THE SOUTH AFRICAN STATE THEATRE

Annual Report 2012 - 2013

VISION

The South African State Theatre, as a national flagship, aspires to be a world leader in the performing arts.

MISSION

- The South African State Theatre seeks to identify, develop and present the very best performing arts work
- To provide programmes which ensure self-generated income
- To provide opportunities for development of emerging arts practitioners
- To promote diversity and develop new audiences
- To maintain and upgrade our unique theatre facilities

INSTITUTIONAL VALUES

- Celebration of Excellence
- Opportunity and Access.
- Openness and Integrity
- Freedom of Expression
- Accountability

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THE SOUTH AFRICAN STATE THEATRE

2012-2013

Chairperson's Report

I am pleased to write and share with you our 2012/13 business status and reality. As an opening statement, I want to express our gratitude to our principles, The Department of Arts and Culture.

It is clear that the Arts economy is undergoing fundamental changes. These changes are required for Arts institutions to remain active and vibrant in our societies. As The South African State Theatre we have to manage trade issues such as pricing, positioning, content, competition and sustainability in the same fashion as corporate driven institutions. These very economical drivers had a great impact on our performance in the 2012/13 financial year. I am however, proud of our 67% target achievement, in spite of the economic reality that we have to face.

We were able to present great artistic diversity in the year under review. We experienced great challenges in securing theatre attendance. This is partly due to our mandate and commitment to develop new audiences and to facilitate platforms for development works. This commitment has got competing views with the genre demand reality expressed in our research results. I am proud of our undivided attention and unwavering commitment to continue with our efforts to develop the industry holistically despite economic realities.

We are aware of the improvements that are required in our compliance environment. The required interventions have been implemented as intended. These interventions were only implemented in quarter 4 of the year under review. We are therefore anticipating improvements during the 2013/14 year.

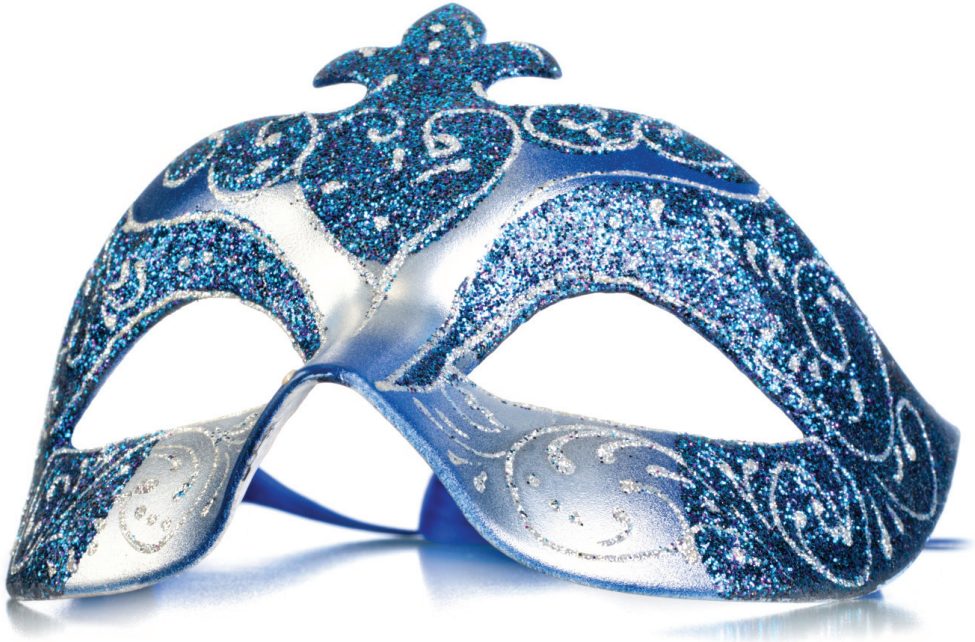
Our ability to generate income from our facility remained one of our key drivers. We continued to perform satisfactorily during the year under

review. We were significantly challenged by the high costs of electricity supply and maintenance. We have introduced costs savings measures in the current year to prevent this situation from recurring.

As a business we believe that we will start experiencing the benefits of improved process and product in the 2013/14 financial year. We further believe that the experiences in the 2012/13 financial year has created sufficient foundation for these business expectations to materialise.

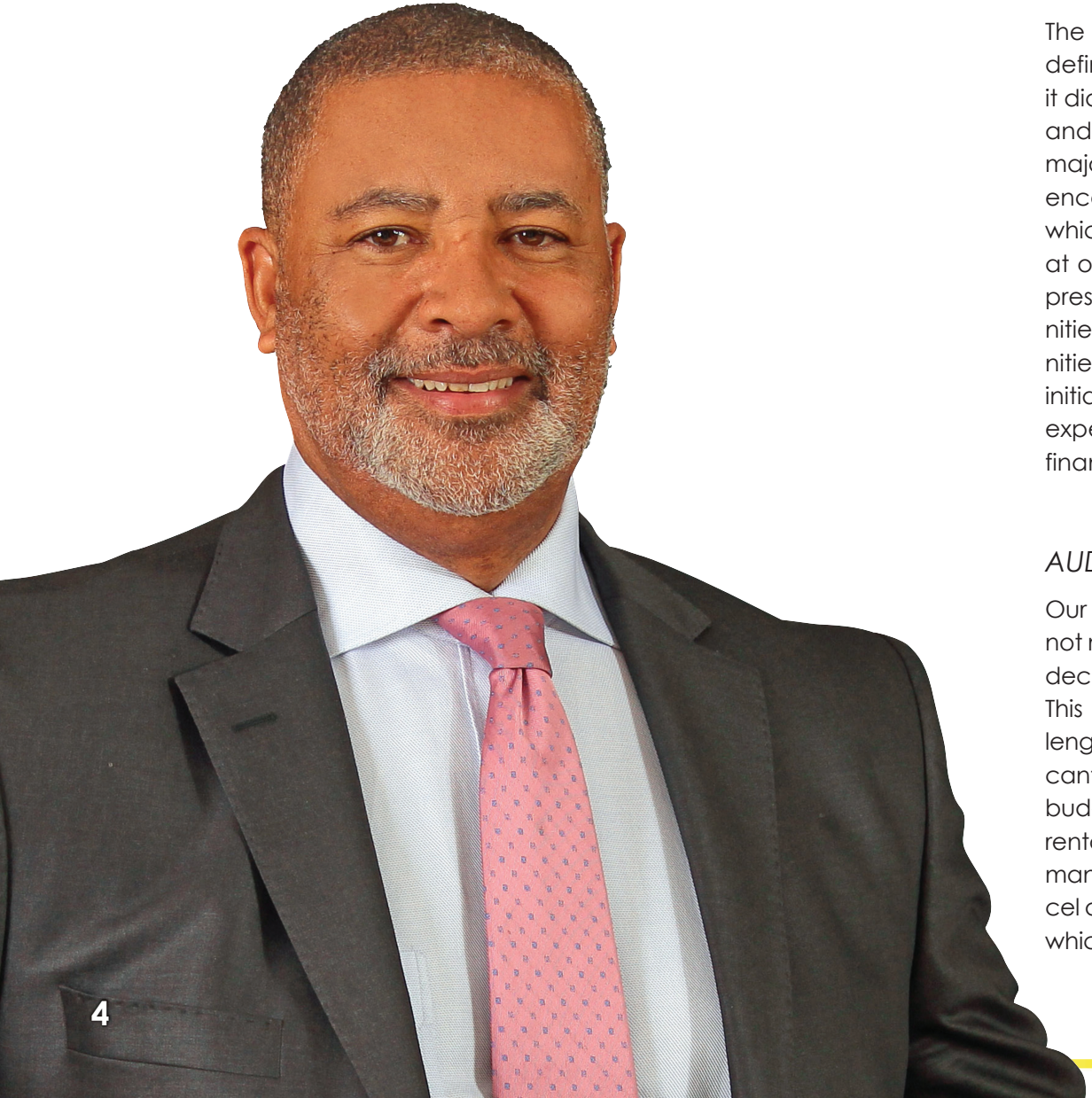
Sincerely

Ms. Naledi Gallant
Chairperson: The South African State Theatre



2012-2013

Chief Executive Officer's Report



INTRODUCTION

The 2012/13 financial year did not define the Performing Arts sector, but it did present short term opportunities and challenges. The sector saw a major shrinkage in ticket paying audiences across the Gauteng province, which directly impaired ticket sales at our entity. However, the year also presented new partnership opportunities. We maximised these opportunities and are of the opinion that the initial successes will further underpin expected successes in the 2013/14 financial year.

AUDIENCE ATTENDANCE

Our audience attendance figures did not meet our expected targets due to declining audiences across Gauteng. This created significant budget challenges as we need to raise a significant percentage of our operational budget from ticket sales and theatre rentals. As a result of our under performance on ticket sales we had to cancel a number of planned productions, which caused us not to meet our audience attendance targets. We have implemented a number of mitigating and refreshed strategies in the first quarter of 2013/14, which are already showing significant improvements on audience attendance figures. These changes include, amongst others, an operational focus on digital marketing as opposed to historic approaches.

FINANCE

Our financial position in the 2012/13 financial year was significantly challenged by higher than expected utility rates, poor performance on fundraising, over expenditure on maintenance, etc. The higher than expected operational expenses, versus the lower than expected income, created an operational shortfall. Although we saw improvement on some of our programmes, such as our Mzanzi Fela Festival, we could not adequately digest nor respond to our operational loss. We also could not reopen our Restaurants and refresh our bars due to procurement delays. As a consequence we did not realise

optimal income from these income drivers. In order to remedy the situation we have created a number of new income drivers for the 2013/14 financial year, which include conferencing, tours, our gift shop, and membership. In addition we have identified a number of opportunities to reduce our fixed expenses. These actions have the capacity to provide greater balance between expenses and income.

STRATEGIC PERFORMANCE

We achieved 67% of our performance targets in the year under review. This is an achievement if consideration is given to the fact that we had to cancel some productions due to funding shortages. We are comforted that our standard of performance can only be improved in the coming financial year.

FACILITIES & MAINTENANCE

We continue to be a sparkling institution in our building maintenance and upkeep commitments and performances. We achieved 100% of our maintenance targets. It is unfortunate that we have not been able to complete our capital works projects, which resulted in us under utilising our Capital budget. This is due to procurement processes amongst other related non-performance challenges. All these projects are of strategic and operational importance and are receiving the appropriate level of attention.

REJUVENATED ENERGY AT THE STATE THEATRE

We undertook projects to uplift the perception and the experience of our patrons. These projects included refreshing our branding, a shift from a historic approach to sales and marketing to a more digital approach, and improved and more cost effective client communication methods. The results of our efforts will certainly be forthcoming in the 2013/14 financial year.

PARTNERSHIPS

Our less than perfect performance on sponsorships is indicative of a lack of process and structure in relation to fundraising. We developed the basic tools to fundraise during the year under review and look forward to making our targets in the new financial year. We achieved our "non-cash exchange" sponsorship targets. This was, and is, encouraging.

CONCLUSION

Taking this Iconic institution to a level of performance that will be best described as sound and impressive, requires success in a number of crucial business areas. This includes cleaning up our administration to the quality level required by the Auditor General and providing entertainment and recreation in line with our theatre status. These drivers are key in the 2013/14 financial year.

Dr Quinton Simpson
Chief Executive Officer

2012-2013

Artistic Director's Report

Our artistic programme has always taken into consideration the need for a diverse artistic offering. This programming consideration is informed by our number one strategic objective which calls for identification, presentation and development of a diverse range of production in order to attract diverse patrons.

Our artistic offering consists of drama, music, comedy, poetry and musical theatre. These different genres are presented through commissions, co-productions, festivals, theatre rentals and outright buying of productions. During the year under review, we co-produced, commissioned and presented some of the most exciting productions in the country.

We started the first quarter with Nicola Hanekom's trilogy which featured Lot, Bethesda and Babel. These were performed on specific sites across Tshwane and gave our audiences delightful theatre in unconventional spaces. It was during the same quarter that we brought onto our stages Jannemann, by Wordsmith Theatre Factory, directed by Hennie Van Greunen, and 15 Minutes of Fame, by Tshwane Dance Theatre. The four theatrical pieces and dance production were bolstered by the Jazz and African Music programme, the Tshwane Comedy Nights, Night of the Poets and Rock Nights, providing a fulfilling experience and offering. All in all, the first quarter provided 328 job opportunies for our local actors, dancer, musicians and technicians.

In the second quarter we launched two young directors, Kea Moeketsane and Miles Petzer, who presented Sorry Wrong Number and Horn of Sorrow at the National Arts Festival and in the Momentum theatre. Of course our offering for the quarter was well thought out and had a strong consideration for a "diverse audience". The Purr Factory, by Classic Entertainment, directed by Shelley Adriaanzen, served this purpose and made theatre accessible to young and old.

We could have done better with the presentation of Yael Farber's Mies Julie, and Sello Maake Ka Ncube's Drama Queen. Mies Julie arrived at

The South African State Theatre at the back of a blazing season at the National Arts Festival, Baxter Theatre and Edinburgh Festival in Scotland but was not successful in our theatre. Drama Queen opened to controversy and criticism. The two productions remain missed opportunities.

But it was not all doom and gloom because during the very same quarter our stages were graced by some celebrated and up-and coming musicians, poets and comedians. We hosted Steve Dyer, Dorothy Masuka, Siphokazi Nothembi Mkhwebane, Bheki Khoza, The Soil (which was a runaway success), Man as a Machine, Die Flying Dutchmen, Isochronous, Azah, Dancy Masemola, Nana N, Zama Batyi, and Mthunzikazi Mbungwana Ntosh Dlamini, Smokey Nyembe and Sifiso Nene, Roro Gatntsho, Khanyisa Bunu, Pule, Salesman and many more.

The third quarter was interesting, offering a balanced programme and high end entertainment. Grieta Kry Geleerheid by Hennie Van Greunen, and Pula choreographed by Sibonikaliso Ndaba, led the way, followed by the Mzansi Fela Festival. The theatre main festival programme presented Nicola Hanekoms Hol, Jenine Cocot's Sunday Morning and Omphile Molusis' Itsoseng, whilst the dance programme presented Gregory Maqoma's Mayhem, Luyanda Sidiya's Umnikelo and Bailey Syman's Moffie. The music programme presented some of the headline talent in the country. Sibongile Khumalo celebrated her twenty years in the industry with us, Parlotones presented one of their last concerts in South Africa before leaving for Los Angeles, and Lira performed two concerts to full houses and standing ovations.

During Mzansi Fela Festival 2012 we also had an opportunity to utilize our amphitheatre at Weavind Park in Kilnerton. The concert featured Selaelo Selota, Steve Dyer, Ngwako Manamela and Ladies in Jazz. We presented regular precinct performances at The State Theatre Applause Precinct which featured 76 performances by different groups and individual performers. During this quarter 355 jobs were created.

The fourth quarter was not as busy. This is evident by the 108 jobs which were created.

The State Theatre also played an important role during the 2012 LONDON OLYMPICS and PARALYMPICS. We were responsible for the programming of Ekaya, the South African performing arts and cultural village in London. We presented no less than fifty performance for the Olympics and more than 40 performances for the Paralympics.

We also worked closely with The Department of Arts and Culture through the Mzansi Golden Economy programme, which supported eight productions to the 2012 Edinburgh Festival Fringe in Scotland. The productions were presented by the Assembly Theatre under the title, of the "South African Season". The eight productions were Mies Julie, Statements after an Arrest under the Immorality Act, Woza Albert, Mother to Mother, The Sewing Machine, And the Girls in their Sunday Dresses, Vocal is Lekka and Barely Legal: the 18-year-old Democracy.

Looking back, the year under review was challenging but exciting. We will always learn from our weaknesses and improve on our strengths. Special thanks to the Department of Arts and Culture, Tshwane Music Industry, Nubreed Entertainment, Black Eagle, and Sold Out Productions.

Aubrey Sekhabi
Artistic Director

2012-2013

State Theatre's Council

Naledi Gallant
Chairperson

Ashton Bodrick
Council Member

Harry Gouvelis
Council Member

Dr. Kenneth Netshiombo
Council Member

Barbara Neuhoff
Council Member

Monde Ngonyama
Council Member

Dr. Otsile Ntsoane
Council Member

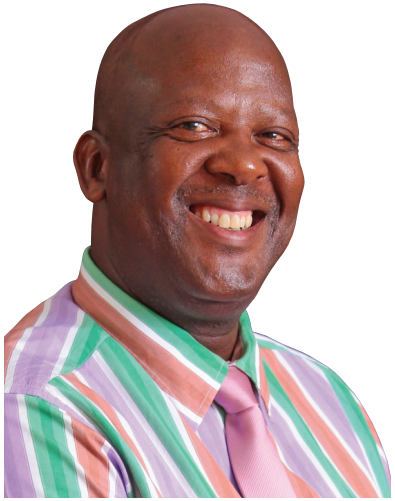
Adv. Kennedy Motsiri
Council Member

Adv. Josephine Ralefatane
Council Member

John Watson
Council Member

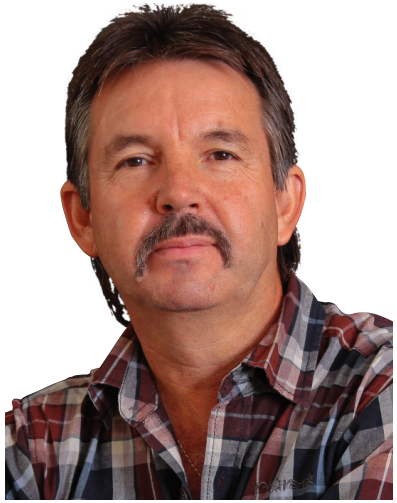
State Theatre's Directors

Dr. Quinton Simpson
Chief Executive Officer



Arthur Mokoena
Chief Financial Officer

Aubrey Sekhabi
Artistic Director



Gert Viljoen
Technical Director

2012 - 2013

State Theatre Heads of Departments

Leon Barnard
Stage Services Manager

Sylvia Lavenson
Finance Manager

Bronwen Lovegrove
Dècor Wardrobe Manager

Lindelwa Mahlabe
Marketing Manager

Ntshuxeko Manganye
Development Manager

Japie Maritz
Maintenance Manager

Ellen Mashiane
Parking Manager

Millicent Mopayi
HR Manager

Rejoice Motshwene
Facilities Manager

Patrick Phala
Front of House Manager

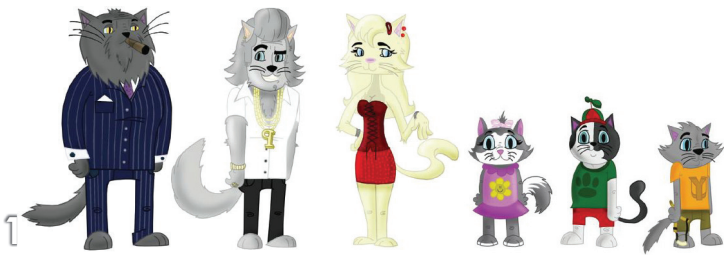
PERFORMANCE STATISTICS

THE SOUTH AFRICAN STATE THEATRE

2012-2013

Performance Statistics

Report for the year by Genre/Type 2012/13	
Genre/Type	**# Performances**
Ballet	16
Children's Theatre	1
Comedy	34
Dance	18v
Drama	169
Festival - Gospel	6
Festival - Mzansi Fela	31
Festival - Tshwane Youth Arts	16
Gospel	4
Music	155
Musical	10
Opera	1
Poetry	13
Revue	3
TOTAL	**477**



ANNUAL PERFORMANCE REPORT

THE SOUTH AFRICAN STATE THEATRE

2012-2013

Consolidated Performance Information

Consolidated Performance Information 2012/13

Strategic Objective 1

Objective statement: The SA State Theatre seeks to present the very best performing arts work from the local community, the province, the country and from around the world

Objectives	Code	Key Outcome	Key Outputs	Performance Indicator(s)	Baseline	Consolidated Year-to-Date TOTAL		Status to date *(Achieved, Partially Achieved, Not Achieved)*	Variance Report
					2011/12	Target	Actual		
Identify, present & develop a diverse range of productions	SO1/01	Identify, develop & present the very best performing arts work	Increasing number of Internal productions	Number of Internal productions presented	23	20	22	Achieved	The Trilogy production allowed for an additional 2 productions
	SO1/02		Increasing overall number of performance days of internal productions	Number of performance days for internal productions	160	250	302	Achieved	Trilogy increased the number of production days as well as Drama Queen and Mies Julie
	SO1/03		Stage Festivals	Number of Festivals Staged	1 Internal, 2 External	1 Internal, 2 External	1 Internal, 2 External	Achieved	Achieved Actual is in accordance with predetermined target
	SO1/04		Rendezvous Theatre Programme: Jazz, Comedy, Hip-Hop, Poetry and Rock Nites	Number of Rendezvous theatre programmes presented	5	5	5	Achieved	Achieved Actual is in accordance with predetermined target
	SO1/05		Rendezvous Theatre performance days	Number of performance days in the Rendezvous Theatre	100	100	71	Partially Achieved	1. Programme not appealing to audience 2. Lack of Support from Marketing Department
	SO1/06		Increasing number of external productions presented in the Opera and Drama Theatres	Number of external productions presented in Opera Theatre	14	14	16	Achieved	Increased market demand in the 4th quarter resulted in over achievement
	SO1/07			Number of external productions presented in Drama Theatre	13	10	17	Achieved	Increased market demand in the 3rd quarter resulted in over achievement
	SO1/08		Increasing outside hiring days in the Opera and Drama Theatre	Number of performance days in the Opera Theatre	210	231	136	Partially Achieved	No control over external Productions
	SO1/09			Number of performance days in the Drama Theatre	188	188	49	Not Achieved	No control over external Productions
	SO1/10		Increasing Audience figures for productions in Opera and Drama theatres	Audience attendance numbers for Opera Theatre	89 000	97 000	125 471	Achieved	Increased market demand in the 4th quarter resulted in over achievement
	SO1/11			Audience attendance numbers for Drama Theatre	35 205	38 725	18 551	Not Achieved	No control over external Productions

Consolidated Performance Information 2012/13

Strategic Objective 2

Objective statement: To maximize self-generated income by making use of our property portfolio and assets; raise additional income from Sponsorship, Box office; Décor and Wardrobe Departments and the Front of House bars

Objectives	Code	Key Outcome	Key Outputs	Performance Indicator(s)	Baseline	Consolidated Year-to-Date TOTAL		Status to date *(Achieved, Partially Achieved, Not Achieved)*	Variance Report
					2011/12	Target	Actual		
Increase self-generated income	SO2/01	Provide programmes which ensure self-generated income	Additional funding for Development, Marketing unit & special projects secured	Rand value of Sponsorship Income received	R0	R1 000 000	R3 304 221	Achieved	Over achievement due to the successful conclusion of the Kyknet sponsorship deal
	SO2/02		Rental income increased in line with approved rates	Rand value of Kilnerton rental income received	R1 234 059	R1 308 103	R1 387 532	Achieved	Higher monthly rental achieved which resulted in over achievement
	SO2/03			Rand value of Office Blocks rental income received	R845 570	R896 304	R695 855	Partially Achieved	Vacant offices
	SO2/04			Rand value of Theatre rental income received	R3 419 943	R3 625 140	R3 861 995	Achieved	Increased market demand resulted in higher rentals being achieved
	SO2/05			Rand value of Restaurants and other spaces rental income received	R622 317	R659 656	R410 531	Partially Achieved	2 Restaurants still vacant
	SO2/06		Increasing Décor and Wardrobe Income	Rand value of Décor and Wardrobe rental Income received	R1 642 665	R1 741 225	R1 479 927	Partially Achieved	Lack of décor and wardrobe demand from current customers during the year
	SO2/07		Increasing Box Office Income	Rand value of Box Office income received	R2 239 090	R3 937 045	R1 818 557	Not Achieved	1. Programme not appealing to audience 2. Lack of Support from Marketing Department
	SO2/08		Parking income increased based on competitor prices	Rand value of Parking rental income received	R10 456 931	R11 502 624	R11 383 431	Achieved	Achieved Actual is in accordance with predetermined target
	SO2/09		Increasing Front of House Income	Rand value of Front of House Income received	R1 908 045	R2 022 527	R2 181 196	Achieved	Higher audience attendance in the Opera Theatre contributed to higher FoH revenue
	SO2/10		Decreasing overtime spent	Rand value of Stage Services overtime spend	R483 449	R512 456	R614 853	Partially Achieved	High demand for overtime in Quarter 1 and 2
	SO2/11		Increase in income recovered	Rand value of Stage Service equipment rental income received	No Baseline, New Indicator	R100 000	R0	Not Achieved	It was decided not to proceed with the charges as it would have a negative impact on prospective rental Producers

Consolidated Performance Information 2012/13

Strategic Objective 3

Objective statement: To develop and upgrade our unique theatre facilities, upgrading and maintaining them to support our artistic ambitions for excellence and our passion for welcoming patrons from across South Africa's diverse population

Objectives	Code	Key Outcome	Key Outputs	Performance Indicator(s)	Baseline	Consolidated Year-to-Date TOTAL		Status to date *(Achieved, Partially Achieved, Not Achieved)*	Variance Report
					2011/12	Target	Actual		
Ensure long term future for our building and other assets	SO3/01	Develop, maintain and upgrade our unique theatre facilities	Theatre fit for purpose	Drama Theatre lower stage machinery upgraded	Tender awarded in April 2011. Final commissioning estimated to be in Jan 2012	Work completion in 2012	Work completed in July 2012. Machinery upgraded	Achieved	Achieved Actual is in accordance with predetermined target
	SO3/02		At least 70 Parking bays created	Commission study on creation of additional parking space	Study commissioned in June 2011, completed by March 2012	Additional 70 parking spaces secured - 2012	Study completed. Additional parking space secured	Achieved	Achieved Actual is in accordance with predetermined target
	SO3/03		Maintenance Programme that complies with statutory regulations	Maintenance Programme effectively implemented	Quarterly Progress reports on implementation	Quarterly progress reports delivered to DAC on time	Maintenance programme effectively implemented. Quarterly progress reports delivered to DAC on time	Achieved	Achieved Actual is in accordance with predetermined target
	SO3/04			Health and Safety Audit conducted annually	March 2012	1st Audit Report ready 2012. Develop action plan & commence implementation	Health & Safety Audit conducted. 1st Audit Report ready September 2012. Developed action plan & commenced implementation	Achieved	Achieved Actual is in accordance with predetermined target
	SO3/05		Replacement of passenger lifts	Infrastructure upgrade Tender process complete	No Baseline, New Indicator	Tender scope, advertisement and adjudication	Tender scope prepared, Tender advertised and adjudicated. Tender Awarded & SLA signed	Achieved	Achieved Actual is in accordance with predetermined target
	SO3/06		New Stage lighting equipment	Infrastructure upgrade Tender process complete and infrastructure upgrade complete	No Baseline, New Indicator	Tender adjudication & contracting phase	Tender Adjudicated and supplier contracted. Lighting equipment procured. Infrastructure has been upgraded	Achieved	Achieved Actual is in accordance with predetermined target
	SO3/07		Opera ablution facilities	Infrastructure upgrade Tender process complete	No Baseline, New Indicator	Design phase/ Tender process	Tender scope (design), advertised and adjudicated. Tender Awarded & SLA signed	Achieved	Achieved Actual is in accordance with predetermined target
	SO3/08		Secure environment provided to customers and staff	Security Plan developed and implemented	March 2012	Drafted, developed, approved, implemented 2012	Plan developed, drafted and approved. Implemented 2012 and ongoing	Achieved	Achieved Actual is in accordance with predetermined target
	SO3/09			Progress Reports on Implementation	Monthly Progress reports on implementation of Security Plan	Monthly progress reports on implementation of security plan	Monthly progress reports on implementation compiled and submitted	Achieved	Achieved Actual is in accordance with predetermined target
	SO3/10		Advanced and Effective IT system.	IT Development, Radio and sms system.	No Baseline, New Indicator	Investigate IT system for Performance Information	IT System Investigated. Quotes obtained. Required equipment purchased	Achieved	Achieved Actual is in accordance with predetermined target

Consolidated Performance Information 2012/13

Strategic Objective 4

Objective statement: To maximize brand and productions exposure, through increased visibility, recognition and attract diverse paying audiences

Objectives	Code	Key Outcome	Key Outputs	Performance Indicator(s)	Baseline	Consolidated Year-to-Date TOTAL		Status to date *(Achieved, Partially Achieved, Not Achieved)*	Variance Report
					2011/12	Target	Actual		
Implement the marketing and sales strategies effectively	SO4/01	Promote diversity and develop new audiences	Increased visibility, recognition and publicity of The State Theatre productions and brand	Marketing Strategy implemented and free publicity obtained calculated in Rand value	R 8 500 000	R 10 200 000	R 10 780 651	Achieved	Increased publicity, mainly of Drama Queen, Mies Julie and other external productions, in the 1st and 2nd Quarter resulted in over achievement
	SO4/02			Marketing Plan implemented	Quarterly progress report	Quarterly progress report	Quarterly progress report on marketing plan completed	Achieved	Achieved Actual is in accordance with predetermined target
	SO4/03		Collate overall audience figures	Overall audience figures in all venues, both internal and outside productions	170 000	204 000	183 261	Partially Achieved	Cancellation of shows. Low occupancy as production not appealing to audience
	SO4/04		Improved communication with customers and potential customers	Number of SMS database contacts	21 000	25 200	54 225	Achieved	Database increased by the addition of patrons attending external productions and other 3rd party databases, hence over achievement
	SO4/05			Number of emails database contacts	15 000	18 000	94 603	Achieved	Database increased by the addition of patrons attending external productions and other 3rd party databases, hence over achievement
	SO4/06			Number of website visits	101 510	121 812	104 807	Partially Achieved	Website undergoing upgrade and re-launched beginning March 2013

Consolidated Performance Information 2012/13

Strategic Objective 5

Objective statement: To implement Financial Policies and Procedures in line with all legislation, including PFMA and Treasury regulations

Objectives	Code	Key Outcome	Key Outputs	Performance Indicator(s)	Baseline	Consolidated Year-to-Date TOTAL		Status to date *(Achieved, Partially Achieved, Not Achieved)*	Variance Report
					2011/12	Target	Actual		
Ensure compliance with all legislation & government regulations	SO5/01	Implement Financial Policies and Procedures in line with all legislation, including PFMA and Treasury regulations	Compliance with PFMA and Treasury regulations	Unqualified Audit report.	No qualification	No qualification	Qualified audit report issued	Not Achieved	Qualified audit report received from AG on 2011/12 Audit
	SO5/02			Number of issues raised as Emphasis of matter, other matters, compliance and Performance Information	No repeat findings. Progress report compiled on queries that cannot be addressed over 1 financial period	No repeat findings. Progress report compiled on queries that cannot be addressed over 1 financial period	Repeat Findings made. Progress report compiled on all AG Findings, to be completed 31 March 2013. Emphasis of matter and other issues raised	Not Achieved	Issues raised, including emphasis of matter in 2011/12 Audit report from AG
	SO5/03		Compliance with PFMA and Treasury Reporting timeframes	Quarterly Performance and monthly submissions to DAC	Quarterly reports and monthly financial reports submitted timely	Quarterly reports and monthly financial reports submitted timely	Quarterly Performance reports and monthly Financial reports submitted on time	Achieved	Achieved Actual is in accordance with predetermined target
	SO5/04		Improved organisational Performance Management	IT system is in place to make sure that all statistics are captured and reported as required	MIS to be fully implemented by FoH, Marketing and HR departments by June 2011	IT system to be fully implemented by FoH, Marketing & HR departments by June 2012	Not completed, assessment in progress	Not Achieved	Need was re-assessed
	SO5/05			Performance Information collected by all departments and progress reported against plans	All departments report performance information on a quarterly basis	All departments to report performance information on a quarterly basis	All departments submitted reports on Performance Information quarterly	Achieved	Achieved Actual is in accordance with predetermined target
	SO5/06		Compliance with Basic Conditions of Employment Act	Compliance reported monthly	Monthly Compliance Report	Quarterly compliance report	Compliance Report compiled and submitted	Achieved	Achieved Actual is in accordance with predetermined target
	SO5/07		Job creation	Number of new short term job opportunities created	Actors: 498 Artists: 627	Actors: 498 Artists: 627	Actors: 942 Artists: 254	Achieved	Increased demand for actors and lower demand for additional support crew resulted in over achievement

Funding requirements per key objectives

	2013/14 R'000	2014/15 R'000	2015/16 R'000
Income			
State Contribution			
Operational	R 42 393	R 44 513	R 46 738
Non-exchange revenue	R 16 500	R 17 325	R 18 191
Fundraising, Marketing and Other	R 23 857	R 25 050	R 26 302
Other income	R 4 177	R 4 386	R 4 605
Total Income	R 86 927	R 91 273	R 95 837

State Funded Expenditure			
Artistic	R 12 185	R 12 794	R 13 434
Front of House and Applause	R 5 420	R 5 691	R 5 976
Security and Transport	R 6 453	R 6 776	R 7 114
Parking	R 1 274	R 1 338	R 1 405
Wardrobe Hiring and Décor	R 2 567	R 2 695	R 2 830
Stage Services	R 6 996	R 7 346	R 7 713
Marketing	R 3 170	R 3 329	R 3 495
Human Resources	R 1 851	R 1 944	R 2 041
Development	R 1 322	R 1 388	R 1 458
Administration	R 11 073	R 11 627	R 12 208
Facilities	R 3 354	R 3 522	R 3 698
Maintenance	R 13 588	R 14 267	R 14 981
Kilnerton	R 1 174	R 1 233	R 1 294
Capital Expenditure	R 16 500	R 17 325	R 18 191
Total	R 86 927	R 91 273	R 95 837
Surplus / Deficit	R 0	R 0	R 0

Buildings	2012/13 R'000	2013/14 R'000	2014/15 R'000
Major Capital Works *			
Annual Health and Safety Audit	250	250	250
Drama Stage Equipment Upgrade	800	3400	800
Ongoing programme to replace and repair passenger lifts in building	3400	3800	
IT Development	200	150	200
Radio and SMS paging system	120	120	120
Replacement of Stage lighting equipment	800	1500	
Repairs and Renovations			
Air Conditioning Cooling tower fans to be serviced	60	80	60
Replacement of suspended ceilings	140	160	
Replace and repair all damaged and missing Aluminum profiles from window frames	150	150	150
Replacement of Air Conditioning Tower Sand Filters	120	80	120
Cleaning State Theatre buildings on outside	200	200	200
New Buildings			
Kilnerton domestic water piping system	100	80	
Kilnerton buildings and Roofs	500	500	500
Additional Equipment requirements			
Broadcast quality camera and editing equipment and software		90	
Equipment to enable production of CD's of State Theatre works		50	
TOTAL	6 840	10 610	2 400

Resources			
Sources	**2009/10**	**2010/11**	**2012/13**
Accumulated Funds / Reserves at beginning of the year	39,175	32,085	
Prior year error	-3,984		
Restated balance	35,191		
Net Surplus / Deficit	-3,106	1,357	
Funds / Reserves at the end of the year	32,085	33,442	

Overview of past performance & spending trends

	2008/09 *Audited* R'000	2009/10 *Audited* R'000	2010/11 *Audited* R'000	2011/12 *Audited* R'000
Revenue				
State contribution	30 942	33 301	43 865	42 214
Fundraising, marketing and other	19 650	22 488	31 147	24 499
Other income	1 923	2 701	824	656
Total Income	45 869	50 262	75 836	67 369
State Funded Expenditure				
Admin Support Services & Other/Productions	14 999	20 218	32 863	19 865
Depreciation & amortisation	4 821	4 511	6 965	7 350
Front of House Theatres	719	964	773	995
Maintenance & refrbishments	3 983	3 094	2 022	3 101
Marketing	166	2 533	2 938	2 540
Staff costs	23 440	26 095	28 088	34 116
Utilities	4 177	4 181	4 881	5 704
Total Expenditure	52 305	61 596	78 530	73 671
Net Surplus/Deficit	210	-3 106	-2 694	-6 302

ORGANISATIONAL MANAGEMENT

THE SOUTH AFRICAN STATE THEATRE

2012-2013

Organisational Structure

Senior Management Team

Chief Executive Officer
Quinton Simpson

Human Resources
Millicent Mopayi

Chief Financial Officer
Arthur Mokoena

Finance
Sylvia Lavenson

IT
Stuart Mullen

Marketing Director
Elsabe Booyens

Marketing
Lindelwa Mahlabe

Sales
Beverley Batohi

Front of House
Patrick Phala

Technical Director
Gert Viljoen

Stage Services
Leon Barnard

Maintenance
Japie Maritz

Décor & Wardrobe
Bronwen Lovegrove

Parking
Ellen Mashiane

Facilities: Planning & Security
Rejoice Motshwene

Artistic Director
Aubrey Sekhabi

Productions
Thabiso Qwabe

Development
Ntshuxeko Manganye

2012-2013

Organisational Management

HUMAN RESOURCE STRATEGY

- To provide Human Resource Management, Development and Employment Relations
- To ensure compliance to all Statutory Bodies under the Labour Law
- To monitor and report on the implementation of the strategy in order to inform The State Theatre's Council and Management

PURPOSE OF HUMAN RESOURCE STRATEGY

- We aim to value and empower our staff by providing them with the training, facilities and management to undertake their work to a standard of excellence.
- We endeavour to maintain a value of salaries and benefits in line with the general cost of living.
- We aim to plan effectively and ensure that our organisation operates efficiently.

STRATEGIC HUMAN RESOURCE OBJECTIVE

- Minimise Industrial disputes
- Compliance with all Statutory Bodies under the Labour Law
- Recruitment – ensuring recruitment processes identify the best person for the post
- Ensure all staff are trained in Customer Care
- Substantially improve communications within the organisation.
- Develop a learning culture within the organisation.
- Administer and manage the organisation with the highest level of skill and care.
- During the period of our business plan we will secure an Investors in People, or other nationally recognised award, for good practice in the employment, training and motivation of staff.
- To continue the transformation of the organisation's staffing of competent individuals

STAFF MOVEMENTS

Resignations: 10
Promotions: 3
Transfers: 3
Retirements: 1
Appointments: 8
Vacancies: 1 Executive Position

OUTSOURCED SERVICES

- Labour Consultant
- Training and development Consultant

1a) Staff Equity Profile

Occupational Level	A.C.I	W	Level Total	% A.C.I	% W
Management	3	2	5	60%	40%
Middle management & high level specialists	8	5	13	62%	38%
Supervisor & high level skilled/clerical	35	9	44	80%	20%
Lower level skilled/clerical	25	2	27	93%	7%
Very low skilled	29	0	29	100%	0%
TOTALS	100	18			
	118				

1b) Race & Gender representation

Occupational level	African		Coloured		Asian		White	
	M	F	M	F	M	F	M	F
Management	2	0	1	0	0	0	1	0
Middle Management & high level specialists	1	5	0	0	1	1	2	2
Supervisor and high level skilled/ clerical	22	6	3	2	0	0	8	5
Lower level skilled/clerical	19	2	4	1	0	0	0	0
Very low skilled	27	3	0	0	0	0	0	0
TOTALS	71	16	8	3	1	1	11	7
	87		11		2		18	
	118							

FIT FOR PURPOSE HR PROJECTS

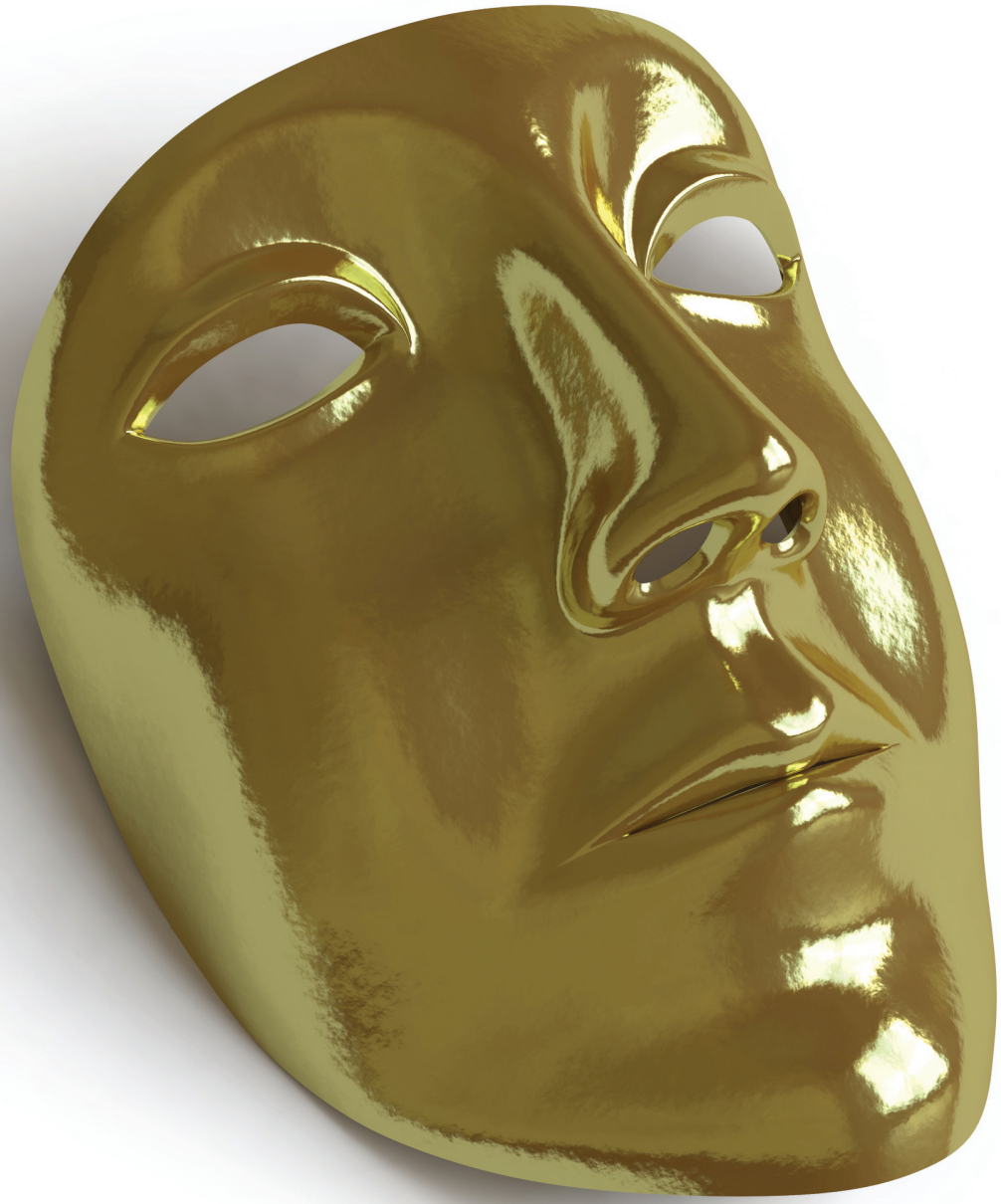
- Skills Audit120 (at that time July 2012)
- Age Analysis
- Staff wellness/recognition

NEHAWU is a recognized employee representative Union.

State Theatre Policies and Procedures are reviewed and updated annually.

2) Staff Development

Training	Training Provider	Number of people trained
Customer Care & Brand Awareness	Guest Resource Training Services	41 (Security, Parking)
Basic Excel Computer Skills	CTU Computer Training Solutions	8 (Finance, Parking)
Intermediate Excel Computer Skills	CTU Computer Training Solutions	4 (Finance)
HR Diploma	Management College of SA.	1 (PA to Artistic Director)
Sales & Marketing Diploma	UNISA	1 person (Sales & Marketing)
Lighting Desk specialised training	GrandMa Lighting	Stage Service Lighting Technician
Panel Wiring	Technical Further Education & Training	1 Maintenance
Plumbing Trade Test	Plumbing Academy SA/Olifantsfontein	1 Maintenance
Painting Effects	In House at Theatre	1 Maintenance
Facilities Management Certificate	University of Free State	1 Facilities
Finance for Non financial Managers	University of Free State	1 Maintenance
Copy editing & language editing	Write Away	1 (PA to CEO)
Basic Excel Computer Skills	CTU	5 Finance
Finance for non financial managers	Imisibi	1 Maintenance
Excel intermediate	CTU	1 Finance
Project Management for Managers & support staff	Astro tech consulting & training	35: Finance; Stage Services; Wardrobe; Development; HR; Maintenance; Parking
Pastel training	Pastel	3 HR & 1 IT
Legal compliance of total tender process	ICT Intelligence transfer	2 Executives
Strategic Internal Governance Compliance, Reporting & Integrated Risk Management	Smart Link	1 Executive



FINANCIAL CONTENTS

THE SOUTH AFRICAN STATE THEATRE

2012-2013

General Information

Domicile:	FH Odendaal Building, 320 Pretorius Street, Pretoria, 0002
Postal Address:	PO Box 566, Pretoria, 0001
Bankers:	ABSA Bank
Auditors:	Auditor-General of South Africa
Legal Form of Entity:	Schedule 3A Public Entity
Relevant Legislation:	Public Finance Management Act (Act 1, 1999), Cultural Institutes Act (Act 119, 1998)
Controlling entity:	Department of Arts and Culture (DAC)
Jurisdiction:	Declared cultural institution under the DAC
Nature of Operations:	The South African State Theatre is classified as a Receiving House i.e. presenting Performing Arts Productions from commercial producers. We have an artistic component that produces developmental productions.
Principal Activities:	The principal activities of The South African State Theatre include production of Developmental Performing Arts Productions, theatre rentals, office rental, rental of parking facility and rental of décor, wardrobe and props.

Audit Committee Report

The Audit Committee herewith presents its report for the financial year ended 31 March 2013 in terms of Section 51(1)(a) of the Public Finance Management Act, No. 1 of 1999.

COMPOSITION OF THE AUDIT COMMITTEE

The audit committee consist of four permanent members and is a sub-committee of the South African State Theatre Council. Chairperson of Council, executives, representatives of the Auditor-General of South Africa and the internal auditors, PriceWaterhouseCoopers attend by standing invitation.

THE COMMITTEE MET FOUR TIMES IN THE REPORTING YEAR ON THE FOLLOWING DATES:

24 May 2012

19 July 2012

11 October 2012

29 March 2013

AUDIT COMMITTEE RESPONSIBILITIES

The audit committee has adopted and complied with appropriate formal terms of reference in the audit charter in line with the requirements of Section 51(1)(a) of the Public Finance Management Act No. 1 of 1999 and Treasury Regulation 27.1. These terms of reference were reviewed and updated during the year and approved by Council.

THE EFFECTIVENESS OF INTERNAL CONTROL

The audit committee monitors effectiveness of internal controls, in the context of the approved risk assessment of the organisation with the aid of a three year rolling internal audit and the statutory regularity audits performed by Auditor-General of South Africa. Internal auditors present audit reports during audit committee meetings based on the approved audit plan.

The committee reports that there has been very limited improvement in internal controls, policies and procedures at the entity. Management has assured the committee that plans have been put in place to address weaknesses and implement recommendations noted by the internal auditors and Auditor-General of South Africa. The above mentioned plans will be submitted to the audit committee for review and progress monitoring.

THE QUALITY OF IN-YEAR MANAGEMENT & QUARTERLY REPORTS SUBMITTED IN TERMS OF THE PFMA & THE DIVISION OF REVENUE ACT

We are satisfied with the content and quality of quarterly reports prepared and issued by the Council of the South African State Theatre 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 of South Africa and the Accounting Authority;

Name of member	Meeting attendance
Mr. JD Watson *Chairperson*	4 / 4
Mrs. BM Neuhoff	4 / 4
Adv. SDK Motsiri	2 / 4
Adv. MJ Ralefatane	3 / 4

- Reviewed the Auditor-General of South Africa's managements report and management's response thereto;
- Reviewed changes in accounting policy and practices;
- Reviewed the organisation's compliance with legal and regulatory provisions; and
- Reviewed significant adjustments resulting from audit.

The audit committee concurs and accepts the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited financial statements should be accepted

Audit Committee Report

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 the organisation.

AUDITOR-GENERAL OF SOUTH AFRICA

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

John Watson
Chairperson of the Audit Committee
30 July 2013

Report of the Auditor-General to Parliament on the South African State Theatre

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

1. I have audited the financial statements of The South African State Theatre set out on pages 38 to 67, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets, the cash flow statement and statement of comparison of budget and actual amounts for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 qualified audit opinion.

BASIS FOR/QUALIFIED OPINION

PROPERTY, PLANT AND EQUIPMENT

6. The entity did not allocate the amount initially recognised in respect of items of property, plant and equipment to its significant parts and did not depreciate each part separately in accordance with Standard of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment*. In addition, the entity did not review the residual values and useful lives of property, plant and equipment at reporting date in accordance with Standard of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment* which resulted in some assets being recorded at zero book value while still in use. I was not able to determine the correct net carrying amount of property, plant and equipment and related depreciation stated at R177 219 400 and R8 278 450 as disclosed in note 17 and 7 respectively to the financial statements as it was impracticable to

do so. Consequentially I was also not able to determine the effect this has on the accumulated surplus and surplus for the current year.

REVENUE FROM EXCHANGE TRANSACTIONS

7. I was unable to obtain sufficient appropriate audit evidence about complimentary parking tickets, as internal controls were not established over the issuing of complimentary parking tickets. I was unable to confirm whether all parking revenue was recorded by alternative means. Consequently I was unable to determine whether any adjustments to parking revenue stated at R11 404 251 as disclosed in note 4 to the financial statements were necessary.

FRUITLESS AND WASTEFUL EXPENDITURE

8. Section 55(2)(b)(i) of the PFMA requires that the financial statements submitted for audit purposes include particulars of fruitless and wasteful expenditure incurred during the year. I was unable to obtain sufficient appropriate audit evidence about fruitless and wasteful expenditure disclosed in the financial statements as internal controls were not established to identify fruitless and wasteful expenditure. I was unable to confirm the fruitless and wasteful expenditure by alternative means. Consequently, I was unable to determine whether any adjustment to fruitless and wasteful expenditure stated at R565 257 in the financial statements was necessary.

IRREGULAR EXPENDITURE

9. Section 51(1)(b)(ii) of the Public Finance Management Act, 1999 (Act No. 1 of 1999)(PFMA) requires the entity to implement and maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective. I was unable to obtain sufficient appropriate audit evidence that management has disclosed all irregular expenditure for the current and prior year as internal controls were not established to detect and prevent irregular expenditure. I was unable to confirm irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustment to irregular expenditure stated at R5 973 331 (2012: R1 563 712) in the financial statements was necessary.

OPINION

10. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the South African State Theatre as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the PFMA.

EMPHASIS OF MATTER

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

RESTATEMENT OF CORRESPONDING FIGURES

As disclosed in note 34 to the financial statements, the corresponding figures for the year ended 3 March 2012 have been restated as a result of an error discovered during the year ended 3 March 2013 in the financial statements of the South African State Theatre at, and for the year ended, 31 March 2012.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

PREDETERMINED OBJECTIVES

13. I performed procedures to obtain

evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 13 to 18 of the annual report.

14. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

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

15. The material findings are as follows:

RELIABILITY OF INFORMATION

16. The *National Treasury Framework for managing programme performance information* (FMPPI) requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets.

    Significantly important targets with respect to Identify, develop and present a diverse range of productions in order to attract diverse audiences are not reliable when compared to the evidence provided.

    This was due to the lack of standard operating procedures for the accurate recording of actual achievements.

ADDITIONAL MATTERS

17. I draw attention to the following matters below. These matters do not have an impact on the predetermined objectives audit findings reported above.

ACHIEVEMENT OF PLANNED TARGETS

18. Of the total number of 45 targets planned for the year, 15 of targets were not achieved during the year under review. This represents 33% of total planned targets that were not achieved during the year under review. For further details on the extent and reasons for deviations between planned targets and actual performance refer to page 13 - 18 of the annual performance report.

MATERIAL ADJUSTMENTS TO THE ANNUAL PERFORMANCE REPORT

19. Material audit adjustments in the annual performance report were identified during the audit, of which some were corrected by management and those that were not corrected have been reported on accordingly.

COMPLIANCE WITH LAWS AND REGULATIONS

20. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

STRATEGIC PLANNING AND PERFORMANCE

21. The accounting authority did not establish procedures for quarterly reporting of performance to the executive authority to facilitate effective performance monitoring, evaluation and correction as required by TR 30.2.1.

22. The accounting authority did not ensure that the public entity had and maintained effective, effi-

cient and transparent systems of financial and risk management and internal control as required by section 51(1)(a)(i) of the PFMA.

ANNUAL FINANCIAL STATEMENTS, PERFORMANCE AND ANNUAL REPORTS

23. 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)(a) and (b) of the PFMA. Material misstatements of non-current assets, current assets, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

PROCUREMENT AND CONTRACT MANAGEMENT

24. Good and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1.
25. Good and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.
26. Contracts were extended or modified without the approval of a properly delegated official as required by Treasury Regulation 8.1 and 8.2.
27. Contacts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury regulation 16A8.3.
28. Persons in service of the entity who had a private or business interest in contracts awarded by the entity failed to disclose such interest, as required by Treasury Regulation 16A8.4.

EXPENDITURE MANAGEMENT

29. The accounting authority did not take effective steps to prevent irregular expenditure, fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.
30. The accounting authority did not take effective and appropriate disciplinary steps against employees who made or permitted an irregular expenditure or a fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA.

INTERNAL CONTROL

31. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

LEADERSHIP

32. The accounting authority did not exercise adequate oversight regarding financial and performance reporting and compliance and related internal controls.
33. The entity did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.

FINANCIAL AND PERFORMANCE MANAGEMENT

34. The entity could not provide relevant, complete and accurate information timeously, due to an inadequate document management system.
35. The entity had inadequate controls over daily and monthly processing and reconciling of transactions.
36. Monitoring and review of compli-

ance with applicable laws and regulations were inadequate.

37. The entity did not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

Auditor-General
Pretoria
31 July 2013

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

2012-2013

Corporate Governance Report

The Council fulfils the role of the accounting authority in terms of section 49 of the PFMA. The Council endorses the principles in the Code of Corporate Practices and Conduct recommendations by King Committee and King III. The Council adopts the principles of openness, integrity and accountability. The Council comprises of eight Non-executive members, including the chairperson and has met four times during the year under review.

INTERNAL CONTROLS

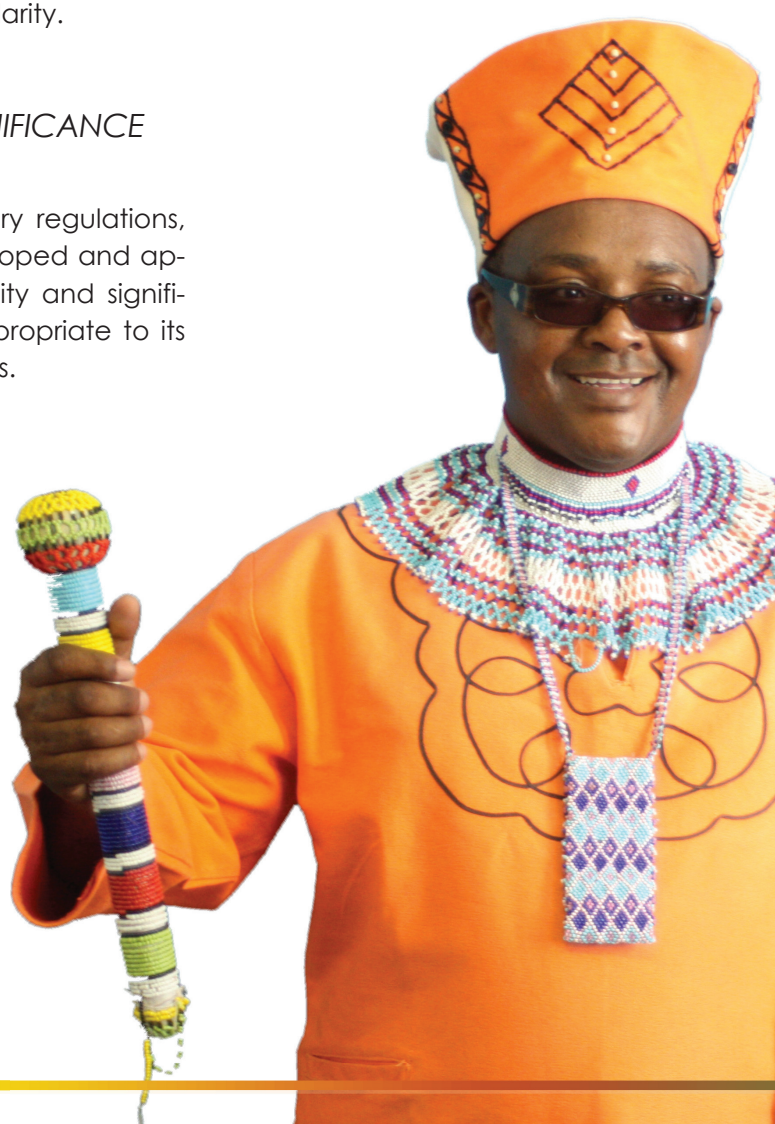
Systems of financial and internal controls are in place to provide reasonable assurance the assets are safeguarded, and that the liabilities and working capital are efficiently managed. Having regard for the size of the organisation reliance is placed on the supervision of the CEO. The internal audit function is outsourced to PricewaterhouseCoopers and performs an independent review of the effectiveness of the system of financial and internal control. Internal auditors liaise with Auditor-General, and any material weaknesses are brought to the attention of management and the audit committee for consideration and immediate action.

RISK MANAGEMENT / FRAUD PREVENTION PLAN

A risk management policy has been in place since the financial year 2006/07. Internal auditors perform a risk assessment annually to enable management to identify, evaluate and assess possible risks effectively. A fraud prevention plan has been put in place in order to define authority levels, responsibilities for action, and reporting lines in the event of a suspected fraud or irregularity.

MATERIALITY & SIGNIFICANCE FRAMEWORK

As required by Treasury regulations, the Council has developed and approved on a materiality and significance framework appropriate to its size and circumstances.



Council's Responsibility Statement

In terms of the Cultural Institutions Act of 1998, the Council's submit their report for the year ended 31 March 2013 as follows:

GENERAL REVIEW AND NATURE OF ACTIVITIES

The primary business of The South African State Theatre is to promote the diversity of South African arts including the development of artists, producers, technicians and audiences through quality programming and accessibility.

There has been no material change in the nature or conduct of the company's business during the year under review. The annual financial statements adequately disclose the results of the operations for the year under review and the state of the Cultural Institution affairs at 31 March 2013.

STATE OF AFFAIRS

The Annual Financial Statements of the entity reflect a deficit of R3 484 746. The deficit is as a result of the following significant elements;

- The entity not being able to attain budgeted ticket sales for internal productions
- Unbudgeted depreciation on building.
- An increase in utility and maintenance cost.

The entity is gearing itself to reduce costs in the year 2013/14 financial year and to increase revenue.

STATE MENT OF COUNCIL'S RESPONSIBILITY

The members of the company are responsible for maintaining adequate accounting records and the preparation and integrity of the annual financial statements and related information. The directors are also responsible for the system of internal controls, in order to assure reliability of the financial statements and to adequately safeguard, verify and maintain accountability for the assets and to prevent and detect material misstatements and losses.

In terms of the Supply Change Management policy, an implementation plan of the SCM framework is in progress.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Property, plant and equipment to the value of R6,745,381 have been acquired during the year. Property plant and equipment is recorded at historical cost and depreciated on straight-line basis over the useful life thereof.

INVESTMENT POLICY

Surplus cash is invested only in approved South African Financial Institutions, with an investment grade credit rating.

2012 - 2013

Statement of Financial Performance

for the year ended 31 March 2013

	Notes	2013 R	2012 R Restated
Revenue			
Revenue from non-exchange transactions	3	57 129 396	42 213 746
Revenue from exchange transactions	4	24 351 120	24 499 068
Investment Income	5	829 937	656 430
Total Revenue		**82 310 453**	**67 369 243**
Expense			
Administrative expenses	6	3 929 554	4 944 555
Depreciation and amortization expense	7	8 278 450	7 349 454
Selling & distribution costs	8	21 791 168	9 856 854
Cost of refreshments	9	1 295 051	1 083 200
Compensation of employees	10	32 606 871	34 116 540
Other expenses	11	17 869 485	16 274 257
Finance costs	12	24 620	46 729
Total Expenses		**85 795 199**	**73 671 589**
Deficit for the period		**(3 484 746)**	**(6 302 346)**

Statement of Financial Position
as at 31 March 2013

	Notes	2013 R	2012 R Restated
ASSETS			
Current assets			
Cash and cash equivalents	13	19 714 161	21 867 652
Trade and other receivables from exchange transactions	15	2 099 440	1 212 139
Inventories	16	322 909	300 584
		22 136 510	**23 380 375**
Non-current assets			
Property, plant and equipment	17	177 219 400	178 552 486
Investment Property	18	3 626 249	3 925 178
Intangible assets	19	72 974	83 642
		180 918 623	**182 561 306**
Total assets		**203 055 132**	**205 941 681**
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	20	1 957 959	3 921 290
Non-exchange revenue liability account	21	21 013 843	18 461 809
Current finance lease liability	22.1	104 188	141 248
Employee cost provisions	23	1 102 266	1 025 524
		24 178 256	**23 549 871**
Non-current liabilities			
Non-current finance lease liability	22.1	-	104 188
Long term provisions	24	5 644 000	5 570 000
		5 644 000	**5 674 188**
Total liabilities		**29 822 256**	**29 224 059**
Net assets		**173 232 877**	**176 717 623**
NET ASSETS			
Accumulated surplus		173 232 877	176 717 623
Total Net Assets		**173 232 877**	**176 717 623**

2012 - 2013

Statement of Changes in Net Assets

for the year ended 31 March 2013

		ACCUMULATED SURPLUS
		R
Balance at 01/04/2011		**183 019 969**
Net deficit for the year		(6 302 346)
Net surplus for the year as previously stated		(5 447 685)
Prior year error	35	(854 661)
Balance at 31/03/2012		**176 717 623**
Net deficit for the year		(3 484 746)
Balance as at 31/03/2013		**173 232 877**

Cash Flow Statement

for the period ended 31 March 2013

	Notes	2013 R	2012 R Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		**81 746 280**	**66 976 633**
Sales of goods and services		24 616 884	24 762 887
Grants		57 129 396	42 213 746
Payments		**80 352 495**	**64 180 230**
Employee costs		32 456 129	31 919 675
Suppliers		47 896 366	32 260 555
Cash generated from operations	26	1 393 786	2 796 403
Interest received		829 937	656 430
Interest paid		(24 620)	(46 729)
Net cash flows from operating activities		**2 199 103**	**3 406 103**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(6 745 381)	(5 226 285)
Purchase of Intangible assets		(18 000)	(3 419)
Net cash flows from investing activities		**(6 763 381)**	**(5 229 704)**
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment) proceeds of finance lease liability		(141 248)	(125 053)
Movement in non-exchange revenue liability		2 552 034	8 195 845
Net cash flows from financing activities		**2 410 786**	**8 070 792**
Net increase / (decrease) in net cash and cash equivalents		(2 153 492)	6 247 190
Net cash and cash equivalents at beginning of period		21 867 652	15 620 462
Net cash and cash equivalents at end of period		**19 714 160**	**21 867 652**

2012-2013

Statement of Comparison of Budget and Actual Amounts

	NOTES	ACTUAL R	BUDGET R	Variance R	Variance %
REVENUE					
Revenue from non-exchange transactions	33.1	57 129 396	51 802 030	5 327 366	10%
Revenue from exchange transactions	33.2	24 351 120	26 980 897	(2 629 777)	-10%
Investment Income		829 937	640 821	189 116	30%
Total Revenue		**82 310 453**	**79 423 748**	2 886 705	4%
EXPENSE					
Administrative expenses	33.3	3 929 554	4 271 617	342 063	8%
Depreciation and amortization expense	33.4	8 278 450	3 256 849	(5 021 601)	-154%
Personnel expenses		32 606 871	32 643 038	36 167	0%
Selling & distribution costs	33.5	21 791 168	13 361 768	(8 429 400)	-63%
Cost of refreshments	33.6	1 295 051	1 138 685	(156 366)	-14%
Other expenses	33.7	17 869 485	16 293 860	(1 575 625)	-10%
Finance costs		24 620	-	(24 620)	
Total Expenses		**85 795 199**	**70 965 817**	(14 829 382)	-21%
Deficit for the period		**(3 484 746)**	**8 457 931**	**(11 942 677)**	

Accounting Policies

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

A summary of the significant account policies are disclosed below.

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent in all material respects with those applied in the previous year.

1.1. 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 presented 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 for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis on the remaining individually impaired items, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The carrying value less impairment provisions of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Impairment testing

The recoverable (service) amounts of individual assets and cash-generating units have been determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions.

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.

Useful lives of property, plant and equipment and intangible assets

The entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimate is based on the condition and use of the individual assets, in order to determine the re-

maining period over which the asset can and will be used.

Investment Property
The entity performs valuations on the Investment Property to determine the market value at the end of every three years. The market values are stated in the notes of Annual Financial Statements.

Provisions
Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 23 Provisions.

Effective interest rate
The entity used the prime interest rate to discount future cash flows.

Allowance for impairment
On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 PROPERTY, PLANT & EQUIPMENT
Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than on period.

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

- it is probable that future economic benefits or service potential associated with the item will flow to the company; and
- the cost or fair value 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.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Where an item of property, plant and equipment is acquired at no cost, or for a nominal cost, its cost is its fair value as at the 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 non-monetary asset's fair value is not determinable, it's deemed cost is the carrying amount of the asset 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 or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent to initial measurement property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual values. Artworks are not currently depreciated as their current residual value is expected to be greater than carrying amount.

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

	Average useful life
Buildings	37 years
Printing equipment	3 – 5 years
Office furniture and equipment *(Including computer equipment)*	5 – 7 years
Motor vehicles	5 – 7 years
Stage and workshop equipment	5 – 10 years
Sundry fixed assets	5 – 10 years
Leasehold improvements	5 – 7 years
Renaissance theatre equipment	5 – 7 years
Décor/costumes/props	5 – 7 years
Orchestra equipment	5 – 7 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. 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 items is depreciated separately.

The depreciation charge for each period is recognised in the statement of financial performance unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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.

Land and buildings

The South African State Theatre occupies and controls economic benefits arising from the following properties which are owned by other parties:

Property description
FH Odendaal Building
320 Pretorius Street
Pretoria; 0002

Owner
Department of Public Works
Gauteng Department of Infrastructure Dev

A valuation on land and building was performed in the financial year 2011/2012 to determine its fair value. The method of valuation used is the Comparable rental income capitalization method.

Assumptions made in the valuation are:

- The property is to let at market rentals and that future rental income will grow at market related rates
- that theatre require expensive single purpose buildings,
- constant change in classes of entertainment,
- character of tenancy often is not of the highest type and is subject to radical change on short notice due to dissolution, merging etc,
- theatre buildings can be remodelled for other use only at extremely high expenses
- television may eventually change the entire entertainment field

The valuation was performed by DJR Professional valuer 1782

1.3 INVESTMENT PROPERTY

Investment property is property which the South African State Theatre holds to earn rentals or for capital appreciation purposes, rather than for use in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of business.

Investment property is initially measured at cost. Subsequently investment property is carried at cost less accumulated depreciation and any

impairment losses. It is currently depreciated at 5% p.a. with a zero estimated residual value.

The residual value, useful life and depreciation method of investment property is reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

1.4 INTANGIBLE ASSETS

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

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 measured at cost.

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

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The amortisation period, residual value, if any, and the amortisation method for intangible assets 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.

Intangible assets comprise of computer software and have been assessed as having a finite useful life with the amortisation charge thereon recognised on a straight line basis.

	Average useful life
Computer Software	2 – 5 years

An intangible asset is assessed at each reporting date as to whether there are any indications that the asset may be impaired. If such indications exist, the entity shall estimate the recoverable amount of the asset. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss that is recognised immediately in the statement of financial performance.

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 arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.5 FINANCIAL INSTRUMENTS

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

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Loans and receivables – financial asset measured at amortised cost
- Trade and other payables – financial liability measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition & measurement
Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Subsequent measurement
The entity measures all financial assets and financial liabilities after initial recognition using the following category:

- Financial instruments at amortised cost

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principle repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Impairment of financial assets
At each reporting date the entity assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

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 through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit. Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account.

Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables
Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are

credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans & receivables.

Trade and other payables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.6 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.

Finance lease – 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 entity's incremental borrowing rate.

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 terms so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using GRAP 13 – Leases.

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.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rent is recognised separately as an expense when paid or payable and are not straight-lined over the lease term.

Operating lease - lessor
Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue from exchange transactions in surplus or deficit.

1.7 INVENTORIES
Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in-first-out formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 IMPAIRMENT OF ASSETS

The entity assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Irrespective of whether there is any indication of impairment, the entity also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use of an asset is the present value of the asset's remaining service potential.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.9 REVENUE RECOGNITION

Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated

with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic b enefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

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

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions e.g. donations. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions comprises mostly government grants and transfers. Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity. An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

A present obligation arising from a non-exchange transaction that meets the definition of a liability is recognised as a liability when and only when:

(a) it is probable that an outflow of resources embodying future eco-

nomic benefits or service potential will be required to settle the obligation; and

(b) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a liability shall be the best estimate of the amount required to settle the present obligation at the reporting date.

1.10 PROVISIONS

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised.

1.11 EMPLOYEE COSTS

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan which normally defines an amount of benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The entity's net obligation recognized in the balance sheet for defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets - which in the case of funded plans are usually held by a long-term employee benefit fund or qualifying insurance company and are not available to the creditors of the SAST nor can they be paid directly to the SAST - and adjustments for past service costs. The defined benefit obligation is calculated regularly by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future

cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have maturity terms approximating the duration of the related pension liability.

SAST recognizes actuarial gains and losses, which represent adjustments due to experience and changes in actuarial assumptions, fully in the period in which they occur in statement of financial performance.

Past service costs are recognized immediately in the income statement unless the changes to the plan are conditional on the employee remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Medical Benefits

SAST provides post-retirement health care benefits to their retirees. The SAST's net obligation in respect of long-term employee benefit plans other than pension plans is the amount of future benefit that employees have earned in return for their services in the current or prior periods. Such benefits are discounted to determine their present value and the fair value of any related asset is deducted. The calculation is performed using the projected unit credit method and any actuarial gain or loss is recognized in the statement of financial performance in the period in which it arises. These obligations are valued annually by independent qualified actuaries.

1.12 BORROWING COSTS

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.13 COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.14 IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the PFMA is expenditure incurred in contravention of, or that is not in accordance with:

- a requirement of the PFMA (Act No.29 of 1999); or
- a requirement of the State Tender Board Act (Act No. 86 of 1986), or any regulations made in terms of the Act; or
- a requirement in any provincial legislation providing for procurement procedures in that provincial government.

All expenditure relating to irregular 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.

1.15 FRUITLESS & WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure means expenditure that 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.

1.16 TAXATION

No provision for taxation or VAT has been made since the entity is directly funded by the government and exemption from taxation has been granted by South African Revenue Service (SARS).

1.17 GOING CONCERN

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the members of council to indicate that the institution will not remain a going concern for the foreseeable future.

Notes to the Annual Financial Statements
for the period 31 March 2013

		2013 R	2012 R
2	**NEW ACCOUNTING PRONOUNCEMENTS**		

At the date of authorisation of these financial statements, there are Standards and Interpretations in issue but not yet effective. These include the following Standards and Interpretations that are applicable to the South African State Theatre and may have an impact on future financial statements:

Standards and interpretations issued, but not yet effective.

- GRAP 18 Segment reporting
- GRAP 20 Related-party disclosures
- GRAP 25 Employee benefits
- GRAP 105 Transfers of functions between entities under common control
- GRAP 106 Transfers of functions between entities not under common control
- GRAP 107 Mergers

The Minister of Finance prescribed an effective date of 1 April 2013 in the Government Gazette for those Standards of GRAP on the above list that are highlighted in grey. No effective date has been set for the remaining 5 Standards of GRAP.

		2013 R	2012 R Restated
3	**REVENUE FROM NON-EXCHANGE TRANSACTIONS**	**57 129 396**	**42 213 746**
	DAC Operational Grant	49 706 000	37 109 000
	CATHSSETA Grant	225 428	90 594
	DAC Capital grant recognised	7 197 968	5 014 152

3.1 SERVICE-IN-KIND

The South African State Theatre has a sponsorship agreement with kykNET considered as non-exchange transaction service-in-kind. The fair value of this transaction cannot be reliably determined. The agreement gives kykNET naming rights to the Drama Theatre and the South African State Theatre will receive in return classical airtime to be used for promotional spot.

4	**REVENUE FROM EXCHANGE TRANSACTIONS**	**24 351 120**	**24 499 068**
	Rental revenue	6 395 799	6 081 514
	Wardrobe hiring & Décor	1 482 424	1 566 085
	Production revenue	2 039 256	4 042 692
	Sale of refreshments	2 180 278	1 720 192
	Parking garage revenue	11 404 251	10 081 400
	Other operating revenue	849 112	1 007 184

5	**INVESTMENT INCOME**	**829 937**	**656 430**
	Interest revenue received on cash balances	829 937	656 430

		2013 R	2012 R Restated
6	**ADMNISTRATIVE EXPENSES**	**3 929 554**	**4 944 555**
	Audit fees: External Auditors	935 409	1 476 604
	Internal Auditors	323 917	416 383
	Bad debts	819 382	1 091
	Communications	748 752	771 867
	Computer expenses	15 789	39 436
	Professional fees: Legal	182 525	99 525
	Other	742 247	545 472
	Operating lease charges - equipment	105 595	116 215
	Provision for doubtful debts adjustment account	(1 153 065)	220 906
	Stationary, licenses and subscriptions	556 634	417 104
	Staff training	279 182	182 459
	Staff welfare and refreshments	141 379	116 218
	Workmen's compensation	188 454	217 228
	Recruitment of staff	43 354	324 046
7	**DEPRECIATION AND ARMOTIZATION EXPENSE**	**8 278 450**	**7 349 454**
	Depreciation - Property, plant & equipment	7 950 853	7 023 591
	Depreciation - Investment property	298 929	298 929
	Amortisation - Intangible assets	28 668	26 934
8	**SELLING AND DISTRIBUTION COSTS**	**21 791 168**	**9 856 854**
	Marketing	3 951 464	2 540 256
	Production costs 8.1	17 098 706	7 081 305
	Travelling	489 516	154 923
	Entertainment	251 483	80 369

8.1 Production costs

Production costs for 2013 include Special Productions funded by DAC grant for London Olympics 2012 (R 6 368 424) and Edinburgh festival (R 2 706 873)

		2013 R	2012 R
9	**COST OF REFRESHMENTS**	**1 295 051**	**1 083 200**
	Cost of sales comprises of the cost of liquor, refreshments and sweats sales from:		
	Front of House	1 150 170	995 189
	Applause Lounge	144 881	88 010
10	**COMPENSATION OF EMPLOYEES**	**32 606 871**	**34 116 540**
10.1	**SALARIES & WAGES**	**28 633 671**	**30 509 932**
	Basic Salary	23 240 621	21 315 921
	Pensioners/Medical	642 882	2 797 001
	Casual wages	3 572 651	5 504 199
	Overtime	1 100 775	897 998
	Leave pay	76 742	-5 186
10.2	**SOCIAL CONTRIBUTIONS**		
	EMPLOYER CONTRIBUTIONS	**3 973 200**	**3 606 608**
	Provident funds	3 495 556	3 136 897
	Unemployment Insurance Fund	188 853	184 627
	Skills Development Levy	266 126	263 654
	Funeral insurance	22 665	21 429
	Average number of employees for the year	225	138
11	**OTHER EXPENSES**	**17 869 485**	**16 274 257**
	Cleaning services	2 565 474	2 481 089
	General expenses	836 938	718 495
	Insurance	377 551	356 730
	Repairs, maintenance and upgrading	2 763 315	3 101 406
	Security	4 069 073	3 767 966
	Utilities	7 127 984	5 704 369
	Assets written off	127 650	76 917
	SARS penalties and interest	1 500	67 285

		2013 R	2012 R
12	**FINANCE COSTS**	**24 620**	**46 729**
	Interest expense on finance leases	24 620	46 729

		2013 R	2012 R
13	**CASH AND CASH EQUIVALENTS**	**19 714 161**	**21 867 652**
	Cash at bank	59 991	2 019 191
	Cash floats	129 638	85 839
	Deposits on call	12 907 032	13 578 122
	Short term investments (under 12 months)	6 617 500	6 184 500

There are no restrictions on the use of cash and cash equivalents

14 REMUNERATION OF SENIOR MANAGEMENT

14.1 AT 31 MARCH 2013

Name	Designation	Basic salary	Annual Bonus	Provident fund	Allowances	Other	Total Cost
Board Members/Non Executive Directors							
Miss. N Gallant	Chairperson of Council	-	-	-	3 965	65 913	69 878
Mrs B Neuhoff	Council member	-	-	-	6 466	26 410	32 876
Dr. K Netshiombo	Council member	-	-	-	6 027	28 282	34 309
Mr A Bodrick	Council member	-	-	-	2 928	16 226	19 154
Mr H Gouvelis	Council member	-	-	-	1 183	16 226	17 409
Adv. K Motsiri	Council member	-	-	-	-	12 510	12 510
Mr M Ngonyama	Council member	-	-	-	988	15 290	16 278
Dr. O Ntsoane	Council member	-	-	-	3 791	26 410	30 201
Adv. J Ralefatane	Council member				4 211	19 942	24 153
Mr J Watson	Council member				366	11 602	11 968
Executive Directors							
Miss. X Ngema	Chief executive officer outgoing *(Date of resignation 31 May 2012)*	138 408	25 978	24 378	12 000	58 613	259 376
Dr. Q Simpson	Chief executive officer *(Date of appointment 1 May 2012)*	839 859	65 530	113 949		10 000	1 029 338
Mr A Sekhabi	Artistic Director	645 284	52 648	123 498	63 600	12 000	897 030
Mr G Viljoen	Technical manager	617 442	64 517	161 422		14 388	857 769
Mr A Mokoena	Chief financial officer	579 935	46 395	111 161		7 800	745 292
Miss. E Booyens	Marketing Director	476 571	38 999	-	11 000	11 629	538 199
		3 297 499	**294 067**	**534 408**	**116 526**	**353 241**	**4 595 740**

14.2 AT 31 MARCH 2012

Name	Designation	Basic salary	Annual Bonus	Provident fund	Allowances	Other	Total Cost
Council Members/Non Executive Directors (until 31 July 2011)							
Walter Mosetlhi	Chairperson of Council	-	-	-	1 104	10 212	11 316
Sikkie Kajee	Council member	-	-	-	-	-	-
Phyllis Klotz	Council member	-	-	-	1 008	2 780	3 788
TZ Morabe	Council member	-	-	-	-	-	-
N Baloyi	Council member	-	-	-	8 479	4 282	12 761
Mrs NV Dyani	Council member	-	-	-	-	-	-
M Mogomotsi	Council member	-	-	-	2 261	7 046	9 307
T Simelane	Council member	-	-	-	-	1 390	1 390
New Council Members/Non Executive Directors (from 1 August 2011)							
N Gallant	Chairperson of Council				1 708	21 814	23 522
B Neuhoff	Council member	-	-	-	4 234	18 070	22 304
K Netshiombo	Council member	-	-	-	6 478	28 920	35 398
A Bodrick	Council member	-	-	-	1 388	8 340	9 728
H Gouvelis	Council member	-	-	-	634	9 730	10 364
Adv. K Motsiri	Council member	-	-	-	-	5 560	5 560
Mar. M Ngonyama	Council member	-	-	-	2 759	12 510	15 269
Dr. O Ntsoane	Council member	-	-	-	1 556	12 510	14 066
Adv. J Ralefatane	Council member	-	-	-	3 111	10 666	13 777
Mar. J Watson	Council member	-	-	-	293	7 418	7 711
Executive Management							
X E Nduneni-Ngema	Chief executive officer	702 889	59 887	137 987	84 000	-	984 763
A Sekhabi	Artistic Director	585 001	48 785	114 449	92 338	-	840 573
G Viljoen	Technical manager	578 211	46 943	148 448	17 223	-	790 824
A Mokoena	Chief financial officer	532 515	42 455	101 582	7 800	-	684 351
Miss E Booyens	Marketing Director	397 419	32 565	-	11 380	-	441 364
		2 796 035	**230 634**	**502 466**	**247 753**	**161 248**	**3 938 135**

		2013	2012
		R	R
15	**TRADE AND OTHER RECEIVABLES**	**2 099 440**	**1 212 139**
	Trade receivables	1 224 689	1 430 420
	Provisions for doubtful debts	-	(1 153 065)
	Net Trade receivables	1 224 689	277 355
	Accrued income	105 703	128 956
	Deposits	2 230	2 230
	Other receivables	766 818	803 598
15.1	**Reconciliation of provision for doubtful debts**		
	Opening balance	1 153 065	932 159
	Impairment loss recognised		220 906
	Impairment loss utilised	1 153 065	
	Closing Balance	-	1 153 065
16	**INVENTORY**	**322 909**	**300 584**
	Inventory comprises of the following merchandise:		
	FOH liquor, refreshments & consumables	230 543	229 709
	Stationery	92 366	70 875

17 Property, plant and equipment

Owned & leased	Land	Buildings	Office furniture & equipment	Motor vehicles	Stage & workshop equipment	Sundry fixed assets	Leasehold improve-ments	Theatre equipment	Art Works	Décor Costumes props	Orchestra equipment	Leased Office equipment	Capital Work in Progress	Total
COST														
At 1 April 2012	6 710 793	148 367 336	1 506 741	466 046	16 185 746	350 906	5 113 550	9 906 872	19 178 094	1 210 927	899 082	768 660	2 059 319	212 724 071
Additions			536 669		2 737 208		1 488 306	548 380					1 434 818	6 745 381
Disposals/Write offs			(279 010)		(1 866 378)	(112 899)		(412 206)	(90 000)					(2 760 493)
Transfers							2 018 192						(2 018 192)	0
At 31 March 2013	**6 710 793**	**148 367 336**	**1 764 400**	**466 046**	**17 056 577**	**238 006**	**8 620 048**	**10 043 046**	**19 088 094**	**1 210 927**	**899 082**	**768 660**	**1 475 945**	**216 708 960**
ACCUMULATED DEPRECIATION														
At 1 April 2012	-	(8 019 816)	(1 094 187)	(405 698)	(12 562 701)	(334 692)	(1 726 197)	(7 526 635)	-	(1 154 931)	(847 206)	(499 523)		(34 171 585)
Depreciation		(4 009 928)	(243 655)	(26 083)	(1 607 040)	(7 056)	(747 908)	(1 098 145)		(29 063)	(42 676)	(139 300)		(7 950 853)
Disposals/Write offs			275 319		1 835 100	111 200		411 260						2 632 878
At 31 March 2013	**-**	**(12 029 744)**	**(1 062 523)**	**(431 780)**	**(12 334 642)**	**(230 549)**	**(2 474 105)**	**(8 213 519)**	**-**	**(1 183 994)**	**(889 882)**	**(638 823)**	**-**	**(39 489 560)**
CARRYING VALUE														
At 31 March 2013	**6 710 793**	**136 337 592**	**701 878**	**34 266**	**4 721 935**	**7 458**	**6 145 944**	**1 829 526**	**19 088 094**	**26 933**	**9 200**	**129 838**	**1 475 945**	**177 219 400**
COST														
At 1 April 2011	6 710 793	148 367 336	1 627 455	466 046	15 806 087	359 020	3 490 749	9 153 499	19 178 094	1 210 927	899 082	920 072		208 189 158
Additions			68 393		602 746		1 622 801	873 026					2 059 319	5 226 285
Disposals/Write-offs			(189 107)		(223 087)	(8 114)		(119 653)				(151 411)		(691 372)
At 31 March 2012	6 710 793	148 367 336	1 506 741	466 046	16 185 746	350 906	5 113 550	9 906 872	19 178 094	1 210 927	899 082	768 660	2 059 319	212 724 071
ACCUMULATED DEPRECIATION														
At 1 April 2011	-	(4 009 928)	(1 102 037)	(379 615)	(11 487 540)	(326 788)	(1 310 037)	(6 765 124)		(1 098 905)	(804 487)	(477 987)		(27 762 448)
Depreciation	-	(4 009 888)	(160 967)	(26 083)	(1 278 558)	(15 297)	(416 160)	(878 595)	-	(56 026)	(42 719)	(139 300)		(7 023 592)
Disposals/Write-offs			168 817	-	203 397	7 393		117 084				117 764		614 455
Prior year error adjustment to depreciation														
At 31 March 2012	**-**	**(8 019 816)**	**(1 094 187)**	**(405 698)**	**(12 562 701)**	**(334 692)**	**(1 726 197)**	**(7 526 635)**	**-**	**(1 154 931)**	**(847 206)**	**(499 523)**	**-**	**(34 171 585)**
CARRYING VALUE														
At 31 March 2012	**6 710 793**	**140 347 520**	**412 555**	**60 349**	**3 623 045**	**16 214**	**3 387 353**	**2 380 237**	**19 178 094**	**55 996**	**51 876**	**269 138**	**2 059 319**	**178 552 486**

17.1 Fully depreciated assets in use

Total number of assets fully depreciated and still in use is 954 and were acquired between 2003 and 2005 at a cost of R295000

		2013 R	2012 R
18	**INVESTMENT PROPERTY**		
	Carrying amount at start of year	**3 925 178**	**4 224 107**
	Cost	5 978 574	5 978 574
	Accumulated depreciation	(2 053 396)	(1 754 467)
	Additions(disposals)		
	Depreciation for the year	(298 929)	(298 929)
	Carrying amount at end of year	**3 626 249**	**3 925 178**
	Cost	5 978 574	5 978 574
	Accumulated depreciation	(2 352 325)	(2 053 396)

The investment property is held at cost. The market value of the investment property as at 22 March 2012 has been valued at R11,500,000.The valuation method used is the income method because most of the buildings on the property are let and used for commercial / industrial purpose. The annual income from the property is capitalised to arrive at a market value. The property is situated on Erf 169 Weavind Park, City of Tshwane. The valuation was performed by DJR Professional Valuer 1782 .

Rental revenue from investment property	1 678 338	1 661 774
Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental revenue during the period.	1 369 899	1 079 660

19	**INTANGIBLE ASSETS**		
	Intangible assets comprises of computer software.		
	Carrying amount at start of year	**83 642**	**107 077**
	Cost	272 370	271 546
	Accumulated amortisation	(188 728)	(164 469)
	Additions	18 000	3 419
	Disposals: Cost		(2 595)
	Disposals: Accum Dep		2 595
	Amortised for the year	(28 668)	(26 854)
	Carrying amount at end of year	**72 974**	**83 642**
	Cost	290 370	272 370
	Accumulated amortisation	(217 396)	(188 728)

		2013 R	2012 R
20	**TRADE AND OTHER PAYABLES**	**1 957 959**	**3 921 290**
	Trade payables	263 405	1 473 677
	Accrued expenses	1 541 055	2 023 058
	Income received in advance	153 498	424 555
21	**Non-exchange revenue liability account**		
	Balance at beginning of the year	18 461 811	10 265 963
	Receipts	9 750 000	13 210 000
	Capital grants recognised	(7 197 968)	(5 014 152)
	Balance at end of the year	**21 013 843**	**18 461 811**

Non exchange revenue liability comprises revenue received from DAC for capital expenditure but not yet spent in terms of the conditions of the grant.

22.1 FINANCE LEASE COMMITMENTS

The institution is leasing certain of its office equipment in terms of finance lease agreements. The institution has an option to acquire these assets at the end of the lease. There are no escalation clauses or restrictions imposed by the leases. The effective interest rate for the finance leases is 12.24% per annum. The monthly instalment for the finance leases range from R379.95 to R3 879.84.

The future minimum lease payments under non-cancellable leases for equipment are as follows:		
- Due no later than 1 year	109 027	163 540
- Due between 1 and 5 years		109 027
- Due later than 5 years	-	-
	109 027	**272 566**
Reconciliation		
Future minimum lease payments	109 027	272 566
Present value of future minimum lease payments	(104 188)	(245 436)
Interest component	**4 839**	**27 130**
Current finance lease liability	104 188	141 248
Non-current finance lease liability		104 188
	104 188	**245 436**

		2013 R	2012 R
22.2	**OPERATING LEASES**		
	Significant leasing arrangements		
	The entity leases certain of its office space in terms of operating leases. The majority of leases run for 1 year inline with the entity's financial year. There are no escalation rates and new contracts are signed with lessees each year.		
	The future minimum lease payments under non-cancellable operating leases are as follows:		
	State Theatre Office Main Building		
	- Due no later than 1 year	1 209 857	1 123 131
	- Due between 1 and 5 years	541 471	1 142 396
	- Due later than 5 years	-	-
		1 751 328	2 265 528
	Investment Property		
	- Due no later than 1 year	1 456 824	1 251 881
	- Due between 1 and 5 years	537 172	286 827
	- Due later than 5 years	-	-
		1 993 996	1 538 708
	The entity leases an on hold telephone message system with a 1 month termination notice period and a GAAP point of sale software over a three year period.		
	The future minimum lease payments under non-cancellable operating leases are as follows:		
	- Due no later than 1 year	77 484	58 053
	- Due between 1 and 5 years	77 484	58 053
	- Due later than 5 years		
		154 969	116 106

		2013 R	2012 R
23	**EMPLOYEE COST PROVISIONS**	**1 102 266**	**1 025 524**
	Leave pay	1 102 266	1 025 524
	Reconciliation of movement in provision		
	Balance at beginning of the year	1 025 524	1 030 710
	The movement for the year	76 742	(5 186)
	Balance at end of the year	1 102 266	1 025 524

			Restated
24	**PROVISIONS**	**5 644 000**	**5 570 000**
	Provision for retired pensioner payments	402 000	394 000
	Provisions for Post retirement medical aid obligations	5 242 000	5 176 000

Movement in the Net Liability recognised in the Statement of Financial Performance	**MEDICAL OBLIGATION**	**PENSION OBLIGATION**
Balance at 31 March 2012	5 176 000	394 000
Interest cost	330 000	24 000
Benefits paid	(526 540)	(42 341)
Actuarial loss	262 540	26 341
Balance at 31 March 2013	5 242 000	402 000

Amounts recognised in the Statement of Financial Performance		
Interest cost	330 000	24 000
Actuarial loss	262 540	26 341
Total amount recognised in the Statement of Financial Performance	592 540	50 341

A valuation was performed at year end by Neil Fourie of ZAQ Consultants and Actuaries

	2013 R	2012 R

24 cont **Medical fund**

A valuation was performed for the medical aid fund based on 20 (2012: 22) retired pensioners previously employed by the State Theatre. The Projected Unit Credit funding method was used to determine the past service liabilities at the valuation date and projected annual expense in the year following the valuation date. The expected value of each former employee and their spouse's future medical aid subsidy is projected by allowing for future medical inflation. The calculated values were then discounted at the assumed discount interest rate to the date of calculation. Mortality was also allowed for.

Pension fund

The ex-gratia pension liability was calculated based on 4 (2012: 7) retired pensioners previously employed by the State Theatre by multiplying the annual pension provided by an appropriate annuity factor as at the valuation date.

Actuarial assumptions

The following is the principal actuarial assumptions as at the reporting date.

Interest rate	6.50%	6.50%
Consumer price inflation	4.76%	4.76%
Medical aid inflation / Pension inflation	5.76%	4.76%
Net effective discount rate	0.70%	1.66%

Sensitivity analysis

In order to illustrate of the result in changes of certain key variables, the liability is recalculated using the following assumption;

A 1% increase/decrease in the Medical Aid inflation assumption.

A 20% increase/decrease in the assumed level of mortality.

Mortality Rates

Deviations from the assumed level of mortality experience of the current employees and the continuation members will have a large impact on the actual cost to the Organization. If the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Organization in the form of subsidies will reduce and vice versa.

	2013 R	2012 R

24 cont We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality Rate	Valuation Assumption	+20% Mortality Rate
Total Accrued Liability	5 953 000	5 242 000	4 703 000
Interest Cots	368 000	322 000	287 000
Service Cost	-	-	-

Medical Aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	4 917 000	5 242 000	5 601 000
Interest Cots	301 000	322 000	346 000
Service Cost	-	-	-

	2013 R	2012 R Restated

25 Related Parties

Department of Arts and Culture

The following transactions took place during the period with the Department of Arts and Culture:

Operational grant	49 706 000	37 109 000
Capex Grant	9 750 000	13 210 000
Grant for the production for special productions		601 500
Productions on behalf of DAC	9 300 000	
	68 756 000	50 920 500

		2013 R	2012 R
25 cont	**Mr John Watson**		
	The Chairperson of the Audit Committee Mr John Watson was an employee of Sifuna Consulting but was not directly involved in any work performed at the State Theatre by Sifuna Consulting.		
	Payments made to Sifuna Consulting for services provided		34 107
	The above transaction occurred at an arms length in normal course of business.		
	Miss N Gallant		
	Miss N Gallant, the chairperson of Council of the South African State Theatre, is a member of Dalitso HR Solution which has performed consultation work for the entity. The transaction was nullified as per council resolution and the funds were paid back to the entity.		
	Service rendered by Dalitso HR Solutions		11 400
	Miss NC Khumalo		
	Miss NC Khumalo, a member of KKBR Entertainment acted as an agent for performing artist without due declaration.	410 000	193 000
	The following employees received additional compensation for rendering services outside their employment contract with the South African State Theatre.		

Mr DS Bopape	Sound engineer for Purr Factory	6 000
Mr J Kekana	Sound engineer for 2012 Olympics & Mzansi Festival	27 000
Mr SC King	Lighting engineer for Mzansi Festival	10 000
Mr MF Makumbila	Lighting design for Sorry wrong number & Horn of Sorrow	20 000
Mr VA Ndlela	Sound engineer for Trilogy	8 000
Mr MAM Nefdt	Lighting design for Mzansi Festival	2 500
Mr EM Tsebe	Sound engineer for Mzansi festival	5 000
Mr AB Simpson	Building steel structures for additional floor space	15 000
Mr MJ Mbiza	Building steel structures for additional floor space	15 000
Mr MP Medupi	Building steel structures for additional floor space	15 000

		2013 R	2012 R
25 cont	**Gauteng Department of Infrastructure and Development**		
	The South African State Theatre occupies and derives economic benefits of building 320 Pretorius Street owned by the Gauteng Department of Infrastructure Development. No rental charge is paid to the Department for the use of this building.		
26	**CASH FLOWS FROM OPERATING ACTIVITIES**		
	Surplus for the year	**(3 484 746)**	**(6 302 346)**
	Adjustments for:	6 598 460	9 234 443
	Depreciation - Property, plant and equipment	7 950 853	7 023 591
	Depreciation - Investment property	298 929	298 929
	Amortisation - Intangible assets	28 668	26 934
	Loss on assets write-off	127 650	76 917
	Investment income	(829 937)	(656 430)
	Provision for doubtful debts	(1 153 065)	220 906
	Finance cost	24 620	46 729
	Provision for employee benefits	150 742	2 196 865
	Operating profit/(loss) before changes in working capital	**3 113 714**	**2 932 018**
	Movements in working cavpital	**(1 719 928)**	**(135 615)**
	Decrease / (Increase) in inventory	(22 325)	66 540
	Decrease / (Increase) in trade and other receivables from exchange transactions	265 764	263 820
	(Decrease) / Increase in trade and other payables from exchange transactions	(1 963 367)	(465 975)
	Net cash flows from operating activities	**1 393 786**	**2 796 403**

	2013 R	2012 R Restated

27 FINANCIAL INSTRUMENTS

The entity's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk.

The entity has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit function reports quarterly to the Audit and Risk Management Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

27.1 Liquidity risk

The entity manages liquidity risk by reviewing the bank and cash balances on a daily basis. The entity has sufficient resources to meet its short-term obligations. All bank accounts are held with reputable banking institutions.

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

Less than one year		
Trade and other payables	936 863	2 660 598
Finance lease liability	109 027	163 540
Between one to 5 years		
Finance lease liability	-	109 027

	2013 R	2012 R

27.2 Credit risk

Credit risk relates to potential exposure on trade receivables. At year-end, the entity did not consider there to be any significant concentration of credit risk, which had not been adequately provided for.

There is no security pledged on trade debtors and cash and cash equivalents.

The maximum exposure to credit risk at the reporting date:

Carrying amount:		
Cash and cash equivalents	19 714 161	21 867 652
Trade receivables	1 224 689	1 430 419
Total	20 938 850	23 298 071

27.3 Interest rate risk

All financial instruments attract interest at rates linked directly to the prime bank overdraft rate. The effective interest rate used by the entity is the prime interest rate.

The company's exposure to interest rate risk at reporting date:

Assets		
Cash and cash equivalents	19 714 161	21 867 652
Trade receivables from exchange transactions	1 224 689	1 430 419
Total financial assets	20 938 850	23 298 071
Liabilities		
Trade payables from exchange transactions	936 863	2 660 598
Total financial liabilities	936 863	2 660 598

27.4 Interest sensitivity analysis

As the entity has no significant interest risk exposure at financial year end, the effect of a 1% strengthening or weakening of the prime interest rate at balance sheet date is not considered material.

	2013 R	2012 R
27.5 Aging analysis		
Year ended 31 March 2013	**Gross amount**	**Gross amount**
Current: 0-30 days	547 812	240 154
Past due: 31-60 days	57 664	34 707
More than 90 days	619 213	1 155 558
Total	1 224 689	1 430 419
	Impairment loss	**Impairment loss**
Impairment loss	-	1 153 065
27.6 Reconciliation of provision for doubtful debts		
Opening balance	932 159	393 982
Impairment loss recognised	(932 159)	538 177
Impairment loss utilised		
Closing balance	**-**	**932 159**
27.7 Fair value of financial assets and financial liabilities		
Year ended 31 March 2013		
Assets		
Cash & cash equivalents (loans & receivable)	19 714 161	21 867 652
Trade receivables from exchange transactions (loans and receivable)	1 224 689	1 430 419
Total financial assets	**20 938 850**	**23 298 071**
Liabilities		
Trade payables from exchange transactions (financial liability at amortised cost)	936 863	2 660 598
Total financial liabilities	**936 863**	**2 660 598**

	2013 R	2012 R
27.8 Maturity profile		
Year ended 31 March 2013		
Assets		
Cash and cash equivalents	19 714 161	21 867 652
Trade receivables from exchange transactions	1 224 689	1 430 419
Total financial assets	**20 938 850**	**23 298 071**
Liabilities		
Trade payables from exchange transactions	936 863	2 660 598
Total financial liabilities	**936 863**	**2 660 598**
28 Irregular Expenditure		
Reconciliation of Irregular Expenditure		
Opening Balance	1 563 712	-
Irregular expenditure - current year	3 632 490	1 205 620
Irregular expenditure identified in the current year relating to the prior year	777 129	358 092
Irregular expenditure condoned	-	
Transfer to receivables for recovery		-
Irregular expenditure awaiting condonement	**5 973 331**	**1 563 712**

	2013 R	2012 R

28 Analysis of Irregular Expenditure
cont

Incident	Disciplinary steps taken/ criminal proceedings		
Expenditure incurred without applying the preferential points system to all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Policy Framework Act, 2000(ActNo.5 of 2000)	No disciplinary yet, incidents to be investigation.	481 653	847 527
Procurement from suppliers over R30 000 without Tax Clearance Certificates	No disciplinary yet, incidents to be investigation.	309 282	
Procurement without obtaining the required number of quotations.	No disciplinary yet, incidents' to be investigation.	719 284	
Insurance contract extended without obtaining the required number of quotations for 2010/11 & 2011/12 financial years	No disciplinary steps taken yet, incidents to be investigated		716 185
A tender extended without prior authorization	No disciplinary steps taken yet, incidents to be investigated	1 712 270	
Undeclared transaction with a related party without appropriate declaration.	No disciplinary steps taken yet, incidents to be investigated	410 000	
		3 632 489	1 563 712

Procurement without obtaining the required number of quotations.	No disciplinary yet, incidents' to be investigation.	532 031
Procurement from suppliers over R30 000 without Tax Clearance Certificates	No disciplinary yet, incidents to be investigation.	52 098
Undeclared transaction with a related party without appropriate declaration.	No disciplinary steps taken yet, incidents to be investigated	193 000
		777 129

	2013 R	2012 R

29 Fruitless and wasteful expenditure

Reconciliation of Fruitless and wasteful expenditure

Opening Balance	123 186	-
Fruitless and expenditure for the year	442 071	123 186
Fruitless and expenditure condoned		
Transfer to receivables for recovery		
Fruitless expenditure awaiting condonement	565 257	123 186

Incident	Disciplinary steps taken/ criminal proceedings		
SARS Penalties and interest paid on unpaid PAYE, UIF and Skills levy for the financial year 2010/11	The disciplinary process has been completed and the matter awaits council condonement.		67 285
Advertisement for the position of the CEO retracted and advertised	No disciplinary hearing yet, the incident to be investigated		55 901
Interest charged on late payment of Old Mutual Pension fund contribution	No disciplinary hearing yet, the incident to be investigated	1 500	
The entity cancelled the production Miss Julie resulting in 11 days performances out of contracted 29 days performance due to poor attendance. The full contract amount of R586,100 was paid to the producers.	No disciplinary hearing yet, the incident to be investigated	343 576	
An employee has been remunerated for two months after the employees resignation.	No disciplinary hearing yet, the incident to be investigated	96 995	
		442 071	123 186

	2013 R	2012 R

30 Commitments

Capital expenditure

The South African State Theatre has the following future commitments:

Property, plant and equipment

Purchase of security x-ray machine from Fire Buster		206 739
Purchase of lighting profiles from Muthiyane		204 992
Upgrade of Front of House Foyers	1 012 160	-
Upgrade of passenger lifts	1 490 398	-
	2 502 558	411 731

31 Events subsequent to balance sheet date

There were no adjusting events that came to the attention of the Council.

32 PRIOR YEAR ERROR

During March 2013, SAST discovered that there was an error in the calculation of the 2011/12 valuation of the provision for post retirement medical aid obligations and provision for retired pensioner payments after a valuation by ZAQ Consultants and Actuaries. The employee costs and provisions for 2011/12 (comparatives) have been restated to correct this error. The effect of the restatement on the financial statements is as follows;

31 March 2012

Statement of Financial Position

Increase in Accumulated deficit	931 659
Increase in Provision for medical aid	(931 659)
Decrease in Accumulated deficit	(76 998)
Decrease in Provision for pension	76 998
Net effect on Statement of Financial Position	-

	2013 R	2012 R

33 Variance between actual and approved budgets

Revenue

33.1 Non-exchange revenue recognised is reflecting a negative variance against approved budget because not all capital expenditures budgeted for in the financial year under review were implemented. Additional grants were received from DAC to fund the London Olympics and the Edinburgh festival.

33.2 Revenue from exchange transactions reflects a negative variance against approved budget because the entity did not reach the targeted ticket sales from productions.

Expenditure

33.3 Administrative expense is reflecting a positive variance because of the reversal of a provision for doubtful debts.

33.4 Depreciation and amortization reflects a negative variance because the entity recognised depreciation on building of R 4 million in the Annual Financial Statements which was not budgeted for.

33.5 Selling & distribution costs reflects a material negative variance against approved budget because of the additional production costs for the London Olympics and Edinburgh festival funded by DAC

33.6 Cost of refreshment reflect a material negative variance in relation to the increase in sale of refreshments

33.7 Other Expenses reflect a material negative variance because the utility costs (cost of electricity) increased by 10% above budget.

34 CHANGE IN COMPARATIVE AMOUNTS

Revenue from Non-exchange transaction	
Reclassification of revenue from non-exchange recognised for CAPEX to revenue from non exchange transaction	
Statement of Financial Performance	
Revenue from non-exchange transaction (refer note 3)	5 014 152
Revenue from non-exchange recognised	(5 014 152)
Administrative expenses	
Reclassification of Depreciation & amortization from Administrative expenses	
Statement of Financial Performance	
Administrative expenses (refer note 6)	(7 349 454)
Depreciation & amortization (refer note 7)	7 349 454
Other operating revenue	
Reclassification of Transport revenue to other operating revenue (refer note 4)	8 588
Cash Flow Statement	
Removal of non cash flow item from the cash flow statement	
Supplies	(76 917)
Proceed of sale of fixed assets	(76 917)
Financial Instruments	
Removal of accruals and bonuses from financial instruments	(1 260 691)
Trade & other payables (refer note 27.1)	(836 137)
Trade & other payables (refer note 27.3)	632 241
Trade & other receivables (refer note 27.3	
Related parties	193 000
Related parties : Miss NC Khumalo, a member of KKBR Entertainment acted as an agent for performing artist without due declaration.	

35 CONTINGENT LIABILITY

There is no contingent liability that the Council is aware of.

2012-2013

Partners & Stakeholders

Many of our special projects would not be possible without our partners & stakeholders. We are proud to have worked with the following partners & stakeholders during 2012/2013 & look forward to lasting relationships during the next financial year.

Department of Arts and Culture

City of Tshwane

Kyknet

Embassy of the United States of America

Computicket

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