at a price that is reasonable at the disposal of the scrap metal consuming industries, i.e. the domestic metals beneficiation and fabrication industries.

The system should assist these industries with improving their competitive position, leading to increased investment and employment opportunities.

In the administration of the regulatory regime it is imperative for ITAC to have formal as well as informal relationships with other Government Departments and agencies such as the SA police Service, the Departments of Environmental Affairs, Mineral Resources, Agriculture Forestry and Fisheries, the SA Revenue Service [SARS] Customs and Excise Division and the National Regulator for Compulsory Specifications.

Import and Export permits are electronically issued and electronically submitted to the SA Revenue Service, Customs and Excise where the SARS national data base is populated with this information.

During the reporting period, 17 332 import and 10 013 export permits were issued. The bulk of the import permits namely 3 443 were issued for the importation of machinery and mechanical appliances, equipment and parts thereof of chapter 84 of the Harmonized Customs Tariff.

A total of 2 423 import permits were issued for the importation of vehicles and parts thereof of chapter 87, a total of 1 453 import permits to import marine resources of chapter 03, a total of 2 026 permits were issued to import rubber and articles thereof, including tyres of chapter 40, a total of 1 394 permits were issued to import arms and ammunition of chapter 93, a total of 833 permits were issued to import electrical machinery and equipment and parts thereof of chapter 85, a total of 862 permits were issued to import metals of chapters 71 to 81, a total of 1 089 permit were issued to import mineral fuels, mineral oils and products of their distillation of chapter 27, and a total of 504 import permits were issued to import organic and inorganic chemicals of chapters 28 and 29.

The bulk of export permits issued namely 4 208 were issued for the exportation of ferrous and non-ferrous waste and scrap of chapters 71 to 81 of the Harmonized Customs Tariff, 1 731 export permits were issued for the exportation of organic and inorganic chemicals of chapters 28 and 29, 3 536 export permits were issued for the exportation of used motor vehicles of chapter 87 and 412 export permits were issued for the exportation of mineral fuels 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, (71 of 2002). Enforcement is crucial in detecting contraventions of the Act, and the import and export control regulations, and to ensure there is compliance with the 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 2013/2014 financial year, 710 scheduled inspections were conducted, 519 unscheduled inspections and 17 investigations were conducted. Industry sectors inspected were clothing, ferrous and non-ferrous scrap metals, automotive, pneumatic tyres, and machinery and equipment.

Investigations conducted were based on prima facie evidence of contraventions of the ITA Act and import and export control regulations.

The Enforcement Unit also successfully participated in enforcement activities with other agencies such as the SA Revenue Service.

Performance against predetermined objectives

Strategic Objective 1

STRATEGIC OBJECTIVE 1	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2014	PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
To ensure contribution to employment creating growth and development through effective delivery of international trade instruments	Customs Tariff Reduction Investigations:				
	Investigations under consideration	80% of the final decision within 6 months.	Turnaround times of Customs Tariff Reduction Investigations.	76% of the final decisions were made within 6 months.	Elongated engagements with applicants, interested parties, and litigations during the process of investigation.
	Customs Tariff Increase Investigations:				
	Investigations under consideration	80% of the final decision within 6 months.	Turnaround times of Customs Tariff Increase Investigations.	64% of the final decisions were made within 6 months.	Elongated engagements with applicants, interested parties, and litigations during the process of investigation.
	Customs Tariff Rebates Investigations:				
	Investigations under consideration	80% of the final decision within 6 months.	Turnaround times of Customs Tariff Rebate Investigations.	73% of the final decisions were made within 6 months.	Elongated engagements with applicants, interested parties, and litigations during the process of investigation.
	Customs Duty Rebate and Drawback permits				
	Rebate and drawback permits	80% of the permits issued within 2 weeks.	Turnaround times of Customs Duty Rebate and Drawback Permits.	92% of the permits were issued within 2 weeks.	Target exceeded.
	Motor Industry Development Programme (MIDP)				
	Import Rebate Credit Certificates (IRCCs)	80% of the certificates issued within 30 days.	Turnaround times of IRCCs.	94% of the certificates were issued within 30 days.	Target exceeded.

STRATEGIC OBJECTIVE 1	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2014	PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
	Productive Asset Allowance Certificates (PAAs)	80% of the certificates issued within 10 days after receiving notification from Automotive Industry Development Centre (AIDC).	Turnaround times of PAAs.	36% of the certificates were issued within 10 days after receiving notification from Automotive Industry Development Centre (AIDC).	Target not met due to engagements with companies and additional information required in terms of confirmation of the adjusted benefit.
	MIDP Verifications conducted to ensure compliance to the programme	80% of the verifications completed within 3 months.	Turnaround times of MIDP Verifications.	92% of the verifications were completed within 3 months.	Target exceeded.
	Automotive Production Development Programme (APDP)				
	Eligible Production Certificates (EPCs)	80% of the certificates issued within 10 days after technical working group or factory visit.	Turnaround times of PECs.	68% of the certificates issued within 10 days after technical working group (TWG) or factory visit.	Target not met due to engagements with the industry in the first semester, and additional information required by the TWG to confirm vulnerability status.
	Production Rebate Credit Certificates (PRCCs)	80% of the certificates issued within 30 days.	Turnaround times of PRCCs.	87% of the certificates issued within 30 days.	Target exceeded.
	APDP Verifications conducted to ensure compliance to the programme	80% of the verifications completed within 3 months.	Turnaround times of APDP Verifications.	98% of the verifications completed within 3 months.	Target exceeded.

STRATEGIC OBJECTIVE 1	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2014	PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
	Anti-Dumping Investigations:				
	Investigations under consideration	80% of Preliminary determination within 6 months of initiation. 80% of Final determinations within 10 months of initiation.	Turnaround times of Anti-Dumping investigations.	66% of Preliminary determination within 6 months of initiation. • Coated paper - within 8 months. • Frozen potato chips - within 6 months. • Soda ash - within 6 months. 50% Final determination made within 10 months of initiation. • Unframed mirrors - within 8 months. • Coated paper - within 13 months.	Complexities differ from one investigation to another. The timeframes indicated therefore are based on assumptions of one exporting country named in the application, two responding importers, two exporters, homogenous product, one oral hearing. Coated paper: The investigation was against two exporting countries; 7 exporters cooperated with the investigation and had to be verified in South Korea and the PRC, which caused a delay in the investigation.
	New investigations initiated	4 (Targets subject to applications received as ITAC is a reactive adjudicating body on applications received from external parties)	Initiation notice of Anti-Dumping investigation published in the Government Gazette.	4 (Initiated soda ash Investigation. Initiated frozen potato chips Investigation. Initiated frozen bone-in chicken portions investigation. Initiated graphite electrodes investigation).	Target achieved.
	Countervailing Investigations:				
	Investigations under consideration	80% of Preliminary determination within 6 months of initiation. 80% of Final determinations within 10 months of initiation.	Turnaround times of Countervailing investigations.	No preliminary determination or final determination made.	No investigations under consideration during the year under review.
	New investigations initiated	1 (Targets subject to applications received as ITAC is a reactive adjudicating body on applications received from external parties)	Initiation notice of Countervailing investigation published in the Government Gazette.	No new countervailing investigations were initiated.	No investigations were initiated as no properly documented applications were received.

STRATEGIC OBJECTIVE 1	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2014	PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
	Sunset Review Investigations:				
	Investigations under consideration	80% of Final determinations within 10 months of initiation.	Turnaround times of Sunset Review investigations.	50% of Final determination made within 10 months of initiation. • PVC - within 7 months. • Hand tools - within 12 months.	Complexities differ from one investigation to another. The timeframes indicated therefore are based on assumptions of one exporting country named in the application, two responding importers, two exporters, homogenous product, one oral hearing. Hand tools: The investigation involved 5 different products; duties were converted from per unit basis to per kg basis, necessitating two essential facts letters to be issued which caused a delay in the investigation.
	New investigations initiated	2 (Targets subject to applications received as ITAC is a reactive adjudicating body on applications received from external parties)	Initiation notice of Sunset Review investigation published in the Government Gazette.	3 (Initiated welded link chain investigation. 1 investigation initiated [Tall oil fatty acid]. 1 investigation initiated (Wire Ropes).	Target achieved.
	Safeguard Investigations:				
	Investigations under consideration	80% of Preliminary determination within 6 months of initiation. 80% of Final determinations within 10 months of initiation.	Turnaround times Safeguard investigations.	100% of Preliminary determination within 6 months of initiation. • Frozen potato chips - within 3 months. 100% of Final determination within 10 months • Frozen potato chips – 9 months.	Target achieved.
	New investigations initiated	1 (Targets subject to applications received as ITAC is a reactive adjudicating body on applications received from external parties)	Initiation notice of Safeguard investigation published in the Government Gazette.	No new investigations initiated.	No Safeguard investigations were initiated as no properly documented applications were received.
	Import Control Permits:				

STRATEGIC OBJECTIVE 1	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2014	PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
	Import Control Permits	13 500	Number of import control permits issued.	17 332	Increase in the number of permit applications received.
	Export Control Permits:				
	Export Control Permits	7 500	Number of export control permits issued.	10 013	Increase in the number of permits applications received.
	Enforcement of Import and Export Control Permit Conditions:				
	Inspections and Investigations	500	Number of Scheduled Import and Export Control Permit inspections.	710	Increase in the number of compulsory inspections had to be conducted.
		500	Number of Unscheduled Import and Export Control Permit inspections.	519	Increase in the number of scheduled inspections influenced the unscheduled inspections.
		16	Number of Import and Export Control Investigations.	17	Increase in the number of non-compliant activities detected.

Strategic Objective 2

STRATEGIC OBJECTIVE 2	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2014	PERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
To ensure strategic alignment with and continued relevance to the Economic Development Department and National Agenda, particularly the New Growth Path	Participation in multilateral negotiations	ITAC staff provide input into and attend 80% of dti arranged engagements.	Input papers finalised and presented to relevant stakeholders, and participation in engagements with relevant stakeholders.	ITAC staff provided inputs into and attended 100% of dti arranged engagements.	Target met.
	Participation in bilateral negotiations	ITAC staff provide input into and attend 80% of dti arranged engagements.	Input papers finalised and presented to relevant stakeholders, and participation in engagements with relevant stakeholders.	ITAC staff provided inputs into and attended 100% of dti arranged engagements.	Target met.
	Technical advice provided regarding international trade instruments	5 engagements for Tariff Investigations Unit. 5 engagements for Trade Remedies Unit. 5 engagements for Import and Export Unit.	Participate in meetings and provides specific input when requested.	68 engagements for Tariff Investigations Unit. 9 engagements for Trade Remedies Unit. 47 engagements for Import and Export Unit.	Target exceeded.

Strategic Objective 3

STRATEGIC OBJECTIVE 3	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2014	ERFORMANCE INDICATORS	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
To ensure organisational efficiency and effectiveness of ITAC	Reviewed Trade Remedies Policy and/or Regulations	1 Safeguard Regulations.	Reviewed Policy and/ or Regulations submitted to Minister of Economic Development for approval.	Prepared first Draft of Safeguard Regulations and had internal consultations.	First draft of Safeguard Regulations still under consideration by Commission.
	Reviewed Import and Export Control Policy and Regulations	1 (This target is subject to policy directive from EDD/Other National departments)	Reviewed Import Control and/ or Export Control Policy and/or Import Control and/or Export Control Regulations submitted to Minister of Economic Development for approval.	10 Reviews of Import and Export Control Policy guidelines and Regulations.	Policy directive issued by Minister required policy guidelines to be prepared and amended to administer an export control price preference system for scrap metal exports.
	Ad-hoc research papers (Reviewed Import and Export Control)	1	Finalised research papers submitted to Chief Commissioner for approval.	Research project completed, research finding prepared and submitted to CC.	Target met.

Human Resources Management

The human resources department (HR department) aims to create and maintain an environment that supports and develops the well-being and professional skills of ITAC's employees. The HR department seeks to deliver on this goal by providing quality services in the areas of employee relations, employee wellness through the wellness programme, recruitment and retention, organisational development and performance management. The HR department develops and communicates policies that balance the needs of employees and the employer while ensuring compliance with relevant legislation.

Workforce planning

The framework for ITAC's workforce planning is underpinned by a commitment to deploy a highly committed and capable workforce. This is achieved, in a first instance, by attracting and retaining a skilled and capable workforce. Attracting skilled employees is achieved through a competency based recruitment and selection process. In this regard, a combination of values, knowledge, skills, personality attributes and future potential are key determinants in selecting successful candidates.

With regards to current employees, a Workplace Skills Plan has been developed and is implemented on an on-going basis as a means to enhance the employees' professional skills, thereby improving workplace efficiency and performance.

Also central to ITAC's workforce planning strategy is achieving a diverse workforce, as diverse backgrounds contribute to improved innovation, creativity and knowledge generation which is beneficial in delivering on ITAC's mandate. This is complemented by implementing an array of affirmative policies to promote access to equal employment opportunities and benefits.

Employee performance management

In conjunction with workplace planning, ITAC's performance management involves more than simply providing a periodic review for each employee. It is also about identifying strengths and weaknesses in an employee's performance and how to assist such employee to be a more productive and effective worker. In line with this goal, ITAC provides recognition for employees who have attained above-average performance levels. In additional to financial rewards, which is limited by budgetary considerations, ITAC has introduced a non-monetary performance scheme. The purpose is to provide ITAC with additional means to cultivate excellence, boost moral and motivate its employees.

Employee Health and Wellness

The HR department seeks not only to enhance the professional skills of employees, but also to ensure their well-being. This is achieved by creating a supportive working environment and through the establishment of ITAC's Employee Health and Wellness programme. The purpose of the programme is to provide preventative, consultative and information services to all employees of ITAC and their families who may encounter personal problems.

Employment

ITAC's workforce as at 31 March 2014 was 122 and comprises the following:

Core Business	Support Services
69	53

As at the end of 31 March 2014, there were 7 vacant positions, excluding contract positions. This scenario makes the vacancy rate for the period under review 5.3%.

Employment Equity

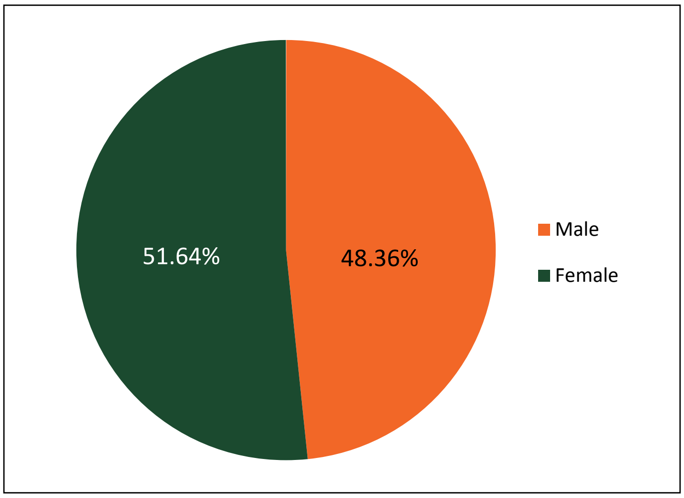
In accordance with the Employment Equity Act of 1998, ITAC is committed to providing and transforming a workforce that is equitably representative of the demographics of South Africa, united in diversity, through the appointment of suitably qualified people from designated groups in all occupational levels and categories.

The highlights of the year under review include: a proper functioning Employment Equity ("EE") committee; the implementation of a 3 year EE plan (2012 - 2015); and reporting the EE progress against the EE plan to the Department of Labour.

Employee Profile

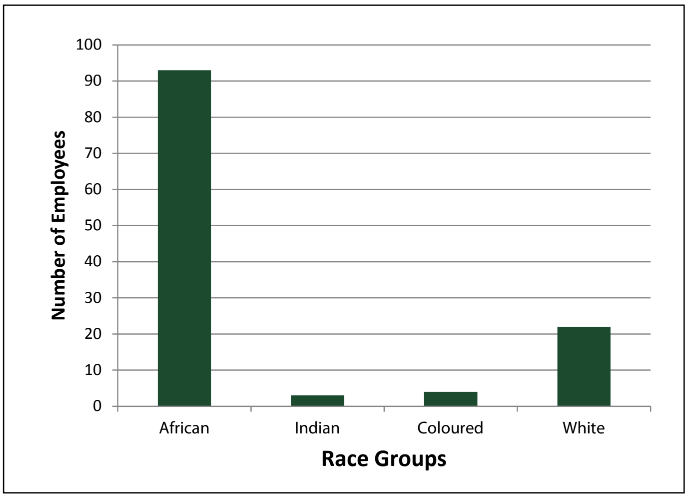
The following graphs present ITAC's employee profile in terms of a) gender; b) race; and c) job classifications.

A. Gender profile



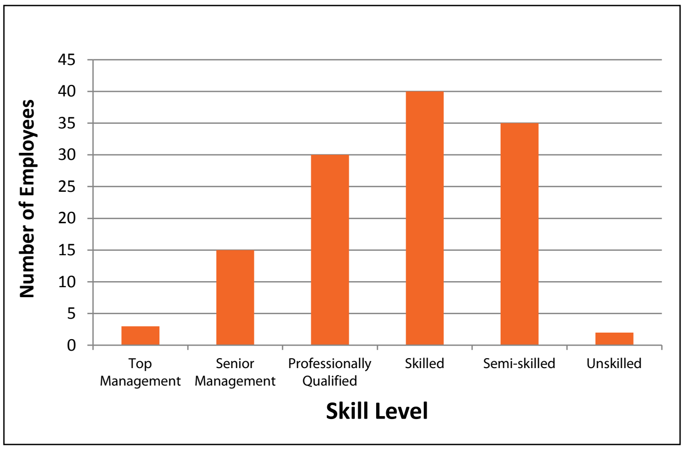
The above graph depicts the gender representation of the employees of ITAC during the period under review. The current status in terms of gender representation is also a consideration in terms of setting up targets for the EE plan.

B. Race Profile



The above graph depicts the racial representation of employees of ITAC during the period under review.

C. Job Profile



The above graph depicts the percentages of employees in different occupational categories employed by ITAC during the period under review. This also informs ITAC's EE plan in terms of ensuring that employees are equally represented in all occupational categories.


5,241.04
5,682.04
381,948.49
2,339.93
63.50
21.14
112.92
4,860.00

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

Annual Financial Statements for the year ended 31 March 2014

Country of incorporation and domicile	South Africa DTI Campus (Building E) 77 Meintjies Street Sunnyside Pretoria 0001
Postal address	Private Bag X 753 Sunnyside Pretoria 0001
Website	www.itac.org.za
Bankers	Standard Bank
Auditors	Auditor-General of South Africa

Financial Table of Contents

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

Index

Corporate Governance Report

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

1. Internal Financial control

Internal Financial control focuses 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 policies, procedures and systems are in place and have been implemented to provide reasonable assurance of the integrity and reliability of the financial statements and to adequately protect, verify and maintain accountability of ITAC's assets. The effectiveness of these systems are continously monitored throughout the year by both Management and Internal Audit.

2. Risk Management

An independent risk management process is in place to enable management to effectively identify, evaluate and assess risks. The Internal Audit 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. ITAC has a comprehensive risk register for each division from which a consolidated register is prepared and monitored.

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

Accounting Authority's Responsibilities and Approval

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 2014 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 judgements.

The annual financial statements for the year ended 31 March 2014 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 2014. 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 2014, 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 of the results of ITAC for the year ended 31 March 2014.

Siyabulela Tsengiwe
Chief Commissioner
Date: 31 July 2014

Audit Committee Report

We are pleased to present our report for the financial year ended 31 March, 2014.

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 THE MEMBER	NUMBER OF MEETINGS ATTENDED
S. Hari (Chairperson)	5
P. Mvulane	5
K. Singh	4
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 operating efficiently.

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 with the support of the co-sourced Internal Audit function. 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 2013/2014 financial year.

All our efforts are combined to strive towards excellence to learn, grow and serve, and have resulted in the department again receiving an unqualified audit report for the 2013/14 financial year.

Shaila Hari
31 July 2014
Chairperson

Report of the Auditor-General to Parliament on ITAC

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the International Trade Administration Commission of South Africa set out on pages 46 - 77, which comprise of the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as 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) (PFMA), 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

EMPHASIS OF MATTER PARAGRAPHS

7. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Restatement of Corresponding Figures

8. As disclosed in note 21 to the financial statements, the corresponding figures for 31 March 2013 have been restated as a result of an error discovered during 2014 in the financial statements of the International Trade Administration Commission of South Africa at, and for the year ended, 31 March 2013.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Compliance with Legislation

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2014:

- Strategic objective: Tariff investigations (on pages 26 to 32).
- Strategic objective: Trade remedies (on pages 26 to 32).
- Strategic objective: Import and export (on pages 26 to 32).

11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Additional Matters

15. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

Achievement of Planned Targets

16. Refer to the annual performance report on pages 26 - 32 for information on the achievement of planned targets for the year.

Adjustment of Material Misstatements

17. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for trade remedies and tariff investigations. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Compliance with Legislation

18. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Expenditure Management

19. The accounting authority did not take effective steps to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Material Misstatements

20. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(b) of the PFMA. Material misstatements of liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records provided, resulting in the financial statements receiving an unqualified audit opinion.

Internal Control

21. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

Financial and Performance Management

22. Management did not monitor the controls designed to ensure accurate and complete financial statements, performance reports and compliance with laws and regulations and internal policies

Auditor-General

Auditor-General
Pretoria
31 July 2014

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Accounting Authority's Report

1. Introduction

Report by the Accounting Authority on the financial performance, financial position and cash flow position of ITAC for the year ended 31 March 2014.

2. Operating results

The deficit of ITAC for the year ended 31 March 2014 was R890,163 (2013: R1,930,985 surplus). The interest received year to date is R1,327,638 (2013: 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 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 is 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.

	2014	2013
Total revenue	82,011,400	76,366,946
Total operating costs	(82,901,563)	(74,435,961)

4. Executive Management emoluments

Disclosure of the Executive Management remuneration is detailed in note 20 to the annual financial statements.

5. Review of financial position

ITAC was granted permission by National Treasury to retain the 2012/2013 financial year surplus for an amount of R1,600,763. The prior year surplus was restated to R1,930,985.

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 was R409,655. 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 2013/2014 financial year was R81,931,000.

7. Business address:

DTI Campus (Building E)
77 Meintjies Street
Sunnyside
Pretoria
0001

8. Approval of the annual financial statements

The annual financial statements set out on pages 37 to 77 have been approved by the Audit Committee and signed on its behalf by the Chief Commissioner.

Siyabulela Tsengiwe
Chief Commissioner
Date: 31 July 2014

Statement of Financial Position as at 31 March 2014

	Note(s)	2014 R	2013 R
Assets			
Current Assets			
Inventory	5	71,056	43,248
Receivables from exchange transactions	6	776,171	647,403
Prepayments		-	271,695
Cash and cash equivalents	7	30,613,887	29,463,129
		31,461,114	**30,425,475**
Non-Current Assets			
Property, plant and equipment	2	1,459,086	1,931,865
Intangible assets	3	1,059,076	823,754
		2,518,162	**2,755,619**
		33,779,276	**33,181,094**
Total Assets			
Liabilities			
Current Liabilities			
Finance lease obligation	9	46,663	308,863
Payables from exchange transactions	11	4,328,860	2,915,755
Provisions	10	3,750,605	3,549,138
		8,126,128	**6,773,756**
Non-Current Liabilities			
Finance lease obligation	9	-	46,663
Provisions	10	4,495,224	4,112,586
		4,495,224	**4,159,249**
Total Liabilities		**12,621,352**	**10,933,005**
Net Assets		**21,357,924**	**22,248,089**
Accumulated surplus	8	21,357,924	22,248,089

Statement of Financial Performance

	Note(s)	2014 R	2013 Restated* R
Revenue			
Rendering of services	12	713,587	654,162
Other income	12	200,175	89,926
Interest received - investment	12	1,327,638	1,219,858
Government grants & subsidies	12	79,770,000	74,403,000
Total revenue		**82,011,400**	**76,366,946**
Expenditure			
Personnel	14	(61,108,793)	(55,198,589)
Depreciation and amortisation		(1,087,783)	(1,303,793)
Finance costs	15	(31,205)	(91,840)
Debt impairment		-	(20,552)
Repairs and maintenance		(30,333)	(9,914)
General Expenses	13	(20,643,449)	(17,811,273)
Total expenditure		**(82,901,563)**	**(74,435,961)**
Operating (deficit) surplus		**(890,163)**	**1,930,985**
(Deficit) surplus for the year		**(890,163)**	**1,930,985**

Statement of Changes In Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 April 2012	**20,317,104**	**20,317,104**
Changes in net assets		
Surplus for the year	1,930,985	1,930,985
Total changes	1,930,985	1,930,985
Restated* Balance at 01 April 2013 as restated*	**22,248,087**	**22,248,087**
Changes in net assets		
Deficit for the year	(890,163)	(890,163)
Total changes	(890,163)	(890,163)
Balance at 31 March 2014	**21,357,924**	**21,357,924**

Cash Flow Statement

	Note(s)	2014 R	2013 Restated* R
Cash flows from operating activities			
Receipts			
Grants		79,770,000	74,403,000
Interest income		1,327,638	1,219,858
Other income		795,302	744,088
		81,892,940	76,366,946
Payments			
Employee costs		(61,108,793)	(55,198,587)
Suppliers		(18,442,998)	(16,515,126)
Finance costs		(31,205)	(91,840)
		(79,582,996)	(71,805,553)
Net cash flows from operating activities	17	**2,309,944**	**4,561,393**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(457,037)	(1,547,748)
Purchase of other intangible assets	3	(393,286)	(432,039)
Net cash flows from investing activities		**(850,323)**	**(1,979,787)**
Cash flows from financing activities			
Finance lease payments		(308,863)	(343,102)
Net increase/(decrease) in cash and cash equivalents		**1,150,758**	**2,238,504**
Cash and cash equivalents at the beginning of the year		29,463,129	27,224,625
Cash and cash equivalents at the end of the year	7	**30,613,887**	**29,463,129**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	713,587	-	**713,587**	713,587	-	25 & 26
Other income	166,553	-	**166,553**	200,175	**33,622**	25 & 26
Interest received - investment	1,280,860	-	**1,280,860**	1,327,638	**46,778**	25 & 26
Total revenue from exchange transactions	**2,161,000**	**-**	**2,161,000**	**2,241,400**	**80,400**	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	79,770,000	-	**79,770,000**	79,770,000	**-**	
Total revenue	**81,931,000**	**-**	**81,931,000**	**82,011,400**	**80,400**	
Expenditure						
Personnel	(61,559,000)	-	**(61,559,000)**	(61,108,793)	**450,207**	25 & 26
Depreciation and amortisation	(1,507,888)	-	**(1,507,888)**	(1,087,783)	**420,105**	25 & 26
Finance costs	(133,310)	-	**(133,310)**	(31,205)	**102,105**	25 & 26
Repairs and maintenance	(16,773)	-	**(16,773)**	(30,333)	**(13,560)**	25 & 26
General Expenses	(18,714,029)	-	**(18,714,029)**	(20,643,449)	**(1,929,420)**	25 & 26
Total expenditure	**(81,931,000)**	**-**	**(81,931,000)**	**(82,901,563)**	**(970,563)**	
Deficit before taxation	**-**	**-**	**-**	**(890,163)**	**(890,163)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**(890,163)**	**(890,163)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	79,770,000	-	**79,770,000**	79,770,000	-	
Interest income	1,280,860	-	**1,280,860**	1,327,638	**46,778**	25 & 26
Other receipts	880,140	-	**880,140**	795,302	**(84,838)**	25 & 26
	81,931,000	**-**	**81,931,000**	**81,892,940**	**(38,060)**	
Payments						
Employee costs	(61,559,000)	-	**(61,559,000)**	(61,081,261)	**477,739**	25 & 26
Suppliers	(20,238,690)	-	**(20,238,690)**	(18,470,530)	**1,768,160**	25 & 26
Finance costs	(133,310)	-	**(133,310)**	(31,205)	**102,105**	25 & 26
	(81,931,000)	**-**	**(81,931,000)**	**(79,582,996)**	**2,348,004**	
Net cash flows from operating activities		-	**-**	**2,309,944**	**2,309,944**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(743,000)	-	**(743,000)**	(457,037)	**285,963**	25 & 26
Purchase of other intangible assets	(400,000)	-	**(400,000)**	(393,286)	**6,714**	25 & 26
Net cash flows from investing activities	**(1,143,000)**	**-**	**(1,143,000)**	**(850,323)**	**292,677**	
Cash flows from financing activities						
Finance lease payments	(365,000)	-	**(365,000)**	(308,863)	**56,137**	25 & 26
Net increase/(decrease) in cash and cash equivalents	(1,508,000)	-	**(1,508,000)**	1,150,758	**2,658,758**	
Cash and cash equivalents at the beginning of the year	32,483,000	-	**32,483,000**	29,463,129	**(3,019,871)**	
Cash and cash equivalents at the end of the year	**30,975,000**	**-**	**30,975,000**	**30,613,887**	**(361,113)**	

Accounting Policies

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 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. Accounting policies for material transactions, events or conditions not covered by 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 Standard Board. In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenue 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 chnages in accounting policies are explained in the relevant policy. The principal accounting policies adopted in the preparation of these Annual Financial Statements are set out below.

1.1 Presentation currency

These annual 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 Going concern assumption

The annual financial statements have been prepared on the basis that ITAC will continue to operate as a going concernin the year ahead.

1.3 Significant judgements 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 judgement 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 judgements 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 judgements 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 judgement 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 assets, in order to determine the remaining period over which the asset can and will be utilised.

1.4 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 the 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 depreiation 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 decrease, 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 year.

The assets 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.

1.5 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

ITAC 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 seperated is capitalised as an intangible asset. Costs associated with developing or maintaining in-house computer software programmes are capitalised when they are incurred.

Intangible asset 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 assets 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 belong. 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 is carried at a re-valued amount under the standard. Where an impairment loss subsequently reserves, the carrying amount of the asset is increased to the revised estimated 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 are 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.

1.6 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.

Classification

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 fair value
Trade and other receivables	Financial asset measured at fair value

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 fair value
Finance leases	Financial liability measured at amortised cost

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 fair value or amortised cost. ITAC assesses which financial instruments are subsequently measured at fair value, amortised cost based on the definition of financial instruments at fair value or financial instruments at amortised cost as per relevant standard.

All financial assets measured at amortised cost are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is 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 assess 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 trate 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, the 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.

1.7 Statutory Receivables

Statutory receivables arise from legislation, supporting legislation, by-laws or similar means; and require settlement by another entity in cash or another financial asset. The example of statutory receivables includes; taxes, fines, penalties, appropriation/ grants, fees charged to regulated ativities. ITAC's statutory receivables will most likely be the appropriation/ grants as the dominant legislated transactions emanate from the budget allocation that comes via EDD. Accordingly ITAC transactions are accounted for as non-exchange in nature or exchange nature whichever is applicable.

Recognition

ITAC will recognise statutory receivables as per the nature of the transaction in relation to the applicable standards, depending whether the transaction is exchange or non-exchange in nature, and also as per the GRAP on statutory receivables. But if the transaction does not fall within the requirements of GRAP standards on exchange or non-exchange transaction or any other GRAP standards, then the receivable is recognised when the requirements of an asset are met.

Measurement

Initial Measure:

ITAC will initially measure its statutory receivables at their transaction amount as per the relevant accounting standard, depending on the nature of the transaction whether it is exchange or non-exchange

Subsequent Measure:

ITAC statutory receivables will be subsequently measured using the cost method to change intitial measurement to reflect: interest or other charges as per applicable legislation, (e.g. interest can be simple or compounded); impairment losses and amount derecognised.

Impairment of Statutory Receivables

ITAC will assess the statutory receivables for impairment on every reporting date in terms of the applicable standard for this type of receivable, assessment of the receivables to be done individually or as a group. The transactions from non- exchange transactions are unlikely to be impaired as they originate from another state institution, example is the appropriation. But statutory receivables from exchange transactions, then guidelines as per applicable standard will be applied to assess for impairment. Accordingly when the GRAP standard on statutory recievable becomes effective ITAC will develop an appropriate methodology to categorise the statutory receivable and will accumulate information about their collectability. Where there is evidence that statutory receivable will be impaired and carrying amount is higher than the estimated future cash flow, then the impairment loss which is the difference between carrying amount and estimted future cash flow shall be recognised in surplus or loss in the statement of financial performance.

Derecognition

ITAC will derecognise statutory receivables when:- the receivable is settled, expire, waive; when ITAC transfer to another party the reward and risk of the receivable; or when ITAC retained the reward and risk, but transfers the control to the statutory receivable to another party.

Presentation and Disclosure

Disclosure by ITAC will be done in line with GRAP standard on statutory receivables, as well as in terms of other relevant applicable standard of GRAP.

The disclosure of the carrying amount of statutory receivables shall be done seperately in the notes to the financial statements of ITAC, clearly distinguishing statutory receivables from receivables which are financial assets and other receivables.

ITAC will disclose information about the key indicators and assumptions used to assess and calculate whether statutory receivables were impaired during a particular reporting period.

1.8 Tax

Tax expenses

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

1.9 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.

1.10 Inventory

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

Subsequently inventory are measured at the 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 their present location and condition.

When inventory are sold, the carrying amounts of those inventory are 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, are recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

1.11 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 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.

1.12 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.

1.13 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 recognise 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 recognise 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 measure 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 recognise 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.

1.14 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 judgement 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 recognize 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.

1.15 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.

1.16 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 recognised when it is probable that future economic benefits will flow to ITAC and these benefits can be measured reliably.

Measurement

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.

1.17 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 indicates 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.

1.18 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 retropectively as far as is practicable, and the prior year comparatives are restated accordingly.

Prior Year Errors

Prior year period errors are omissions from and mistatements in the entity financial statements for one or more prior periods arising from failure to use reliable information that was available when the financial statements for those period were authorised for issue. Such error include the effect of mistake in applying the accounting poliy, oversight or misrepresentation of fact and correction will be done retrospetively.

1.19 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.

1.20 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.

1.21 Irregular expenditure

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the annual 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 annual 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 annual 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 annual 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 annual financial statements and updated accordingly in the irregular expenditure register.

1.22 Budget information

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

ITAC provide 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 2013/04/01 to 2014/03/31.

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 25.

1.23 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 significant influence or joint control over the other party in making financial and operational decisions. A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

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 are 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.

1.24 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 20 disclosed.

GRAP 32: Service Concession Arrangement Grantor - This standard will not have impact on financials of ITAC as it is not involved in concession agreements.

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 on 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 on ITAC.

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

GRAP 108: Statutory Receivables - The accounting policies related to this standard has been developed and it will be early adopted if the transaction relating to it arise.

Notes to the Annual Financial Statements

2. Property, plant and equipment

	2014 R			2013 R		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture	545,837	(324,210)	221,627	1,094,564	(824,874)	269,690
IT equipment	2,084,277	(896,749)	1,187,528	1,676,089	(321,976)	1,354,113
Leased Assets	334,542	(284,611)	49,931	995,226	(687,164)	308,062
Total	**2,964,656**	**(1,505,570)**	**1,459,086**	**3,765,879**	**(1,834,014)**	**1,931,865**

Reconciliation of property, plant and equipment - 2014

	Opening balance R	Additions R	Disposals - Cost R	Disposals- Accumulated Depreciation R	Depreciation R	Total R
Office furniture	269,690	38,680	(587,408)	587,408	(86,743)	221,627
IT equipment	1,354,113	418,357	(10,169)	10,169	(584,942)	1,187,528
Leased Assets	308,062	-	(660,684)	660,684	(258,131)	49,931
	1,931,865	**457,037**	**(1,258,261)**	**1,258,261**	**(929,816)**	**1,459,086**

Reconciliation of property, plant and equipment - 2013

	Opening balance R	Additions R	Disposals - Cost R	Disposals - Accumulated Depreciation R	Depreciation R	Total R
Office furniture	392,790	53,205	(316,481)	316,481	(176,305)	269,690
IT equipment	678,937	1,461,447	(3,236,977)	3,236,977	(786,271)	1,354,113
Leased Assets	643,578	33,096	(56,000)	25,974	(338,586)	308,062
	1,715,305	**1,547,748**	**(3,609,458)**	**3,579,432**	**(1,301,162)**	**1,931,865**

A 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 R49,931. During the financial year there were assets that reached the end of their useful lives that were disposed of and the disposal value was R1,258,260.

3. Intangible assets

	2014 R			2013 R		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,821,813	(762,737)	1,059,076	1,428,527	(604,773)	823,754

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
	R	R	R	R
Computer software	823,754	393,286	(157,964)	1,059,076

Reconciliation of intangible assets - 2013

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

4. Financial assets and liabilities by category

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

2014	R	R
	Loans and receivables / payables at amortised cost	**Total**
Trade and other receivables	776,171	776,171
Cash and cash equivalents	30,613,887	30,613,887
Trade and other payables	(4,328,860)	(4,328,860)
Finance leases	(46,663)	(46,663)
	27,014,535	**27,014,535**

2013	R	R
	Loans and receivables / payables at amortised cost	**Total**
Trade and other receivables	647,403	647,403
Cash and cash equivalents	29,463,129	29,463,129
Trade and other payables	(2,915,755)	(2,915,755)
Finance leases	(308,863)	(308,863)
	26,885,914	**26,885,914**

5. Inventory

	2014 R	2013 R
Stationery and consumables	71,056	43,248

6. Receivables from exchange transactions

	2014 R	2013 R
Cell phones	78,752	38,068
Subsistence and travel	143,362	67,908
Bursaries	11,954	2,752
Other debtors	324,797	291,438
the dti-Secondment	237,858	267,789
Provision for bad debts	(20,552)	(20,552)
	776,171	647,403

No trade and other receivables were pledged as security for any financial liability.

Trade and other receivables past due but not impaired

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

	2014 R	2013 R
30 days past due	-	43,045
60 days past due	94,969	239,272
90 days past due	72,832	364,665

Trade and other receivables neither past due nor impaired

	2014 R	2013 R
Over 90 days	446,791	20,972

7. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term, highly liquid deposits that are held with 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.

	2014 R	2013 R
Cash on hand	5,009	5,979
Bank balances	778,894	839,103
Call account	29,829,984	28,618,047
	30,613,887	**29,463,129**

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 cash and cash equivalents were kept in the call and current account and daily interest earned ranged between 4.40% and 4.90%. The cash and cash equivalents were not pledged as security for any financial liabilities.

8. Accumulated surplus

Accumulated surplus at the end of the 2012/2013 financial year amounted to R21.9 million. Approval to retain the 2012/2013 surplus of R1.6 million was granted by the National Treasury via EDD on 20 February 2014. The prior year surplus was restated to R1.9million.

During 2013/2014 financial year, ITAC had a deficit on the Statement of Financial Performance of R890,163 as some actual expenses were funded from an approved retained surplus which is in Net Changes in Equity while the Statement of Financial Performance only includes the normal budget.These expenses were above the normal budget by R1,082,182 for which the expenditure was funded from the 2011/2012 retained surplus of R2.9 million as approved by the National Treasury on 28 March 2013. There was significant increase in legal fees which exceeded the budget by R1.4 million as a result of litigations against ITAC by industry. During the financial year under review, ITAC implemented a new price preference system for scrap metal based on a directive from the Minister of Economic Development. With the Minister's approval ITAC appointed two employees whose salaries had not been budgeted for and which were funded from accumulated surplus, while application is made for additional funding.

	Budget R	Actual R	Retained Surplus R	Net difference R
Interns	-	(421,059)	780,000	358,941
Staff Training	598,000	(856,886)	350,000	91,114
Staff Bursary	178,332	(257,483)	350,000	270,849
Technical Support	620,499	(828,553)	565,882	357,828
IT Expenses	646,925	(371,237)	660,000	935,688
Part Time Commissioners	295,199	(410,221)	200,000	84,978
	2,338,955	**(3,145,439)**	**2,905,882**	**2,099,398**

9. Finance lease obligation

	2014 R	2013 R
Minimum lease payments due		
- within one year	48,987	340,068
- in second to fifth year inclusive	-	48,987
	48,987	389,055
less: future finance charges	(2,324)	(33,529)
Present value of minimum lease payments	**46,663**	**355,526**
Present value of minimum lease payments due		
- within one year	46,663	308,863
- in second to fifth year inclusive	-	46,663
- later than five years	-	-
	46,663	**355,526**

ITAC leased photocopiers and printers under a finance lease from three service providers. Obligations under the finance lease are secured by the leased asset. The lease term is 3 years and instalments are payable monthly in advance. Two lease contracts expired on 31 March 2014 and one will expire on 30 September 2014. The average interest rate is 9% per annum. There are no restrictions imposed on ITAC in terms of the leases.

10. Provisions

Reconciliation of provisions - 2014

	Opening Balance R	Additions R	Utilised during the year R	Reversed during the year R	Total R
Legal fees	2,217,500	2,628,223	(2,217,500)	-	2,628,223
Performance bonus	845,489	923,370	(845,489)	-	923,370
Workmen's Compensation	486,149	199,011	(261,441)	(224,707)	199,012
Leave pay	4,112,586	650,709	(268,071)	-	4,495,224
	7,661,724	**4,401,313**	**(3,592,501)**	**(224,707)**	**8,245,829**

Reconciliation of provisions - 2013

	Opening Balance R	Additions R	Utilised during the year R	Total R
Legal fees	597,100	2,217,500	(597,100)	2,217,500
Performance bonus	799,122	845,489	(799,122)	845,489
Workmen's 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**

	2014 R	2013 R
Non-current liabilities	4,495,224	4,112,586
Current liabilities	3,750,605	3,549,138
	8,245,829	**7,661,724**

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.

Workmen's 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 2013/14 tax year.

Leave pay provision

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

11. Payables from exchange transactions

	2014 R	2013 R
Service bonus	1,417,425	1,152,376
IT and Technical Support	98,343	441,891
Training	113,840	36,433
Internal audit fee	478,844	104,810
Legal fees	871,851	562,079
Other accruals	1,341,351	611,835
Staff telephone creditors	7,206	6,331
	4,328,860	**2,915,755**

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

12. Revenue

The amount included in revenue arising from exchanges of goods or services are as follows:

	2014 R	2013 R
Rendering of services	713,587	654,162
Other income	200,175	89,926
Interest received - investment	1,327,638	1,219,858
	2,241,400	**1,963,946**

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue

Government grants & subsidies	79,770,000	74,403,000

13. Included in operational expenses are:

	2014 R	2013 R
Advertising	518,443	220,125
Auditors remuneration	1,723,643	1,524,177
Bank charges	38,884	44,719
Cleaning	2,661	5,646
Consulting and professional fees	900,262	838,960
Catering	176,841	130,653
Flowers	73,758	66,382
Insurance	173,375	197,605
IT expenses	371,237	1,341,717
Lease rentals on operating lease	3,384,358	2,862,837
Promotions and sponsorships	80,690	173,634
Legal fees	3,758,950	2,928,552
Motor vehicle expenses	66,569	291,494
Recruitment and resettlement expenditure	265,238	222,774
Postage and courier	425,046	112,570
Printing and stationery	605,453	804,571
Employee wellness	165,620	200,404
Subscriptions and membership fees	240,811	310,008
Telephone and fax	959,247	906,345
Training	856,886	306,223
Travel - local	2,611,673	1,945,011
Travel - overseas	1,643,535	552,559
Assets expensed	-	5,516
Protective clothing	-	5,239
Staff Bursaries	257,483	336,737
Offsite storage - documents	161,363	117,110
Audit Committee remuneration	169,617	180,121
Part-time Commissioners remuneration	410,221	275,887
Workshops and conferences	601,584	892,033
Stock write-off	-	11,664
	20,643,448	**17,811,273**

14. Employee related cost

	2014 R	2013 R
Basic	43,206,930	43,258,701
Bonus	946,638	882,310
Medical aid - company contributions	962,587	1,006,402
Unemployment Insurance Fund	222,745	197,187
Workmen's Compensation	(25,696)	178,009
Leave pay provision charge	650,709	684,436
Post-retirement benefits expense	5,382,914	4,785,368
13th Cheques	3,199,520	2,739,893
Car allowance	359,142	15,354
Housing benefits and allowances	962,151	284,474
Group Life	55,603	49,408
Non-pensionable cash allowance	5,185,550	1,117,047
	61,108,793	**55,198,589**

ITAC remunerates its employees in line with the DPSA salary dispensation.

15. Finance costs

Finance leases	31,205	91,840

16. Operating lease

At year end there were outstanding commitments under non-cancellable operating leases, which fall due as follows : Vehicles are classified as operating leases as they do not meet the criteria for 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. Office equipment is leased for a period of 11 months and the contract will expire on 30 September 2014.

Lease payments for motor vehicles are fixed over the lease term and therefore no equalisation of payments was done.The lease expired on 12 September 2013. The new lease commenced on the 01 November 2013.

2014	Up to 1 year R	2 to 5 years R	Total R
Premises - rent	3,217,741	12,870,960	16,088,701
Vehicles	319,433	825,202	1,144,635
Office equipment	40,559	-	40,559
	3,577,733	**13,696,162**	**17,273,895**

2013	Up to 1 year R	2 to 5 years R	Total R
Premises - rent	3,021,353	12,085,136	15,106,489
Vehicles	173,154	-	173,154
	3,194,507	**12,085,136**	**15,279,643**

17. Cash generated from operations

	2014 R	2013 R
(Deficit) surplus	(890,163)	1,930,985
Adjustments for:		
Depreciation and amortisation	1,087,783	1,303,793
Debt impairment	-	20,552
Movements in provisions	584,105	2,249,938
Other non-cash items	-	30,024
Changes in working capital:		
Inventory	(27,808)	2,771
Receivables from exchange transactions	(128,773)	469,547
Provision for bad debts / Debt impairment	-	(20,552)
Prepayments	271,695	(271,695)
Payables from exchange transactions	1,413,105	1,153,970
	2,309,944	**4,561,393**

18. Commitments

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

Contract Description	Commitment up to Year 1 R	Commitment after Year 1 R
Internal audit services	270,286	-
Employee health & wellness programme	12,663	-
Fraud hotline management services	54,556	40,917
Software licences	339,446	-
Subscriptions and books	83,060	-
Supply of fresh flowers	36,400	-
Parking	82,330	6,861
	878,741	**47,778**

19. Contingencies

ITAC is opposing litigation by the SA Metal Group. Court papers have been filed, and costs cannot be reliably estimated. A second case relates to ITAC filing an opposing affidavit in the litigation by CASAR against ITAC's decision to increase anti-dumping duties as a result of its sunset review. A third case, brought by Carte Blanche, seeks to have certain sections of the Cross Border Agency Act declared unconstitutional.

20. Related parties

Relationships	
Economic Development Department (EDD)	National Department in National Sphere
Entities under EDD control:	-
SEFA	Public Entity in National Sphere
IDC	Public Entity in National Sphere
Competition Commission	Public Entity in National Sphere
Competition Tribunal	Public Entity 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
Members of key management	Mr. S.T Tsengiwe (Chief Commissioner)
	Deputy Chief Commissioner (Vacant)
	Mr. P. Semela (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

Department of Trade and Industry (the dti)

	2014 R	2013 R
Payments received from dti	(1,070,384)	(1,112,583)
Rental payments	3,021,353	2,836,886
Telephone and internet payments	497,524	569,804
Economic Development Department		
Transfer payments received from EDD	(79,770,000)	(74,403,000)
Department of Justice and Constitutional Development		
Legal costs incurred	3,625,950	1,496,693

Mr. S.T Tsengiwe (Chief Commissioner)	2014 R	2013 R
Basic salary	1,100,300	1,041,950
13th cheque	63,091	59,745
Pension contribution	97,986	93,202
	1,261,377	**1,194,897**

Ms. B.L Chipeio (Deputy Chief Commissioner)	2014 R	2013 R
Basic salary	-	577,599
Car allowance	-	6,666
13th cheque	-	57,244
Pension contribution	-	80,304
Medical aid	-	18,028
	-	**739,841**

Contract ended on 03 December 2012. The position for Deputy Chief Commissioner was vacant for the full financial year.

Mr. K.T.N Khuse (General Manager: Corporate Services)	2014 R	2013 R
Basic salary	-	122,268
Housing Allowance	-	20,000
13th cheque	-	65,834
Pension contribution	-	19,944
	-	**228,046**

Resigned on 31 May 2012

Dr M. Obinyeluaku (Chief Economist)	2014 R	2013 R
Basic salary	820,066	323,043
Car Allowance	24,000	10,000
13th cheque	57,881	36,175
Pension contribution	89,894	35,627
	991,841	**404,845**

Mr. Z.C Koyana (Chief Financial Officer)	2014 R	2013 R
Basic salary	732,567	710,323
Housing Allowance	48,000	60,000
Pension contribution	69,259	65,114
13th cheque	35,105	-
	884,931	**835,437**

Mr. P. Semela (General Manager: Corporate Services)	2014 R	2013 R
Basic salary	844.066	-
Pension contribution	89,894	-
13th cheque	70,745	-
Medical aid contribution	2,320	-
	1,007,025	**-**

Promoted on 01 May 2013

Related party balances

Department of Trade and Industry (the dti)

	2014 R	2013 R
Receivable at year-end	237,858	267,789
Department of Justice and Constitutional Development		
Payable at year-end	(871,851)	(332,873)

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

21. Prior period error

The error relates to the correction in respect of assets of less than R2,000. Assets of less than R2,000 were expensed and included in the depreciation expense. The opening balance of accumulated surplus on 01 April 2012 was not affected. The financial statements for the year ended 31 March 2013 were restated accordingly.

There was an incorrect journal entry that was processed in 2012/ 2013 which resulted in duplicates of both Trade Payables and Consulting and Professional Fees expenditure in the amount of R330 221.

The effect of the error on the 2013 results is as follows:

	2014 R	2013 R
Statement of financial position		
Accumulated depreciation: Furniture & Fittings	-	4,095
Trade Payables	-	330,221
Statement of Financial Performance		
Depreciation expense	-	(4,095)
Consulting and Professional fee	-	(330,221)

22. Risk management

Financial risk management

The main risks arising from the 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 Internal Audit 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 sufficient cash resources.

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

	Carrying amount R	Total cash flow within 1 year R	Contractual cash flow within 1 year R	Contractual cash flow between 1 and 5 years R
At 31 March 2014				
Trade and other payables	4,328,860	4,328,860	4,328,860	-
Other financial liabilities	8,159,492	3,664,268	3,664,268	4,495,224
At 31 March 2013				
Trade and other payables	2,915,755	2,915,755	2,915,755	-
Other financial liabilities	8,017,250	3,858,001	3,858,001	4,159,249

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

	Change in investments	Increase / (decrease) in net surplus for the year Upward change R	Increase/(decrease) in net surplus for the year Downward change R
2014			
Cash and cash equivalents	1 %	306,139	(306,139)
Finance lease	1 %	(46,663)	46,663
2013			
Cash and cash equivalents	1 %	294,932	(294,932)
Finance lease	1 %	(308,863)	308,863

Credit risk

ITAC's credit risk consists mainly of cash deposits, cash and cash equivalents and receivables from exchange transactions. ITAC only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. ITAC's exposure to credit risk is very minimal.

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

Financial instrument	2014 R	2013 R
Call account	29,829,984	28,618,047
Current account	778,894	839,103
Receivables from exchange transactions	744,410	647,401

23. Fruitless and wasteful expenditure

	2014 R	2013 R
Opening balance	-	37,932
Less: Amounts condoned	-	(37,932)
	-	**-**

No fruitless and wasteful expenditure was incurred in the 2013/2014 financial year.

24. Irregular expenditure

	2014 R	2013 R
Opening balance	193,815	788,708
Add: Irregular Expenditure*	391,621	193,815
Less: Amounts condoned	(379,455)	(788,708)
	205,981	**193,815**

* The irregular expenditure of R185,640 results from continuing contracts as identified by the Auditor General in the 2011/2012 financial year for not specifying preference points. The irregular expenditure of the previous financial year of R193,815 and the current financial year of R185,640 were condoned and the Auditor-General and National Treasury were both notified. The irregular expenditure of R205,981 relates to the award of BEE Contribution points to a service provider that did not submit a BEE Certificate (R147,690) and the submission of a copy a Tax Clearance Certificate (R58,291).

25. Reconciliation between budget and statement of financial performance

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

	2014 R	2013 R
Net (deficit) surplus per the statement of financial performance	(890,163)	1,600,763
Adjusted for:		
Other income	(33,622)	(701,927)
Transfer from retained income for depreciation recovery	-	1,832,000
Interest income	(46,778)	(275,643)
Payroll expenditure in excess / (lower than) of budget	(450,207)	(1,904,342)
Operational expenditure in excess / (lower than) of budget	1,420,770	(550,851)
Net surplus per approved budget	**-**	**-**

Variance explanations between budget and actual income and expenditure

26. Material differences between budget and actual amounts

Interest income exceeded the budget by R46,778 as a result of timeous transfer of excess funds to the call account. Other income increased as a result of increased recovery of staff debtors.

The excess of general expenditure over the final budget of R1,420,770 (7% over approved budget) was due to increases in legal fees, recruitment costs, as well as training and staff development costs. The excess expenditure was funded from the 2011/2012 financial year surplus as approved by the National Treasury on the 28th March 2013. There were no other material differences between the final budget and the actual amounts. Payroll expenditure is below budget by 0.78% as a result of reduced actual expenses for Workmen's Compensation.

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