C T I C C

17 April 2014

CTICC CHAIRMAN'S REPORT

The Cape Town International Convention Centre (CTICC)'s financial history over the last decade reflects that despite the challenging global and national economic backdrop, the centre has successfully delivered on its mandate of advancing economic growth and job creation in both South Africa and the Western Cape.

In 2013 the centre hit a record high in its tenth year of operations and added R 2.99 billion to the national economy and more than R1 billion to the Western Cape's coffers.

Since inception the CTICC has successfully generated an operating profit year on year and has contributed over R22 billion to South Africa's Gross Domestic Product (GDP) and more than R7 billion to the Western Cape's Gross Geographical Product (GGP).

As a municipal entity the CTICC is mandated to ensure its self-sustainability whilst simultaneously contributing to the GDP and job creation. The CTICC is also required to submit, along with its annual budget, a multi-year business plan that sets key financial and non-financial performance objectives and measurement criteria that is aligned to the integrated development plan (IDP) of its parent municipality i.e. the City of Cape Town (CoCT).

Towards the end of 2013 the CTICC decided to bring its budgeting process in line with the processes of its parent municipality. The centre has therefore set clear goals and objectives that are aligned to the City of Cape Town's strategic objectives. The CTICC's financial plan for 2014/15 reflects these objectives with the projected hosting of 500 events, which is expected to generate both an operating and net profit for the year with growth of 8% year on year.

The 2014/15 operational plans which are factored into the budgets take into account growth in primary and secondary revenue streams as well as the continuous drive to reduce costs. The business needs in respect of capital expenditure for the existing building, which is also funded from CTICC reserves have been budgeted at R27 million for the year. The capital expenditure budget will be utilised for implementing new assets and maintaining existing ones in order to ensure that the CTICC continues to remain a world class conference facility at the forefront of international standards of best practice.

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The 2014/2015 budget projects a net profit before tax of R17.8 million. The budget indicates an increase in total revenues of 8% compared to 2013/2014 forecast budget, which is 2% more than the current inflation rate and is more or less in line with the average revenue trend increase over the past five years. Total indirect costs have been budgeted to increase by 5%, which is also in line with inflation. The operating profit before interest and depreciation of R27 million reflects a 26% growth compared to the 2013/2014 forecast budget.

As a results-driven organisation, much emphasis is placed on the attainment of targets, firstly at an organisational level, and then cascading down to departmental and finally individual performance. The CTICC's system of performance management is integral to achieving both our financial and our non-financial targets. The centre's performance is measured by the City of Cape Town against a set of Key Performance Indicators (KPIs). These are agreed between CTICC and the City on an annual basis.

The table below illustrates the agreed KPIs for the financial yes 2014/2015

Table 2: CTICC's Key Performance Indicators

	Category	Measurement	Reporting Interval	2013/2014	2014/2015	2015/2016
1	Events	Number of events hosted compared to budgeted target	Quarterly	500	500	570
	Events	Number of events hosted compared to budgeted target	Quarterly	32	32	32
2	Human Capital Development	Percentage of annual total salary cost spent on training of permanent and temporary staff	Quarterly	5%	5%	5%
3	Customer centricity and service excellence	Rating achieved in independent customer satisfaction survey	Quarterly	75%	75%	75%
4	Procurement	Percentage procurement from BBBEE compliant suppliers (in terms of BBBEE Act 53 of 2003) (minimum of 50%)	Quarterly	65%	65%	65%
5	Budget					
	- Operating Profit	Percentage achievement of budgeted operating profit	Quarterly	100%	100%	100%
	- Capital Projects	Percentage of total capital projects for the year completed or committed	Quarterly	80%	80%	80%
	- Capital Expenditure	Maintain five star standards through effective management of	3rd Quarter	Five Star Tourism Grading	Five Star Tourism Grading	Five Star Tourism Grading

		maintenance		Council	Council	Council
6	Governance					
	External Audit Report	Unqualified Audit Report	2nd Quarter	Unqualified Audit Report for 2012/2013 financial year	Unqualified Audit Report for 2013/2014 financial year	Unqualified Audit Report for 2014/2015 financial year
	Minimum Competency Level	Number of senior managers registered for MFMA Competency Course	Quarterly	7	7	2
	SDA Corporate Governance Checklist	Completion and timeous submission of legislative checklist	3rd Quarter	Completed Checklist	Completed Checklist	Completed Checklist
7	Sustainability	Achievement of Global Reporting Certification	3rd Quarter	GRI Report	GRI Report	GRI Report

Innovation, along with the centre's values of passion, integrity and excellence, will continue to propel CTICC into the future, underpinning the centre's vision of being the best long-haul convention centre in the world, by 2020.

Yours faithfully

Gary Fisher
Chairman of Convenco Board