



# ANNUAL REPORT 2015/16

THE SOUTH AFRICAN



STATE  
THEATRE

an agency of the  
Department of Arts and Culture

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PART A:

GENERAL

INFORMATION





## 1. PUBLIC ENTITY'S GENERAL INFORMATION

PUBLIC ENTITY:	THE SOUTH AFRICAN STATE THEATRE
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EMAIL ADDRESS:	admin@statetheatre.co.za
WEBSITE ADDRESS:	www.statetheatre.co.za
EXTERNAL AUDITORS:	AUDITOR GENERAL SOUTH AFRICA
BANKERS:	ABSA BANK LIMITED
COUNCIL SECRETARY:	ADAMS AND ADAMS

## 2. LIST OF ABBREVIATIONS/ACRONYMS

AFS	Annual Financial Statements
AGSA	Auditor General of South Africa
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COUNCIL	The South African State Theatre Council (Board)
DAC	The Department of Arts and Culture
DPSA	The Department of Public Service and Administration
MANCO	Management Committee
MTEF	Medium Term Expenditure Framework
NT	National Treasury
PFMA	Public Finance Management Act
SA	South Africa
SAST	The South African State Theatre
SCM	Supply Chain Management
SMME	Small Medium and Micro Enterprises
TR	Treasury Regulations

### 3. FOREWORD BY THE CHAIRPERSON

The Council of the South African State Theatre is pleased to present its 2015/16 Annual Report. This report, which serves as Council's tool of accountability to the shareholder and the people of South Africa, has been prepared by management and approved by Council, in accordance with the Cultural Institutions Act (Act 119 of 1998 as amended) and the Public Finance Management Act (Act 1 of 1999 as amended).

However, I wish to register from the outset Council's disappointment for obtaining a disclaimer. While recognising that the Auditor General has independence to express an opinion, it is disheartening that remedial steps by the Council which were commenced after last year's audit are not acknowledged. The kernel of the problem is the lack of skilled staff, the weighty infrastructure and financial grant that has remained at almost the same level despite radical changes in the status quo within which the theatre operates.

Despite robust engagements between the Council, the Audit Committee and the officials from the Auditor General it was apparent that they were unable to explain how and why the same organisation which obtained an unqualified audit opinion in 2013/14 went on to obtain a qualification and a disclaimer. There was no clarity as to when the organisation regressed because the 2013/14 unqualified opinion followed two consecutive qualifications during the 2011/12 and 2012/13 financial years.

Nevertheless Council acknowledges the audit opinion and will put measures in place which are aimed at achieving a positive audit opinion during the 2016/17 financial year. Some of those measures will include a continuation of organisational restructuring, a review of the business model and a rigorous assessment of the long term sustainability of the South African State Theatre. In the context of a Skills Audit conducted during the 2015/16 financial year, Council has already begun with the process of addressing the critical skills shortage.

While implementing these cost-cutting measures Council noted that there is a huge discrepancy between the funding and the mandate of the SAST. Council resolved to continue with its efforts to engage the Minister of Arts and Culture regarding the funding of the theatre, particularly because there is an expectation from the public for it to operate as a national theatre. The resource allocation from the Department of Arts and Culture does not acknowledge the fact that the State Theatre was established to serve as a premier national theatre of South Africa. Above all, the identity and/or brand of the SAST and its relationship with peer institutions nationally needs to be revisited.

#### **Organisational Performance**

While acknowledging the negative audit opinion, we are pleased to announce an overall performance against predetermined objectives, as set out in our 2015/16 Annual Performance Plan, of 77% for the year. The SAST has 6 Outcome oriented Goals. These goals cover a wide range of the institution's activities from the staging of productions, development of artists, generation of revenue, maintenance of the infrastructure to the compliance with laws and regulations. Of the 26 performance indicators 20 were achieved, four partially achieved and two not achieved. The partially achieved targets related to presentation of school set works which was due to budgetary constraints. The two that were not achieved were in respect of sponsorship and attainment of an unqualified audit.

Council has put measures in place to address the lack of fundraising and is driving the organisation towards the achievement of a positive audit opinion for the 2016/17 financial year. Furthermore, Council sought to strengthen SAST's capacity to deliver on its mandate by commissioning a Skills Audit and a Business Improvement Strategy. The aim is to ensure strategic alignment between the Strategy, Structure and Budget. In seeking to achieve this, Council held a workshop in February 2016 with the aim of defining the SAST's identity and outline the key components of its core business.

#### **Financial Results**

Following the attainment of a qualified audit opinion in the 2014/15 financial year, Council resolved to take measures to work towards a positive audit outcome for the 2015/16 financial year. An action Plan was developed to address issues raised by the Auditor-General.

Council's efforts were significantly hampered by capacity challenges following the resignation of the Chief Financial Officer (CFO) in July 2015. Council retained her services on a consultancy basis from August to November 2015. The newly appointed CEO and CFO only assumed office at the beginning and end of November, respectively.



Ms Barbara Masekela, Chairperson



Council also appointed internal auditors in October 2015. It is envisaged that these appointments will assist in strengthening the financial management capacity of the SAST. It is noteworthy that these appointments were done towards the end of the financial year and, as a result, could not assist in positively influencing the outcome of the 2015/16 audit.

Notwithstanding the challenges, Council noted during their evaluation of the SAST's performance that revenue increased by 26%, not taking into account the capital works funds that were deposited by DAC in March 2015. Expenditure increased by 10.2 %, less the inflationary adjustment of 5.6%, equates to only a 4.6 % expenditure increase. Further, it was stressed that in the 2014/15 financial year expenses were R1.33 for every R1 of income, where in the 2015/16 financial year expenses are R1.15 for every R1 of income, which demonstrates that the SAST is focusing on cost cutting.

#### **Corporate Governance**

The financial year under review was the first full year during which Council provided oversight to the SAST. As mentioned above the SAST was for the most part of the year without a permanent CEO and CFO. However, Council managed to perform their duties as defined in the Public Finance Management Act (Act 1 of 1999 as amended) and the Cultural Institutions Act (Act 119 of 1998 as amended). Council performed their fiduciary responsibility in terms of their charter and ensured that committees were formed to oversee other key operational areas of the organisation.

During the year under review Council established the following committees: Audit and Risk Committee (a statutory committee), the Artistic and Sponsorship Committee, and the Human Resources and Remuneration Committee. These committees reported regularly to Council and their functions are to ensure the strengthening of the control environment and the implementation of targets as identified in the Five Year Strategic Plan and the Annual Performance Plan.

Council had seven meetings and its three Council subcommittees, namely, the Audit and Risk Committee, the Human Resources and Remuneration Committee, and the Artistic and Sponsorship Subcommittee had no less than three meetings each. Council has also identified the need to establish a Social and Ethics Committee.

During the 2016/17 financial year Council will address the composition of the Audit Committee in respect of having external and independent members. The ARC consisted of one external and independent member and four members of the SAST Council. It operates in accordance with the Audit Committee Charter which was approved by the Council. Following concerns raised by the Portfolio Committee on Arts and Culture in November 2015 regarding the composition of Council, three new external and independent members of the Audit Committee were appointed on 25 May 2016.

Internal Audit is performed by an independent external audit firm, Business Innovation Group (BIG), who were appointed in October 2015 for three years. The Internal Auditors report operationally to the Chief Executive Officer and functionally to the Audit Committee. They perform their audit in accordance with a three-year strategic plan and a rolling one year operational plan.

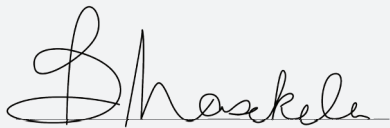
In addition to the ordinary meetings Council had Strategic Planning workshop in February 2016. The purpose of these workshop was to give Council an opportunity to provide input on the Strategic Plan and Annual Performance Plan 2016/17 as well as to enhance their skills in governance so as to equip them with the necessary skills to carry out their fiduciary responsibilities.

#### **Acknowledgements**

The Council of the State Theatre wish to take this opportunity to acknowledge the support of the Honourable Minister of Arts and Culture, Mr Nkosinathi Emmanuel Mthethwa, as well as the two Acting Directors-General, Mr Vuyo Jack and Mr Vusithemba Ndima. I would like to recognise with due appreciation the invaluable contribution made by the members of Council and all SAST staff.

The Council is confident that in the coming year it will redouble its efforts so as to achieve a significant improvement in the strengthening of the pillars of good corporate governance, in enhancing the core business, in increasing audience attendance and revenue generation, and in attracting sponsorship and in strengthening the SAST's relationship with the private sector.

On behalf of council I wish to express our appreciation for the DAC's willingness to provide assistance and hope that opportunities for constructive engagement with the Minister and senior members of the department will continue to be made available for the benefit of the South African State Theatre.



Ms Barbara Masekela  
Chairperson  
The South African State Theatre  
29 July 2016



## 4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

### Introduction

The South African State Theatre (SAST) remains committed to the mandate of the Department of Arts and Culture, its Executive Authority. We acknowledge continued funding of the bulk of our operational budget as well as for the funding of capital projects by the DAC to ensure the ongoing delivery of our mandate under the Cultural Institutions Act.

This overview complements the Chairperson's report by elaborating on the general operations of the State Theatre. During the year under review management continued to focus on organizational renewal, with particular focus on the finalization of the Business Improvement Strategy, the proposed new Business Model. During the year under review Council appointed the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) who commenced their duties in November 2015.

In the previous year's report my predecessor mentioned that Council and management placed particular attention on the stabilization of the organization. Although significant progress has been made in strengthening the control environment, serious challenges are still experienced due to the inappropriate organizational structure, lack of a culture of performance and misalignment between the strategy, budget and the organizational structure.

As was eloquently articulated in the Chairperson's Foreword, the SAST's attainment of a disclaimer opinion from the Auditor General has come as a shock and has caused disappointment. I am particularly disheartened because, although I only joined during the eighth month of the financial year, I was still optimistic that Council's interventions would yield positive results. The following formed the basis of the disclaimer audit opinion: Restatement in corresponding figures, Insufficient audit evidence for journal entries, Expenditure management, Sale of goods, Property Plant and Equipment, Payables from exchange transactions, Trade debtors, Cash and cash equivalents, Irregular expenditure, Fruitless and Wasteful Expenditure, and Commitments.

During management's engagement with the officials from the Auditor General it became clear that the biggest problem is the maturity of the organisation, poor records management and the lack of skills. The lack of a document management system resulted in the SAST not being able to produce evidence of its income and expenditure and was a common thread throughout all the areas which were mentioned by the auditors as areas of weakness. It is important to state that Council had started putting measures in place to address some of the problems following the attainment of a qualified audit opinion during the 2014/15 financial year. However, the audit opinion demonstrates that there is a deeper structural paralysis which cannot be addressed within a short space of time. A Turnaround Strategy will be implemented during the 2016/17 financial year.

### Artistic Delivery

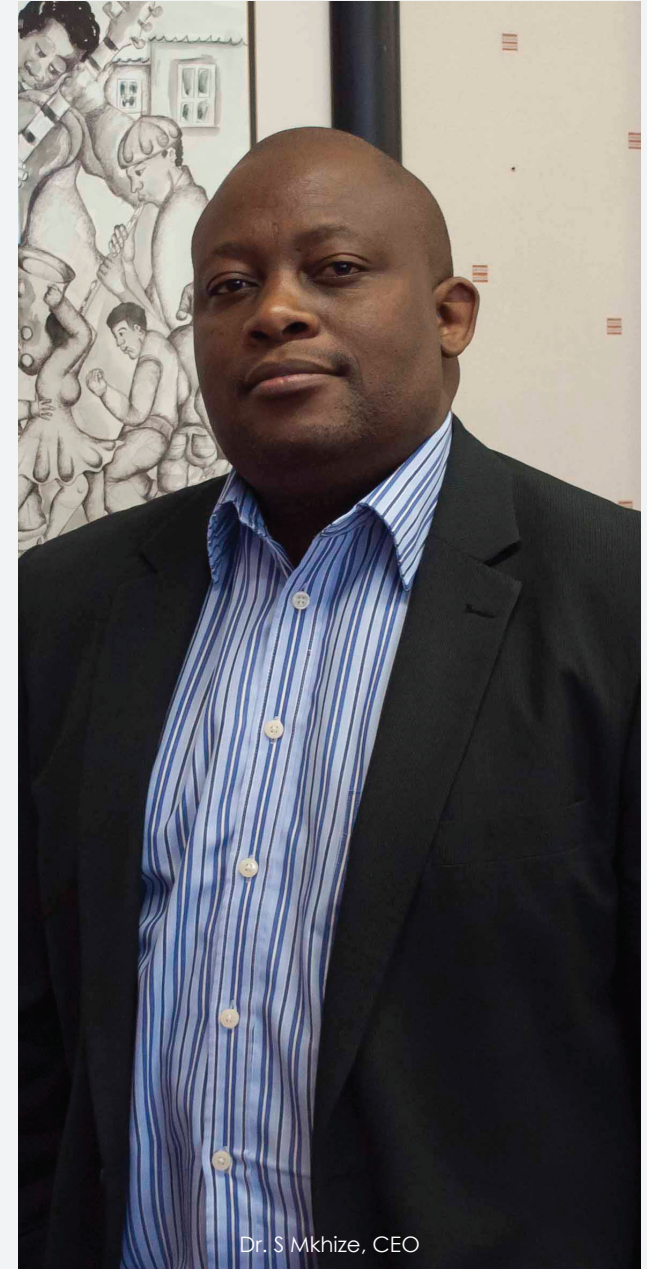
During its workshop on 12 February 2016 Council reconfirmed that the presentation and promotion of theatre is the core business of the State Theatre. While acknowledging this, Council was concerned about the misalignment between the Artistic Programme and the Resource Plan of the SAST. The allocation of the human and financial resources has not been aligned with the growth of the Artistic Programme.

Currently the SAST only allocates 15% of its budget to the Artistic Programme. Council has realised that this is inadequate and efforts are being made to strengthen the organisation's fundraising and sponsorship capacity. Council also approved the change of direction towards business development which will entail the use of SAST's facilities to complement its artistic programme.

Council also seeks to ensure that the SAST clearly outlines its identity through its productions and a strong artistic philosophy. This will hopefully result in increase in audience attendance and increase in revenue generation. Although audience attendance target for the 2015/16 financial year was achieved, 120,105 against a target of 120,000, Council and management are of the view that there is still room for improvement.

### Financial Performance

The finances of the SAST are managed in accordance with the Public Finance Management Act. As was mentioned above the SAST's internal audit is conducted by a private company and its work has assisted Council and management in strengthening the control environment and risk management.



Dr. S Mkhize, CEO

During the 2015/16 financial year, the SAST received operational grants of R47,099,000 and self-generated revenue of R27,366,002 together with sponsorship revenue of R675,000. SAST did not receive a capex grant for the year. An additional grant of R1,600,000 was received from DAC for the Incubator Programme being facilitated by SAST.

As in the previous years, the SAST management has continued to intensify cost containment measures and to strengthen the control environment. A myriad of efforts are always employed to identify and quantify existing commitments to ensure that these are matched with the SAST's income generating capabilities.

Compared to 2014/15 the Annual Financial Statements for 2015/16 will show a significant drop in income. This was caused by the fact that towards the end of the 2014/15 the Department of Arts and Culture deposited R20m into the SAST bank account which resulted in showing a huge surplus for that particular financial year.

As was reported in the 2014/15 Annual Report, the unpredictable nature of the SAST's operations in the recent past has also created a need for management to make material provisions within its budget for all known possible financial obligations. Council is engaged in a process to address these challenges through diversifying income streams and organizational redesign.

### **Planning and Performance Reporting**

During the period under review the SAST Council and management continued to pay particular attention on the matters raised by the Auditor-General which had resulted in the audit qualification for the 2014/15 financial year. The SAST has established a tracking system to ensure that the AG's findings are given serious attention to avoid them being raised again in the next audit. Special attention has been given to compliance with the National Treasury's SMART criteria.

As the performance reports against predetermined demonstrate, there has been a significant improvement in reporting performance and achievement against targets. Management has taken steps to address challenges in the service delivery departments that were attributed to lack of accountability and culture of non-performance. However, more work still needs to be done in attracting sponsorship and to increase audience attendance.

While there are still some challenges with regarding to overall financial management and achievement of revenue targets, I am pleased to report that Performance Information has obtained a positive audit opinion in the past three financial years.

### **Risk Management and Compliance**

Risk Management is a standing item at management and Council meetings as well as its statutory committees. The Audit Committee reports to Council on a quarterly basis. During the year under review management held one Risk Review workshop which was facilitated by the internal auditors. As part of Risk Management the SAST Executive from time to time instructed internal auditors to test the theatre's internal controls.

The 2016/17 Risk Register has been finalised, including an abridged version. 11 top risks have been identified and added to the Risk Register. Management intends on completing implementation of mitigating activities by 30 September 2016 for identified risks, except for those risks that are subject to operational activities that will occur later in the year and those that are ongoing mitigation activities. 60% of the 2015/16 identified risks have been successfully mitigated. The remaining 40% are subject to funding and implementation of supporting operational activities which enable mitigation activities to be completed.

### **Information and Communication Technology**

The SAST recognises the importance of ICT and has continued with the implementation of its Corporate Governance of Information and Communication Technology (CGIT) Policy and Charter, in accordance with the instruction from the Department of Public Service and Administration. The SAST seeks to ensure that ICT becomes a strategic driver of its business operations.

### **Human Resources**

The SAST continues to face a serious challenge of aligning the strategic plan with the structure, the budget, and the new Business Model (Business Improvement Strategy).

The prevailing business environment is not geared towards the achievement of strategic goals. The current staff establishment and configuration of departments needs to be reviewed in order for the theatre to achieve its strategic objectives.

The theatre's resource capacity is not properly aligned to enable it to deliver on its mandate. Although efforts have been made to strengthen the managerial level by appointing staff in line with the new Business Improvement Strategy, it is apparent that an organization-wide restructuring is required.

Council has resolved to embark on a process of organizational restructuring. This follows a Skills Audit which demonstrated the dire situation regarding skills. The results of the Skills Audit showed the following: out of the 90 employees of the SAST 49 do not have matric, 28 have matric, 7 have a national diploma and only 6 have university degrees. Some of the personnel with matric or less qualifications have over the years been promoted and now occupy strategic managerial positions throughout the organisation. The Finance Department, for example, operated for eight months of the 2015/16 financial





year with only the former CFO as a qualified accountant. It is envisaged that the restructuring process would result in an appropriately configured SAST, with particular focus to reducing employee costs, aligning the structure with the strategy, particularly the new Business Model. The organizational re-design is scheduled to be implemented and completed during the 2016/17 financial year.

#### **Infrastructure Management**

The Council and management of the SAST have identified as an area of particular concern the inadequate strategic alignment between maintenance/capital works projects and the strategy of the State Theatre. The age of the building necessitates constant maintenance which can only be achieved through consistent funding for both maintenance and capital works. This problem has been highlighted as one of the risks in the SAST's Risk Register. Maintenance of facilities and improvement of equipment will contribute significantly to the quality of productions, particularly large-scale musicals, and the general comfort of the patrons.

#### **New/Proposed Activities**

The major activity for 2016/17 will be the implementation of the Business Improvement Strategy (Turnaround Strategy). As mentioned in the Chairperson's Foreword, this is aimed at addressing the shortcomings which were identified during the 2014/15 audit and the 2015/16 audit, and the Skills Audit. The aim is not only to look backwards but to also secure a long term sustainability of the South African State Theatre.

#### **Acknowledgements**

I wish to acknowledge the Council of the SAST for the role they played in supporting executive management and guiding it on a positive growth path. Individually and collectively members of Council carried out their fiduciary responsibilities in order to strengthen the fundamental principles of good corporate governance.

A special word of gratitude goes to the personnel of the SAST for their dedication to the institution. The theatre would not have managed to survive and strive without the support of its partners in the performing arts sector. I echo the chairperson's sentiments in acknowledging the roles played by government departments, the arts community, the local municipality, local and international universities and the private sector.

Lastly, I wish to thank the Department of Arts and Culture for the support given to the South African State Theatre.



Dr. Sibongiseni Mkhize  
Chief Executive Officer  
The South African State Theatre  
Date: 29 July 2016



## 5. ARTISTIC DIRECTOR'S OVERVIEW

### 5.1. OVERVIEW

We started the year with a full artistic programme that projected 79 productions, 33 jazz shows, twenty stand up comedies, and 33 outdoor performances. It was a vibrant and exciting year supported by collaborations and partnerships, presenting, co-producing and incubation. We are excited that our projected targets have not only been met but actually exceeded as reported in our Performance Information.

In collaboration with The National Arts Festival and The Arts Trust South Africa, we produced A Voice I cannot Silence. The production went on to win three Naledi Theatre Awards including Best New South African Script. We Presented Baxter theatre's Fishers of Hope. The production earned four Naledi Theatre Awards including Best Production of a Play. Our Partnership with Theatre Royal Stratford East and Marcus Faustini Agencia brought "Home Theatre" to Tshwane. The project produced thirty shows performed in thirty homes around Tshwane, casting thirty actors and working with thirty student filmmakers. Home Theatre brought us close to our main stakeholders, our audiences, that are communities situated in the townships, city centre and suburbs of Tshwane.

Our programmes respond to the diverse nature of our patrons. Although six venues is sometimes our Achilles, it is in many cases a blessing because it offers us an opportunity to service our professional artists and at the same time provide a professional platform for incubation. But multiple venues can also be a nightmare when you have inadequate budgets. But even with these constraints, we continue to advance South African theatre and storytelling. We have interacted with more than 800 artists and 120 000 patrons. Our Incubation programme launched seven exciting young new artists. South African State Theatre has become a home for writers, choreographers, actors, dancers, musicians, directors and producers.

State Theatre is alive, the theatres are never dark. From great evenings of full houses to the small audiences that sometime brave the cold to watch a production. We provide nonstop engaging, entertaining, and relevant, exciting, inspiring and uncensored content. We are the home to the best of South African Theatre.

Considering our contribution and impact on the national performing arts sector of South Africa, it is imperative that SAST becomes recognised as a National Flagship entity, under the Cultural Institutions Act. In so doing, the SAST brand and identity may once again become firmly established as a national cultural institution that leads the performing arts sector of South Africa. This is the natural position that SAST must occupy, not only as it is the largest theatre in the African continent and one of the largest in the world but more so as SAST truly represents the mandate of the Department of Arts and Culture by providing a cultural platform through the performing arts which facilitates and promotes social cohesion amongst our diverse audiences. To fully enable the SAST artistic mandate, DAC must consider a comprehensive review of our annual grant, for both operating and capital expenditure, to bring it in-line with the work that we are currently doing with limited resources. Internally, SAST has already embarked upon a structural and business review and realignment process to ensure that our business model is geared towards fulfilling our mandate. Key to realignment is to ensure that our administrative functions perform optimally to support our artistic ambitions.

I look forward to the next financial year with positive anticipation.



## 5.2. PRODUCTIONS PER PROGRAMME FOR 2015/16

INTERNAL PRODUCTIONS			
Category	Productions	Performances	Audience
Artistic	26	317	28,924
IndieSpotlight	18	75	4,799
Rendezvous	12	84	4,258
Set-Works	2	17	4,672
Festival	44	98	6,986
SUB-TOTAL	102	591	49,639
EXTERNAL PRODUCTIONS			
Category	Productions	Performances	Audience
All External Productions	62	146	70,466
SUB-TOTAL	62	146	70,466
TOTAL	164	737	120,105

ARTISTIC PRODUCTIONS	
Quarter	Production
1	Vettie Vettie @ S A State Theatre, Drama(01/04/2015)
	Road To Damascus @ S A State Theatre, Arena(06/04/2015)
	Africa Unite Fashion Show @ S A State Theatre, Drama Piazza(02/05/2015)
	Mother Of All Eating @ S A State Theatre, Momentum(06/05/2015)
	Fishers Of Hope @ S A State Theatre, Arena(06/05/2015)
	Missing @ S A State Theatre, Drama(03/06/2015)
	Itu Bochele`s Comedy DVD Recording @ Y M C A Garankuwa(15/06/2015)
	Fashion Show @ S A State Theatre, Opera Foyer(27/06/2015)
2	Uhambo The Journey @ S A State Theatre, Arena(02/09/2015)
	Black Bird @ S A State Theatre, Momentum(01/09/2015)
	Shwele Bawo - A Grave Injustice @ S A State Theatre, Momentum(05/08/2015)
	Marikana - The Musical @ S A State Theatre, Drama(16/07/2015)



3	Isambulo @ S A State Theatre, Arena(15/12/2015)
	The Kraal @ S A State Theatre, Momentum(15/12/2015)
	Gospel Fiesta @ S A State Theatre, Opera(13/12/2015)
	Broken Plates @ S A State Theatre, The Intimate(08/12/2015)
	Slam Rape @ S A State Theatre, Momentum(08/12/2015)
	Mafikizolo @ S A State Theatre, Opera(05/12/2015)
	Ringo Madlingozi @ S A State Theatre, Opera(04/12/2015)
	The Legacy @ S A State Theatre, Rendezvous(01/12/2015)
	The Imagined Land @ S A State Theatre, Momentum(06/11/2015)
	Qaphela Caesar @ S A State Theatre, Arena(14/10/2015)
	A Voice I Cannot Silence @ S A State Theatre, Momentum(30/09/2015)
	Mr and Miss Rosebank - Fashion Show @ S A State Theatre, Opera Foyer(30/10/2015)
4	Jerico @ S A State Theatre, Momentum(02/03/2016)
	Reggea Nights At The State Theatre @ S A State Theatre, Rendezvous(04/02/2016)

IndieSpotlight	
Quarter	Production
1	Sak en Pak @ S A State Theatre, Momentum(09/04/2015)
	Morwa the rising son + Cantos Of Life @ S A State Theatre, Momentum(04/06/2015)
	Broken Chant & The Funeral + Synapses @ S A State Theatre, Momentum(17/06/2015)
2	Isambulo
	Iwa Lewa
	New Song
	The Kraal
	Broken Plates
3	Iwa Lewa @ S A State Theatre, Momentum(08/12/2015)
	A New Song @ S A State Theatre, Arena(01/12/2015)
	Secret Ballot @ S A State Theatre, Arena(05/11/2015)
4	Amama Chemumba's Last Breath @ S A State Theatre, Arena(23/03/2016)
	FIRE @ S A State Theatre, Drama(18/03/2016)
	Porselein @ S A State Theatre, Arena(16/03/2016)
	Iwa Lewa @ S A State Theatre, Arena(10/03/2016)
	Primal @ S A State Theatre, Arena(09/03/2016)
	MOLO @ S A State Theatre, Arena(03/03/2016)
	The Journey Of My African Sound @ S A State Theatre, Arena(02/03/2016)

Rendezvous Programme	
Quarter	Production
1	Jazz And African Music Nights
	Tshwane Comedy Nights
	Precinct Programme
2	Tshwane Comedy Nights
	Jazz And African Music Nights
	Precinct Programme
3	Tshwane Comedy Nights
	Jazz and African Music Nights
	Precinct Programme
4	Tshwane Comedy Nights
	Jazz and African Music Nights
	Precinct

Set-Work Productions	
Quarter	Production
4	Lenong and Kudela @ S A State Theatre, Drama(01/03/2016)

Festivals	
Quarter	Production
	Youth Expressions Festival
1	The Kraal @ S A State Theatre, Arena(16/06/2015)
1	Listen @ Studio 4 D, S A State Theatre(16/06/2015)
1	Historical Journey @ S A State Theatre, Arena(16/06/2015)
1	Walk Out @ S A State Theatre, Arena(17/06/2015)
1	Tit For Tat @ Studio 4 D, S A State Theatre(17/06/2015)
1	Lefese Boss @ S A State Theatre, Arena(17/06/2015)
1	One Of Us @ S A State Theatre, The Intimate(18/06/2015)
1	Diva Reunion @ S A State Theatre, Satchmo's(18/06/2015)
1	Stay Away From Boys! @ S A State Theatre, The Intimate(17/06/2015)
1	Fadi Spiritual Rhythm @ Studio 4 G, S A State Theatre(17/06/2015)
1	Napo Masheane and Friends @ S A State Theatre, Arena(25/06/2015)
1	The Soil - Youth Expression Festival @ S A State Theatre, Opera(26/06/2015)
1	Reflections Studio 4G 18 June 2015

Quarter	Vavasati International Women's Festival
2	Vavasati 50's Fashion Show @ S A State Theatre, Transvalia(29/08/2015)
2	Master Builder @ S A State Theatre, The Intimate(28/08/2015)
2	Bookmarks @ S A State Theatre, Rendezvous(26/08/2015)
2	She Cold @ S A State Theatre, Arena(26/08/2015)
2	Amend @ S A State Theatre, The Intimate(25/08/2015)
2	Elkehof Ladies @ S A State Theatre, Arena(25/08/2015)
2	Historical Journey @ S A State Theatre, Arena(22/08/2015)
2	Iwa Lewa @ S A State Theatre, Arena(22/08/2015)
2	Violent Echoes and Score @ S A State Theatre, Satchmo's (20/08/2015)
2	Silent @ S A State Theatre, Arena(18/08/2015)
2	The Fake Zulu Maiden @ S A State Theatre, The Intimate(18/08/2015)
2	Birth @ Studio 4 D, S A State Theatre(12/08/2015)
2	Sense @ S A State Theatre, The Intimate(12/08/2015)
2	Women's Liberation Isililo Sabaf @ S A State Theatre, Arena(12/08/2015)
2	Mute @ S A State Theatre, Arena(11/08/2015)
2	Women Empower Women Seminar @ S A State Theatre, Rendezvous(09/08/2015)
Quarter	Mzansi Fela Festival
3	Night of the Poets Feat Maleh @ S A State Theatre, Drama(19/12/2015)
3	Night of the Poets Festival Nathi @ S A State Theatre, Opera(18/12/2015)
3	Tshwane Comedy Nights @ S A State Theatre, Opera(12/12/2015)
3	Basetana @ S A State Theatre, Rendezvous(11/12/2015)
3	Cassper Nyovest @ S A State Theatre, Opera(11/12/2015)
3	Amend @ S A State Theatre, Rendezvous(10/12/2015)
3	Ashes @ S A State Theatre, Rendezvous(10/12/2015)
3	Tinyiko Na Tsakane @ S A State Theatre, Rendezvous(10/12/2015)
3	The Hen That Lost The Hawk's Needle @ S A State Theatre, Rendezvous(09/12/2015)
3	What If? @ S A State Theatre, Rendezvous(09/12/2015)
3	Cadre @ S A State Theatre, Rendezvous(08/12/2015)
3	He Left Quietly @ S A State Theatre, Rendezvous(08/12/2015)
3	In The Playground @ S A State Theatre, Rendezvous(07/12/2015)
3	Mzansi Fela Fashion Show @ S A State Theatre, Applause Bar(04/12/2015)
3	Madiba The African Opera @ S A State Theatre, Opera(27/11/2015)

## 6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2016.

Yours faithfully



Chief Executive Officer  
Dr. Sibongiseni Mkhize  
29 July 2016



Chairperson of Council  
Ms Barbara Masekela  
29 July 2016



## 7. STRATEGIC OVERVIEW

### 5.3. VISION

To be the National Flagship for the facilitation of Socio-Economic development in the Performing Arts Sector.

### 5.4. MISSION

- To present an Artistic offering, of optimal quality, that integrates social and cultural diversity.
- To provide development opportunities to emerging Arts Practitioners to learn and perform with the aim of becoming commercially competitive.
- To provide effective Audience Development Programmes which will result in patrons supporting the economic objectives of the Performing Arts.
- To maintain and upgrade our unique Theatre facilities to support our Artistic ambitions and our self-generating revenue objectives.

### 5.5. VALUES

- Transparency
- Accountability
- Freedom of expression
- Honesty
- Integrity
- Excellence

## 8. LEGISLATIVE AND OTHER MANDATES

The South African State Theatre is a Schedule 3A Public Entity under the PFMA.

The mandate as given to the public entity's Accounting Authority by the Executive Authority is derived directly from the legislative mandate of the Department of Arts and Culture which in turn comes from the Constitution of the Republic of South Africa Act, 1996, including from the Preamble and Founding Provisions, and in particular:

Section 16 (1): Everyone has the right to freedom of expression, which includes:

- a) freedom of press and other media;
- b) freedom to receive or impart information or ideas;
- c) freedom of artistic creativity ;and
- d) academic freedom and freedom of scientific research".

Section 30 "Everyone has the right to use language and to participate in the cultural life of their choice, but no one exercising these rights may do so in manners inconsistent with any provision of the Bill of Rights". Section 32(1): Everyone has the right of access to:

- a) any information held by the state; and any information that is held by another person and that is required for the exercise or protection of any rights.

### **Legislative mandate**

On 1 April 2005, the former Minister of Arts and Culture Mr. Pallo Jordan declared the Renaissance Theatre a Cultural Institution in accordance with the Cultural Institutions Act, 1998 (Act 119 of 1998).

The Renaissance Theatre is now known as The South African State Theatre.

As a Cultural Institution we are established under the auspices of the Department of Arts & Culture and are then bound by the Public Finance Management Act 1 of 1999 (PFMA) as well as other applicable legislations.

In the White Paper on Arts and Culture and Heritage, the following Acts have been promulgated by Parliament to create institutions in furtherance of the Constitutional mandate of the Department of Arts and Culture. The primary legislative framework of the Department of Arts & Culture emanates from the Acts listed below:

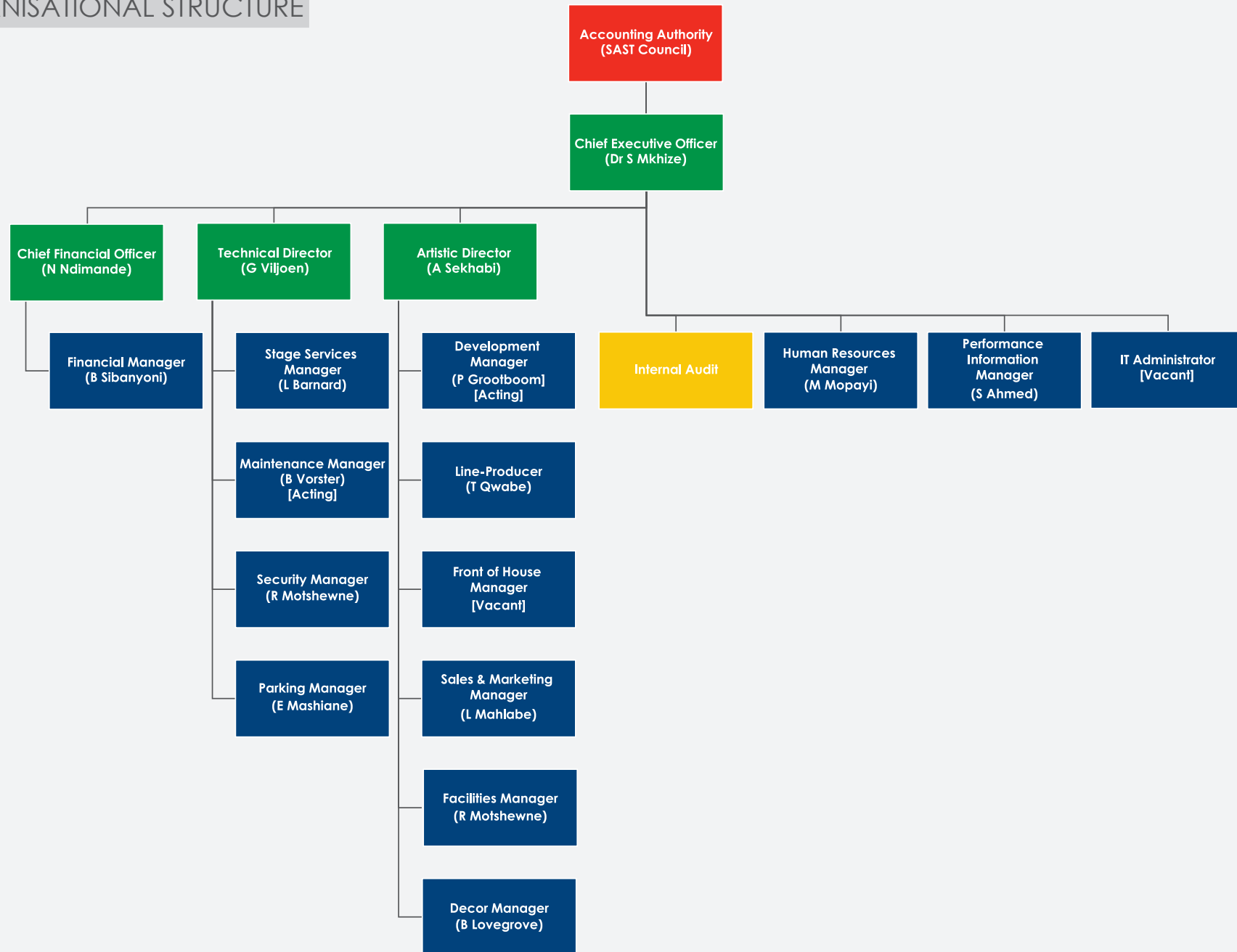
- Cultural Institutions Act, 1998 (Act 119 of 1998);
- Culture Promotion Act, 1983 (Act 35 of 1983);
- National Heritage Board Act, 1999 (Act 11 of 1999);
- National Heritage Resources Act, 1999 (Act 25 of 1999);
- Heraldry Act, 1962 (Act 18 of 1962);
- Legal Deposit Act, 1997 (Act 54 of 1997);
- National Arts Board Act, 1997 (Act 56 of 1997);
- National Film and Video Foundation Act, 1997 (Act 73 of 1997);
- Pan South African Language Board Act, 1995 (Act 59 of 1995);
- National Library of South Africa Act, 1998 (Act 92 of 1998); and
- South African Library for the Blind Act, 1998 (Act 91 of 1998).
- South African Geographical Names Board Act, 1998 (Act 118 of 1998);
- National Archives and Record Service of South Africa Act, 1996 (Act 43 of 1996)

### **Policy mandate**

Overall government's mandate is derived from its Medium Strategic Framework and The Department of Arts and Culture has accordingly determined performance outcomes and policy drivers that would assist the Government in achieving its mandate.

The SAST has accordingly aligned its legislative mandate to the Department of Art and Culture's drivers, outcomes and/or outputs.

## 9. ORGANISATIONAL STRUCTURE







PART B:

PERFORMANCE

INFORMATION



## 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with any material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to the Auditors Report, published as Part E: Financial Information.

## 2. SITUATIONAL ANALYSIS

The South African State Theatre's vision is linked to the Department of Arts and Culture's vision and mission, which stems from the Constitution, more specifically from Article 27 of the Universal Declaration of Human Rights: "everyone shall have the right to freely participate in the cultural life of the community (and) to enjoy the arts". The 2015/16 Annual Performance Plan (APP) was prepared by the Executive Management of the South African State Theatre (SAST). Performance Indicators and Targets which appear in this report of Performance Information are based on the Performance Indicators and Targets set-out in the South African State Theatre Annual Performance Plan 2015/16.

In support of our mandate, SAST has set the following strategic goals on which the Performance Indicators and Targets are based:

Goal 1: Present In-house Performing Arts productions

Goal Statement: To present the very best In-house developed and externally sourced Performing Arts work.

Goal 2: Provide development opportunities for emerging Arts Practitioners in the context of our programmes

Goal Statement: To provide development opportunities for emerging Arts Practitioners to learn, perform and stage their Productions thereby encouraging Socio-Economic Development.

Goal 3: Generate revenue from commercial activities which includes Ticket Sales, Rentals, Fundraising and Front of House Sales

Goal Statement: To engage in commercial activities which generate revenue that combined with the Government Grant funds operational expenses

Goal 4: Ensure long term sustainability of Buildings and Assets

Goal Statement: To maintain and upgrade our unique Theatre facilities in support of our Artistic ambitions and to ensure its long-term economic sustainability

Goal 5: Develop Theatre going Audiences

Goal Statement: To promote audience diversity and growth by implementing Audience Development Programmes

Goal 6: Ensure compliance with applicable Laws, Regulations and Statutory Legislation

Goal Statement: To comply with applicable Laws, Regulations and Statutory Legislation including the PFMA, the Cultural Institutions Act, Treasury Regulations and the LRA

These strategic goals have been aligned to the National Treasury programmes of Administration, Business Development and Public Engagement as follows:

Programme 1: Administration - Goal 3, Goal 4 and Goal 6.

Programme 2: Business Development - Goal 1 and Goal 5.

Programme 3: Public Engagement - Goal 2.

SAST has achieved an overall performance of 77% against predetermined targets for the 2015/16 financial year. Compared to 2014/15, when SAST achieved 76%, this year's performance represents an improvement of 1%.

The following tables provide a detailed report of the overall programme performance.



## 2.1. STRATEGIC OUTCOME ORIENTED GOALS

Classification of Performance Achievement					
Achieved	100% and above	Highlighted in this colour :		Green	
Partially Achieved	50 – 99%	Highlighted in this colour :		Amber	
Not Achieved	Below 50%	Highlighted in this colour :		Red	

GOAL	NUMBER OF INDICATORS	ACHIEVED	PARTIALLY ACHIEVED	NOT ACHIEVED	OVERALL PERFORMANCE *
Goal 1: Stage In-house Performing Arts productions	4	4	0	0	100%
Goal 2: Provide development opportunities for emerging Arts Practitioners in the context of our programmes	6	5	1	0	83%
Goal 3: Generate revenue from commercial activities which includes Ticket Sales, Rentals, Fundraising and Front of House Sales	6	3	2	1	50%
Goal 4: Ensure long term sustainability of Buildings and Assets	3	3	0	0	100%
Goal 5: Develop Theatre going Audiences	5	4	1	0	80%
Goal 6: Ensure compliance with applicable Laws, Regulations and Statutory Legislation	2	1	0	1	50%
Totals	26	20	4	2	77%
* Total overall performance is calculated using the weighted average method.		77%	15%	8%	

### 3. PERFORMANCE INFORMATION BY PROGRAMME

#### 3.1. PROGRAMME 1: ADMINISTRATION

**Purpose:** The purpose of this programme is to engage in commercial activities which ensure self-generated revenue to augment the Government Grant, to maintain and upgrade our unique Theatre facilities in support of our Artistic ambitions and to ensure its long-term economic sustainability and to comply with applicable Laws, Regulations and Statutory Legislation including the PFMA, the Cultural Institutions Act, Treasury Regulations and the LRA.

**The programme aims to achieve the following SAST goals:**

Goal 3: Generate revenue from commercial activities which includes Ticket Sales, Rentals, Fundraising and Front of House Sales

Goal 4: Ensure long term sustainability of Buildings and Assets

Goal 6: Ensure compliance with applicable Laws, Regulations and Statutory Legislation

PRO- GRAMME STRATEGIC OBJECTIVES	CODE	PROGRAMME MEAS- URABLE OBJECTIVES	PROGRAMME PERFOR- MANCE INDICATOR	2014/15 (BASELINE)	OPERA- TIONAL PLAN	REPORT- ING PERIOD	ACTUAL ACHIEVED 2015/16	STATUS TO DATE (ACHIEVED, PARTIALLY ACHIEVED, NOT ACHIEVED)	REASON FOR NOT ACHIEVED, PARTIALLY ACHIEVED AND OVER- ACHIEVED	INTERVEN- TIONS THAT WILL BE PUT IN PLACE	VERIFICA- TION DOC- UMENTS
			(PROGRAMME PER- FORMANCE INDICA- TORS MUST BE READ IN CONJUNCTION WITH ANNEXURE G, TECHNI- CAL INDICATORS)		2015/16						
		(KEY OUTPUT - SMART)	(UNIT OF MEASURE)	ACTUAL	TARGET						
Goal State- ment: To engage in commercial activities which generate revenue that combined with the Government Grant funds operational expenses		Raise revenue from Sponsorships and Donations	Raise revenue from Spon- sorships and Donations								
	SPI1	Raise Sponsorship and donor revenue.	Sponsorship and donor revenue recognised.	R2,249,079	R2,000,000	Annually	R750,000	Not Achieved	Insufficient sponsorships received for the year.	Fundraising strategy to be imple- mented in 2016/17.	Sponsorship /Donation Contracts / Accounting System: Income Statement.
		Rental revenue from the Immovable Prop- erty Portfolio	Rental revenue from the Immovable Property Portfolio								



PRO- GRAMME STRATEGIC OBJECTIVES	CODE	PROGRAMME MEAS- URABLE OBJECTIVES	PROGRAMME PERFOR- MANCE INDICATOR	2014/15 (BASELINE)	OPERA- TIONAL PLAN	REPORT- ING PERIOD	ACTUAL ACHIEVED 2015/16	STATUS TO DATE (ACHIEVED, PARTIALLY ACHIEVED, NOT ACHIEVED)	REASON FOR NOT ACHIEVED, PARTIALLY ACHIEVED AND OVER- ACHIEVED	INTERVEN- TIONS THAT WILL BE PUT IN PLACE	VERIFICA- TION DOC- UMENTS
			(PROGRAMME PER- FORMANCE INDICA- TORS MUST BE READ IN CONJUNCTION WITH ANNEXURE G, TECHNICAL INDICATORS)		2015/16						
		(KEY OUTPUT - SMART)	(UNIT OF MEASURE)	ACTUAL	TARGET						
	SPI2	Generate rental revenue from the SAST immovable property portfolio, i.e. Kilnerton, Office Blocks, Theatres, Restaurants and other spaces.	Property rental revenue recognised.	R5,973,865	R9,023,183	Quarterly	R7,570,951	Partially Achieved	Challenges with office rentals.	Contracts revised for 2016/17.	Accounting System: Income Statement.
		<b>Rental revenue from Décor and Wardrobe hire</b>	<b>Rental revenue from Décor and Wardrobe hire</b>								
	SPI3	Generate rental revenue from Decor and Wardrobe.	Décor and Wardrobe rental revenue recognised.	R1,499,893	R1,589,640	Quarterly	R1,501,377	Partially Achieved	Loss of long-term rentals.	New tenants to be sourced.	Accounting System: Income Statement.
		<b>Revenue from Ticket Sales</b>	<b>Revenue from Ticket Sales</b>								
	SPI4	Generate revenue from ticket sales.	Ticket sales revenue recognised.	R1,913,618	R2,491,379	Quarterly	R2,499,802	Achieved	Good ticket sales for in-house productions.	Further improvement in ticket sales planned with the introduction of large-scale productions.	Accounting System: Income Statement.
		<b>Parking Revenue</b>	<b>Parking Revenue</b>								
	SPI5	Generate revenue from the Parking garage.	Parking garage revenue recognised.	R10,053,431	R10,696,207	Quarterly	R11,511,022	Achieved	New long-term tenants secured.	Focus on increasing daily parkers.	Accounting System: Income Statement.
		<b>Front of house Revenue</b>	<b>Front of house Revenue</b>								

PRO- GRAMME STRATEGIC OBJECTIVES	CODE	PROGRAMME MEAS- URABLE OBJECTIVES	PROGRAMME PERFOR- MANCE INDICATOR	2014/15 (BASELINE)	OPERA- TIONAL PLAN	REPORT- ING PERIOD	ACTUAL ACHIEVED 2015/16	STATUS TO DATE (ACHIEVED, PARTIALLY ACHIEVED, NOT ACHIEVED)	REASON FOR NOT ACHIEVED, PARTIALLY ACHIEVED AND OVER- ACHIEVED	INTERVEN- TIONS THAT WILL BE PUT IN PLACE	VERIFICA- TION DOC- UMENTS
			(PROGRAMME PER- FORMANCE INDICA- TORS MUST BE READ IN CONJUNCTION WITH ANNEXURE G, TECHNICAL INDICATORS)		2015/16						
		(KEY OUTPUT - SMART)	(UNIT OF MEASURE)	ACTUAL	TARGET						
<b>Goal Statement:</b> To maintain and upgrade our unique Theatre facilities in support of our Artistic ambitions and to ensure its long-term economic sustainability	SP16	Generate revenue from Front of House sales.	Front of House sales revenue recognised.	R2,047,774	R1,586,879	Quarterly	R2,312,153	Achieved	Good support from audiences for both in-house and rental productions.	Increased revenue expected with the introduction of large-scale productions.	Accounting System: Income Statement.
	SPB	<b>Capital Works Projects</b>	<b>Capital Works Projects</b>								
	SPB1	Implement CAPEX projects, per UAMP.	Number of CAPEX projects, per UAMP, completed.	12	10	Annually	10	Achieved	Projects completed in-line with DAC UAMP.	Future projects included in 2016/17 UAMP.	Progress report.
		<b>Maintenance Programme in compliance with statutory regulations</b>	<b>Maintenance Programme in compliance with statutory regulations</b>								
	SPB2	Implement the Maintenance Programme.	Number of Maintenance Programme activities completed.	Annual maintenance programme implementation complete	7	Annually	7	Achieved	Maintenance programmes completed as planned.	To include maintenance programmes under DAC UAMP.	Progress report.
		<b>Secure environment provided to Customers and Staff</b>	<b>Secure environment provided to Customers and Staff</b>								

PRO-GRAMME STRATEGIC OBJECTIVES	CODE	PROGRAMME MEAS-URABLE OBJECTIVES	PROGRAMME PERFOR-MANCE INDICATOR	2014/15 (BASELINE)	OPERA-TIONAL PLAN	REPORT-ING PERIOD	ACTUAL ACHIEVED 2015/16	STATUS TO DATE (ACHIEVED, PARTIALLY ACHIEVED, NOT ACHIEVED)	REASON FOR NOT ACHIEVED, PARTIALLY ACHIEVED AND OVER-ACHIEVED	INTERVEN-TIONS THAT WILL BE PUT IN PLACE	VERIFICA-TION DOC-UMENTS
			(PROGRAMME PER-FORMANCE INDICA-TORS MUST BE READ IN CONJUNCTION WITH ANNEXURE G, TECHNI-CAL INDICATORS)		2015/16						
		(KEY OUTPUT - SMART)	(UNIT OF MEASURE)	ACTUAL	TARGET						
Goal State-ment: To comply with applicable Laws, Regu-lations and Statutory Legislation including the PFMA, the Cultural Institutions Act, Treas-ury Regu-lations and the LRA	SPB3	Secure environment for both staff and patrons to ensure no incident of violence or crime occurs in the entity.	Number of incidents of violence or crime report-ed to the South African Police Services.	0 incidents	4 incidents	Quarterly	1 incident	Achieved	Theatre and office environ-ment secured.	Strategy to be devel-oped to furth-er improve security.	Security report.
	SPR	<b>Governance</b>	<b>Governance</b>								
		<b>Compliance with PFMA and Treasury Regulations</b>	<b>Compliance with PFMA and Treasury Regulations</b>								
	SPR1	Achieve an Unquali-fied Audit report.	Audit opinion	Unqualified Audit re-port issued (2013/14 Financial Year)	Unqualified Audit report (2014/15 Financial Year)	Annually	Qualified audit report issued by AG-SA for the 2014/15 Financial Year.	Not Achieved	Inadequate control envi-ronment within the finance department.	Strategy to address deficiencies currently being imple-mented.	AG Audit Report.
		<b>Compliance with all South African Labour Acts</b>	<b>Compliance with all South African Labour Acts</b>								
	SPR2	Comply with South African Labour Acts.	Number of incidents of non-compliance with La-bour Relations Act, Basic Conditions of Employment Act, Employment Equity Act, Public Employment Services Act, SDL, UIF and PAYE.	0 incidents	0 incidents	Quarterly	0 incidents	Achieved	No incidents of non-compliance with relevant acts.	Ongoing monitoring of compli-ance.	HR report.



### 3.2 PROGRAMME 2: BUSINESS DEVELOPMENT

**Purpose:** This programme aims to stage the very best In-house developed and externally sourced Performing Arts work, to promote audience diversity and growth by implementing Audience Development Programmes and to promote the outcomes of the government's programme of action by creating job opportunities.

**The programme aims to achieve the following SAST goals:**

Goal 1: Stage In-house Performing Arts productions

Goal 5: Develop Theatre going Audiences

PROGRAMME STRATEGIC OBJECTIVES	CODE	PROGRAMME MEASURABLE OBJECTIVES	PROGRAMME PERFORMANCE INDICATOR	2014/15 (BASELINE)	OPERATION-AL PLAN	REPORT-ING PERI-OD	ACTUAL ACHIEVED 2015/16	STATUS TO DATE (ACHIEVED, PARTIALLY ACHIEVED, NOT ACHIEVED)	REASON FOR NOT ACHIEVED, PARTIALLY ACHIEVED AND OVER-ACHIEVED	INTERVENTIONS THAT WILL BE PUT IN PLACE	VERIFICATION DOCUMENTS
			(PROGRAMME PERFORMANCE INDICATORS MUST BE READ IN CONJUNCTION WITH ANNEXURE G, TECHNICAL INDICATORS)		2015/16						
	(KEY OUTPUT - SMART)	(UNIT OF MEAS-URE)	ACTUAL	TARGET							
Goal Statement: To present the very best In-house developed and externally sourced Performing Arts work.	SPA	Artistic Productions	Artistic Productions								
	SPA2	Stage In-house produced Festivals.	Number of In-house Festivals staged.	3	3	Quarterly	3	Achieved	Programme implemented as planned.	Implementation of the Artistic programme as planned.	Computicket reporting system / Festival contracts / Festival budget.

PROGRAMME STRATEGIC OBJECTIVES	CODE	PROGRAMME MEASURABLE OBJECTIVES	PROGRAMME PERFORMANCE INDICATOR	2014/15 (BASELINE)	OPERATION-AL PLAN		REPORT-ING PERI-OD	ACTUAL ACHIEVED 2015/16	STATUS TO DATE (ACHIEVED, PARTIALLY ACHIEVED, NOT ACHIEVED)	REASON FOR NOT ACHIEVED, PARTIALLY ACHIEVED AND OVER-ACHIEVED	INTERVENTIONS THAT WILL BE PUT IN PLACE	VERIFICATION DOCUMENTS
			(PROGRAMME PERFORMANCE INDICATORS MUST BE READ IN CONJUNCTION WITH ANNEXURE G, TECHNICAL INDICATORS)		2015/16							
		(KEY OUTPUT - SMART)	(UNIT OF MEAS-URE)	ACTUAL	TARGET							
	SPA3	Stage Indie-Spotlight Productions.	Number of Indie-Spotlight productions staged.	26	10	Quarterly	18	Achieved	Programme implemented as planned.	Implementation of the Artistic programme as planned.	Computicket reporting system / Production contracts / Production budget.	
	SPA1	Stage In-house Productions, including the Rendezvous programme.	Number of In-house Productions staged, including the Rendezvous programme.	59	55	Quarterly	82	Achieved	Programme implemented as planned.	Implementation of the Artistic programme as planned.	Computicket reporting system / Production contracts / Production budget.	
		Job creation	Job creation									
	SPR3	Short term job opportunities created by In-house Productions.	Number of short term job opportunities created by In-house Productions.	1660	800	Quarterly	1588	Achieved	Large number of jobs created under the Rendezvous Programme	Rendezvous programme to continue creating short-term jobs.	Artistic department report.	

PROGRAMME STRATEGIC OBJECTIVES	CODE	PROGRAMME MEASURABLE OBJECTIVES	PROGRAMME PERFORMANCE INDICATOR	2014/15 (BASELINE)	OPERATION-AL PLAN	REPORT-ING PERI-OD	ACTUAL ACHIEVED 2015/16	STATUS TO DATE (ACHIEVED, PARTIALLY ACHIEVED, NOT ACHIEVED)	REASON FOR NOT ACHIEVED, PARTIALLY ACHIEVED AND OVER-ACHIEVED	INTERVENTIONS THAT WILL BE PUT IN PLACE	VERIFICATION DOCUMENTS
			(PROGRAMME PERFORMANCE INDICATORS MUST BE READ IN CONJUNCTION WITH ANNEXURE G, TECHNICAL INDICATORS)		2015/16						
		(KEY OUTPUT - SMART)	(UNIT OF MEASURE)	ACTUAL	TARGET						
Goal Statement: To promote audience diversity and growth by implementing Audience Development Programmes	SPM	Marketing and Audience Development	Marketing and Audience Development								
	SPM1	Implement the marketing strategy.	Developed, approved and implemented marketing plans for each production of the annual artistic calendar.		A marketing plan developed, approved and implemented for each production of the annual artistic calendar.	Quarterly	Plans developed and implemented.	Achieved	Plans developed as planned.	Marketing strategy to be revised.	Progress report.
	SPM2	Establish media partnerships to promote SAST and productions.	Number of media partnerships established.	10	3	Quarterly	5	Achieved	Good media interest in SAST.	Further media partners to be established.	Progress report.
		Audience Development:	Audience Development:								



PROGRAMME STRATEGIC OBJECTIVES	CODE	PROGRAMME MEASURABLE OBJECTIVES	PROGRAMME PERFORMANCE INDICATOR	2014/15 (BASELINE)	OPERATIONAL PLAN	REPORTING PERIOD	ACTUAL ACHIEVED 2015/16	STATUS TO DATE (ACHIEVED, PARTIALLY ACHIEVED, NOT ACHIEVED)	REASON FOR NOT ACHIEVED, PARTIALLY ACHIEVED AND OVER-ACHIEVED	INTERVENTIONS THAT WILL BE PUT IN PLACE	VERIFICATION DOCUMENTS
			(PROGRAMME PERFORMANCE INDICATORS MUST BE READ IN CONJUNCTION WITH ANNEXURE G, TECHNICAL INDICATORS)		2015/16						
		(KEY OUTPUT - SMART)	(UNIT OF MEASURE)	ACTUAL	TARGET						
	SPM3	Implement the audience development strategy.	Developed, approved and implemented audience development plan for each production of the annual artistic calendar.		An audience development plan developed, approved and implemented for each production of the annual artistic calendar.	Quarterly	Plans developed and implemented.	Achieved	Plans developed as planned.	Marketing strategy to be revised.	Progress report.
	SPM4	Increase audience attendance.	Audience attendance numbers for both In-house Artistic Productions and Rental Productions.	134,664	120,000	Quarterly	120,105	Achieved	Cancellation of productions.	Marketing strategy to be revised.	Computicket Reports. Audience Attendance Summary.
		<b>Patron Satisfaction:</b>	<b>Patron Satisfaction:</b>								
	SPM5	Conduct surveys of patron satisfaction.	Number of patron satisfaction surveys conducted.	2	4	Quarterly	3	Partially Achieved		Marketing strategy to be revised.	Service Provider Research Survey Report.

### 3.3. PROGRAMME 3: PUBLIC ENGAGEMENT

**Purpose:** This programme is intended to provide development opportunities for emerging Arts Practitioners to learn, perform and stage their Productions thereby encouraging Socio-Economic Development.

**The programme aims to achieve the following SAST goals:**

Goal 2: Provide development opportunities for emerging Arts Practitioners in the context of our programmes

PRO-GRAMME STRATEGIC OBJECTIVES	CODE	PROGRAMME MEASURABLE OBJECTIVES	PROGRAMME PERFORMANCE INDICATOR	2014/15 (BASELINE)	OPERATIONAL PLAN	REPORTING PERIOD	ACTUAL ACHIEVED 2015/16	STATUS TO DATE (ACHIEVED, PARTIALLY ACHIEVED, NOT ACHIEVED)	REASON FOR NOT ACHIEVED, PARTIALLY ACHIEVED AND OVER-ACHIEVED	INTERVENTIONS THAT WILL BE PUT IN PLACE	VERIFICATION DOCUMENTS
			(PROGRAMME PERFORMANCE INDICATORS MUST BE READ IN CONJUNCTION WITH ANNEXURE G, TECHNICAL INDICATORS)		2015/16						
		(KEY OUTPUT - SMART)	(UNIT OF MEASURE)	ACTUAL	TARGET						
<b>Goal Statement: To provide development opportunities for emerging Arts Practitioners to learn, perform and stage their Productions thereby encouraging Socio-Economic Development.</b>	SPD	<b>Development Programme</b>	<b>Development Programme</b>								
	SPD1	Implement the Community Outreach Fieldwork programme in collaboration with Tshwane University of Technology.	Number of Communities participating in the programme.	15	15	Annually	15	Achieved	Programme implemented as planned by the development department.	To secure funding to capacitate programme.	Community Group Contract / Progress report.
	SPD2	Implement the Schools Outreach programme.	Number of Schools participating in the programme.	15	15	Annually	16	Achieved	Programme implemented as planned by the development department.	To secure funding to capacitate programme.	Progress report.

PRO- GRAMME STRATEGIC OBJECTIVES	CODE	PROGRAMME MEASURABLE OBJECTIVES	PROGRAMME PERFOR- MANCE INDICATOR	2014/15 (BASELINE)	OPERATION- AL PLAN	REPORT- ING PERIOD	ACTUAL ACHIEVED 2015/16	STATUS TO DATE (ACHIEVED, PARTIALLY ACHIEVED, NOT ACHIEVED)	REASON FOR NOT ACHIEVED, PARTIALLY ACHIEVED AND OVER- ACHIEVED	INTERVEN- TIONS THAT WILL BE PUT IN PLACE	VERIFICA- TION DOCU- MENTS
			(PROGRAMME PER- FORMANCE INDICA- TORS MUST BE READ IN CONJUNCTION WITH ANNEXURE G, TECHNICAL INDICATORS)		2015/16						
		(KEY OUTPUT - SMART)	(UNIT OF MEASURE)	ACTUAL	TARGET						
	SPD3	Provide dramaturgy to Directors of productions.	Number of Directors provided with dramaturgy.	23	10	Quarterly	59	Achieved	Dramaturgy provided under the Incubator Programme as well as to community groups performing during festivals.	Dramaturg programme to continue supporting all in-house productions.	Production Contract / Director Contract / Progress Report.
	SPD4	Stage School set-works.	Number of School set-works staged.	4	3	Annually	2	Partially Achieved	Lack of funding.	To secure funding to capacitate programme.	Computicket reporting system / Production contracts / Production budget.
	SPD5	Stage In-house Productions through touring and performing at venues outside the State Theatre.	Number of tours to stage In-house Productions outside the State Theatre.	5	2	Annually	3	Achieved	Tours undertaken for different productions during the year.	Productions to be staged through tours.	Tour report.



PRO- GRAMME STRATEGIC OBJECTIVES	CODE	PROGRAMME MEASURABLE OBJECTIVES	PROGRAMME PERFOR- MANCE INDICATOR	2014/15 (BASELINE)	OPERATION- AL PLAN	REPORT- ING PERIOD	ACTUAL ACHIEVED 2015/16	STATUS TO DATE (ACHIEVED, PARTIALLY ACHIEVED, NOT ACHIEVED)	REASON FOR NOT ACHIEVED, PARTIALLY ACHIEVED AND OVER- ACHIEVED	INTERVEN- TIONS THAT WILL BE PUT IN PLACE	VERIFICA- TION DOCU- MENTS
			(PROGRAMME PER- FORMANCE INDICA- TORS MUST BE READ IN CONJUNCTION WITH ANNEXURE G, TECHNICAL INDICATORS)		2015/16						
		(KEY OUTPUT - SMART)	(UNIT OF MEASURE)	ACTUAL	TARGET						
		<b>Learning and Development</b>	<b>Learning and Development</b>								
	SPR4	Provide internship positions.	Number of interns appointed.	3	6	Annually	6	Achieved	Interns appointed during the year according to operational requirements.	Intern programme to continue in support of operations.	Internship Contract.

### 3.4 LINKING OBJECTIVES WITH BUDGETS

DEPARTMENT	2015/16				2014/15			
	BUDGET	ACTUAL	(OVER)/UNDER EXPENDITURE		BUDGET	ACTUAL	(OVER)/UNDER EXPENDITURE	
	R'000	R'000	R'000	%	R'000	R'000	R'000	%
Artistic	8,249	<b>12,382</b>	(4,133)	-50%	7,415	<b>12,298</b>	(4,883)	-66%
Front of House	5,044	<b>3,184</b>	1,860	37%	5,976	<b>3,001</b>	2,975	50%
Security and Transport	5,839	<b>6,154</b>	(315)	-5%	5,312	<b>6,324</b>	(1,012)	-19%
Parking	1,283	<b>1,761</b>	(478)	-37%	1,311	<b>1,168</b>	143	11%
Wardrobe and decor	2,985	<b>2,802</b>	183	6%	2,769	<b>2,694</b>	75	3%
Stage Services	8,515	<b>7,712</b>	803	9%	8,017	<b>6,843</b>	1,174	15%
Marketing	4,519	<b>5,312</b>	(793)	-18%	4,224	<b>3,229</b>	995	24%
Human Resources	1,558	<b>1,740</b>	(182)	-12%	1,876	<b>1,382</b>	494	26%
Development	1,200	<b>1,474</b>	(274)	-23%	1,283	<b>1,087</b>	196	15%
Administration	27,465	<b>26,146</b>	1,319	5%	12,757	<b>25,135</b>	(12,378)	-97%
Facilities	4,003	<b>4,326</b>	(323)	-8%	3,832	<b>4,078</b>	(246)	-6%
Maintenance	14,567	<b>13,482</b>	1,085	7%	13,372	<b>11,935</b>	1,437	11%
Kilnerton	4,140	<b>2,269</b>	1,871	45%	1,447	<b>1,323</b>	124	9%
<b>Total Operational</b>	<b>89,367</b>	<b>88,744</b>	<b>623</b>	<b>0.7%</b>	<b>69,591</b>	<b>80,497</b>	<b>(10,906)</b>	<b>-16%</b>

### 4. REVENUE COLLECTION

SOURCES OF REVENUE	2015/16			2014/15		
	ESTIMATE	ACTUAL AMOUNT COLLECTED	(OVER)/UNDER COLLECTION	ESTIMATE	ACTUAL AMOUNT COLLECTED	(OVER)/UNDER COLLECTION
	R'000	R'000	R'000	R'000	R'000	R'000
Grant	63 873	48 539	15 334	65 092	65 120	-28
Fundraising, marketing, other	24 477	26 612	-2 135	23 128	24 563	-1 435
Other Income	1 017	1 504	-487	2 739	1 077	1 662
<b>Total Operational</b>	<b>89 367</b>	<b>76 655</b>	<b>12 712</b>	<b>90 959</b>	<b>90 760</b>	<b>199</b>

## 5. CAPITAL INVESTMENT

Summary of CAPEX projects 15/16

PROJECT	BUDGET TYPE	15/16 TARGET	EXPENSE TO DATE	14/15 BUDGET	15/16 BUDGET	STATUS
Continuation of Drama stage machinery upgrade	Upgrade	Phase 4	R 8 802 463	R6 885 201		<b>Phase 4;</b> Project 95% completed.
Upgrade of fire detection system	Upgrade	Phase 4	R 0	R 2 250 000		<b>Phase 4;</b> The tender was awarded on the 9th of March 2015. It would have been a 24 month contract. Construction was supposed to start in May 2015. On closer inspection it was found that the current system is less than 40% compliant. The scope of the project is being revised.
Foyer and ablution upgrade	Upgrade	Phase 1	R 0	Not Funded	Not Funded	<b>Phase 1;</b> Refurbishing of the kitchens, which is the last of this phase, is 95% completed. No funding was approved for continuation in 15/16.
Replace cooling tower sand filters	Refurbish	Phase 1	R 0	Not Funded	Not Funded	<b>Phase 1;</b> Completed.
Upgrade AV equipment	Upgrade	Phase 1	R 0	Not Funded	Not Funded	<b>Phase 1;</b> Completed.
IT Network development	Upgrade	Phase 1	R 0	Not Funded	Not Funded	<b>Phase 1;</b> Completed.
Upgrade security radio system	Upgrade	Phase 1	R 0	Not Funded	Not Funded	<b>Phase 1;</b> Completed.
Renovations at Kilnerton stores	Refurbish	Phase 1	R 0	Not Funded	Not Funded	<b>Phase 1;</b> Completed.
Replacement of stage lighting equipment	Upgrade	Phase 1	R 0	Not Funded	Not Funded	<b>Phase 1;</b> Completed.
Replace Drama sound system	Upgrade	Phase 1	R 0	Not Funded	Not Funded	<b>Phase 1;</b> Completed.

NOTE: 1) CAPEX Grant Funding from the DAC under the UAMP programme was not approved for 2015/16.

PHASES:

- 1) Phase one; Project identified, costed and funds requested via the DAC UAMP programme.
- 2) Phase two; Funding approved and received by SAST.
- 3) Phase three; Tender specification completed.
- 4) Phase four; Tender awarded and project started.
- 5) Phase five; Project in progress, to be completed.









PART C:

GOVERNANCE







## 1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King Report on Corporate Governance. Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

## 2. PORTFOLIO COMMITTEES

There was one Portfolio Committee meeting held on 28 April 2015, in Cape Town. Ms Barbara Masekela, Chairperson of Council; Ms Nise Malange, Deputy Chairperson of Council, Mr. Aubrey Sekhabi, Artistic Director and Acting CEO and Ms. Natasha Soopal, Chief Financial Officer, attended the meeting. The two key issues highlighted and raised: audit qualifications for the previous financial year – the State Theatre must get a clean audit; the development of young artists and South African theatre as a whole.

## 3. EXECUTIVE AUTHORITY

The following table is a summary of the reports submitted to the Executive Authority:

30 April 2015	4th Quarterly Report 2014/15
30 July 2015	1st Quarterly Report 2015/16
30 July 2015	Annual Financial Statements and Performance Information 2014/15
17 August 2015	Annual Report 2014/15
30 October 2015	2nd Quarterly Report 2015/16
29 January 2016	Annual Performance Plan 2016/17
29 January 2016	3rd Quarterly Report 2015/16
16 March 2016	Shareholders Compact 2016/17



## 4. THE ACCOUNTING AUTHORITY (COUNCIL)

### Introduction

The Council controls, manages and directs the public entity.

- A Council may appoint such persons as it considers necessary to perform the functions of the declared institution concerned.
- The determination of the remuneration and other conditions of service of persons appointed under subsection (3) must be in accordance with a scheme approved by the Minister in consultation with the Minister of Finance.
- A Council must not later than one month before the commencement of each financial year, submit a business plan covering the next three years and containing such information as may be prescribed by the Minister for his or her approval.
- A Council must submit an annual report to the Minister which must contain such information regarding the activities and financial position of the Council as may be prescribed.
- Within five months after the report has been tabled, a delegation consisting of the chairperson of the relevant Council and at least two other Council members must brief the relevant committees of Parliament on the annual report.

### The role of the Council is as follows:

1) The functions of a Council are-

- (a) to formulate policy;
- (b) to hold, preserve and safeguard all movable and immovable property of whatever kind placed in the care of or loaned or belonging to the declared institution concerned;
- (c) to receive, hold, preserve and safeguard all specimens, collections or other movable property placed under its care and management under section 10 (1);
- (d) to raise funds for the institution;
- (e) to manage and control the moneys received by the declared institution and to utilise those moneys for defraying expenses in connection with the performance of its functions;
- (f) to keep a proper record of the property of the declared institution, to submit to the Director-General any returns required by him or her in regard thereto and to cause proper books of account to be kept;
- (g) to determine, subject to this Act and with the approval of the Minister, the objects of the declared institution; and
- (h) to, generally, carry out the objects of the declared institution.

### Council Charter

The SAST's Council Charter was approved to ensure compliance with the Code Governance Principles for South Africa – 2009 as recommended by King 111.

The Council Charter is subject to the following provisions: The Cultural Institutions Act, Act 119 of 1998 as amended, the Public Finance Management Act no. 29 of 1999 as amended (PFMA), Governance Framework, Shareholder's Compact – Constitution of the Republic of South Africa 108 of 1996, the Companies Memorandum of Incorporation and any other applicable Law, Regulatory Provisions or Policies or any Directive read together with the Code of Conduct.

The Council Charter provides guidelines to Council Members in respect of inter alia, the Council's responsibilities, authority, composition, meetings and the need for performance evaluations.

The Council Charter also provides for a clear division of responsibilities to ensure a balance of power and authority, so that no one has unrestricted powers of decision-making.



## Composition of the Council

The following are the Council members of SAST, appointed by the Minister of the Department of Arts & Culture:

NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY COUN- CIL STRUCTURE)	DATE AP- POINTED	DATE RE- SIGNED	QUALIFICATIONS	AREA OF EX- PERTISE	COUNCIL DIRECTORSHIPS (LIST THE ENTITIES)	OTHER COMMITTEES OR TASK TEAMS (E.G.: AUDIT COMMITTEE / MINISTE- RIAL TASK TEAM)	NUMBER OF MEETINGS ATTENDED
	AS AT APRIL 2015	2014						
B MASEKELA	CHAIRPERSON	DECEMBER	N/A	B A English, Cum Laude, Ohio University	English Language and Literature, Cultural Administration, Communications	Board Directorships: Standard Bank, SABC, De Beers Consolidated Mines, Altron Industries, Nelson Mandela Children's Fund, Freedom Park, Street Talk		7
N MALANGE	DEPUTY CHAIRPERSON	DECEMBER	N/A		Cultural Administration		HR AND REMCO / ARTISTIC COMMITTEE	6
A VILAKAZI	BOARD MEMBER	DECEMBER	N/A	B.Com Marketing, Business Administration, Maritime Economics - University of Natal Postgraduate Diploma in Business Management Honours Degree in Strategic Marketing Management - University of Natal Masters Degree in Business Administration (MBA) - University of KwaZulu-Natal Doctoral Degree in Business Administration (DBA) - University of KwaZulu-Natal Internationally Published Author: Service Quality in Transport Logistics and contributor to academic journals globally Chartered Marketer of South Africa or CM (SA) Member of the Chartered Institute of Marketing (UK) Member of the Institute of Directors of Southern Africa Senior Leadership Programmes: GIBS (2006) and UCT (2010)	Business Administration with emphasis on Strategic Marketing and Brand Management	Non-Executive Chairman: MC5 Shipping (Pty) Ltd. Director: Lama Marketing & Advertising (Pty) Ltd. Director: RIDA (Pty) Ltd t/a Small Business Finance Solutions (SBFS).	HR AND REMCO / AUDIT COMMITTEE	7

NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY COUN- CIL STRUCTURE)	DATE AP- POINTED	DATE RE- SIGNED	QUALIFICATIONS	AREA OF EX- PERTISE	COUNCIL DIRECTORSHIPS (LIST THE ENTITIES)	OTHER COMMITTEES OR TASK TEAMS (E.G.: AUDIT COMMITTEE / MINISTE- RIAL TASK TEAM)	NUMBER OF MEETINGS ATTENDED
S SINGH	BOARD MEMBER	DECEMBER	N/A	B.A. (Law) LLB: University of KZN - Westville Campus Training /Certificates in Board Leadership and good governance from Gordon's Institute Of Business Science Aspirant female Judges course: Certificate from Constitutional Court	Law	Audit committee member iLembe Municipality. Commissioner BCCSA. A Chairperson of The Tax Board SARS Durban. List of Counsel at the International Criminal Court in the Hague.	HR AND REMCO / AUDIT COMMITTEE	6
T MPHUTI	BOARD MEMBER	DECEMBER	N/A	B.A. (Law): University of KZN. LLB – University of Witwatersrand. MBA – University of KZN (incomplete)	Law and Finance	Member of CLASA and BBEC. Chairperson of two audit committees: Arivia.Kom and the National Department of Communication. Served on the boards of: Tasima (Pty) Ltd, Aventura Ltd, April 27 Group (Pty) Ltd.	AUDIT COMMITTEE CHAIRPERSON	7
S CHAUKE	BOARD MEMBER	DECEMBER	N/A	BA (Hons) Marketing Communications	Marketing Strategy, Communication and Brand Building.	Curator of the WEF Global Shapers, JHB Hub. United Nations Sustainability Council Member. Department of Arts & Culture, Africa Month Advisory Council member	ARTISTIC COMMITTEE CHAIRPERSON	6
M MOFAMMERE	BOARD MEMBER	DECEMBER	N/A	B Com accounting: Turfloop Management development program (GIBS)	Finance	Board member: B1SA Pty Ltd	AUDIT COMMITTEE / REMCO CHAIRPERSON	7

NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY COUN- CIL STRUCTURE)	DATE AP- POINTED	DATE RE- SIGNED	QUALIFICATIONS	AREA OF EX- PERTISE	COUNCIL DIRECTORSHIPS (LIST THE ENTITIES)	OTHER COMMITTEES OR TASK TEAMS (E.G.: AUDIT COMMITTEE / MINISTE- RIAL TASK TEAM)	NUMBER OF MEETINGS ATTENDED
VT ZULU	BOARD MEMBER	DECEMBER	N/A	Phd. in Human Development: Vanderbilt University, Nashville, Tennessee, USA.	Human Resources	Previously Ambassador to the State of Qatar and the Hashemite Kingdom of Jordan. Roving Ambassador to Fiji, Solomon Islands and Papua New Guinea in 2007. Deputy Minister of Education: KZN 1993, and MEC for Education: KZN 1999.	HR AND REMCO COMMITTEE	6

#### Committees

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS	YEAR
AUDIT & RISK	5	5	T MPHUTI S SINGH A VILAKAZI M MOFAMMERE V MOTHULO	APRIL 2015 – MARCH 2016
HR & REMCO	4	5	M MOFAMMERE S SINGH N MALANGE V ZULU A VILAKAZI	APRIL 2015 – MARCH 2016
ARTISTIC & SPONSORSHIP	4	3	S CHAUKE N MALANGE T MPHUTI	APRIL 2015 – MARCH 2016

#### Remuneration of Council members

Refer to note 21 of the Annual Financial Statements for a detailed table of Council members' remuneration during the 2015/16 financial year.

## 5. RISK MANAGEMENT

The South African State Theatre has an approved Risk Management Policy and compiles an annual Risk Management Plan and Strategy.

SAST assesses risk on an ongoing basis which is monitored through monthly departmental reports that capture occurrence, changes and mitigation of identified risks as well as the identification of new and emerging risks.

A Risk Management Committee has been appointed which performs ongoing risk assessment.

The SAST Audit and Risk Committee independently monitors the enterprise risk management system to ensure effectiveness.

Risk Management at SAST is now an ongoing activity. Risk areas are prioritised and appropriate mitigation activities implemented to ensure continuous improvement of operational performance.

## 6. INTERNAL AUDIT AND AUDIT AND RISK COMMITTEES

Refer to the detailed Audit and Risk Committee Report.

## 7. COMPLIANCE WITH LAWS AND REGULATIONS

SAST monitors compliance with applicable legislation, especially the PFMA, throughout the entity. Quarterly compliance reports are prepared and MANCO is tasked to address areas of non-compliance.

## 8. FRAUD AND CORRUPTION

SAST has an approved and implemented Fraud Prevention Plan. This plan has formed the basis for the SAST Fraud and Corruption Strategy currently in its final draft which is to be implemented during the 2015/16 financial year. It encompasses mechanisms for reporting fraud as well as how to address these.



## 9. MINIMISING CONFLICT OF INTEREST

- Management and staff of SAST have regular communication relating to the possibility of conflict of interest.
- Controls have been implemented at Management and staff level where declaration of interests are requested to be signed.
- At a supply chain management (SCM) level, conflict of interest is minimised as follows:
  - o SCM is a centralised unit which consists of one permanent SCM official and adhoc staff overseen by the CFO.
  - o Each SCM official (including ad hoc staff) signs a declaration of interest form to indicate if there is a conflict of interest with suppliers.
  - o Ad hoc staff sends requests for quotations as requested by the individual departments and the SCM official places the order.
  - o The CFO reviews all purchase orders ensuring that the suppliers are valid and the supplier with the qualifying quotation has been awarded the order.
  - o The CFO also ensures that SBD 4 forms are received from the suppliers.
  - o For tenders, the BEC and BAC are independent members and are also requested to sign independence declarations. Where a conflict of interest is identified, the member will not be involved in the awarding of the tender.
  - o Goods received vouchers are signed by the department requesting the goods/services and payment is made by the creditors' clerk who is independent from the SCM process. All payments are checked and reviewed and released by the CFO and one other signatory.

## 10. CODE OF CONDUCT

The rules and regulations contained in the code of conduct policy are to ensure that they are known and adhered to by all State Theatre personnel.

An employee who contravenes any rule, regulation or instruction, or knowingly permits a contravention to take place shall be subject to such disciplinary measures as circumstances may warrant, in accordance with the Disciplinary Procedure. The Disciplinary process as detailed in the Disciplinary policy will be followed in the event that the code of conduct is contravened. Sanctions imposed will be as per the Disciplinary code.

## 11. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

No major health or safety issues were experienced in the past year. An indoor air quality survey was conducted. Apart from a minor deviation in co2 levels in one office, the overall air quality in the building complies with acceptable standards. The problem area was addressed.

A few health and safety, and energy saving related projects were identified through the Eskom survey that was conducted last year. These projects were prioritised and put onto the Department of Arts and Culture's medium term, Unmovable Asset Management Plan, CAPEX program for funding. These projects are reflected under the CAPEX section.



## 12. SOCIAL RESPONSIBILITY

The Fieldwork Programme is one of the programmes in The State Theatre's Development Department. Through this highly successful programme, The State Theatre continues to uncover new actors and directors. Selected Community Arts Groups go through intensive training in the areas of script writing, directing, acting, stage management and production. After completing the first year of the programme, the groups get the chance to present their honed artistic skills through the staging of South African works at the Mzansi Fela Festival. In the second year, they are given a chance to stage their own written plays.

Since its debut in 2007, the Fieldwork Programme has impacted over 100 Community Arts Groups and afforded many of them the opportunity to stage professional shows at The State Theatre's Momentum Theatre, as well as various stages around Gauteng's communities, namely Mafikeng, Witbank and the National Arts Festival in Grahamstown.

This is what the Fieldwork Programme entails:

- Attendance of weekly classes, workshops and master classes in Scriptwriting, Directing, and Stage Management
- A presentation of a seasoned body of South African work during Mzansi Fela Festival in the first year.
- Presentation of the group's original work in the second year.
- Attendance of productions at The State Theatre.

## 13. AUDIT COMMITTEE REPORT

The Audit Committee herewith presents its report for the year ended 31 March 2016 in terms of Section 51(1)(a)(ii) of the Public Finance Management Act, No. 1 of 1999, and Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

### Composition of the Audit Committee

The audit committee consists of five permanent members and is a sub-committee of The Council of The South African State Theatre. Members of the executive management team, representatives of the Auditor General of South Africa and the internal auditors attend by standing invitation. The members are as follows:

NAME OF MEMBER	DATE OF APPOINTMENT
Mr. Tebogo Mphuti – Chairperson	29 April 2015
Dr Ayanda Vilakazi	29 April 2015
Ms. Shamilla Singh	29 April 2015
Ms. Madile Mofammere	29 April 2015
Mr Vincent Motholo - External	28 May 2015

### **Audit Committee Responsibilities**

The audit committee monitors effectiveness of internal controls, in the context of the approved risk assessment of the organisation and the statutory regularity audits performed by Auditor-General of South Africa. The committee has noted with some concern the failures of 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 Auditor-General of South Africa to improve on the controls. The above mentioned plans will be submitted to the audit committee for review and progress monitoring.

### **The effectiveness of internal control**

The audit committee monitors effectiveness of internal controls, in the context of the approved risk assessment of the organisation and the statutory regularity audits performed by Auditor-General of South Africa and internal auditors, Business Innovations Group, that were appointed during the current financial year.

The following internal audit work was completed during the year under review:

- Human Resources Audit
- Governance Review
- Occupational Health and Safety Review
- Internal Financial Control Audit
- Supply Chain Management Review
- Information Technology General Controls Review
- Asset Management Review
- Predetermined Objectives – Quarter One
- Predetermined Objectives – Quarter Three
- Follow-up Review

The following were areas of concern:

AUDIT AREA	FINDINGS
Human Resources Audit	8
Governance Review	7
Internal Financial Control Audit	10
Supply Chain Management Review	10
Information Technology General Controls Review	5
Asset Management Review	5
Follow-up Review	44

### **Accounting and auditing concerns identified as a result of external audits**

The Committee reports that there was a regression in the audit opinion from the prior year. The entity received a disclaimed audit opinion. This was as a result of a lack of skills within the entity which resulted in weakened implementation of financial controls. The committee has requested management to address the identified areas, restructure the organisation so that critical positions are filled appropriately qualified personnel and develop audit action plans to address and implement weaknesses and recommendations identified by both the Auditor-General and internal auditors to ensure improvement in the audit outcome for the 2016/17 financial year.

### **Compliance with legal and regulatory provisions**

The Committee has noted that controls have been implemented to ensure compliance with legal and regulatory provisions however these controls needs to be monitored by management to ensure that all legal and regulatory provisions are complied with.

The quality of in-year management and quarterly reports submitted in terms of the PFMA 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.

#### **The quality of in-year management and quarterly reports submitted in terms of the PFMA**

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

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

#### **Auditor-General of South Africa**

The audit committee has met with the Auditor-General of South Africa to discuss the matters raised in the management report. The Committee was not in agreement with the conclusions reached by the Auditor-General with regards to irregular expenditure. The audit committee could not get sufficient explanation why the same organisation which received an unqualified audit opinion in 2013/14 went on to obtain a qualification and disclaimer for 2014/15 and 2015/16 respectively.



Mr. Tekiso Mphuti Chairperson of the Audit Committee  
The South African State Theatre  
29 July 2016









# PART D: HUMAN RESOURCE MANAGEMENT

## 1. INTRODUCTION

The key focal point for the financial year 2015/16 for the South African State Theatre was to develop and implement a turn-around strategy (Business Improvement Strategy) with the final phase being in the 2018/19 financial year. Some key aspects of the turn-around strategy have been incorporated into the development of department operational plans. This we believe will ensure an ongoing process of implementation, monitoring and evaluation of critical focus areas identified within the various departments. The decision to embark on a Turnaround Strategy was informed by both historical factors, such as poor financial performance, the outcome of the skills audit, and future considerations towards achieving operating efficiency, structural realignment and the change in the Business Model.

The draft Turnaround Strategy was presented to Council on 29 October 2015, 12 February 2016 and 26 February 2016.

It is essential that a detailed operational plan, in support of the Annual Performance Plan and Strategic Plan, be developed and implemented for each department. Together with the focus on turning around operations, we believe that operational effectiveness and efficiency will improve dramatically once these departmental operational plans are implemented. Phase two will look at all other departments, to ensure that operational efficiency is achieved across the entity.

### Overview

During the previous financial year 2014/15, SAST had 109 positions. By the end of the financial year 2015/16, SAST had only 91 active employees. As staff resigned, positions were not filled and this was done for three reasons.

- 1.1. The structure has not taken into consideration changing landscape of creative industries and the requirements of SAST strategic objectives. It thus became necessary that we pause and re-evaluate our current situation in relation to our annual performance plans and strategic objectives.
- 1.2. Secondly, we put positions on hold so as to save funds and begin to address the capital expenditure deficit.
- 1.3. And finally, SAST Management froze some positions so as to re-evaluate and align them to SAST current strategic and operational objectives.

## 2. SKILLS AUDIT

During its inaugural meeting on the 29th of April 2015, SAST Council instructed EXCO to perform a skills audit for the entire organization. EXCO has gone on to prepare for the skills audit and the report was presented to REMCO and Council Committee Members.

Further challenges envisaged by the skills audit report:

- 2.1 If an immediate solution is required, employees sitting in positions without necessary skills might have to be laid off.
- 2.2 If a long term solution is chosen, the skills shortage will be sorted through training plans that might take longer than three years and the outcome will be realized much later as this will be dependent on time.
- 2.2 Job description will have to be adjusted.

## 3. EMPLOYMENT EQUITY AND JOB GRADING

Exercises were done by SAST to look at different grading systems for implementation with the purpose of addressing the Employment Equity Act no 55 of 1998, with regards to equal salary for equal jobs as well as for purposes of implementing numerical targets. Pending the structural re- alignment, the processes could not be implemented in the financial year 2015/16.

#### 4. MEDICAL AID

A monthly Medical Aid provision of R1,000 per employee was approved and implemented.

#### 5. THE PERFORMANCE APPRAISAL.

Performance appraisal system is implemented across the board. Due to the financial constraints, performance bonuses will be considered in the next financial year going forward.

#### 6. INTERNSHIP PROGRAMME

The internship programme is implemented and a total of six interns were employed in the last financial year. The programme is ongoing and partnerships with other relevant stake holders will be considered to increase the number of interns to be hosted by SAST. The financial year 2015/16 was the inception of the programme. The programme was a success and one of the interns was incorporated in the structure on a fixed term contract.

#### 7. STAFF WELLNESS

The wellness and safety of employees is of principal importance to SAST. SAST promotes and supports the health, safety and well-being of its human capital. Annually a health and wellness week is piloted. Employees are tested for diabetes, High Blood pressure, HIV and Aids, cholesterol and other ailments. SAST also celebrates and commemorates world AIDS day with community members, elders, and people with disability.

Capital injection for additional wellness programme to be incorporated to current programmes, provision for funding will be made in the financial year 2016/17.

#### 8. ACHIEVEMENTS

Implementation of Internship programme  
Provision for the medical aid  
Skills audit

#### 9. CHALLENGES

The major challenge in achieving planned projects is financial constraints and high vacancy rate due to structural re-alignment.



## 2. HUMAN RESOURCES OVERSIGHT STATISTICS

### Performance Rewards

PROGRAMME	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST (R'000)
Top Management	N/A	N/A	N/A
Senior Management	N/A	N/A	N/A
Professional qualified	N/A	N/A	N/A
Skilled	N/A	N/A	N/A
Semi-skilled	N/A	N/A	N/A
Unskilled	N/A	N/A	N/A
TOTAL			

### Training Costs

DIRECTORATE/ BUSINESS UNIT	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST.	NO. OF EMPLOYEES TRAINED	AVG TRAINING COST PER EMPLOYEE
FOH & Maintenance	1 640,00	1 640,00	2%	2	820.00
IT and Compliance	38 258,40	38 258,40	40%	2	19 129.20
Technical	6 000,00	6 000,00	6%	1	6 000.00
Finance	5 430,00	5 430,00	6%	1	5 430.00
Compliance	6 170,00	6 170,00	6%	1	6 170.00
Maintenance	6 500,00	6 500,00	7%	1	6 500.00
Payroll	1 767,00	1 767,00	2%	1	1 767.00
Maintenance	11 675,88	11 675,88	12%	1	11 675.88
Finance	6 507,12	6 507,12	7%	1	6 507.12
Finance & compliance	12 000,00	12 000,00	13%	2	6 000.00

**Employment and vacancies**

PROGRAMME	2014/15 APPROVED POSTS	2014/15 NO. OF EMPLOYEES	2015/16 APPROVED POSTS	2015/16 NO. OF EMPLOYEES	2015/16 VACANCIES
Top Management	4	3	4	4	0
Senior Management	0	0	0	0	0
Professional qualified	12	9	12	8	3
Skilled	50	50	50	47	3
Semi-skilled	23	17	20	15	5
Unskilled	20	19	20	17	3
TOTAL	109	98	106	91	14

**Employment changes**

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management	3	2	1	4
Senior Management	0	0	0	0
Professional qualified	9	1	1	9
Skilled	50	1	5	46
Semi-skilled	20	0	5	15
Unskilled	20	0	3	17
Total	102	4	15	91

**Reasons for staff leaving**

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	1	1%
Resignation	7	7%
Dismissal	4	4%
Retirement	3	3%
Ill health	0	0
Expiry of contract	24	26%
Other	0	0
Total	39	41%

**Labour Relations: Misconduct and disciplinary action**

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	1
Written Warning	1
Final Written warning	1
Dismissal	4
Suspension	1

**Equity Target and Employment Equity Status**

LEVELS			MALE					
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0					1	0
Senior Management	0	0	0	0	0	0	0	0
Professional qualified	1	0	0	0	1	0	1	0
Skilled	23	0	4	0	0	0	6	0
Semi-skilled	8	0	3	0	0	0	0	0
Unskilled	14	0	0	0	0	0	0	0
TOTAL	48	0	7	0	1	0	8	0

LEVELS			FEMALE					
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0
Professional qualified	4	0	0	0	0	0	1	0
Skilled	10	0	0	0	0	0	4	0
Semi-skilled	2	0	2	0	0	0	0	0
Unskilled	3	0	0	0	0	0	0	0
TOTAL	20	0	2	0	0	0	5	0

LEVELS			DISABLED	STAFF	
	Male			Fem	ale
	Current	Target	Target	Current	Target
Top Management	0		0	0	0
Senior Management	0		0	0	0
Professional qualified	0		0	0	0
Skilled	0		0	0	0
Semi-skilled	0		0	0	0
Unskilled	0		0	0	0
TOTAL	0		0	0	0

Pending the approval of the proposed organisational structure, plans to develop realistic and attainable numerical targets could not be effected. SAST promotes the purpose of the Employment Equity Act, and will ensure to achieve equity in the work place, by promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination and implementing affirmative action measures to redress the disadvantaged experienced by the designated groups. SAST will also ensure equitable representation in all occupational categories and levels in the workforce. Plans to implement the grading system are underway to address pay differentials in wages for work of equal value.





PART E:

FINANCIAL

INFORMATION









# 1. REPORT OF THE EXTERNAL AUDITOR

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SOUTH AFRICAN STATE THEATRE

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I was engaged to audit the financial statements of the South African State Theatre set out on pages 68 to 117, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Accounting authority's responsibility for the financial statements

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

#### Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### Basis for disclaimer opinion

##### Restatement in corresponding figures – Prior period error

4. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figures as disclosed in note 24 of the AFS for the following financial statement line items:
  - Property plant and equipment restatement (note 4 to the AFS) amounting to R842 000
  - Rentals of facilities and equipment restatement (note 12 to the AFS) amounting to R889 000
  - Sundry income restatement amounting to R914 000
  - Depreciation and amortisation restatement (notes 4 and 5 to the AFS) amounting to R846 000
  - General Expenses restatement (note 15 to the AFS) amounting to R3 303 000
  - Loss on disposal of assets and liabilities restatement amounting to R2 155 000
  - Sale of goods and services in the cash flow statement amounting to R1 961 000
  - Suppliers in the cash flow statement amounting to R1 784 000
5. As described in note 24, prior year figures were restated to rectify prior year errors identified by management in the current financial year but the restatement could not be substantiated by supporting audit evidence. Due to a lack of proper record keeping systems I was unable to confirm the restatements by alternative means. Consequently, I was unable to determine whether any adjustments to the corresponding figures in the financial statements for the items listed above were necessary.

#### **Journal entries relating to current assets, non-current assets, accumulated surplus, current liabilities and expenditure**

6. I was unable to obtain sufficient appropriate audit evidence for journals that were entered into the accounting records at year end for the following financial statement items:
- Current assets journals amounting to R5 803 000
  - Non-current assets journals amounting to R1 780 000
  - Accumulated surplus journals amounting to R350 000
  - Current liabilities journals amounting to R1 625 000
  - Expenditure journals amounting to R23 988 000
7. Since management did not ensure adequate records were kept to support the amounts journalised in the financial statements, I was unable to confirm these entries by alternative means. Consequently, I was unable to determine whether any adjustments to the financial statement figures for the items listed above or any other financial statement items that may be affected by the journal entry were necessary.

#### **Expenditure**

8. I was unable to obtain sufficient appropriate audit evidence for expenditure relating to lease rentals on operating lease, repairs and maintenance, sale of goods/inventory and general expenses due to inadequate record keeping. Consequently, I was unable to determine whether any adjustments to lease rentals on operating lease, repairs and maintenance, sale of goods/inventory and general expenses stated at R44 249 000 (2015: R34 554 000) in the financial statements was necessary.
9. The public entity did not recognise in full all expenditure items for the year in accordance with GRAP 1 *Presentation of financial statements*. As the public entity did not maintain adequate records of expenditure for the year, I was not able to determine the full extent of the understatement of expenditure as it was impracticable to do so.

#### **Sale of goods, Rentals of facilities and equipment**

10. I was unable to obtain sufficient appropriate audit evidence for the sale of goods and rental of facilities and equipment due to inadequate record keeping. Consequently, I was unable to determine whether any adjustments to the sale of goods stated at R2 263 000 (2015: R2 015 000) and rentals of facilities and equipment stated at R20 946 000 (2015: R18 436 000) in note 12 of the financial statements was necessary.
11. The public entity overstated revenue relating to rentals of facilities and equipment for the year in accordance with GRAP 1 *Presentation of financial statements*. As the public entity did not maintain adequate records of revenue for the year, I was not able to determine the full extent of the overstatement of revenue relating to rentals of facilities and equipment as it was impracticable to do so.

#### **Property, plant and equipment**

12. I was unable to obtain sufficient appropriate audit evidence that an impairment assessment of property, plant and equipment as well as a review of useful lives and residual values were adequately performed at reporting date in accordance with GRAP 17. I could not confirm this by alternative means. Consequently I was unable to determine whether any adjustment relating to property, plant and equipment stated at R123 456 000 (2015: R127 484 000) in note 4 of the financial statements was necessary. Consequently, I was unable to determine the effect of the misstatement on depreciation which would have a resultant impact on the deficit for the period.

#### **Payables from exchange transactions**

13. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions due to inadequate record keeping. Consequently, I was unable to determine whether any adjustments to payables from exchange transactions as stated at R6 044 000 (2015: R5 175 000) in note 11 of the financial statements was necessary.

#### **Trade debtors**

14. I was unable to obtain sufficient appropriate audit evidence for trade debtors due to inadequate record keeping. Consequently, I was unable to determine whether any adjustments to trade debtors as stated at R5 042 000 (2015: R3 854 000) in note 8 of the financial statements was necessary.
15. The entity did not have adequate systems to determine the impairment as required by the GRAP 104. Evidence of impairment existed at year which was not considered by the entity. I was unable to determine the impact on the impairment amount stated as R1 378 000 in note 8.



### **Cash and cash equivalents**

16. I was unable to obtain sufficient appropriate audit evidence relating to unmatched bank deposits/transfers at R1 136 000 and outstanding cashbook deposits at R1 445 000 reflecting as reconciling items within the bank reconciliation due to inadequate record keeping. Consequently, I was unable to determine whether any adjustments to cash and cash equivalents as stated at R18 677 000 (2015: R27 329 000) in note 9 of the financial statements was necessary.

### **Irregular expenditure**

17. Section 55(2)(b)(i) of the PFMA requires the public entity to include in their annual financial statements any particulars of irregular expenditure. Payments were made in contravention of the PFMA and Treasury Regulations amounting to R103 152 000 (2015: R89 807 000) as disclosed in note 27 to the financial statements. The system of control over irregular expenditure was inadequate for me to rely on for the purpose of my audit, and there were no satisfactory audit procedures that I could perform to obtain reasonable assurance that all irregular expenditure was properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the balance of irregular expenditure. I was unable to confirm the irregular expenditure by alternative means. Additionally, I was unable to determine whether any adjustment to irregular expenditure stated at R103 152 000 (2015: R89 807 000) in the financial statements was necessary.

### **Fruitless and wasteful expenditure**

18. Section 55(2)(b)(i) of the PFMA requires the public entity to include in their annual financial statements any particulars of fruitless and wasteful expenditure. Payments made in vain amounting to R695 000 (2015: R642 000) was disclosed in note 26 to the financial statements. The system of control over fruitless and wasteful expenditure was inadequate for me to rely on for the purpose of my audit, and there were no satisfactory audit procedures that I could perform to obtain reasonable assurance that all fruitless and wasteful expenditure was properly recorded, therefore I was not able to determine the full extent of the understatement of fruitless and wasteful expenditure as it was impracticable to do so.

### **Commitments**

19. I was unable to obtain sufficient appropriate audit evidence for commitments due to inadequate record keeping. Consequently, I was unable to determine whether any adjustments to commitments as stated at R11 699 000 (2015: R13 778 000) in note 19 of the financial statements was necessary.

### **Disclaimer of opinion**

20. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

### **Emphasis of matter**

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

### **Additional matter**

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

### **Withdrawal from the audit engagement**

23. Due to the limitation imposed on the scope of the audit by management, I have disclaimed my opinion on the financial statements. But for the legislated requirement to perform the audit of the public entity, I would have withdrawn from the engagement in terms of the ISAs.

## Report on other legal and regulatory requirements

24. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### Predetermined objectives

25. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2016:

- Programme 1: Administration on pages 26 to 29
- Programme 2: Business Development on pages 30 to 33

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

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

28. The material findings in respect of the selected programmes are as follows:

#### **Program 1: Administration**

Usefulness of reported performance information

29. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 45% of indicators were not verifiable.

Reliability of reported performance information

30. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for the reported achievement against planned targets of 45%.

31. I did not identify any material findings on the usefulness and reliability of the reported performance information for program 2: business development.

#### **Additional matter**

32. I draw attention to the following matter:

#### **Achievement of planned targets**

33. Refer to the annual performance report on pages 26 to 37 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 29 and 31 of this report.

#### **Compliance with legislation**

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

#### **Financial statements, performance and annual reports**

35. 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 Public Finance Management Act.

36. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected, which resulted in the financial statements receiving a disclaimer audit opinion.

#### **Expenditure management**

37. Effective steps were not taken to prevent irregular expenditure as required by section 51(1)(b)(ii) of the Public Finance Management Act. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph.

38. Effective steps were not taken to prevent fruitless and wasteful expenditure as required by section 51(1)(b)(iii) of the Public Finance Management Act. The expenditure disclosed does not reflect the full extent of the fruitless and wasteful expenditure incurred as indicated in the basis for qualification paragraph.

#### **Revenue Management**

39. Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the Public Finance Management Act and Treasury Regulations 31.1.2(a) and (e).

#### **Internal control**

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

#### **Leadership**

41. Management did not exercise oversight responsibility regarding financial and compliance and related internal controls. Consultants assisting in preparing the AFS were not held accountable when appointed during the year.



## Financial and performance management

42. The entity did not prepare regular, accurate and complete monthly and quarterly reports that are supported and evidenced by reliable information. Interim financial statements were not prepared during the year.
43. The entity did not implement proper record keeping due to an adequate filing system not being in place to ensure complete, relevant and accurate information is accessible and available to support financial reporting.
44. The entity did not review and monitor compliance with applicable laws and regulations as they did not see any requirement to do so.

## Governance

45. The entity did not ensure that there was an adequate resourced and functioning internal audit unit throughout the year that identifies internal control deficiencies and recommends corrective action effectively. An effective internal audit function would have assisted management in ensuring financial and performance reports are supported by reliable audit evidence.

*Auditor-General*

Pretoria  
31 July 2016



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## The South African State Theatre

(Registration number 2001/004447/08)

Annual Financial Statements for the year ended March 31, 2016

## 2. ANNUAL FINANCIAL STATEMENTS

### Index

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

Index	Page
Statement of Financial Position	69
Statement of Financial Performance	70
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Cash Flow Statement	73
Statement of Comparison of Budget and Actual Amounts	74 - 77
Accounting Policies	78 - 95
Notes to the Annual Financial Statements	96 - 117

The annual financial statements set out on pages 68 to 117, which have been prepared on the going concern basis, were approved by the board of members on 29 July 2016 and were signed on its behalf by:



**B MASEKELA**  
Chair of the Council

## The South African State Theatre

(Registration number 2001/004447/08)

Annual Financial Statements for the year ended March 31, 2016

### Statement of Financial Position as at March 31, 2016

Figures in Rand

	Note(s)	2016	2015 Restated*
<b>Assets</b>			
Current Assets			
Inventories	7	182,442	229,928
Receivables from exchange transactions	8	3,879,818	2,768,276
Cash and cash equivalents	9	18,676,642	27,329,263
		<b>22,738,902</b>	<b>30,327,467</b>
Non-Current Assets			
Investment property	3	18,894,469	19,461,225
Property, plant and equipment	4	123,456,310	127,484,134
Intangible assets	5	186,343	159,314
		<b>142,537,122</b>	<b>147,104,673</b>
Non-Current Assets		142,537,122	147,104,673
Current Assets		22,738,902	30,327,467
<b>Total Assets</b>		<b>165,276,024</b>	<b>177,432,140</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	11	6,043,761	5,174,670
Employee benefit obligation	6	534,433	614,571
Employee Cost Provision	10	1,164,138	1,079,555
		<b>7,742,332</b>	<b>6,868,796</b>
Non-Current Liabilities			
Employee benefit obligation	6	3,665,054	4,739,323
Non-Current Liabilities		3,665,054	4,739,323
Current Liabilities		7,742,332	6,868,796
<b>Total Liabilities</b>		<b>11,407,386</b>	<b>11,608,119</b>
Assets		165,276,024	177,432,140
Liabilities		(11,407,386)	(11,608,119)
<b>Net Assets</b>		<b>153,868,638</b>	<b>165,824,021</b>
Accumulated surplus		153,868,638	165,824,021



## The South African State Theatre

(Registration number 2001/004447/08)

Annual Financial Statements for the year ended March 31, 2016

### Statement of Financial Performance

Figures in Rand

	Note(s)	2016	2015 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods	12	2,262,774	2,015,482
Rendering of services	12	2,654,391	1,904,634
Rental of facilities and equipment	12	20,945,514	18,436,154
Sundry income		299,484	586,514
Interest received - investment		1,203,839	489,656
<b>Total revenue from exchange transactions</b>		<b>27,366,002</b>	<b>23,432,440</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	13	48,699,000	65,120,028
Sponsorship revenue	12	675,000	2,282,041
<b>Total revenue from non-exchange transactions</b>	<b>12</b>	<b>49,374,000</b>	<b>67,402,069</b>
		27,366,002	23,432,440
		49,374,000	67,402,069
<b>Total revenue</b>		<b>76,740,002</b>	<b>90,834,509</b>
<b>Expenditure</b>			
Employee related costs	14	(34,082,848)	(34,984,752)
Depreciation and amortisation	4&5	(10,502,061)	(10,727,356)
Impairment loss/ Reversal of impairments		-	(283,538)
Lease rentals on operating lease		(331,043)	(262,335)
Debt Impairment	8	(89,359)	51,444
Collection costs		-	(989)
Repairs and maintenance		(3,532,655)	(2,990,507)
Sale of goods/Inventory		(1,732,187)	(1,477,221)
General Expenses	15	(38,652,607)	(29,822,518)
<b>Total expenditure</b>		<b>(88,922,760)</b>	<b>(80,497,772)</b>

## The South African State Theatre

(Registration number 2001/004447/08)

Annual Financial Statements for the year ended March 31, 2016

### Statement of Financial Performance

Figures in Rand

	Note(s)	2016	2015 Restated*
		-	-
Total revenue		76,740,002	90,834,509
Total expenditure		(88,922,760)	(80,497,772)
<b>Operating (deficit) surplus</b>		<b>(12,182,758)</b>	<b>10,336,737</b>
Loss on disposal of assets and liabilities		(119,297)	(2,154,893)
Loss on foreign exchange		1,027,375	-
Fair value adjustments	16	(566,756)	10,508,755
Actuarial gains/losses	6	(113,927)	298,272
Taxation		-	-
(Deficit) surplus before taxation		(11,955,363)	18,988,871
Taxation		-	-
<b>(Deficit) surplus for the year</b>		<b>(11,955,363)</b>	<b>18,988,871</b>

\* See details included in Note 22

## The South African State Theatre

(Registration number 2001/004447/08)

Annual Financial Statements for the year ended March 31, 2016

### Statement of Changes in Net Assets

Figures in Rand

	Accumulated surplus	Total net assets
<b>Balance at April 1, 2014</b>	<b>146,835,150</b>	<b>146,835,150</b>
Changes in net assets		
Restated Surplus for the year	18,988,871	18,988,871
Opening balance as previously reported	167,075,692	167,075,692
Prior year adjustments	(1,251,691)	(1,251,691)
<b>Balance at 01 April 2015 as restated*</b>	<b>165,824,001</b>	<b>165,824,001</b>
Changes in net assets		
Surplus for the year	(11,955,363)	(11,955,363)
<b>Balance at March 31, 2016</b>	<b>153,868,638</b>	<b>153,868,638</b>

Refer to note 22 for prior period adjustments



## The South African State Theatre

(Registration number 2001/004447/08)

Annual Financial Statements for the year ended March 31, 2016

### Cash Flow Statement

Figures in Rand

	Note(s)	2016	2015 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		26,162,163	21,541,129
Grants	13	49,374,000	65,120,028
Interest income		1,203,839	489,656
		<u>76,740,002</u>	<u>87,150,813</u>
<b>Payments</b>			
Employee costs	14	(34,082,848)	(34,984,752)
Suppliers		(44,689,192)	(30,854,063)
		<u>(78,772,040)</u>	<u>(65,838,815)</u>
Total receipts		76,740,002	87,150,813
Total payments		(78,772,040)	(65,838,815)
<b>Net cash flows from operating activities</b>	18	<b>(2,032,038)</b>	<b>21,311,998</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(6,502,847)	(10,814,493)
Purchase of other intangible assets	5	(117,734)	-
<b>Net cash flows from investing activities</b>		<b>(6,620,581)</b>	<b>(10,814,493)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(8,652,619)</b>	<b>10,497,505</b>
Cash and cash equivalents at the beginning of the year		27,329,263	16,831,758
<b>Cash and cash equivalents at the end of the year</b>	9	<b>18,676,644</b>	<b>27,329,263</b>

## The South African State Theatre

(Registration number 2001/004447/08)

Annual Financial Statements for the year ended March 31, 2016

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Comment
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Sale of goods	1,586,879	-	<b>1,586,879</b>	2,262,774	<b>675,895</b>	The over achievement is due to increased customers in Front of House from the closure of the previously rented out restaurants.
Rendering of services	2,491,379	-	<b>2,491,379</b>	2,654,391	<b>163,012</b>	The over achievement is due to the higher than budgeted Mzansi Fela project.
Rental of facilities and equipment	18,398,742	-	<b>18,398,742</b>	20,945,514	<b>2,546,772</b>	Increase in patrons resulted in a direct increase in parking revenue. There has also been an increase in the number of parking tenants not considered in the budget.
Sundry income	248,000	-	<b>248,000</b>	299,484	<b>51,484</b>	Difference is due to the nature of the account, difference is reasonable.
Interest received - investment	769,000	-	<b>769,000</b>	1,203,839	<b>434,839</b>	The over achievement in interest income is due to the fact that the capital grant for the 2014/15 financial year was only received at the end of that year (30 March 2016) and thus the entity is earning interest on that balance.
<b>Total revenue from exchange transactions</b>	<b>23,494,000</b>	-	<b>23,494,000</b>	<b>27,366,002</b>	<b>3,872,002</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	63,873,000	-	<b>63,873,000</b>	48,699,000	<b>(15,174,000)</b>	The decrease against budget is due to the fact that no capital grant was allocated from the Department of Arts and Culture

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### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Comment
Sponsorship revenue	2,000,000	-	<b>2,000,000</b>	675,000	<b>(1,325,000)</b>	Budget was overstated.
<b>Total revenue from non-exchange transactions</b>	<b>65,873,000</b>	-	<b>65,873,000</b>	<b>49,374,000</b>	<b>(16,499,000)</b>	
'Total revenue from exchange transactions'	23,494,000	-	<b>23,494,000</b>	27,366,002	<b>3,872,002</b>	
'Total revenue from non-exchange transactions'	65,873,000	-	<b>65,873,000</b>	49,374,000	<b>(16,499,000)</b>	
<b>Total revenue</b>	<b>89,367,000</b>	-	<b>89,367,000</b>	<b>76,740,002</b>	<b>(12,626,998)</b>	



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### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Comment
<b>Expenditure</b>						
Personnel	(37,340,000)	-	<b>(37,340,000)</b>	(34,082,848)	<b>3,257,152</b>	The decreased spent is due to vacant posts
Depreciation and amortisation	(11,459,000)	-	<b>(11,459,000)</b>	(10,502,061)	<b>956,939</b>	The decrease is due to assets reaching their useful life during the year.
Lease rentals on operating lease	(375,000)	-	<b>(375,000)</b>	(331,043)	<b>43,957</b>	
Bad debts written off	-	-	-	(26,274)	<b>(26,274)</b>	
Movement in Provision for bad debts	-	-	-	(63,084)	<b>(63,084)</b>	Management's review of debtors indicated that it was necessary to provide for a write-off of debts, although not budgeted for.
Repairs and maintenance	(6,076,000)	-	<b>(6,076,000)</b>	(3,532,655)	<b>2,543,345</b>	Due to cash flow constraints, not all repairs and maintenance projects could be executed.
Sale of goods/Inventory	(9,665,000)	-	<b>(9,665,000)</b>	(1,732,187)	<b>7,932,813</b>	The actual cost of sales for goods sold is in line with the above income generated, the budgeted amount was over budgeted.
General Expenses	(24,452,000)	-	<b>(24,452,000)</b>	(38,652,607)	<b>(14,200,607)</b>	The increase against the budget is due to: increased consulting expenses as these were required to assist with the audit qualification in prior year; increase in travelling cost; increase in production costs due to increase in artistic program increase in utilities due to Eskom price increase
<b>Total expenditure</b>	<b>(89,367,000)</b>	-	<b>(89,367,000)</b>	<b>(88,922,759)</b>	<b>444,241</b>	
	89,367,000	-	<b>89,367,000</b>	76,740,002	<b>(12,626,998)</b>	
	(89,367,000)	-	<b>(89,367,000)</b>	(88,922,759)	<b>444,241</b>	
Operating deficit	-	-	-	(12,182,757)	<b>(12,182,757)</b>	

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### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Comment
Loss on disposal of assets and liabilities	-	-	-	(119,297)	<b>(119,297)</b>	
Gain on foreign exchange	-	-	-	1,027,375	<b>1,027,375</b>	
Fair value adjustments	-	-	-	(566,756)	<b>(566,756)</b>	
Actuarial gains/losses	-	-	-	(113,927)	<b>(113,927)</b>	
Surplus before taxation	-	-	-	(11,955,362)	<b>(11,955,362)-</b>	
Taxation						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	-	-	-	<b>(11,955,362)</b>	<b>(11,955,362)</b>	
<b>Reconciliation</b>						

## **The South African State Theatre**

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### **Accounting Policies**

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#### **1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

##### **1.1 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

##### **1.2 Significant judgements and sources of estimating uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

###### **1.2.1 Trade receivables investments and/or loans and 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 is calculated on a portfolio basis, 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 trade receivable balances in the portfolio and scaled to the estimated loss emergence period.

###### **1.2.2 Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell.

The entity assesses annually whether there is an indication that an asset may be impaired. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of intangible assets are inherently uncertain and could materially change over time.

###### **1.2.3 Provisions for employee costs**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 - Employee cost provisions.



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### Accounting Policies

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#### 1.2.4 Employee benefit obligations

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6 Employee benefit obligations

#### 1.2.5 Effective interest rate

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

#### 1.2.6 Debt Impairment

On trade receivables an impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. Trade receivables over 60 days are assessed individually for impairment and provided for should there be an indication of impairment.

### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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### Accounting Policies

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#### 1.3.2 Subsequent measurement

Subsequent to initial measurement, investment property is measured at fair value.

The fair value of investment property reflects market value at the reporting date. The fair value is determined using a property valuation expert.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Compensation from third parties or investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

#### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current 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 one 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 entity; and
- the cost of the item can be measured reliably. Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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.

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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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### Accounting Policies

#### 1.4 Property, plant and equipment (continued)

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	10-75 Years
Motor vehicles	Straight line	7-15 Years
Office furniture and equipment	Straight line	5-7 Years
Computer equipment	Straight line	4-5 Years
Plant and Equipment	Straight line	4-15 Years
Wardrobe	Straight line	5-50 Years

The residual value, and the useful life and depreciation method of each asset 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.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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**Accounting Policies**

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**1.5 Intangible assets**

An asset is identifiable if it either:

- is separable, i.e. 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, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2-5 Years



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#### 1.6 Financial instruments

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

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 principal 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.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

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

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### Accounting Policies

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#### 1.6 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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**Accounting Policies**

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**1.6 Financial instruments (continued)**

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

**Classification**

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

,

Class	Category
Trade and Other Receivables	Financial asset measured at amortised cost

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

,

Class	Category
Trade and Other Payables	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

**Initial recognition**

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

**Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.



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### Accounting Policies

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#### 1.6 Financial instruments (continued)

##### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at cost.

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

##### Impairment and uncollectibility of financial assets

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

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### 1.7 Leases

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

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

##### Finance leases - lessor

The entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the entity's net investment in the finance lease.



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### Accounting Policies

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#### 1.7 Leases (continued)

##### Operating leases - lessor

Operating lease revenue is recognised as revenue 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 revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in the statement of financial performance.

#### 1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, 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.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

The cost of 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 is assigned using the first-in, first-out (FIFO) 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 amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period in which 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 or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

## The South African State Theatre

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#### 1.9 Impairment of non-cash-generating assets

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

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

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

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

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

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

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

Criteria developed by the entity to distinguish non-cash-generating assets from cash-generating assets is as follows:

#### Reversal of an impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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#### 1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

When an employee has rendered a service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

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#### 1.10 Employee benefits (continued)

##### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with its employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects

the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.



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#### 1.10 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost
- actuarial gains and losses and
- past service cost;

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

#### 1.11 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is 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 activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - 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.

## The South African State Theatre

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#### 1.12 Revenue from exchange transactions

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

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

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

#### Sale of goods

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

- the entity has transferred to the purchaser 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 benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

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 reporting date. 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 or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

#### Interest, royalties and dividends

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

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### **Accounting Policies**

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#### **1.13 Revenue from non-exchange transactions**

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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.

#### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is 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 reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

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 recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount 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.

#### **1.14 Comparative figures**

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

#### **1.15 Fruitless and wasteful expenditure**

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

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

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#### 1.16 Irregular expenditure

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

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

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

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

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

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

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

#### 1.17 Related parties

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

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

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

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



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#### 1.18 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

#### 2. New standards and interpretations

##### 2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after April 1, 2016 or later periods:

- |  |               |
|--|---------------|
| • GRAP 18: Segment Reporting   | April 1, 2017 |
| • GRAP 20: Related parties   | April 1, 2017 |
| • GRAP 32: Service Concession Arrangements: Grantor  | April 1, 2016 |
| • GRAP 108: Statutory Receivables  | April 1, 2016 |
| • IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset | April 1, 2016 |
| • GRAP 16 (as amended 2015): Investment Property   | April 1, 2016 |
| • GRAP 17 (as amended 2015): Property, Plant and Equipment   | April 1, 2016 |
| • GRAP 109: Accounting by Principals and Agents  | April 1, 2017 |
| • GRAP 21 (as amended 2015): Impairment of non-cash generating assets  | April 1, 2017 |
| • GRAP 26 (as amended 2015): Impairment of cash-generating assets  | April 1, 2017 |
| • Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities                           | April 1, 2017 |

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#### 3. Investment property

Investment property

##### Reconciliation of investment property - 2016

Investment property

##### Reconciliation of investment property - 2015

Investment property

The investment property was valued by Pierrerynners valuers in the 2015 financial year and in 2016, VAL-CO property valuers valued the property using the Income Capitalisation method.

#### 4. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment depreciation	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5,002,920	-	5,002,920	5,002,920	-	5,002,920
Buildings	150,940,399	(82,768,327)	68,172,072	150,780,297	(80,024,123)	70,756,174
Motor vehicles	376,899	(94,279)	282,620	376,899	(78,038)	298,861
Office equipment	10,157,359	(6,031,586)	4,125,773	10,043,002	(4,855,045)	5,187,957
IT equipment	1,182,178	(770,540)	411,638	1,113,677	(538,262)	575,415
Wardrobe	931,300	(675,767)	255,533	931,300	(648,007)	283,293
Plant and Equipment	35,979,112	(22,124,425)	13,854,687	35,103,891	(16,059,867)	19,044,024
Artwork	18,418,243	-	18,418,243	18,418,243	-	18,418,243
Capital Work in Progress	12,932,824	-	12,932,824	7,917,247	-	7,917,247
<b>Total</b>	<b>235,921,234</b>	<b>(112,464,924)</b>	<b>123,456,310</b>	<b>229,687,476</b>	<b>(102,203,342)</b>	<b>127,484,134</b>

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#### 4. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Land	5,002,920	-	-	-	5,002,920
Buildings	70,756,174	397,004	(107,364)	(2,873,742)	68,172,072
Motor vehicles	298,861	-	-	(16,241)	282,620
Office equipment	5,187,957	114,356	-	(1,176,540)	4,125,773
IT equipment	575,415	84,887	(4,637)	(244,027)	411,638
Wardrobe	283,293	-	-	(27,760)	255,533
Plant and Equipment	19,044,024	891,023	(7,296)	(6,073,064)	13,854,687
Artwork	18,418,243	-	-	-	18,418,243
Capital Work in Progress	7,917,247	5,015,577	-	-	12,932,824
	<b>127,484,134</b>	<b>6,502,847</b>	<b>(119,297)</b>	<b>(10,411,374)</b>	<b>123,456,310</b>

##### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	5,002,920	-	-	-	-	-	5,002,920
Buildings	69,484,100	377,668	(2,154,893)	5,863,084	(2,813,785)	-	70,756,174
Motor vehicles	315,102	-	-	-	(16,241)	-	298,861
Office equipment	6,273,783	123,368	-	72,824	(1,183,817)	(98,201)	5,187,957
IT equipment	748,074	69,861	-	-	(238,013)	(4,507)	575,415
Wardrobe	652,125	-	-	-	(368,832)	-	283,293
Plant and Equipment	24,998,018	237,856	-	-	(6,011,020)	(180,830)	19,044,024
Artwork	18,418,243	-	-	-	-	-	18,418,243
Capital Work in Progress	3,847,415	10,005,740	-	(5,935,908)	-	-	7,917,247
	<b>129,739,780</b>	<b>10,814,493</b>	<b>(2,154,893)</b>	<b>-</b>	<b>(10,631,708)</b>	<b>(283,538)</b>	<b>127,484,134</b>

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#### 4. Property, plant and equipment (continued)

Depreciation rates

Item	Depreciation method	Average useful life
Buildings	Straight line	10 - 75 Years
Plant and machinery	Straight line	4 - 15 Years
Motor vehicles	Straight line	7 - 15 Years
Office equipment	Straight line	5 - 7 Years
IT equipment	Straight line	4 - 5 Years
Wardrobe	Straight line	5 - 50 Years

#### 5. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	514,813	(328,470)	186,343	397,078	(237,764)	159,314

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	159,314	117,734	(90,705)	186,343

#### Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	255,119	(95,805)	159,314



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**6. Employee benefit obligations**

**Defined benefit plan**

The employee benefit obligation comprise of post retirement medical aid and pension benefits.

**Post retirement medical aid plan**

A valuation was performed by Arch Actuarial Consulting for the medical aid fund based on 17 (2015:18) retired pensioners previously employed by the State Theatre. The Projected Unit credit method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date. The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation. Mortality, retirements and withdrawals from services were also taken into consideration. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. As at the valuation date, the medical aid liability of the State Theatre was unfunded, i.e. no dedicated assets had been set aside to this liability. No valuation was done on any assets.

**Pension benefits**

The ex-gratia pension liability was calculated based on 3 (2015:3) retired pensioners previously employed by the State Theatre by multiplying the annual pension provided by an appropriate annuity factor as at the valuation date. As at the valuation date, the ex-gratia benefits liabilities of the State Theatre were unfunded, i.e. no dedicated assets have been set aside to meet this liability. No valuation was done on any assets.



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#### 6. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

##### Post Medical aid liability

Opening Accrued Liability	(5,158,416)	(5,599,000)
Interest Cost	(360,901)	(432,000)
Benefits Paid	576,614	621,794
Actuarial (Loss)/Gain	(96,266)	250,790
Past Service Cost	1,027,375	-
	<b>(4,011,594)</b>	<b>(5,158,416)</b>

##### Ex-gratia Pension Benefit Liability

Opening Accrued Liability	(195,478)	(253,399)
Interest Cost	(12,711)	(17,970)
Benefit Paid	37,957	28,410
Actuarial (Loss)/Gain	(17,661)	47,481
	<b>(187,893)</b>	<b>(195,478)</b>

##### Non-current liabilities

(3,665,054) (4,739,323)

##### Current liabilities

(534,433) (614,571)

**(4,199,487) (5,353,894)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	5,353,894	5,852,399
Benefits paid	(614,571)	(650,204)
Past service cost	(1,027,375)	-
Net expense recognised in the statement of financial performance	487,539	151,699
	<b>4,199,487</b>	<b>5,353,894</b>

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#### 6. Employee benefit obligations (continued)

##### Net expense recognised in the statement of financial performance

Interest cost - Ex-gratia Pensioners	12,711	17,970
Interest cost - Post Employment Medical Aid	360,901	432,000
Actuarial losses/(Gain) - Ex-gratia Pensioners	17,661	(47,481)
Actuarial Losses/(Gain) - Post Employment Medical Aid	96,266	(250,790)
	<b>487,539</b>	<b>151,699</b>

##### Calculation of actuarial gains and losses

Actuarial (Losses)/Gains – Obligation	(113,927)	298,271
---------------------------------------	-----------	---------

##### Key assumptions used

Assumptions used at the reporting date:

Discount rates used - Ex-gratia Pensioners	8.60 %	7.17 %
Discount rates used - Post Employment Medical Aid	8.77 %	7.42 %
Consumer Price Inflation - Ex-gratia Pensioners	6.90 %	5.10 %
Consumer Price Inflation - Post Employment Medical Aid	6.75 %	6.81 %
Pension Inflation	6.90 %	5.10 %
Medical Aid Contribution Inflation	6.75 %	6.81 %
Net Effective Discount Rate - Ex-gratia Pensioners	1.59 %	1.98 %
Net Effective Discount Rate - Post Employment Medical Aid	0.48 %	0.57 %

The basis used to determine the overall expected rate of return on assets is as follow:

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#### 6. Employee benefit obligations (continued)

##### Ex-gratia Pensioners

##### a) Economic Assumptions

The discount rate for the Ex-gratia pensioners was set equal to the market yields on government bonds. The CPI assumption was calculated as the difference between the market yields on index linked bonds consistent with the estimated term of the liability and those of fixed interest bonds with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases. The net effective discount rate is the difference between the discount rate assumption and the pension inflation assumption.

##### b) Demographic Assumptions

The PA(90) mortality table was used to determine the annuity factors.

#### 6. Employee benefit obligations (continued)

##### c) Sensitivity Analysis

In order to illustrate the sensitivity of the results to changes in certain key variables, the liability was recalculated using the following assumptions:

(i) The general pension inflation rate assumption

(ii) The discount rate assumption and

(iii) The rates of mortality assumed, post retirement

##### (i) Pension Inflation Rate

Deviation from the long-term assumption made by 1% increase, the liability will be 4% higher than the above results and vice versa.

##### (ii) Discount Rate

An increase from the long-term assumption of the discount rate by 1% will cause an increase of the liability by 4% and vice versa.

##### (iii) Mortality Rate

A 1 year decrease in the post-retirement mortality rate, will increase the above liability by 6% and vice versa.



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#### 6. Employee benefit obligations (continued)

##### Post Employment Medical Aid

###### a) Discount Rate

The post employment medical aid discount rate used was based on the market yields on government bonds consistent with the estimated term of the post-employment liability. These rates do not reflect any adjustment for taxation and they were deducted from the yield curve obtained from the Bond Exchange of South Africa after the market close on 31 March 2016. The rate is calculated by using a weighted average of yields for the three components of the liability, namely;

(i) In-service member's retirement liability

(ii) Death-in-service liability

(iii) Continuation member's liability

Each component's fixed-interest and index-linked yield was taken from the bond yield curve at that component's liability-weighted average duration, using an iterative process.

#### 6. Employee benefit obligations (continued)

##### b) Health Care Cost Inflation Rate

The expected inflation assumption was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities and those of fixed interest bonds with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases. A 1,5% premium was added to the expected inflation rate over the expected term of the liability. A larger differential would be unsustainable, eventually forcing members to less expensive options

##### c) Mortality Rates

Mortality post-employment (for pensioners) has been based on the PA(90) ultimate mortality tables.

##### d) Spouses and Dependants

It has been assumed that husbands will be five years older than their wives. For current members, actual marital status was used and the potential for remarriage was ignored.

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**6. Employee benefit obligations (continued)**

**e) Sensitivity Analysis**

The liability at the valuation date was recalculated to show the effect of:

(i) 1% increase and decrease in the assumed rate of health care cost inflation; (ii) 1% increase and decrease in the discount rate and

(iii) A one-year age reduction in the assumed rates of post-retirement mortality

**(i) Health Care Cost Inflation**

A 1% increase in the cost of health care will result in a 6% increase in the post-employment medical aid liability, however, a 1% decrease in this cost will cause the liability to decrease by 5%.

**(ii) Discount Rate**

The effect of a 1% decrease in the discount rates will cause a 6% increase in the post-employment medical aid liability. A percentage increase in the discount rate will cause a 5% decrease in the liability.

**(iii) Mortality Rate**

A one year decrease in the mortality rate will increase the liability by 6% as the members are expected to live longer.

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#### 6. Employee benefit obligations (continued)

##### Mortality rate effect

	Valuation Assumption	-1 year of mortality
Total Accrued Liability	187,893	198,718
Interest Cost	12,711	13,496
	<b>200,604</b>	<b>212,214</b>

##### Pension inflation effect

	-1 % health care inflation	Valuation Assumption	+1 % health care inflation
Total Accrued Liability	180,841	187,893	195,384
Interest Cost	12,157	12,711	13,301
	<b>192,998</b>	<b>200,604</b>	<b>208,685</b>

##### Mortality rate effect

	Valuation Assumption	-1 year mortality
Total Accrued Liability	4,012,000	4,240,000
Interest Cost	360,900	382,000
	<b>4,372,900</b>	<b>4,622,000</b>

##### Health care inflation effect

	-1% health care inflation	Valuation Assumption	+1% health care inflation
Total Accrued Liability	3,802,000	4,012,000	4,240,000
Interest Cost	339,600	360,900	384,200
	<b>4,141,600</b>	<b>4,372,900</b>	<b>4,624,200</b>

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#### 7. Inventories

	2016	2015
Stationery	102,353	98,675
FOH Liquor, refreshments and consumables	80,089	131,253
	<b>182,442</b>	<b>229,928</b>

#### 8. Receivables from exchange transactions

Trade debtors	5,041,513	3,854,061
Provision for impairment	(1,378,375)	(1,315,291)
Prepayments	155,624	105,863
Deposits	12,277	12,277
Operating lease receivables	48,779	22,085
Accrued income	-	29,001
Other receivables	-	60,280
	<b>3,879,818</b>	<b>2,768,276</b>

#### Trade and other receivables past due but not impaired

Trade and other receivables which are past due are not automatically considered to be impaired. Management's judgement is used to impair amounts that are past due. At March 31, 2016, R4 298 712 (2015: R3 779 061 ) were past due but not impaired.

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

Current: 0 - 30 days	553,580	982,556
Past due: 31 - 60 days	730,608	340,115
More than 90 days	3,014,524	2,456,390
	<b>4,298,712</b>	<b>3,779,061</b>



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#### 8. Receivables from exchange transactions (continued)

##### Trade and other receivables impaired

As of March 31, 2016, trade and other receivables of R 63 085 were provided for impairment and an amount of R26 274 was written off as impairment. In the prior year, R51 444 was recognised as a reversal of impairment provision.

The amount of the provision was R 1 378 376 as of March 31, 2016 (2015: R 1,315,291).

The ageing of these receivables is as follows:

0 to 3 months	-	15,936
3 to 6 months	-	15,648
Over 6 months	1,378,376	1,283,707

##### Reconciliation of provision for impairment of trade and other receivables

Opening balance	1,315,291	1,366,735
Provision for impairment	63,085	(51,444)
	1,378,376	1,315,291

#### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	68,693	179,848
Bank balances	654,048	23,002,579
Deposits call account	17,953,901	4,146,836
	18,676,642	27,329,263

#### 10. Employee Cost Provision

##### Reconciliation of employee cost provision - 2016

	Opening Balance	Additions	Total
Employee cost provision	1,079,555	84,583	1,164,138

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#### 10. Employee Cost Provision (continued)

##### Reconciliation of employee cost provision - 2015

	Opening Balance	Additions	Total
Employee cost provision	953,527	126,028	1,079,555

Employee cost provision comprises of, leave provision (R1 025 585 - 2016 year and R941 976,87 - 2015 year), bonus provision (R133 428,4 - 2016 year and R139 073,28 - 2015 year) and provident fund provision (R4 851,41 - 2016 year and R1 495,50 - 2015 year)

#### 11. Payables from exchange transactions

Trade payables	3,645,279	1,709,545
Income received in advance	668,526	661,287
Accrued expenses	1,059,595	2,339,927
Rental Deposits	436,599	343,667
Other payables	233,762	120,244
	<b>6,043,761</b>	<b>5,174,670</b>

#### 12. Revenue

##### Revenue from exchange transactions

Sale of goods	2,262,774	2,015,482
Rendering of services	2,654,391	1,904,634
Rental of facilities and equipment	20,945,514	18,436,154
Sundry income	299,484	586,514
Interest received - investment	1,203,839	489,656
	<b>27,366,002</b>	<b>23,432,440</b>

Revenue from exchange transactions is made up as follows:

- Sale of goods which comprises sales of Front of House liquor and refreshments
- Rendering of services which comprises of tickets sales
- Rental of facilities and equipment which comprises of rental of theatres, office space, parking, costumes and restaurant space.

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#### 12. Revenue (Continued)

##### Revenue from non-exchange transactions

##### Transfer revenue

Government grants & subsidies	48,699,000	65,120,028
Sponsorship revenue	675,000	2,282,041
	<b>49,374,000</b>	<b>67,402,069</b>

#### 13. Government grants and subsidies

##### Operating grants

Department of Arts and Culture - Operational Grant	47,099,000	45,056,477
CATHSSETA Grant	-	11,982
Department of Arts and Culture - Incubator grant	1,600,000	-
	<b>48,699,000</b>	<b>45,068,459</b>

##### Capital grants

Department of Arts and Culture - Capital Grant	-	20,051,569
The capital grant was received on 31 March 2015		
	48,699,000	45,068,459
	-	20,051,569
	<b>48,699,000</b>	<b>65,120,028</b>

#### 14. Employee related costs

Basic	32,100,400	33,139,107
Workman's compensation	229,055	96,915
Leave pay provision charge	83,881	95,367
Interest cost on revaluation of Medical Aid Fund and Pension Fund	373,612	449,970
Overtime payments	1,295,900	1,203,393
	<b>34,082,848</b>	<b>34,984,752</b>

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#### 15. General expenses

	2016	2015
Advertising	3,829,525	3,387,105
Auditors remuneration	2,133,285	1,501,906
Bank charges	342,238	235,413
Cleaning	3,087,993	2,682,309
Consulting and professional fees	2,344,923	1,351,456
Consumables	61,828	24,188
Entertainment	62,055	36,702
Flowers	-	1,610
Insurance	456,815	242,292
IT expenses	28,728	9,667
Levies	152,424	128,974
Placement fees	357,771	41,659
Postage and courier	11,501	20,038
Printing and stationery	369,300	435,707
Security	4,321,135	4,397,058
Software expenses	125,590	81,384
Staff welfare	91,942	44,975
Subscriptions and membership fees	242,301	317,401
Telephone and fax	543,856	639,962
Training	203,589	142,710
Travel - local	1,306,445	313,870
Utilities	9,227,405	6,862,009
Uniforms	51,008	15,216
Other expenses	501,091	321,159
Production Costs	8,799,859	6,587,748
	<b>38,652,607</b>	<b>29,822,518</b>



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#### 16. Fair value adjustments

#### 17. Operating lease

The entity leases office buildings and workshops to tenants for a maximum period of 3 consecutive years with an annual escalation clause of 8%. No contingent rent is receivable. The lease agreements are renewed at the end of each lease term.

#### State Theatre Building

Due no later than one year

673,704

115,112

Due between 1 and 5 years

838,824

-

**1,512,528**

**115,112**

#### Investment Property

Due no later than one year

103,521

381,415

#### 18. Cash (used in) generated from operations

(Deficit) surplus

(11,955,363)

18,988,871

#### Adjustments for:

Depreciation and amortisation

10,502,061

10,727,356

Loss on scrapping of assets

119,297

2,154,893

Gain on re-measurement of employee benefit obligation

(1,027,375)

-

Fair value adjustments

566,756

(10,508,755)

Impairment deficit

-

283,538

Debt impairment

89,359

(51,444)

Movements in retirement benefit assets and liabilities

(1,154,407)

(498,505)

Movements in provisions

84,583

126,028

#### Changes in working capital:

Inventories

47,486

141,694

Receivables from exchange transactions

(1,111,542)

(1,494,855)

Consumer debtors

(89,359)

51,444

Payables from exchange transactions

1,896,466

1,391,733

**(2,032,038)**

**21,311,998**

## The South African State Theatre

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#### 19. Commitments

##### Authorised capital expenditure

##### Already contracted but not provided for

- Property, plant and equipment 3,262,1547,895,383

##### Authorised operational expenditure

##### Already contracted for but not provided for

Capex used as Opex	5,882,874	5,882,874
Opex in current year	2,553,808	-
	8,436,682	5,882,874

##### Total operational commitments

Already contracted for but not provided for	8,436,682	5,882,874
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This committed expenditure relates to property, plant and equipment and capex previously used for operational expenditures that the entity has to pay back and will be financed by available bank facilities, retained surpluses, existing cash resources.

#### 20. Related parties

##### Relationships

Department

Department of Arts and Culture (DAC)

Related party transactions

Department of Arts and Culture

Operational grants received from DAC	47,099,000	45,028,000
Capital grants received from DAC	-	20,051,569
Management fees received	-	60,000
Incubator	1,600,000	-

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#### 21. Key Management Compensation

##### 2016

Executive	Basic Salary	Annual Bonus	Provident Fund	Allowances	Other	Total
Dr S Mkhize (Appointed 01 November 2015)	553,894	46,158	103,245	10,000	-	615,591
Ms N. Soopal (Resigned 31/07/2015)	222,487	18,917	29,725	28,000	55,437	256,358
Mr A. Sekhabi	774,722	63,013	142,051	209,559	55,409	1,110,265
Mr G. Viljoen	786,269	64,049	144,386	24,000	-	882,004
Ms N. Ndimande (Appointed 26 November 2015)	256,484	20,512	31,112	9,000	-	288,561
	<b>2,593,856</b>	<b>212,649</b>	<b>450,519</b>	<b>280,559</b>	<b>110,846</b>	<b>3,152,779</b>

##### Non Executive

	Member's Fees	Other	Total
Dr A. Vilakazi	7,084	1,235	8,319
Mr S. Chauke	12,574	1,647	14,221
Mr T. Mphuti	58,688	2,491	61,180
Dr V. Zulu	13,728	12,444	26,172
Ms S. Singh	32,068	2,147	34,215
Ms B. Masekela	21,042	1,912	22,954
Ms B. Malange	18,813	567	19,380
Ms M. Mofammere	32,451	3,032	35,483
Mr V. Motholo	14,526	427	14,953
	<b>210,974</b>	<b>25,902</b>	<b>236,877</b>

##### 2015

Executive	Basic Salary	Annual Bonus	Provident Fund	Allowances	Other	Total
Ms N Soopaal (appointed 12/05/14)	557,515	50,365	81,391	62,150	-	751,421
Mr A Sekhabi	760,185	59,122	138,892	197,559	80,000	1,235,758
Mr G Viljoen	755,716	60,287	141,626	16,179	-	973,808
Dr Q Simpson (Resigned 31/07/2014)	531,679	27,782	45,238	-	406,333	1,011,032
	<b>2,605,095</b>	<b>197,556</b>	<b>407,147</b>	<b>275,888</b>	<b>486,333</b>	<b>3,972,019</b>

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	2016	2015
<b>Non Executive</b>	<b>Member's Fees</b>	<b>Allowances</b>
Dr A. Vilakazi	1,103	137
Mr S. Chauke	1,104	183
Mr T. Mphuti	1,104	125
Dr V. Zulu	1,121	1,220
Ms B. Malange	1,102	-
Ms M. Mofammere	2,206	390
Ms S Singh	2,206	390
	<b>9,946</b>	<b>2,445</b>
		<b>12,391</b>

#### 22. Prior period errors

During the financial year, the entity engaged in a special reconciliation project of the bank account. This process was done for the 2014/15 and the 2015/16 financial periods. The reconciliation of the bank account resulted in a number of adjustments being made to various accounts.

The entity is currently going through an asset stabilization process, which includes - amongst other things - the recalculation of the carrying amounts previously recognised in the financial statements. The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Decrease in property, plant and equipment	-	(842,425)
Decrease in Inventory	-	(120,717)
Increase in receivables from exchange transactions	-	197,642
Decrease in Payables from exchange transactions	-	(402,930)
Decrease in opening Accumulated Surplus or Deficit	-	(1,251,691)
Increase in Cash and cash equivalent	-	54,317

#### Statement of Financial Performance

Decrease in revenue from exchange transactions	-	185,578
Increase in revenue from non-exchange transactions	-	(61,412)
Decrease in employee costs	-	(80,353)
Increase in depreciation	-	846,102
Increase in finance costs	-	3,821
Increase in collection cost	-	150
Increase in repairs and maintenance	-	51,850
Increase in general expenses	-	309,590



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#### 23. Risk management

##### Financial risk management

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

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

##### Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities. All bank accounts are held with reputable banking institutions.

The table below analyses the entity's financial liabilities and net-settled derivative 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

##### Less than one year

Trade and other payables

4,243,407

4,392,642

##### 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 creditors and cash and cash equivalents.

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

##### Financial instrument

2016

2015

Cash and Cash equivalents

18,770,098

27,327,772

Trade Receivables

1,836,032

2,692,112

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#### 23. Risk management (Continued)

##### Market risk

##### Interest rate risk

All financial instruments attract interest at rates linked directly to the prime bank overdraft rate.

##### Assets

Cash and Cash Equivalents	18,789,504	27,327,772
Trade receivables from exchange transactions	1,809,758	2,665,838
	<b>20,599,262</b>	<b>29,993,610</b>

##### Liabilities

Trade payables from exchange transaction	5,157,773	5,053,929
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#### 24. Going concern

We draw attention to the fact that at March 31, 2016, the entity had accumulated surplus of R 153,868,638 and that the entity's total assets exceed its liabilities by R 153,868,638.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

#### 25. Events after the reporting date

The company with the approval of the council will be implementing a new business model and company organogram. Due to the high fixed costs - of which employee costs form the majority - a restructuring has become necessary. On 29 May 2016 the council of The South African State Theatre approved the restructuring of the organisation. The results being the retrenchment of 10 employees in different levels. The financial impact is an estimated R666 959.45 to be paid in retrenchment packages.

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#### 26. Fruitless and wasteful expenditure

	2016	2015
Opening balance	642,383	622,359
Fruitless and wasteful expenditure for the year	52,338	1,089
Fruitless and wasteful expenditure identified in the current year relating to prior year	-	18,935
	<u>694,721</u>	<u>642,383</u>

Incident	Disciplinary steps taken/criminal proceedings	2016	2015
SARS penalties and interest paid on unpaid PAYE, UIF and SDL	No disciplinary yet, incidents to be investigated	52,333	-
Interest charged on late payment	No disciplinary yet, incidents to be investigated	-	1,089
Interest and penalties for late payment of workman compensation for prior years	No disciplinary yet, incidents to be investigated	-	18,935
Penalties for non-filing of annual report	-	-	4,000
	-	<u>52,333</u>	<u>24,024</u>

#### 27. Irregular expenditure

Opening balance	89,806,807	73,667,680
Add: Irregular Expenditure - current year	<u>13,344,799</u>	<u>16,139,127</u>
	<u>103,151,606</u>	<u>89,806,807</u>

#### Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
No purchase order. Contract expired, amount paid on extension is greater than 15%	No disciplinary action has been taken, investigation underway	10,851,311
Supply chain management processes were not followed	No disciplinary action has been taken, investigation underway	155,950
No competitive bidding	No disciplinary action has been taken, investigation underway	1,109,959
Irregular contracts for incubator	No disciplinary action has been taken, investigation underway	1,227,578
		<u>13,344,798</u>













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