
The Playhouse Company
Now that's entertainment!

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Submission to the Minister

According to the terms of Public Finance Management Act 1999 (Act No.1 of 1999), it is our pleasure to submit, the Annual Report of The Playhouse Company for the financial year ended 31 March 2011.

Applicable Acts and Mandates

In terms of section 8(5) of the Cultural Institutions Act 119 of 1998, the role of The Playhouse Company is to advance, promote and preserve the performing arts in South Africa.

The Playhouse Company operates under various legal mandates, including:

- The Constitution of the Republic of South Africa
- The Public Finance Management Act, 1999 (Act No. 1 of 1999)
- The Cultural Institutions Act, 1998 (Act No. 119 of 1998)
- The Treasury Regulations and Division of Revenue Act, 2001
- The Basic Conditions of Employment Act, 1997 (Act No. 75 of 1977)
- The Labour Relations Act, 1995 (Act No. 66 of 1995)
- The Cultural Promotions Act, 1983 (Act No. 35 of 1983)
- The Occupational Health & Safety Act, 1993 (Act No. 85 of 1993)
- General Administration Regulations Act, 1983 (Act No. 6 of 1983)

MISSION STATEMENT

The Playhouse Company's mission is to advance, promote and preserve the performing arts. We aim to be a company known for artistic integrity and excellence, catering for multi-cultural and diverse audiences and their ever-changing needs.

VISION

Commitment to artistic integrity and excellence, catering for multi-cultural and diverse audiences and their ever-changing needs.

The Playhouse Company has defined its critical success factors as follows:

Unique artistic works

- Making the arts accessible.
- To present artistic works that reflect the diversity and the varied talents and heritage of South Africa.
- To promote theatre as a place that educates and promotes critical thinking.
- To utilise the performing arts as an agent for social change.
- To promote a sense of inter-cultural awareness and unity through the performing arts.

Positive profile

- To become South Africa's premier theatre destination.
- To strategically position the institution among relevant stakeholders as a theatre of choice.
- To sustain successful audience development campaigns which appeal to a wide variety of audiences.

Create a healthy organisation

- Encompassing team spirit.
- To sustain a system of pay/reward that is linked to staff development and productivity.
- Transparency, to create an open, adaptable attitude that will encourage trust, earn respect and build team spirit.

Promote excellence

- To present works of a diverse nature which are of the highest standard.
- To promote excellence in The Playhouse Company's delivery of all its functions and appearance.
- Professionalism should be the key factor in all aspects of our work.
- To be a hallmark of success for an artist.
- Optimise the use of our performance venues by presenting productions of high quality which meet the needs of various audiences.

Engender a sense of belonging or welcome

- To be a place where stakeholders feel they belong.
- To engender an environment that is caring towards people who work at The Playhouse Company; an environment of trust and empowerment, accountability and openness.

Compliance

- To ensure compliance with all relevant statutes and regulations.
- To promote best practices in financial controls and governance within the company.
- To ensure appropriate maintenance of physical buildings and equipment.

Introduction by the Head of the Institution

It is our privilege to submit this report of how this institution performed with optimum effect during the year under review. Applying itself competently to meeting the fiscal challenges the country continued to face, The Playhouse Company managed its finances with assurance, fulfilling the requirements of sound governance practices, while presenting a vibrant artistic programme that responded to the wide variety of amazing talents and varied audience interests.

The following pages offer an account of the institution's various sections, including artistic highlights and infrastructural upgrades.

In-House Productions

1. 14th South African Women's Arts Festival

As in previous years, this nationally acclaimed festival showcased the many ways women enrich the cultural fabric of South African society. The festival programmes included music, drama, comedy, craft, poetry and dialogue, reflecting the wide spectrum of accomplishments and commitment shown by our distinguished festival participants.

1.1. Production: Comedy Fever

Production Description: Featuring some of South Africa's finest comedians, DJs and television personalities, the line-up included Krijay Govender (MC), Celeste Ntuli, Jailoshini Naidoo, Ben Voss, Felix Hlophe and music DJ Cindo.
Run: 30 July
Venue: Opera
Arts Practitioners: 5
Audiences: 926
Number of Performances: 1

1.2. Production: Open Mic & Dialogue

Production Description: The popular Women in Dialogue and Open Poetry Session enabled enthusiasts who wished to make their own contributions to take part in these enlightening sessions, resulting in an invaluable exchange of ideas, expertise-sharing and communication by leading role players.
Run: 31 July
Venue: Opera
Arts Practitioners: 40
Audiences: 400
Number of Performances: 1

1.3. Production: From My Point of View

Production Description: This hard hitting stage adaptation of Steven Berkoff's contentious short story starred the award-winning actors, Clare Mortimer and Darren King, in a critically lauded production that scrutinised the anguish and consequences of loneliness.
Run: 30 July – 7 August
Venue: Loft
Arts Practitioners: 2
Audiences: 551
Number of Performances: 6

1.4. Production: African Mamas

Production Description: This stage piece celebrated the impact of ten strong independent women of Africa, who take responsibility for living, education, solidarity and social cohesion. Coupled with a live band, the cast included Vicky Vilakazi, Londiwe Mthembu, Silindile Ntini, Momasonto Khumalo, Amo Chidi, Aveline Twala, Nompumelelo Nhlapho, Mulalo Mudau, Lucia Gumede and Mercy Meruti, with three South African veteran stars, Abigail Kubeka, Dorothy Masuka and Thandi Klaasen, making guest appearances at the opening performance.
Run: 30 July – 8 August
Venue: Drama
Arts Practitioners: 20
Audiences: 3 087
Number of Performances: 9

1.5. Exhibition

Attracting festival goers this exhibition of arts and craft work of eight local women artists ran throughout the festival.
Run: 30 July – 8 August
Venue: Porte Cochere
Arts Practitioners: 8
Exhibitions: Throughout the duration of the festival.

2. Community Arts Festival

Production Description: The Playhouse Company notched up a new landmark by hosting the Community Arts Festival. This provided a platform for artists and art practitioners to stage their works in a professional environment. Three productions entitled, Just Don't, Getting Tested and What a Disgrace, were featured in the festival, each work focusing on serious social issues. Each benefited from two months of professional mentorship on various subjects including directing, scriptwriting, choreography to teach and guide the artists to take their productions to the next level.

Run: 6-22 May

Venue: Loft

Arts Practitioners: 19

Audiences: 1358

Number of Performances: 12

3. Ingqay'ngqayi ye Africa

Production Description: Presented in partnership with the Office of the KZN Premier in celebration of the FIFA World Cup, this performance featured original music by Phelelani Mnomiya, set to a libretto by Professor Themba Msimang, orchestrated and conducted by Naum Rousine. Directed by Mbongeni Ngema, this spectacular showcase of South Africa's diverse talents proved to be a memorable live theatre experience, showcasing the multi-cultural heritage of South Africa before an international audience.

Run: 9, 22, 25 June

Venue: Opera

Arts Practitioners: 160

Audiences: 1500

Number of Performances: 3

Excerpt from a letter written to The Playhouse Company

We thought it was just a programme for artists at The Playhouse, but it turned out to be the job for artists that are in need, honestly we thought that you were just joking when you said that you want to help us so that we would never go back to prison.

...It feels like we are born again when we talk with those children about what we have been through when we were still growing up, and we think the impact is very huge on the kids...

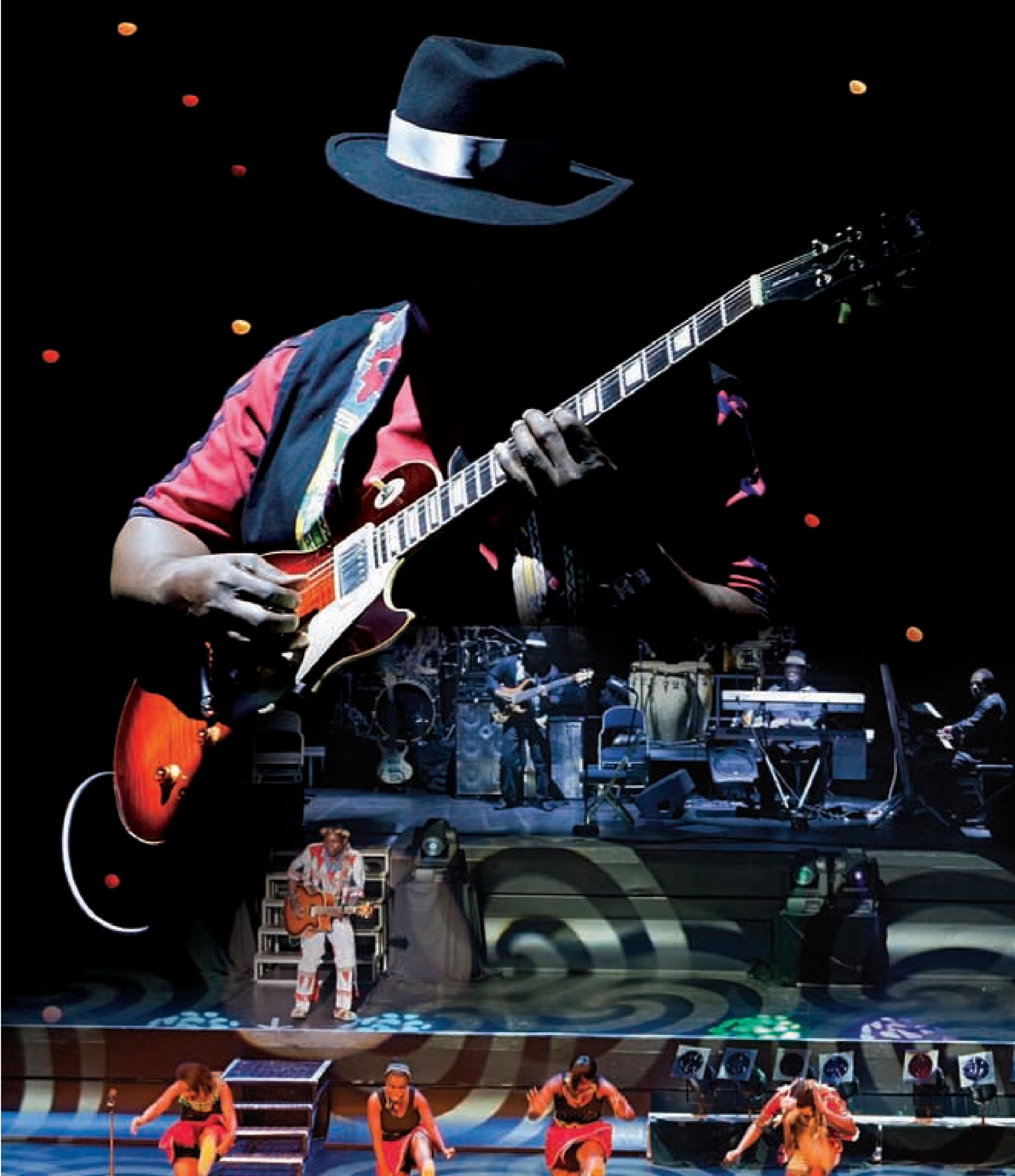
Comments from the cast of Just Don't

4. FIFA Touring Concerts

Production Description: A further performance initiative was staged in partnership with the Office of the KZN Premiere in honour of the international soccer fixtures as a series of World Cup Concerts. These were held in key areas of KwaZulu-Natal during peak tourism periods linked to matches at the Moses Mabhida Stadium in Durban. Performances in this series were given at Richards Bay, Ballito, Pietermaritzburg and Margate.
Run: 10 June – 6 July
Venue: Mobile Stage
Arts Practitioners: 620
Audiences: 11 550
Number of Performances: 12

5. National Arts Festival

Production Description: The Playhouse Company, in partnership with Transnet, presented three popular entertainment acts from KZN at the National Arts Festival in Grahamstown. These comprised the stand-up comedian, Khaya Ngema; the Isicathamiya group, Kholwa Brothers; and the acclaimed mini-musical, Happiness Through the Mist, while offering local Grahamstown artists and audiences a free stage over 10 days.
Run: 24 June – 3 July
Venue: Mobile Stage
Arts Practitioners: 16
Audiences: 22 050
Number of Performances: 10



6. New Stages

The Playhouse Company's annual season of New Stages featured three cutting-edge productions, each representative of the high degree of creativity in evidence on post-apartheid South African stages.

6.1. Tin Bucket Drum

Production Description: Weaving together elements of magic realism, shadow puppetry, Afro-Kabuki and live percussion, Neil Coppen's acclaimed work brought a fresh twist to the traditional conventions of African story-telling.
Run: 7 – 9 October
Venue: Loft
Arts Practitioners: 3
Audiences: 486
Number of Performances: 4

6.2. Mating Birds

Production Description: Sello Maake ka-Ncube and Themi Venturas starred in the premiere of the stage adaptation of the late Lewis Nkosi's prize-winning novel that exposed the social iniquities and injustices of South Africa's legal system during apartheid.
Run: 14 – 16 October
Venue: Drama
Arts Practitioners: 2
Audiences: 1 414
Number of Performances: 4

6.3. Spice 'n Stuff

Production Description: Ashwin Singh's comedy-drama portrayed a scene of escalating crime, failing businesses, and crumbling friendships across racial and cultural denominations in Durban's Grey Street Indian community.
Run: 21 – 23 October
Venue: Loft
Arts Practitioners: 6
Audiences: 476
Number of Performances: 4

7. Asinamali

Production Description: Last seen at the Playhouse in 2004, Mbongeni Ngema's celebrated musical drama proved a popular choice with audiences during its return run over the past festive season.
Run: 15 – 24 December
Venue: Drama
Arts Practitioners: 5
Audiences: 2 611
Number of Performances: 7

8. Valentine's Concert

Production Description: This high-profile programme, presented in anticipation of Valentine's Day, offered an evening of popular musical entertainment performed by leading singers and dancers, with live accompaniment by the KwaZulu-Natal Philharmonic Orchestra.
Run: 12 February
Venue: Opera
Arts Practitioners: 91
Audiences: tbc – 699
Number of Performances: 1

9. Carmen

Production Description: After a 15-year absence from the Durban stage, the return of Bizet's operatic masterpiece drew capacity houses for the semi-staged production The Playhouse Company presented in collaboration with Cape Town Opera.
Run: 25 & 27 March
Venue: Opera
Arts Practitioners: 121
Audiences: 1 828
Number of Performances: 2

10. Test Drive

Production Description: Test Driving the Arts lunch hour concerts featuring varied upcoming artists in isicathamiya, gospel, indlamu, among other artistic groups continued.
Run: Monthly between April and December.
Venue: Porte Cochere
Arts Practitioners: 449
Audiences: 3 780
Number of Performances: 13

11. Sundowners

Production Description: Geared at social interaction in a relaxing environment, these newly introduced free music concerts are presented on the first Friday of every month.
Run: Monthly between December and March.
Venue: Main Foyer
Arts Practitioners: 18
Audiences: 300
Number of Performances: 3

In-Association Productions

1. Othello

Production Description: Presented in association with ThinkTheatre, this production was geared to assist learners in their studies of Shakespeare's classic tragedy Othello as a matric setwork. Two schools performances were given daily throughout the run, with an evening performance added to accommodate general theatre-goers.
Run: 14 April – 7 May.
Venue: Opera
Arts Practitioners: 14
Audiences: 12 509
Number of Performances: 23

2. Sunghursh

Production Description: This spectacular dance drama, presented in association with Nateshwar Dance Company, celebrated the history of South Africa's Indian community.
Run: 23 July – 11 August.
Venue: Opera
Arts Practitioners: 44
Audiences: 5027
Number of Performances: 15

3. Shall We Dance

Production Description: Presented in association with the Dance Teachers Association of South Africa, this popular annual showcase, ranging from Ballroom and Latin American to Indian Classical, Hip Hop, Modern, Ballet, Bollywood, Argentinian Tango and American smooth, featured 70 of the region's most exciting dancers including top award-winning industry professionals.
Run: 17 – 25 September.
Venue: Opera
Arts Practitioners: 70
Audiences: 5 296
Number of Performances: 10

4. At the Edge

Production Description: Ronnie Govender's one-woman cultural retrospective, presented as part of the Shared History – the Indian Experience in South Africa Festival, showcased the versatile Durban TV celebrity and stage actress, Jailoshini Naidoo.

Run: 8 – 12 September
Venue: Drama
Arts Practitioners: 1
Audiences: 883
Number of Performances: 5

5. Swan Lake

Production Description: This spin-off of the Western Ballet Classic as an Indian Classical Dance genre, was presented in collaboration with the Indian Consulate as part of the year's Shared History cultural exchange programme.

Run: 16 – 19 September.
Venue: Drama
Arts Practitioners: 17
Audiences: 1 610
Number of Performances: 4

6. Who's Your Mamoo?

Production Description: Afzal Khan's debut one-man show offered a collation of stand-up comedy highpoints from his 10-year stage career, interlaced with topical new material.

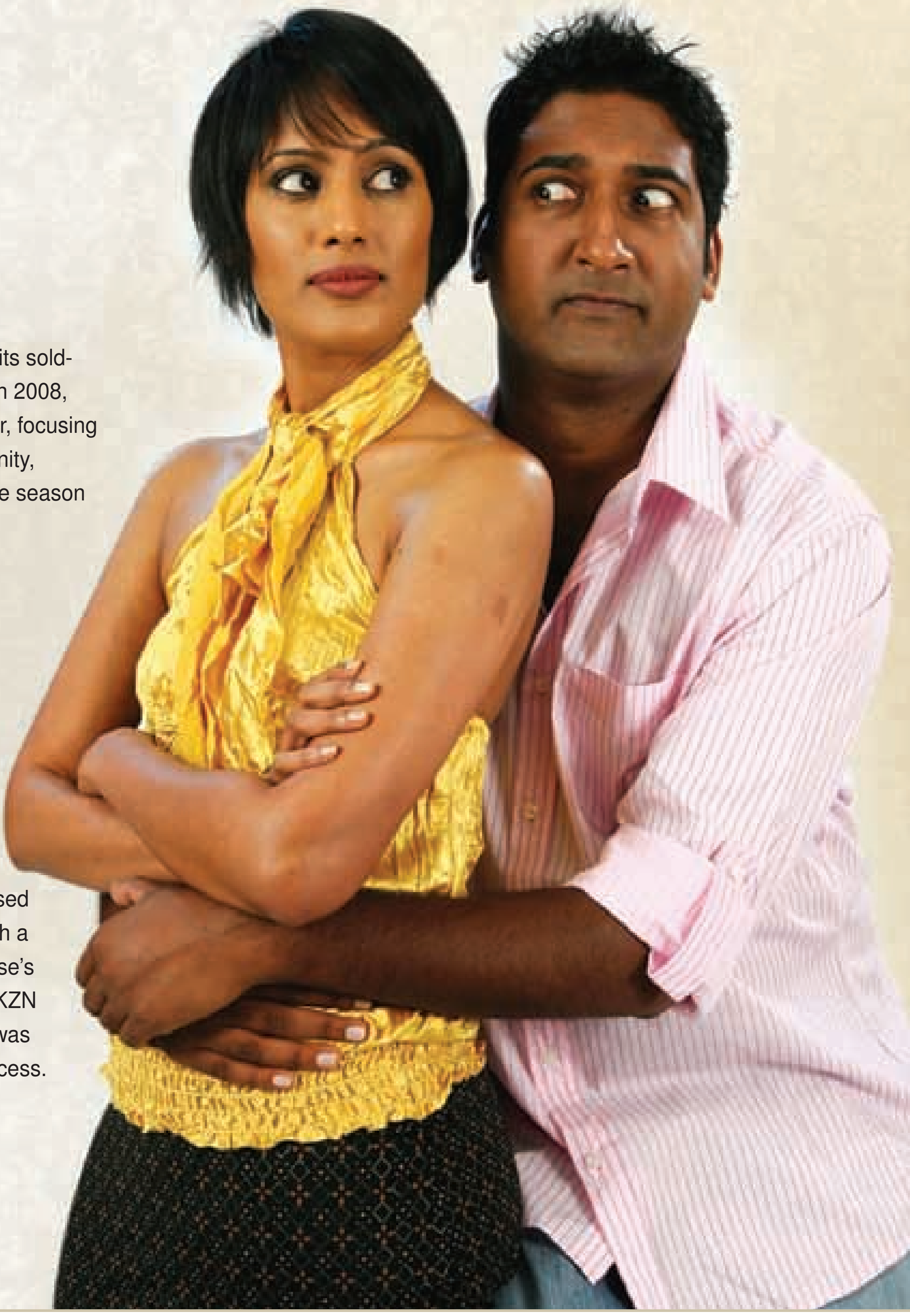
Run: 29 September – 2 October.
Venue: Drama
Arts Practitioners: 1
Audiences: 1 672
Number of Performances: 5

7. Cinderella

Production Description: Cape Town City Ballet's fantasy production of Perrault's ever-green fairytale proved a popular festive season attraction, with Prokoviev's classic score performed live by the KZN Philharmonic Orchestra.
Run: 19 – 24 November
Venue: Opera
Arts Practitioners: 97
Audiences: 4 664
Number of Performances: 6

8. Buckled

Production Description: Following its sold-out performances at The Playhouse in 2008, Krijay Govender's comedy two-hander, focusing on marriage within the Indian community, returned by popular demand as festive season draw-card.
Run: 7 – 12 December
Venue: Opera
Arts Practitioners: 2
Audiences: 5 053
Number of Performances: 6



9. Stimela sase-Zola

Production Description: This big-stage concert extravaganza, devised and directed by Mbongeni Ngema with a line-up of talent from KZN Music House's stable of artists accompanied by the KZN Philharmonic and a Maskandi band, was another festive season box office success.
Venue: Opera
Arts Practitioners: 110
Audiences: 2037
Number of Performances: 2

10. Othello

Production Description: This ThinkTheatre learning aid production was reprieved for the benefit of the New Year's KZN matric learners when the Playhouse re-opened after its January maintenance recess.

Run: 9 February – 10 March.

Venue: Drama

Arts Practitioners: 14

Audiences: 11 335

Number of Performances: 34

Excerpt from a letter received from a patron

I have not been to the Playhouse for quite some time and when I attended tonight, I was dumbstruck by the beauty of it. The foyer with those incredible columns which had such an African flavour were beautiful to behold — Afrochic to say the least. Everything there was clean and in such good taste. The seats in the main hall were well kept and so comfortable. I have a beady eye for detail but could not fault anything. I would hazard a guess and state that this must be one of the best complexes in the country . . .

Human Resources

The Company's Human Resource Strategy continued effectively to support and service the organization's requirements by sourcing competent employees in line with the Manpower Plan, providing skills training to ensure a highly skilled workforce, and assisting Line Management in the implementation of a Performance Management system.

Four meetings were held with the representative Trade Union, SACCAWU, during the course of the year. These meetings will continue as we strive to improve the relationships with employees. Wage negotiations were concluded in July that saw employees receiving an average increase of 9%. Six appointments were made within three months of the vacancy having been advertised. Of all the appointments made, four were done through promoting employees from within.

With regard to Employment Equity, the institution is committed to address the equity imbalances in its staff profile through its Employment Equity Plan and Human Resources Policies. In addition, training and development are prioritized, and promotion is encouraged from within wherever possible. Training Initiatives in Management training, Technical Skills training, PC training and Financial Skills received priority. Nine employees completed their respective phases of their Adult Literacy training. The roll-out of the Performance Management System to all tiers of the organization is largely complete. It is anticipated that implementation of the system will contribute to incremental performance improvement of the institution in the forthcoming year.

Stage, Technical & Support Services

This past year was characterized by the completion of several Capital Projects. Two investments were made in The Loft theatre. With the new sound system and seating arrangement The Loft is now a very useful and flexible venue. At the same time in the Opera Theatre a modification was made to one of the stage lifts. The modified system of linking two motors together was installed.

Finance

The obtaining of the fifth consecutive unqualified audit report reflects this Cultural Institution's determination to adhere to good governance and financial reporting.

The existence of a dynamic and well informed finance committee and an audit and governance committee have contributed to the Cultural Institution complying with all finance-related and compliance-related matters. This has contributed to the high level of good governance attained by the Cultural Institution.

Summary of highlights

- The total revenue increased by 3% from R65m to R67m.
- The grant income increased from R56m to R59m. This is attributable to the CAPEX grants received from DAC to fund capital projects and the virement received from DAC to fund the shortfall in the pension fund deficit.
- The total expenditure decreased by 11% from R54m to R48m.

- With successful strategic partnerships secured with other major production companies as well as securing production sponsorships from external sources, the institution presented a wide variety of productions while staying within budget. This resulted in modest savings on the artistic budget.
- Other operating income reduced by 10% from R18m to R16m. This was largely due to repairs and maintenance work being deferred until the air-conditioning plant was fully commissioned. The repairs and maintenance work has been deferred to the new financial year.

Capital expenditure summary

- Capital expenditure in an amount of R9m was approved for various capital projects. Included in this was an amount of R5m allocated for the upgrading of buildings to comply with Health and Safety Act, Fire Regulations, South African Police Services Minimum Physical Security Standards and SABS 0246 Code of Practice: Accessibility to Disabled Persons.
- Capital expenditure in an amount of R4.8m was approved for the replacement, upgrading and installation of the dimmers.
- Capital expenditure in an amount of R1.6m was approved for remedials to the water tanks and plumbing.
- Capital expenditure in an amount of R1m was approved for the motorized fly bars.
- Capital expenditure in an amount of R2.6m was approved for waterproofing at the Playhouse theatre complex.
- Capital expenditure in an amount of R1.6m was approved for the acquisition of a new mobile stage and truck tractor.

Statement of Responsibility by Chairperson of Council

The Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended, requires the Council to ensure that the Public Entity keeps full and proper records of its financial affairs. The annual financial statements should fairly present the state of affairs of the Public Entity, its financial results, its performance against predetermined objectives and its financial position at the end of the year in terms of the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board.

The Playhouse Company, a public cultural institution, acknowledges that the annual financial statements are the responsibility of the Council. The External Auditors are responsible for independently auditing and reporting on the financial statements.

The Council has reviewed the public cultural institution's budgets and cash flow forecasts for the year ended 31 March 2011. On the basis of this review, and in view of the current financial position, the Council has every reason to believe, and the auditors concur, that the public cultural institution will be a going concern in the year ahead and has continued to adopt the going concern basis in preparing the annual financial statements.

To enable the Council to meet the above responsibilities, the Council puts policies in place in order to ensure that the public cultural institution has and maintains an effective, efficient and transparent system for financial, risk management and internal controls that are designed to provide reasonable, but not absolute assurance against material misstatements and losses. The public cultural institution maintains internal financial controls to provide assurance regarding:

- The safeguarding of assets against unauthorised use or disposition.
- The maintenance of proper accounting records and the reliability of financial information used within the company or for publication.

In the opinion of the Council, based on the information available to date, the annual financial statements fairly present the financial position of The Playhouse Company as at 31 March 2011 and the results of its operations and cash flow information for the year ended.

The annual financial statements set on pages 46 to 79 were approved as a draft on 27 May 2011, subject to approval by Council at a later date, and submitted to the Auditor-General for auditing on the 31 May 2011 in terms of section 55 (1) (c) of the Public Finance Management Act as amended.

The annual financial statements were subsequently approved in a Council meeting on 29 July 2011 and are signed on their behalf by:

MINA LESOMA
Chairperson of Council

Audit and Governance Committee Report: 2010-11

The Audit and Governance Committee, 'the Committee', presents a report on its activities during the financial year ended 31 March 2011.

Committee Members and Attendance

There were four formal meetings during the year under review and the members' attendance is listed hereunder:

MEMBER	AUDIT & GOV.	JOINT FINCO & AUDIT & GOVERNANCE
Leona Theron	3	0
Mahmoud Rajab	2	1
Thokozile Shezi	2	1
Makhosazana Mvulane	1	0
Linus Sbu Sibisi	2	1
Rodger Ashe	2	1
TOTAL	3	1

Audit Committee Responsibility

The Committee has complied with all its responsibilities arising from Section 77 of Public Finance Management Amendment Act 1 of 1999 and Treasury Regulations 3.1. It also reports that it has adopted appropriate formal terms of reference as its Audit and Governance Committee Charter has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The charter is reviewed annually and adopted by the Committee on approval by the Accounting Authority.

Effectiveness of Internal Control

The Committee assessed the effectiveness of internal controls and it had to review risk assessment processes, which it performed as follows:

- Consider the effectiveness of the company risk assessment processes.
- Conduct follow up on all findings by auditors.
- Seek assurances that action is being taken on risk-related issues identified by auditors.
- Provide guidance and advice to Management and Accounting Authority on strengthening controls over risk management processes and performance information.

The Committee considered the updated risk register based on the risk management framework and policy adopted by the Accounting Authority. The Committee then approved the risks-based internal audit three year rolling plan. The Committee subsequently reviewed all the internal audit reports that identified weaknesses within the company and considered adequacy of management responses to ensure the risks exposure is reduced and continuous improvement within control environment.

Audit and Governance Committee Report (continued)

On review of the reports and discussions with auditors, the Committee concurred with auditors that internal controls were reasonably effective and reliable and any matters reported during the year did not indicate any significant or material deficiencies.

The Committee noted a significant continuous improvement on control activities by Management and especially on Strategic Management process (predetermined objectives).

Evaluation of Financial Statements

The Committee has:

- Reviewed quarterly reports including financial statements;
- Reviewed and discussed the audited annual financial statements with the Auditor-General and management;
- Reviewed the accounting policies adopted by the Council are consistent with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and also applied consistently as compared to previous year; and
- Reviewed the Auditor-General's management letter and management response; and noted minor items that require follow-up next year.

The Committee concurs and accepts the conclusion of the Auditor-General on the annual financial statements and hence the Committee is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

The Committee would like to congratulate the Council and Management for their countless efforts and commitments to ensure the company obtains an unqualified audit report from the Auditor-General for five consecutive years and would like to express gratitude for their support and fruitful discussions with the Committee.

PMK MVULANE CA (SA), RA
Chairperson: Audit and Governance Committee

Chairperson's Report

I am pleased to present our Annual Report as the Chairperson of the Council of The Playhouse Company for the financial year ended 31 March 2011

Nature of Operations

The Playhouse Company is a Public Cultural Institution, which was declared as such by the Minister with effect from 01 April 2003 in terms of Sections 3 & 4 (8) of the Cultural Institutions Act 1998. Previously, The Playhouse Company existed as a non-profit organisation incorporated under Section 21 of the Companies Act, 1973. The Board of Directors passed a resolution that The Playhouse Company cease to exist as a Section 21 company and its assets and liabilities devolve upon the new institution in accordance with the Minister having declared The Playhouse Company a Cultural Institution.

Mission Statement

The Playhouse Company's mission is to advance, promote and preserve the performing arts. We aim to be a company known for artistic integrity and excellence, catering for multi-cultural and diverse audiences and their ever changing needs.

The Playhouse Company will aim to achieve its mission by:

- Presenting productions that reflect artistic talents, the diversity and the varied heritage of South Africa.
- Promoting theatre as a place that educates and promotes critical thinking.
- Utilising the arts as a medium for social change.
- Promoting a sense of inter-cultural awareness, moral regeneration, social cohesion and nation building.
- Facilitating equity in our artistic programming.
- Entrenching national and civic pride through the use of the arts.
- Promoting excellence in The Playhouse Company's delivery of all its function and appearance.

Review of Operations

The Playhouse Company, in line with its mission and objectives continues to give a platform to the artists to showcase their talent. In the year under review a number of internal and external productions were staged at the Playhouse Theatres. Our artistic plan consisted of internally produced shows, which were complemented with numerous productions by external producers. In addition a mobile stage is used for performances primarily in the province of KwaZulu-Natal. A new mobile truck and trailer was acquired during the year to cater for the ever-increasing demand for the mobile stage.

FINANCIAL PERFORMANCE

Revenue

Total revenue increased by 3% from R65m to R67m.

- The increase is mainly attributable to the virement of R5m received from the Department of Arts and Culture to fund the pension fund deficit arising from the prior years.
- Box office income declined by R2m as The Playhouse Company did not stage any major year-end productions. There are compensating savings in the production budgets that offset against the decline in revenue.

Operating expenses

Operating expenses decreased by 11% from R54m to R48m.

- Production costs reduced by R4m as The Playhouse Company did not stage any major year-end productions. The Playhouse Company strategically partnered itself with other production houses to stage in-association productions at year end.
- Other operating expenditure reduced by R2m as certain repairs and maintenance work was deferred until the air-conditioning plant was fully commissioned. The repairs and maintenance work has been deferred to the new financial year.

Surplus for the year

The surplus for the year is R23m. The net operating surplus was arrived at after recognising the capital grant of R12m (refer note 9) as grant income in the period the conditions of the grant were met as per the GRAP statement. Included in the net operating surplus is a further R5m (refer note 9) that was received as a virement from the Department of Arts and Culture to fund the pension fund deficit arising from the prior years.

FINANCIAL POSITION

The Playhouse Company reflected a positive financial position at year end.

- The increase in non-current assets by R14m is primarily due to capital projects completed during the year, with the major contributor being the commissioning of the air-conditioning plant.
- Current assets increased by R4.5m and this was primarily as a result of cash and cash equivalents increasing by R4.5m. Funds received in the latter part of the financial year for capital projects were only disbursed in the new financial year when the projects were completed.
- Current liabilities declined by R4m. This is primarily attributable to the payment of the pension fund liability.

CASH FLOWS

Cash and cash equivalents increased by R4.5m from R50.7m to R55.2m. Funds received in the latter part of the financial year for capital projects were only disbursed in the new financial year when the projects were completed.

Corporate Governance Arrangements

Council

The new Council was appointed by the Honourable Minister of Arts and Culture, Dr Z P Jordan, on 01 August 2008 and has been in effect for the current financial year. The table below depicts the current councilors at year-end and as at the date of this report. It also shows their attendance at meetings, committees in which they belong, and date of resignation if applicable. All fees and allowances paid for the 2009/10 financial year to Council members are reflected in notes to the annual financial statements, which forms part of this annual report. The Councils term of office ends on 31 July 2011.

MEMBER	FINCO	AUDIT & GOV.	JOINT FINCO & AUD & GOV	HR REMCO	COUNCIL	STRATEGIC PLANNING & OTHER	TOTAL
Mina Lesoma					4		**4**
Jabulisiwe Thabethe				2	1	2	**5**
Joseph Shabalala							**0**
Leona Theron		3		2	2	1	**8**
Mahmoud Rajab	2	2	1		3	1	**9**
Themba Ngcobo	1	1			3		**5**
Thokozile Shezi		2	1	1	2	1	**7**
Makhosazana Mvulane							**0**
Linus Sbu Sibisi		2	1		1		**4**
Rodger Ashe	1	2	1				**4**
TOTAL	**2**	**3**	**1**	**2**	**4**	**2**	**14**

Management

As at financial year-end, the following senior management posts in The Company were filled. The current senior management structure is as follows:
Ms. Linda Bukhosini – Chief Executive Officer
Mr. Amar Mohanparasadh – Chief Financial Officer
Mr. Oscar Hlangu – Support Services Manager

Internal Control System

The Playhouse Company maintains systems of internal control over financial reporting and the safeguarding of assets against unauthorised acquisition, use or disposition of such assets. Such systems are designed to provide reasonable assurance to The Playhouse Company regarding the preparation of reliable published financial statements and the safeguarding of The Playhouse Company's assets. Corrective actions are taken to address control deficiencies and other opportunities for improving the systems when identified. Currently the Company has an Audit and Governance Committee that is responsible for providing oversight of the financial reporting process and the Internal Audit process. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances and events.

2010/11 Audit Report

I am happy to announce that we have received an unqualified audit report for the 2010/11 financial year. This is the culmination of the hard work put in by Council and management over the years in ensuring that there are adequate systems and policies in place to effect compliance with relevant financial and other legislation governing the entity. This unqualified report sets a strong foundation on which we can build and also provides a strong sense of confidence for our important stakeholders regarding proper financial management of The Playhouse Company.

Materiality Framework

The Council has determined its framework of acceptable levels of materiality and significance, in conjunction with the external auditors, as follows

- Revenue and Expenditure – 1%
- Assets and Liabilities – 3%

Materiality is calculated against the above framework, however, there are instances where the situation may warrant a more stringent materiality level and the level is adjusted accordingly.

A conservative approach is otherwise used in determining these levels of materiality.

MINA LESOMA
Chairperson: The Playhouse Company Council

Performance Information

STRATEGIC OBJECTIVES		
Strategic Objectives/Outcomes	**Actions to support Strategic Objectives**	**Revised measurable and evidence based performance indicators 2010-11**
1. To produce and present professional and developmental productions.	Develop an Annual Arts Plan that includes both professional and developmental productions.	Finalised Annual Arts Plan in place by 28 February.
2. To provide effective and efficient financial administration and corporate governance.	Full compliance with the legislation as per the legislative mandate and ensure that controls implemented are aligned to the resources available	Unqualified Audit Report at 31 March. Action audit findings within three months after the report. PFMA/National Treasury compliance checklist completed quarterly. Produce quarterly Strategic Plan reports.
3. To effectively support and service the human resources requirements of the organisation	To resource the organisation with competent employees in line with the manpower plan	Vacancies filled with suitably qualified personnel within three months of the vacancy.
	To provide skills training that will ensure a highly skilled workforce	70% of the training plan is implemented by 31 March annually
	To assist line management in the implementation of the performance management system	Performance agreements are drawn by 31 March and conduct bi-annual performance assessments.
4. To provide functional, efficient and safe asset management.	Compile a comprehensive infrastructural support and safety plan.	Comprehensive infrastructural support and safety plan in place by 1 February of each year and monthly progress reporting.
5. To optimise the institution's revenue streams.	Collate and align infrastructural funding resources and institutional needs from various streams into the annual budget.	Finalised budget incorporating funding streams by 28 February.

Actual Performance versus Measurable and evidence based performance indicators as at 31 March 2011		
Has the objective been met? (Yes/No)	If yes, what has been achieved?	If no, why has the objective not been met and what is the remedial action?
Yes	The 2010-2011 year plan was finalised in February 2010. The budget for the plan was approved at the end of February 2010.	
Yes	An unqualified report was received for the year ended 31 March 2010	
Yes	The two audit findings by the Auditor General were resolved within three months.	
Yes	The PFMA checklists for the four quarters have been submitted timeously	
Yes	The Strategic plans for the four quarters have been submitted timeously	
Partially	All vacancies were filled within the stipulated timelines except for the positions of Technical Stage Manager and Assistant Production Manager. This was largely due to protracted consultations with the Union. These positions were filled by 31 March 2011	
Partially	76% of the training budget has been achieved.	60% of planned interventions were attained. This was largely due to work taking precedence over training. Training which did not take place has been deferred to the next financial year and will be completed by 31 March 2012
Yes	The bulk of the interim performance assessments were done in September 2010. Group performance assessments are in the process of being finalised with the union. Final assessments took place in April 2011.	
Yes	Support and safety plan is in place. Monthly progress is reported on at the management meetings.	
Yes	The finalised budget incorporating the funding streams was approved by Council in February 2010.	

ARTS AND TECHNICAL SERVICES OPERATIONAL PLAN		
Outcomes: Key Objectives	**Actions to accomplish objectives**	**Measurable and evidence based performance indicators 2010-11**
1.1. To produce and present shows that have artistic, entertainment and educational value (subject to available funding).	Develop an Annual Arts Programme (AAP). Implement the annual arts programme by 31 March annually	Finalised Arts Programme by 28 February, it will include the following: • Indigenous performing arts (Iscathamiya - 1 production) • New Stages (min 3 productions) • SA Women's Arts Festival (min 4 productions) • Schools Programmes (English or isiZulu set-works – 1 production) • Test Driving the Arts (min 9 concerts) • Festive Season (includes large & Mid-scale productions (minimum 2 productions) • In-Association Productions (min 10 productions) • Community Arts Festival (min 3 productions) • Outside Hires (min 20 productions) • Mobile Stage (min 40 performances)
1.2. Ensure equity in our artistic programming	AAP to ensure that at least 50% of previously marginalised groups participate annually.	Artistic panel and peer review process to ensure that minimum of 50% of previously marginalised groups participate annually.
1.3. To position and strengthen The Playhouse Company brand, increase box office income, market in-house productions, develop partnerships.	Secure partnerships with media houses. Develop market campaigns for in-house productions in order to maximize box office income.	Secured publicity and media partnerships to a value > R900 000 per annum. Marketing plan in place by the 1st of February annually. Rollout of the individual in-house production marketing campaigns to be approved by the CEO not less than 6 months before the run for large scale productions and 3 months for medium scale productions.
1.4. Stage Technical Services: to ensure that all theatre venues and resources, Sound, Lighting, Wardrobe and Recording Studio, are running optimally.	Review and implement the maintenance plans for all venues and resources, Sound, Lighting, Wardrobe and Recording Studio.	A quarterly maintenance report with evidence-based improvement is in place for all venues and resources, Sound, Lighting, Wardrobe and Recording Studio.
1.5. To deliver high quality customer service at Front of House.	Conduct ongoing customer surveys.	Report on Annual Satisfaction Survey quarterly.

Actual Performance versus Measurable and evidence based performance indicators as at 31 March 2011		
Has the objective been met?(Yes/No)	If yes, what has been achieved?	If no, why has the objective not been met and what is the remedial action?
Yes	The 2010-2011 year plan was finalised in February 2010. The budget for the plan was approved at the end of February 2010.	
Yes	1 production presented on 26 June 2010 i.e. The Isicathamiya Festival	
Yes	3 Productions were presented in October 2010: Mating Birds; Spice 'n Stuff & Tin Bucket Drum	
Yes	6 Productions were presented in August 2010: 2010 Comedy Fever; African Mamas; Intergenerational Dialogue; Poetry Open Mic; Sunghursh; From My Point of View and an Arts and Craft Exhibition	
Yes	2 Productions were presented: Kudela Owaziyo - presented on tour throughout KZN in May 2010 and Othello which was presented in April & May 2010 and February & March 2011.	
Yes	12 concerts were held during the year.	
Yes	4 productions were presented: large scale - November 2010 of Cinderella followed by mid-scale production of Buckled and in December 2010 a large scale production of Stimela saseZola and a mid scale production of Asinamali.	
Yes	10 productions were presented: Othello(2010 season); Sunghursh; Shall We Dance; At the Edge; Swan Lake; Who's Your Mamoo; Cinderella; Stimela saseZola; Buckled and Othello (2011 season).	
Yes	3 Productions were presented in May 2010: Getting Tested; Just Don't & What a Disgrace	
Yes	45 Productions were presented	
Partially	39 Performances were held on the mobile stage. These included: Kudela Owaziyo Schools Tour (16); FIFA World Cup Touring Concerts (12); Abstinence Walk Tour (6) and other once off events (5). The mobile stage was not operational for three months as it required major maintenance. A new mobile stage unit was acquired in the March 2011.	
Yes	The AAP was finalised in February 2010 ensuring equity compliance of 79%	
Yes	R3 million worth of free publicity and media partnerships were secured for the financial year.	
Yes	The marketing plan was approved in November 2009. A marketing campaign for each in-house season was developed and rolled out accordingly.	
Partially	The marketing campaigns were successfully rolled out, despite the fact that some were not signed timeously. The absence of a full time marketing manager was largely responsible for the delays. We are in the process of advertising the position to find a suitable candidate	
Yes	Maintenance and operational plans are in place. Quarterly reports review progress made and show improvements.	
Yes	Random face to face customer surveys were conducted for all productions. This was reported on at the monthly management meetings and in the quarterly reports.	

CORPORATE GOVERNANCE AND FINANCE OPERATIONAL PLAN		
Outcomes: Key Objectives	**Actions to accomplish objectives**	**Measurable and evidence based performance indicators 2010-11**
2.1. To provide effective and efficient financial administration and corporate governance.	Ensure good governance practices and applicable legislative requirements are adhered to in the organisation. Review and update all the Policies and Procedures in the organization on an annual basis.	Unqualified audit report yearly. Zero report points on Financial Statements and Performance Information. An annual communication report detailing the changes to all policies within the organisation by 1 April 2012.
2.2. Implementing controls, processes and systems of the above.	Ensuring Internal Audits are completed on a quarterly basis. Ensuring good governance and controls are in place. Risk assessment completed on an annual basis. Review the IT plan. Improve IT infrastructure. Supply efficient IT resources to all departments.	4 Internal audits to be conducted annually on a quarterly basis. Maximum of 10% critical findings to be raised per internal audit quarterly report of total findings. 1 Risk assessment report prepared on an annual basis by 30 April. Less than 10% downtime in operations reflected in monthly report.
2.3. **Fixed Assets:** Increase efficiency in the management of fixed assets.	Bi-annual verification of fixed assets. Monthly update of the fixed asset register and bar coding of new assets.	Completed fixed asset register in compliance with Fixed Asset Policy by 31 March of each year.
2.4. **Supply Chain Management (SCM):** To enforce compliance with SCM policies and procedures.	Conduct departmental workshops to cover all SCM compliance issues. Communicate all threshold values to management and SCM department.	SCM report reflecting the above issue to be submitted monthly. Ensure threshold values are discussed with staff within 30 days on receipt from Treasury.
2.5. **Budgeting and Reporting:** To improve financial management and control of The Playhouse Company funds.	Monitoring of budgets and explanation for variances on a monthly and quarterly basis. Annual Budgets to be submitted to DAC by draft by the 1 October and final by the 15th of February each year.	5% variance of actual against budget must have an explanation on a monthly basis. Monthly management accounts to be distributed to Management, FINCO and Audit & Governance Committee members by 15th of every month. Quarterly management accounts to be distributed to key stakeholders 30 days after each quarter.
2.6. **Bad Debt:** develop a system to guide the process of incurring debt.	Implement a debt management system.	Minimum of 80% Debt recovery by 31 March of every year.

Actual Performance versus Measurable and evidence based performance indicators as at 31 March 2011		
Has the objective been met?(Yes/No)	**If yes, what has been achieved?**	**If no, why has the objective not been met and what is the remedial action?**
Yes	An unqualified report was received for the year ended 31 March 2010	
Partially	The audit report issued on 31 July 2010 reflected 2 report points, one HR related and the other on performance information. These have been resolved in the current financial year	
Yes	The revised policies have been rolled out to staff in March 2011	
Yes	4 internal audits were completed during the year	
Yes	0% critical findings have been reported	
Yes	The risk workshop was held in March 2010. The final report was received on 29 April 2010.	
Yes	There was 0% down time during the year.	
Yes	The bi-annual verification exercise was conducted in September 2010. The annual verification exercise was completed at the end of March 2011. The fixed asset register is in compliance with the fixed asset policy	
Yes	Workshop on "Finance for Non-financial accountants" was conducted in October 2010 for all managers. A section of the training dealt with SCM. All SCM related issues are reflected in the monthly management meetings.	
Yes	The last communication received from Treasury detailing the revised thresholds has been disseminated to staff	
Yes	The monthly reports explaining variances greater than 5% has been received from all departments	
Yes	The respective reports has been submitted within the stipulated timelines	
Yes	The 4 quarterly reports were submitted timeously to the respective stakeholders	
Yes	99% of debtors excluding legal matters is collectible.	

HUMAN RESOURCES OPERATIONAL PLAN		
Outcomes: Key Objectives	**Actions to accomplish objectives**	**Measurable and evidence based performance indicators 2010-11**
3.1. To ensure a constant resource of skilled, talented and motivated employees to meet the institutions needs.	Implementation of effective recruitment, training and development, and performance management systems.	Following plans and system in place by 1 March of each year.
3.2. Effectively manage, monitor and evaluate staff turnover.	Measure annual labour turnover.	Annual labour turnover of less than 4%. Review of actual positions filled against those budgeted.
3.3. Compliance to Employment Equity legislation	1. Review the Employment Equity Plan.	Submission of an Employment Equity Plan and report to the Department of Labour every two years. Report on the employment equity progress vs plan on a quarterly basis
	2. Conduct employment equity committee meetings	Minutes of meeting made available within 1 month of meeting
3.4. Training and development.	Provide skills training that will capacitate employees to perform at their peak	Develop a training plan/budget annually and ensure implementation by end of March annually. 70% of Training plan and budget accomplished by 31 March of each year.
	Bi-annual Performance Reviews for all employees.	Performance Reviews completed for employees on a bi-annual basis.
3.5. Ensure a stable IR operating environment	Building and maintenance of sound collaborative employee relations within the organisation	Conduct bi-monthly meetings with Trade Unions. Convene and negotiate wage agreement by March of every year with the Collective Bargaining Forum.

Actual Performance versus Measurable and evidence based performance indicators as at 31 March 2011		
Has the objective been met? (Yes/No)	**If yes, what has been achieved?**	**If no, why has the objective not been met and what is the remedial action?**
Yes	The respective plans were finalised when the budget was approved at the end of February.	
No		Accumulative LTO = 9,52%. Reasons are beyond the control of the Employer: 3 employees resigned to go to new jobs (promotions), 1 employee was dismissed, 1 employee left to do freelance work, 1 employee left to further his studies, 1 employee retired, 1 employee terminated at the end of probation period. No remedial action is envisaged as the reasons for staff leaving are beyond the control of the company.
Yes	A review of the actual positions against those budgeted was reviewed on a monthly basis and reported on at the monthly management meetings.	
Yes	The plan was submitted online during November 2010.	
Yes	Employment Equity plan in place based on projected LTO that serves as a guide for all recruitment. The quarterly reports were performed and the consolidated report is included in the annual report.	
Yes	The annual EE meeting was conducted in August 2010. Minutes were not deemed necessary as only one meeting was envisaged, however an EE report was produced.	
Yes	The budget was finalised at the end of February 2010. Actual R323 165 vs. Budget R420 000 = 76%; Of all interventions that were planned 60% were completed. This was largely due to work taking precedence over training. Training which did not take place has been deferred to the next financial year and will be completed by 31 March 2012.	
Partially	76% of the training budget has been achieved.	60% of planned interventions were attained. This was largely due to work taking precedence over training. Training which did not take place has been deferred to the next financial year and will be completed by 31 March 2012.
Yes	The bulk of the interim performance assessments were done in September 2010. Group performance assessments are in the process of being finalised with the union. The final assessment took place in April 2011.	
Partially	4 meetings occurred from the 6 planned. The 2 meetings did not materialise as no meeting was held during the world cup period (June/July 2010) and there was no meeting during the protracted wage negotiation period. No remedial action is envisaged as there were valid reasons for the 2 missed meetings.	
Partially	Wage negotiations were convened in the month of March and the wage agreement was concluded at the end of July. Negotiations were protracted because of the fact that no meetings were held over the world cup period.	

SUPPORT SERVICES OPERATIONAL PLAN		
Outcomes: Key Objectives	**Actions to accomplish objectives**	**Measurable and evidence based performance indicators 2010-11**
4.1. To provide effective, efficient and safe infrastructural support.	Devise and implement an effective, efficient and timeous master maintenance plan for the vehicles, equipment and buildings by 1 February of each year.	Written monthly maintenance reports and feedback to relevant departments.
4.2. Pursue funding of capital expenditure in collaboration with marketing and corporate sections and in consultation with the CEO.	Develop and implement an Annual Capital Funding Expenditure Plan to acquire funding for capital expenditure projects.	Annual Capital Funding Expenditure Plan by 1 February of each year.
4.3. Maintain a healthy and safe environment.	Devise and implement a health and safety plan in accordance with Health and Safety legislation.	Review Health and Safety Plan and submit report by 1 May. Quarterly Health and Safety meetings with recorded minutes.
4.4. Ensure optimal maintenance of Playhouse vehicles.	Review, update and implement the fleet maintenance plan.	Fleet maintenance plan in place by 1 April of each year and implementation on a regular basis.

Actual Performance versus Measurable and evidence based performance indicators as at 31 March 2011		
Has the objective been met? (Yes/No)	**If yes, what has been achieved?**	**If no, why has the objective not been met and what is the remedial action?**
Yes	The respective plans were finalised at the end of January. The budget were approved at the end of February. Maintenance reports are prepared on a monthly basis and feedback provided to the respective departments.	
Yes	The annual capital funding plan was finalised at the end of January and then approved by Council during the month of February. R9 million was granted by DAC in September 2010 for various CAPEX projects.	
Yes	The health and safety plan was submitted at the end of April 2010.	
Partially		3 meetings occurred from the 4 planned. The 4th meeting scheduled for 17 March 2011 did not materialise due to circumstances beyond the control of the committee. The meeting was reconvened on 8 April 2011.
Yes	The fleet maintenance plan was approved at the end of February when the budget was approved and implemented by end of March.	

REVENUE OPERATIONAL PLAN		
Outcomes: Key Objectives	**Actions to accomplish objectives**	**Measurable and evidence based performance indicators 2010-11**
5.1. Optimise secondary sources of revenue.	Consolidate and implement comprehensive plans for generating secondary income.	CFO to consolidate plans for secondary income for inclusion in budget, in place by 28 February of each year.
5.2. Investments: optimal return on investment of funds ensuring compliance with the Investment Policy.	Invest with major banks in the country with a preferable interest rate of prime less 5%.	Secure investments with major banks at rates greater than (prime less 5%).
5.3. Revenue generated through the outside hires: In-Association and Mobile Stage.	Develop and implement a plan to achieve the targeted budget established for the outside hire of the theatres. Develop and implement a plan to achieve the targeted budget established for in-association productions. Develop and implement a plan to achieve the targeted budget established for the outside hire of the Truck (Mobile Stage).	Outside theatre hires to achieve 90% of budgeted revenue annually In-association productions to achieve 90% of budgeted revenue annually. Truck Hire to achieve 90% of budgeted revenue annually.
5.3. Revenue generated from Office Space Rentals and tenants.	Rental Schedules with occupancy rate. Maximize on revenue generated through office space rentals.	90% of lettable office space rented out by 31 March of each year.
5.4. Revenue generated from Recording Studio.	Develop a Recording Studio Plan to maximize target budgets by 1 February annually.	Achieve minimum of 90% of target income by 31 March of each year.
5.5. Costumes, Sets and Props.	Ensure the proactive drive in the hire of and revenue generated through the hire of costumes, sets and props meets the budgeted targets established.	Achieve minimum of 90% of the budgeted revenue by 31 March of each year.
5.5. Box office.	Ensure the revenue generated from ticket sales meets the budgeted targets established.	90% of budgeted revenue generated by 31 March of each year.

Actual Performance versus Measurable and evidence based performance indicators as at 31 March 2011		
Has the objective been met? (Yes/No)	**If yes, what has been achieved?**	**If no, why has the objective not been met and what is the remedial action?**
Yes	The finalised budget was approved by Council in February. R9 million was granted by DAC in September 2010 for various CAPEX projects. R1.6 million sponsorship was received for producing productions for the 2010 Soccer World Cup.	
Yes	Quotes received from Banks. Funds invested with banks supplying the highest return. The risk is spread over the banks as funds are invested with the five major banks, i.e. ABSA, FNB, Investec, Nedbank and Standard Bank. Prime less 5% = 4%, we are investing at 5% and upwards.	
Yes	130% of actual budget achieved.	
Yes	270% of actual budget achieved.	
Yes	140% of actual budget achieved.	
Yes	91% of lettable space rented out.	
Yes	Actual recording work of 106% was achieved.	
No		78% of budget achieved. An economic downturn in the market contributed to the target not being achieved.
Yes	99% of budgeted revenue has been achieved.	

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE KWAZULU-NATAL PERFORMING ARTS COMPANY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the KwaZulu-Natal Performing Arts Company, which comprise the statement of financial position as at 31 March 2011, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information as set out on pages 46 to 79.

Accounting Authority's responsibility for the financial statements

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

Auditor-General's responsibility

3. As required by 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the PFMA, my responsibility is to express an opinion on the financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice No. 1111 of 2010, issued in Government Gazette No. 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the KwaZulu-Natal Performing Arts Company as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

8. In accordance with the PAA and in terms of General Notice No. 1111 of 2010, issued in Government Gazette No. 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages 32 to 43 and material non-compliance with laws and regulations applicable to the entity.

Predetermined objectives

9. There were no material findings on the annual performance report.

Compliance with laws and regulations

10. There were no findings concerning non-compliance with material matters in laws and regulations applicable to the entity.

INTERNAL CONTROL

11. In accordance with the PAA and in terms of General Notice No. 1111 of 2010, issued in Government Gazette No. 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. There are no significant deficiencies in internal control that resulted in a qualification of the auditor's opinion on the financial statements and/or findings on predetermined objectives and/or material non-compliance with laws and regulations.

Auditor-General

Pietermaritzburg
29 July 2011

AUDITOR-GENERAL
SOUTH AFRICA

ANNUAL FINANCIAL STATEMENTS

Statement of Financial Performance

	Notes	2011 R	2010 R
Revenue		67,170,799	65,386,359
Grants	2	59,488,095	55,617,015
Box Office income		1,303,749	2,952,843
Other operating income	3	6,378,955	6,816,501
Less: Expenditure		28,640,990	34,455,405
Production costs	4	8,500,190	12,648,694
Production and Technical Services costs	5	4,202,903	4,051,545
Other operating expenditure	6	15,937,897	17,755,166
Emoluments	7	19,281,015	19,105,975
Surplus from operations	8	19,248,794	11,824,979
Interest received		3,632,935	3,281,393
Surplus for the year	9	**22,881,729**	**15,106,372**

Statement of Financial Position

	Notes	2011 R	2010 R
ASSETS			
Non-current assets			
Property, plant and equipment	10.1	156,032,553	141,651,820
Intangible Assets	10.2	159,186	107,342
Current assets		56,745,509	52,236,196
Inventories	11	559,931	586,463
Trade and other receivables	12	889,469	878,203
Cash and cash equivalents	13	55,296,109	50,771,530
Total Assets		**212,937,248**	**193,995,358**
NET ASSETS AND LIABILITIES			
Net assets			
Accumulated Surplus		195,434,867	172,553,138
Current liabilities		17,502,381	21,442,220
Trade and other payables	14	8,062,845	9,327,062
Deferred Income	15	9,439,536	12,115,158
Total Net Assets and Liabilities		**212,937,248**	**193,995,358**

Statement of Changes in Net Assets

	Notes	Accumulated Funds R
Balance at 31 March 2009		157,446,766
Surplus for the year		15,106,372
Balance at 31 March 2010		172,553,138
Surplus for the year		22,881,729
Balance at 31 March 2011	16	**195,434,867**

Statement of Cash Flows

	Notes	2011 R	2010 R
Cash flows from operating activities			
Cash receipts from grantors and clients		76,599,069	77,685,566
Cash paid to suppliers and employees		(54,035,456)	(58,052,435)
Cash generated from operations	17	22,563,613	19,633,131
Interest received		3,632,935	3,281,393
Net cash from operating activities		**26,196,548**	**22,914,524**
Cash flows used in investing activities			
Additions to property, plant and equipment		(21,639,617)	(6,406,585)
Additions to Intangibles		(32,352)	(6,252)
Net cash used in investing activities		(21,671,969)	(6,412,837)
Cash flows from financing activities			
Decrease in long term borrowings		-	(49,463)
Net Cash from financing activities		-	(49,463)
Net increase in cash and cash equivalents		4,524,579	16,452,224
Cash and cash equivalents at beginning of year		50,771,530	34,319,306
Cash and cash equivalents at end of year	13	**55,296,109**	**50,771,530**

Accounting Policies

1. Accounting policies

1.1 The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 55(1)(b) of the Public Finance Management Act, (Act No.1 of 1999 as amended by Act No. 29 of 1999). Assets, liabilities, revenues and expenses have not been offset except where offsetting is required or permitted by a Standard of GRAP. The accounting policies are applied consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for financial instruments that have been measured at fair value.

These accounting policies are consistent with the previous year.

Standard of GRAP approved by the Accounting Standards Board and applicable to The Cultural Institution.

GRAP 1 Presentation of financial statements
GRAP 2 Cash flow statements
GRAP 3 Accounting policies, changes in accounting estimates and errors
GRAP 6 Consolidated financial statements and accounting for controlled entities
GRAP 9 Revenue from exchange transactions
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after the reporting date
GRAP 17 Property, plant and equipment
GRAP 19 Provisions, contingent liabilities and contingent asset
GRAP 100 Non-current Assets Held for Sale and Discontinued Operations
GRAP 102 Intangible Assets
IPSAS 20 Related Party Disclosures

The following statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board are in issue but not applicable to The Cultural Institution:
GRAP 4 The effects of changes in foreign exchange rates
GRAP 5 Borrowings
GRAP 7 Accounting for investments in associates
GRAP 8 Financial reporting of interests in joint ventures
GRAP 10 Financial reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 16 Investment Property
GRAP 101 Agriculture
IFRS 3 Business Combinations
IFRS 4 Insurance Contracts
IFRS 6 Exploration for and Evaluation of Mineral Resources
IAS 12 Income Taxes
IFRIC 4 Determining whether an Arrangement contains a Lease

IFRIC 12 Service Concession Arrangements
IFRIC 13 Customer Loyalty Programmes
IFRIC 15 Agreements for the Construction of Real Estate
SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
SIC 29 Service Concession Arrangements
IFRIC 17 Distributions of Non-Cash Assets to Owners
IFRIC 18 Transfer of Assets from Customers

The following statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board are in effect but are not yet applicable in full to schedule 3A and 3C public entities and constitutional institutions:
GRAP 21 Impairment of Non-cash-generating Assets
GRAP 23 Revenue from Non-Exchange Transactions Taxes and Transfers (principles of policy applied)
GRAP 24 Presentation of Budget Information (principles of policy applied)
GRAP 26 Impairment of Cash-generating Assets
GRAP 103 Heritage Assets
GRAP 104 Financial Instruments
GRAP 105 Transfers of Functions between Entities Under Common Control
GRAP 106 Transfers of Functions between Entities not Under Common Control
GRAP 107 Mergers

The recognition and measurement principles in the above GRAP statements compared to the respective GAAP statements that they have replaced do not differ or result in material differences in items presented and disclosed in the financial statements.

1.2. Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future period if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following note:
Note 1.3 Property, plant and equipment
Note 1.5 Intangible assets
Note 1.12 Provisions

1.3. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. The useful life of the assets have been arrived at after careful consideration of all factors affecting The Cultural Institution. The useful life and depreciation method of assets is reassessed on an annual basis and any change in estimate is taken into account in the determination of remaining depreciation and amortisation charges. The residual value of property plant and

Accounting Policies (continued)

equipment is zero as the assets are used for their entire economic life.

Depreciation is calculated on the straight-line method, to write-off the cost of each asset to estimated residual values over its estimated useful life as follows:

Buildings	50 Years
Motor vehicles	5 Years
Office furniture and other equipment	5 Years
Computer Equipment	3 Years
Stage and workshop equipment	5 Years
Artworks are not depreciated and stage props, costumes and music and drama scripts are written off on acquisition.	

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

1.4. Impairment

Non-financial assets
The carrying amount of the Cultural Institution assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. For the purpose of impairment testing, the condition of the asset is evaluated to ascertain its value in use. Where the asset is damaged beyond repair, the fair value of the asset is its scrap value.

An impairment loss is recognised if the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Reversals of impairment
An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss has been recognised.

1.5. Intangible assets

Intangible assets are shown at cost less accumulated amortisation and impairment losses. The useful life of intangibles is reassessed on an annual basis and any change in estimate is taken into account in the determination of remaining amortisation charges. The amortisation is calculated on the straight line method to write-off the cost of intangible assets over their estimated useful life as follows:

Software	2 Years

1.6. Leases

Leases in terms of which the Cultural Institution assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

1.7. Inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined using the first-in, first-out method. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realizable values.

1.8. Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below:

Trade and other receivables

Trade and other receivables originated by the Cultural Institution are stated at cost less provision for doubtful debts. Receivables are written off when considered irrecoverable. Trade and other receivables and provision for doubtful debts are discounted using the effective interest rate where considered applicable.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Trade and other payables

Trade and other payables originated by the Cultural Institution are stated at cost. Trade and other payables are discounted using the effective interest rate where considered applicable.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net profit or loss in the period in which the change arises.

1.9. Retirement benefit plans

It is the policy of the Cultural Institution to provide retirement benefits for the employees. The Cultural Institution's contributions in respect of defined contribution plans and benefit plans are expensed as incurred.

1.10. Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an 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 will reduce the carrying amount of the liability recognised as an amount equal to that reduction.

The Cultural Institution has entered into a lease agreement for the free use of certain land and buildings.

Accounting Policies (continued)

1.11. Revenue

Grants

Grants related to operational expenditure is recognised as revenue when it is probable that the transfer payment will be received and the amount can be estimated reliably, unless, an obligation exists to use the transferred resources in a certain way or return the resources to the transferor. Where it is a requirement to only use the resources in a certain way with no corresponding requirement to return those resources, then no obligation exists and the revenue is recognised. Where an obligation exists, the resource is recognised as deferred revenue until the obligations are met and then recognised as revenue.

Grants related to the acquisition or construction of an asset is recognised as revenue when it is probable that the transfer payment will be received and the amount can be estimated reliably, unless, an obligation exists to use the transferred resources in a certain way or return the resources to the transferor. Where it is a requirement to only use the resources in a certain way with no corresponding requirement to return those resources, then no obligation exists and the revenue is recognised. Where an obligation exists, the resource is recognised as deferred revenue until the obligations are met and then recognised as revenue.

Interest Income

Interest income is recognised on a time proportion basis, taking into account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the Cultural Institution.

Box office and related income

Box office and related income is recognised when the production has been staged. Complimentary tickets issued to promote and market the productions have no value and are not included in box office and related income.

Other income

Other income is recognised when it is probable that the future economic benefits will flow to the Cultural Institution and it can be measured reliably.

1.12. Provisions

Provisions are recognised when the Cultural Institution has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.13. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Cultural Institution unless otherwise stated.

1.14. Related party

Related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or excercise significant influence over the party in making financial and operating decisions or if the related party entity and another entity are subject to common control. The disclosure note details the related party transactions.

1.15. Commitments

Commitments represent goods/services that have been approved and/or contracted, but where no delivery has taken place at the reporting date. Commitments are thus not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

Notes to the Annual Financial Statements

	2011 R	2010 R
2 Grants		
National Department of Arts and Culture (DAC)	38,950,613	32,268,000
Special Capital Expenditure Grant – (DAC)	11,554,077	14,832,675
KZN Department of Arts, Culture and Tourism	6,096,000	5,751,000
eThekwini Municipality	2,887,405	2,765,340
Total	**59,488,095**	**55,617,015**
3 Other Operating Income		
Revenue from exchange transactions	3,977,081	3,555,432
Hire of Performance Venues, Costumes, Sets, and Mobile Stage	2,145,444	1,657,989
Rent Received	926,417	909,392
Bar & Other Sales	480,965	558,225
Functions	86,605	24,261
Box office commission – external productions	117,340	140,237
Sundry revenue – Admin and computicket commission	217,120	263,148
Sale of CDs	3,190	2,180
Revenue from non-exchange transactions		
Donations and sponsorships (productions)	2,401,874	3,261,069
Total	**6,378,955**	**6,816,501**
4 Production Costs		
Direct production costs	7,622,299	11,691,345
Outside hirers costs	63,317	70,698
Productions and festivals	6,926,822	11,583,555
Mobile Stage	632,160	37,092
Indirect production costs	877,891	957,349
Total	**8,500,190**	**12,648,694**
5 Production and Technical Services Costs		
Workshop	887,583	1,264,262
Technical Services	3,315,320	2,787,283
Total	**4,202,903**	**4,051,545**

Notes to the Annual Financial Statements (continued)

	2011 R	2010 R
6 Other Operating Expenditure		
Transport	367,203	237,920
Deco hire	16,911	12,229
Wardrobe	19,314	21,725
Maintenance and Security	3,941,534	3,819,131
Other Services – HR, Finance, Corporate	3,176,465	3,748,417
General – Consultants, Insurance and Phones	984,082	835,266
Cost of Sales – Bar and Other	187,880	208,653
Depreciation & Amortisation	7,244,508	8,871,825
Depreciation & Amortisation on Fixed Assets	10,041,459	9,204,999
Depreciation & Amortisation write-back	(2,796,951)	(333,174)
Total	**15,937,897**	**17,755,166**
7 Emoluments		
Salaries	13,987,892	12,831,212
Adhocs	852,285	1,126,812
Pension Fund	430,448	931,102
Provident Fund	1,855,494	1,676,513
Medical Aid	467,207	403,540
UIF	122,262	141,925
Bonus	1,119,144	1,010,449
Overtime	147,997	147,613
Leave	(94,959)	(14,552)
Council – Attendance	41,330	63,486
Car Allowance	-	441,426
Housing Subsidies	300,615	300,849
Long Service Awards	51,300	45,600
Total	**19,281,015**	**19,105,975**

Notes to the Annual Financial Statements (continued)

		2011 R	2010 R
8 Surplus from operations			
Surplus from operations is arrived at after taking into account:			
Expenditure			
Auditors' remuneration:		559,975	778,926
Depreciation of property, plant and equipment:		7,263,997	8,818,732
Motor vehicles		158,682	144,077
Office furniture and other equipment		1,607,779	1,587,202
Computer Equipment		261,574	261,046
Stage Equipment		2,436,636	2,250,937
Workshop Equipment		12,795	12,257
Leased Assets		5,480,306	4,859,031
		9,957,772	9,114,550
Depreciation write back		(2,693,775)	(295,818)
Amortisation		(19,489)	53,093
Intangible Assets		83,687	90,449
Amortisation write back		(103,176)	(37,356)
Impairments		391	-
Emoluments - Senior Management and Council	20	2,702,638	2,536,141
Finance charges		-	18,244
Staff costs		16,578,377	16,569,834
Professional services:		488,303	392,372
Internal audit fees		369,134	353,340
Consultancy fees		119,169	39,032
9 Surplus for the year			
The surplus for the year reflected in the statement of financial performance is due to donations and sponsorships for productions of R2 401 887 and capital grants received R11 554 000 and Pension Fund for R4 899 613. Surplus for the year ended 31 March 2010 is due to the capital grant received for the upgrade of the air-conditioning plants recognised as income for an amount of R14 891 000.			

Notes to the Annual Financial Statements (continued)

10.1 Reconciliation of Carrying Value of Property Plant and Equipment

	Motor Vehicles	Office Furniture and Other Equipment	Computer Equipment
	R	R	R
Carrying amount 1 April 2009	387,933	4,264,047	543,756
Gross carrying amount	1,062,704	7,471,350	1,208,865
Accumulated depreciation	(674,771)	(3,207,303)	(665,109)
Additions	-	195,328	78,663
Transfers	-	(472,894)	-
Impairment	-	-	-
Depreciation	(144,077)	(1,587,202)	(261,046)
Depreciation write-back	-	19,401	5,859
Disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Carrying amount 31 March 2010	**243,856**	**2,418,680**	**367,232**
Gross carrying amount	1,062,704	7,193,784	1,287,528
Accumulated depreciation	(818,848)	(4,775,104)	(920,296)
Additions	1,604,735	60,287	45,252
Fair value adjustment	-	1,094	207
Transfers	-	-	-
Impairment	(1)	(253)	(3)
Depreciation	(158,682)	(1,607,779)	(261,574)
Depreciation write-back	161,869	1,751,205	111,425
Disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Carrying amount 31 March 2011	**1,851,777**	**2,623,234**	**262,539**
Gross carrying amount	2,667,439	7,255,165	1,332,987
Accumulated depreciation	(815,662)	(4,631,931)	(1,070,448)

Land and buildings comprise of:

1. Rem of Portion 1 of ERF 10636 of Durban
2. Rem of Portion 3 of ERF 615 of Brickfield
3. Portion 3 of ERF 10635 of Durban

The land and buildings is registered in the name of the Department of Public Works. The Cultural Institution leases the land and buildings from The Department of Public Works for no consideration.

The gross carrying value of fully depreciated property, plant and equipment that is still in use is R9407 053. The major category of items is stage equipment comprising of lighting and sound items.

The useful life, depreciation method and residual values of assets is reassessed on an annual basis, and adjustments are processed when necessary.

	Stage Equipment	Workshop Equipment	Work in progress	Artworks	Capitalised Leased Assets (office equip, Land and Buildings)	Total
	R	R	R	R	R	R
	5,952,062	131,952	-	469,870	132,337,756	144,087,376
	13,239,621	198,072	-	469,870	142,198,716	165,849,198
	(7,287,559)	(66,120)	-	-	(9,860,960)	(21,761,822)
	1,227,711	8,835	4,896,048	-	-	6,406,585
	-	(100,000)	572,894	-	-	-
	-	-	-	-	-	-
	(2,250,937)	(12,257)	-	-	(4,859,031)	(9,114,550)
	216,042	(2)	-	-	54,518	295,818
	-	-	-	-	(23,409)	(23,409)
	-	-	-	-	(298,716)	(298,716)
	-	-	-	-	275,307	275,307
	5,144,878	**28,528**	**5,468,942**	**469,870**	**127,509,834**	**141,651,820**
	14,467,332	106,907	5,468,942	469,870	141,900,000	171,957,067
	(9,322,454)	(78,379)	-	-	(14,390,166)	(30,305,247)
	6,237,566	1,824	13,689,953	-	-	21,639,617
	4,039	164	-	-	-	5,504
	-	-	(16,576,732)	-	16,576,732	-
	(61)	(73)	-	-	-	(391)
	(2,436,636)	(12,795)	-	-	(5,480,306)	(9,957,772)
	667,955	1,322	-	-	(1)	2,693,775
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	9,617,741	**18,970**	**2,582,163**	**469,870**	**138,606,259**	**156,032,553**
	20,708,937	108,895	2,582,163	469,870	158,476,732	193,602,188
	(11,091,196)	(89,925)	-	-	(19,870,473)	(37,569,635)

Notes to the Annual Financial Statements (continued)

10.2 Intangible Assets

	Software R	Total R
Carrying amount 1 April 2009	154,183	154,183
Gross carrying amount	366,115	366,115
Accumulated amortisation	(211,932)	(211,932)
Additions	6,252	6,252
Amortisation	(90,449)	(90,449)
Amortisation write-back	37,356	37,356
Disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
Carrying amount 31 March 2010	107,342	107,342
Gross carrying amount	372,367	372,367
Accumulated amortisation	(265,025)	(265,025)
Additions	32,352	32,352
Fair value adjustment	3	3
Amortisation	(83,687)	(83,687)
Amortisation write-back	103,176	103,176
Disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
Carrying amount 31 March 2011	159,186	159,186
Gross carrying amount	404,722	404,722
Accumulated amortisation	(245,536)	(245,536)

Amortisation is included with depreciation.

	2011 R	2010 R
11 Inventories		
Catering	96,651	84,750
Workshop	117,252	160,442
Wardrobe	66,691	65,962
General stores	279,337	275,309
	559,931	586,463
12 Trade and other receivables		
Trade receivables	406,513	310,131
Staff Debtors	6,693	12,318
Other receivables and accruals	709,089	675,503
	1,122,295	997,952
Less: Debtors Impairment	(232,826)	(119,749)
	889,469	878,203
12.1 Movement in the provision for impairment of trade receivables		
Balance at 1 April	119,749	67,637
Provision for receivables impairment	195,761	66,488
Receivables written off during the year as uncollectible	(81,774)	(16,376)
Unused amounts reversed	(910)	-
Unwinding of discount		-
Balance at 31 March	232,826	119,749
13 Cash and cash equivalents at end of year		
Cash available immediately	1,896,109	5,861,305
Investments - Fixed Deposits	53,400,000	44,910,225
Cash available in 30 days	28,000,000	27,500,000
Cash available in 90 days	25,400,000	17,410,225
	55,296,109	50,771,530
R277 816 and R30 360 is pledged as security for guarantees issued by FNB on behalf of the Cultural Institution for eThekwini Municipality and The Postmaster respectively. The guarantees will expire on 31 December 2025 and will not be renewed.		

Notes to the Annual Financial Statements (continued)

	2011 R	2010 R
14 Trade and other payables		
Trade payables	4,682,604	1,893,439
Other payables and accruals	1,484,707	905,215
Pension fund accrual	-	4,469,165
Leave pay accrual	1,396,362	1,579,369
Bonus accrual	499,172	479,874
	8,062,845	9,327,062
15 Deferred Income		
Special Grant – National Department of Arts and Culture	1,286,055	1,286,055
Opening Balance	1,286,055	1,286,055
Less: Amounts Recognised as Income	-	-
Less: Amounts used to acquire assets	-	-
Grant Received in Advance	8,153,481	10,829,103
National Department of Arts and Culture	7,085,723	9,639,800
eThekwini Municipality	728,348	702,360
Transnet Sponsorship – Mobile stage (refer note 22.6)	339,410	486,943
	9,439,536	12,115,158

Conditional Grant

National Department of Arts and Culture

The Cultural Institution receives public funding from the National Department of Arts and Culture.

In terms of Para 53(3) of the Public Finance Management Act, 1999, the public entity may not budget for a deficit and may not accumulate surpluses unless written approval of The National Treasury has been obtained.

Unless written approval is received, the unused grants must be returned to National Treasury.

The Cultural institution has received the approval from National Treasury to retain the accumulated surplus.

Conditional Grant

The KwaZulu-Natal Department of Arts, Culture and Tourism

The Cultural Institution receives public funding from the KwaZulu-Natal Department of Arts, Culture and Tourism.

As a declared cultural institution, The KwaZulu-Natal Performing Arts Company has objectives that have been agreed to by the Department:

1. To comply with the declaration that the Cultural Institution has in place effective, efficient and transparent financial management and controls systems for the management of the transfer payment from the Department;
2. To utilise the funding in accordance with the business plan;
3. To utilise the funding in accordance with the objectives set out in the memorandum of agreements and not for any other objectives not stipulated the rein;
4. To utilise the funding subject to any written directives issued by the Head of the Department;
5. To submit quarterly reports to the Department on or before the agreed dates;

5.1. To ensure that the quarterly reports provide a detailed report on the achievements against the objectives set out in the business plan;

5.2. To ensure that the quarterly reports contain an expenditure report detailing how the funding was used against the business plan;

5.3. To ensure that the quarterly report contain any other information and or documents that the Department may require;

6. To submit to the Department the proposed business plan for the 2011/2012 financial year by no later than 31 October 2010. The business plan shall include budget estimates for the 2011/2012 financial year;
7. To submit the audited financial statements to the Department by no later than 31 July 2011;
8. To provide the Department with such financial reporting information required by it to enable it to comply with the statutory and ancillary reporting obligations applicable to it from time to time and to enable it to properly account for the transfer of funds in its books of account;
9. To account for the interest earned each month and acknowledges that the Department reserves the right to determine the utilisation of the interest;
10. To maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective;
11. To immediately notify the Department in writing of any failure on its part to achieve any of its obligations;

12.1. To ensure that in its execution of the MOA and in the performance of its duties, the Cultural Institution does not cause breach of any other agreement to which the Cultural Institution is a party;

12.2. To ensure that any other agreement that the Cultural Institution may enter into with such other parties as may be necessary to fulfil its obligations to the Department, shall not in any way be in conflict or cause a conflict with the provisions of the MOA.

Notes to the Annual Financial Statements (continued)

15 Deferred Income (continued)

Conditional Grant

eThekwini Municipality

The eThekwini Municipality has entered into an agreement with The Kwazulu-Natal Performing Arts Company for the granting of financial assistance. The Kwazulu-Natal Performing Arts Company shall be referred to as “The Cultural Institution”.

The funds are granted based on The Cultural Institution achieving certain performance related obligations.

These obligations are set out hereunder:

1. The Cultural Institution shall apply the funds to the attainment of its main object as Cultural Institution.
2. The Cultural Institution shall commit itself to contributing meaningfully to the improvement of the quality of life of communities within eThekwini Municipality by:

2.1. Providing, through the medium of music, dance, drama, theatricals and cultural entertainment, educations and development.

2.2. Identifying and nurturing local talent and skills.

2.3. Creating platforms within the communities for the experience of live music, dance drama, theatricals and cultural entertainment.

2.4. Contributing and playing a promotional and a significant role in economic development and tourism.

2.5. Ensuring The Cultural Institution’s artistic growth, financial sustainability and achieving excellence in all its activities.

3. The Artistic Director and Chief Executive of The Cultural Institution and the City manager of eThekwini Municipality shall have a formal review of The Cultural Institution’s performance at least once a year.

4. Payment of the grant will be inter alia dependent on attainment of the following financial targets, performance targets and other obligations:

4.1. An increase in own revenue of 5% per annum. If target not met, then reasons need to be supplied.

4.2. Secure funding from other sources, including other spheres of government.

4.3. The ratio of administrative staff costs in relation to total expenditure should not exceed 40%.

4.4. Current outreach programmes must be maintained and the presentation of relevant statistics reflecting new community outreach programmes for the year ended.

4.5. The Cultural Institution must endeavour to make the facilities and services available free of charge to applicants (max of 10 per Council financial year), referred by the city in accordance with the following:

4.5.1. The facilities are made available or an alternative date made available.

4.5.2 Applicants referred to The Cultural Institution shall have the same rights and obligations as ordinary clients.

4.6. The Cultural Institution shall submit a copy of the quarterly Artistic Directors Report which contains details on The Cultural Institution’ performance and development activities undertaken.

4.7. The Cultural Institution shall provide monthly income and expenditure reports before the 15th of the following month.

4.8. The Cultural Institution shall provide a copy of its audited AFS as soon as it becomes available but not later than 31 of August each year.

4.9. The Cultural Institution shall provide a copy of its annual report to the National Department of Arts and Culture.

	2011 R	2010 R
16 Reconciliation of statement of changes in net assets		
Balance at 31 March 2011	195,434,867	172,553,138
Made up as follows:		
GRAP 23 Government grant recognised on free use of land and building	141,900,000	141,900,000
Changes in net assets relating to operations	53,534,867	30,653,138
17 Reconciliation of cash generated/utilised by operations		
Cash generated by operations		
Surplus for the year	22,881,729	15,106,372
Adjusted for:		
Depreciation, Amortisation and Impairment	7,244,899	8,871,825
Loss\(Profit) on disposal of property, plant and equipment	-	23,409
Interest received	(3,632,935)	(3,281,393)
Fair value adjustment	(5,507)	-
Operating cash flows before working capital changes	26,488,186	20,720,213
Working capital changes		
	(3,924,573)	(1,087,082)
Decrease (Increase) in inventories	26,532	(24,737)
(Increase) Decrease in accounts receivable	(11,266)	184,049
(Decrease)Increase in accounts payable	(1,264,217)	1,114,448
(Decrease) in deferred income	(2,675,622)	(2,360,842)
Cash generated from operations	22,563,613	19,633,131

Notes to the Annual Financial Statements (continued)

	2011 R	2010 R

18 Financial instruments

Overview

The Cultural Institution has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

This note presents information about The Cultural Institution's exposure to each of the above risks, The Cultural Institution's objectives, policies and processes for measuring and managing risk, and The Cultural Institution's management of capital. Further quantitative disclosures are included throughout these financial statements.

In terms of Treasury Regulations 27.2.1, issued in terms of the PFMA, the accounting authority (Council) must ensure that a risk assessment is conducted regularly to identify emerging risks in the entity. The Council has established the Audit Committee which is responsible for developing and monitoring The Cultural Institution's risk management policies.

The Cultural Institution's risk management policies are established to identify and analyse the risks faced by The Cultural Institution, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and The Cultural Institution's activities. The Cultural Institution, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees how management monitors compliance with The Cultural Institution's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by The Cultural Institution. The Audit Committee is assisted in its oversight role at operations level by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit Risk

Credit risk is the risk of financial loss to The Cultural Institution if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from The Cultural Institution's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 March 2011 was:

	2011 R	2010 R
Trade and other receivables (note 12)	889,469	878,203

	2011 R	2010 R

Trade and other receivables

The Cultural Institution's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The composition of The Cultural Institution's customer base, including the default risk of the industry and country in which the customers operate, has less of an influence on credit risk.

The majority of other receivables and accruals relates to interest income receivable from financial institutions for monies invested in fixed deposits.

The trade debtors comprise monies outstanding for the services as follows:
Truck hire – deposits or order numbers are received before the truck is hired out for cultural events

Rental – Deposits are held from tenants.

Recording Studio – 100% of fees are received in advance.

Function venue hire – Deposits are received in advance.

Costume/props/wigs hire – fees are received before items are hired out.

Ticket sales – monies are received from sales at the door or through Computicket.

The Cultural Institution policy is to monitor its exposure to credit risk on a monthly basis. At year end, the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The calculation for the fair valuing of trade and other receivables is performed, however, the adjustment is not processed as the adjustment amount is not material

	2011 R	2010 R
Analysis of trade and other receivables for reporting purposes:		
90 days and over	79,989	32,402
60 Days	19,845	6,618
30 Days	40,925	41,033
Current	748,710	798,150
	889,469	878,203

Investments

The Cultural Institution limits its exposure to credit risk by investing only in liquid securities and only with approved banks and financial institutions.

Guarantees

The Cultural Institution's policy is to provide financial guarantees only for specified services.

The guarantees in issue as at 31 March 2011 were as follows:

eThekwini municipality for services - R 277 816

The postmaster for services - R 30 360

The guarantees will expire on 31 December 2025 and will not be renewed.

Notes to the Annual Financial Statements (continued)

	2011 R	2010 R

18 Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that The Cultural Institution will not be able to meet its financial obligations as they fall due. The Cultural Institution's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to The Cultural Institution's reputation.

The Cultural Institution makes payments weekly. An assessment is made of the payments due in advance. Monies are transferred to the current account to meet the weekly obligations. Any surpluses are invested on a month to month basis at the most optimum rate.

It is the policy of The Cultural Institution, in line with the National Department of Arts, Culture and Tourism not to borrow monies. There are thus no credit facilities available.

The cash available at 31 March 2011 was R55 296 109 (2010 - R50 771 530).

Market Risk

Market risk is the risk that changes in market prices, such as the interest rates will affect The Cultural Institution's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

The Cultural Institution policy, in line with the National Department of Arts, Culture and Tourism is to invest surplus cash. Optimal rates and periods are received from various institutions. A proposal is made and approved by senior management.

Due to the volatility in the interest rate at year end, monies were invested on month to month basis to take advantage of the monthly increases in interest rates.

Currency Risk

The Cultural Institution does not engage in foreign currency transactions and is thus not exposed to this risk

Interest rate risk

It is the policy of The Cultural Institution, in line with the National Department of Arts, Culture and Tourism not to borrow monies. There are thus no credit facilities available. There is thus no risk relating to changes in the interest rate.

The Cultural Institution policy, in line with the National Department of Arts, Culture and Tourism is to invest surplus cash. Optimal rates and periods are received from various institutions. A proposal is made and approved by senior management.

Due to the volatility in the interest rate at year end, monies were invested on month to month basis to take advantage of the monthly increases in interest rates.

Profile Variable rate instrument	2011 Int Rate %	Carrying amount	2010 Int Rate %	Carrying amount
FNB – 60 Days	5.50	2,000,000		
FNB – 120 Days	5.60	8,500,000	7.20	7,410,225
Investec – 30 Day	-	-	6.90	4,500,000
Investec – 120 day fixed	5.63	14,000,000	7.26	8,500,000
Nedbank – 120 Day fixed	5.62	13,000,000	7.30	4,000,000
ABSA – 30 Day	-	-	6.90	5,000,000
ABSA – 120 Day fixed	5.63	12,900,000	7.32	9,500,000
Standard Bank – 120 Day	-	-	7.20	6,000,000
RMB – 120 Day	5.58	3,000,000		-
		53,400,000		44,910,225

At 31 March 2011, if interest rates at that date had been 100 basis points higher or lower, with all other variables held constant, profits would have increased or decreased by R534 000.

At 31 March 2011, the carrying amounts of cash and cash equivalents, trade receivables and trade and other payables approximate their fair values due to their short term maturities. Trade receivables and payables will mature within 30 to 60 days.

Fair values

The fair values of financial assets and liabilities are the same as the carrying values reflected in the balance sheet.

19 Tax exemption

The public cultural institution is exempt from taxation in terms Section 10 (1)(cA)(I) of the Income Tax Act.

Notes to the Annual Financial Statements (continued)

	2011 R	2010 R
20 Emoluments - Senior Management and Council		
Senior Management		
L Bukhosini – Apr 10 – Mar 11 (Chief Executive and Artistic Director)	1,212,007	1,117,942
Salary	965,879	690,594
Bonus	80,490	56,053
Pension, Med-aid Contributions	159,370	113,948
Car Allowance, Cell phone and Other	6,268	257,347
A Mohanparasadh – Apr 10 – Mar 11 (Chief Financial Officer)	733,018	401,957
Salary	699,067	393,333
Bonus	30,325	-
Car Allowance, Acting Allowance and Other	3,626	8,624
O Hlangu – Apr 10 – Mar 11 (Support Services Manager)	716,283	647,387
Salary	523,712	374,448
Bonus	43,643	27,860
Pension, Med-aid Contributions	99,873	76,429
Car Allowance, Acting Allowance and Other	49,055	168,650
G Pillay – Apr 09 – Jul 09 (Former Chief Financial Officer)	-	305,369
Salary	-	152,659
Pension, Med-aid Contributions	-	25,189
Car Allowance, Acting Allowance and Other	-	127,521
Total Senior Managers	**2,661,308**	**2,472,655**
Members of Council and Subcommittees	**41,330**	**63,486**
M Lesoma – Fees	4,328	9,892
R Ashe – Fees	2,082	2,533
LS Sibisi – Fees	1,666	2,082
L Theron – Fees*	4,525	10,086
M Rajab – Fees	11,765	10,905
T Shezi – Fees	6,335	7,543
J Thabethe – Fees	4,525	5,086
TSS Ngcobo – Fees	3,620	4,181
J Shabalala – Fees	-	-
M Mvulane – Fees	2,484	11,178
Total Emoluments	**2,702,638**	**2,536,141**

* Permission obtained from Minister of Justice to receive fees and allowances.

21 Retirement benefits

Permanent employees participate in pension and provident funds established for the Performing Arts Companies of South Africa or a Provident Fund established by South African Commercial Catering and Allied Workers Union. The Pension and Provident Funds are governed by the Pensions Fund Act. The Provident Funds are defined contribution plans and do not require periodic actuarial valuations.

The Pension Fund

The Fund is a defined benefit fund that:

- Pools the assets contributed by various entities that are not under common control (i.e. the participating employers); and
- Uses the assets to provide benefits to employees of more that one entity, on the basis that contribution and benefit levels are determined without regard to the entity that employs the employees concerned.

The fund is therefore regarded a ‘multi-employer plan’ in terms of IAS 19 (AC 116).

The assets of the fund are pooled. It is not possible for a participating employer to account for the Fund as a defined benefit plan, since the assets held in respect of each employer are not identified separately.

The participating employers should therefore account for the Fund as if it were a defined contribution plan in the following way;

- The participating employers should recognise the contributions payable for service rendered by employees during the period:
  (i) As a liability (accrued expense) after deducting contributions already paid; and
  (ii) As an expense.
- The participating employers should disclose the amount recognised as an expense.
- The extent that surplus or deficit may effect future contributions.

1. Improper use of surplus

- The value of the improper use of surplus identified as part of the surplus apportionment exercise on 1 April 2002, was accumulated at the net investment return earned on the surplus over the period, as detailed in previous AC116 reports.
- The improper use of surplus liability has accumulated to R9 559 306 on 31 March 2011, prior to repayment.This amount was included in the total employer debt which was valued at 31 March 2011 and repaid in full as at this date, as detailed in par.4 and 5 below.
- Therefore, there is no outstanding liability in respect of the contribution shortfall as at 1 April 2011.

2. Shortfall in contributions

- The shortfall in contributions was accumulated at the valuation rate of interest in order to match the increase in the corresponding liability, a detailed in previous AC116 reports.
- The contribution shortfall for the period 1 April 2002 to 1 October 2009, has accumulated to R15 219 655 on 31 March 2011, prior to repayment. This amount was included in the total employer debt which was valued at 31 March 2011 and repaid in full as at this date, as detailed in par. 4 and 5 below.
- Therefore, there is no outstanding liability in respect of the contribution shortfall as at 1 April 2011.

Notes to the Annual Financial Statements (continued)

21 Retirement benefits (continued)

3. Past service deficit

- The past service deficit at the last statutory valuation, including an allowance for future expenses and the cost of purchasing the disability benefits, was accumulated at the valuation rate of interest in order to match the increase in the corresponding liability, as detailed in pervious AC116 reports.
- The past service deficit has accumulated to R11 469 372 on 31 March 2011, prior to repayment. This amount was included in the total employer debt which was valued at 31 March 2011 and repaid in full as at this date, as detailed in par. 4 and 5 below.
- Therefore, there is no outstanding liability in respect of the past service deficit as at 1 April 2011.

4. Total employer debt on 31 March 2011

The sum of the employer debt discussed in previous paragraphs is as follows:

Source of employer debt	Value at 31 March 2011
1. Improper use of surplus	R9,559,306
2. Shortfall in employer contributions	R15,219,655
3. Past service deficit	R11,469,372
4. Total employer debt	R36,248,333

5. Repayment of Debt

R36 248 3333 has been repaid by the individual employers on or around 31 March 2011. The Playhouse Company's portion of R4 914 600 was paid on 31 March 2011.

6. Conclusion

- The total amount repaid (R36 248 333) as per par 5 above equals the total amount due as at 31 March 2011, as per the table in par. 4 above. The major part of the debt was repaid on or before 31 March 2011 and the balance shortly thereafter. Any surplus or deficit arising from this interest will be insignificant and will be absorbed by the Fund.
- It is our opinion therefore that the employer debt has been repaid and that there is no refunded liability for all the employers at 1 April 2011.

The contribution to the pension funds during the year was R430 448 (2010: R931 102), provident funds R1 855 494 (2010: R1 676 513) and is included in staff cost.

22 Related Parties

22.1. National Department of Arts and Culture.

Grants received for the financial year amounted to R50 504 690, and for the year ended 2011/12 will amount to R36 138 000.

22 Related Parties (continued)

22.2 KZN Department of Arts, Culture and Tourism

Grant received for the 2010/11 financial year amounted to R6 096 000 was received in biannual instalments and for the year ended 2011/12 will amount to R6 401 000.

22.3 eThekwini Municipality

A Transfer payment of R2 913 392 for the financial year was received on 8 December 2010. An amount of R728 348 has been deferred to the 2011/12 financial year. A total transfer payment of R2 887 405 is recorded as income for the current year, R2 185 044 (R2 913 392 – R728 348) plus R702 361 deferred in the previous financial year.

22.4 Department of Public Works

The department is the legal owner of the Land and Buildings occupied by The KwaZulu-Natal Performing Arts Company and the Cultural Institution leases the property at no charge.

22.5 Council

The Council has been appointed by the Minister of Arts and Culture to oversee and ensure corporate governance. Council has various subcommittees such as Finance, Audit, Human Resources and Remuneration Committees that guide and assist management which is appointed by Council. Refer to note 20 – compensation.

22.6 Transnet Truck

The Cultural Institution and the Transnet Foundation entered into a joint venture in providing a fully equipped mobile stage. The Transnet Foundation has provided the Cultural Institution with the use of a Truck Trailer, Pantechincon Semi Trailer and sound equipment. The Transnet Foundation maintains and services the truck trailer and semi trailer.

The Cultural Institution is responsible for costs of tyres, oil, insurance and general up keep of the truck and staff. All proceeds and income from the use of the truck accrue for the sole benefit of the Cultural Institution.

22.7 KwaZulu-Natal Philharmonic Orchestra – KZNPO

A Memorandum of Agreement exists between the Cultural Institution and KZNPO. This agreement includes the following:

a. Occupying a portion of the Cultural Institution's administration building.
b. Access to finance and human resources services for which they are invoiced.
c. As part of the restructuring process in 1999 assets (orchestral equipment, scripts and scores) with an original cost of R328 739 were transferred to the KZNPO at a nil value.
d. The Cultural Institution receives a discounted rate for the artistic services offered by the Orchestra to the Cultural Institution.

Notes to the Annual Financial Statements (continued)

The Cultural Institution engaged the services of the Orchestra for numerous performances. During the year under review a discounted total of R0 (2010: R1 029 221) was paid and R677 698 (2010: R662 899) accrued to the KZNPO for these performances. An amount of R363 421, (2010: R191 924) was paid by KZNPO for services rendered by the Cultural Institution.

The Chief Executive Officer of the KZNPO is married to the Chief Executive Officer of the Cultural Institution.

22.8 Key Personnel

Chief Executive and Artistic Director – Linda Bukhosini

Chief Financial Officer – Amar Mohanparasadh

Support Services Manager – Oscar Hlangu

23 Subsequent Events

There was no significant events that occurred between balance sheet date and date of this report.

24 Irregular, fruitless or wasteful expenditure

No material losses through criminal conduct, or irregular, fruitless or wasteful expenditure were incurred during the year ended 31 March 2011.

25 Non-cancellable committed tenders

At the balance sheet date The Cultural Institution had outstanding commitments in respect of non-cancellable tenders awarded during the year.

The tender awards are as follows:

Dimmers	4,396,996
Plumbing and Drainage	1,280,944
Sound – Loft	701,165
Waterproofing	2,275,037
Total committed liabilities	8,654,142

26 World Cup Expenditure

Purchase of Other World Cup Apparel	QTY	2011	2010
T-Shirts	100	17,000	-
Total world cup expenditure		17,000	-

	2011 R	2010 R
27. Reconciliation between budget and statement of financial performance		
Net surplus per the statement of financial performance	22,881,729	15,106,372
Decrease/Increase in Capital works grant from DAC	2,240,000	(2,800,000)
Increase in lotto grant received	(280,000)	(500,000)
Increase in sponsorship for the staging of productions	(446,000)	(2750,000)
Increase in truck hire and venue hire income	-	(585,000)
Increase in liquor bar and sundry income	(352,000)	(420,000)
Increase in finance income	(247,000)	(360,000)
(Decrease)/(Increase) in production cost	(2,290,000)	1,300,000
Decrease in compensation to employees as certain positions not filled	(2,100,000)	(2,900,000)
Decrease in consumables, repairs & maintenance	(3,798,000)	(3,500,000)
Decrease in training costs	(90,000)	(307,000)
Decrease in other operating expenses	(2,276,861)	(1,474,555)
Fair value adjustments	(5,500)	-
Deficit on the sale of assets	-	23,400
Decreases in provisions	-	(397,910)
Depreciation	7,245,000	8,871,824
Capital expenditure budgeted but not processed to statement of Financial Performance	(39,516,430)	15,985,711
Net deficit per approved budget (including capex)	**(19,035,061)**	**(6,678,580)**

27.1 Reconcilliation between Budget and Statement of Financial Performance – Operating Expenditure

STATEMENT OF FINANCIAL PERFORMANCE - ACTUAL VERSUS BUDGET	2011 ACTUAL R	2011 REVISED BUDGET R	2011 VARIANCE R
REVENUE	**67,170,799**	**68,330,597**	**(1,159,798)**
Grants	59,768,095	61,726,754	(1,958,659)
Production Income	2,290,487	2,356,627	(66,140)
Donations and Sponsorships	2,121,874	1,925,000	196,874
Rent received	926,417	888,400	38,017
Hire of performance venues, costumes, sets and mobile stage	1,158,706	920,008	238,698
Box Office Commission – external productions	117,340	-	117,340
Bar and other sales	480,966	300,000	180,966
Sundry income	306,914	213,808	93,106
EXPENDITURE	**47,922,005**	**51,235,228**	**3,313,223**
Production costs	7,622,299	9,907,696	2,285,397
Employee related costs	19,386,838	21,475,646	2,088,808
Annual Report	77,707	116,000	38,293
Auditors fees external	559,975	850,000	290,025
Auditors fees internal	369,134	430,000	60,866
Council related expenses	135,523	282,000	146,477
Cleaning and sanitation	957,321	1,012,560	55,239
Consumables	921,318	1,507,100	585,782
Electricity	2,076,334	2,323,060	246,726
Security	2,147,720	2,697,837	550,117
Insurance	181,087	265,000	83,913
Legal expenses	94,849	100,000	5,151
Marketing	756,477	1,001,000	244,523
Repairs & maintenance	2,010,870	4,426,279	2,415,409
Telephone	336,548	436,844	100,296
Training	330,572	420,000	89,428
Travel – local and overseas	338,787	410,000	71,213
Water	241,242	254,500	13,258
Depreciation	7,244,508	-	(7,244,508)
General expenses	2,132,896	3,319,706	1,186,810
Surplus from operations	**19,248,794**	**17,095,369**	**2,153,425**
Interest received	3,632,935	3,386,000	246,935
Surplus for the year	**22,881,729**	**20,481,369**	**2,400,360**

2011 VARIANCE %	Explanation of significant variance
-3%	
-3%	
10%	Sponsorship income of R280 000 received from National Lottery for prior year was not budgeted for.
4%	
26%	R248 000 was generated from Rehearsal studio hire.
100%	This is not budgeted for as there is no definite way to determine its value upfront. It is dependent on the ticket sales for all productions.
60%	There was exceptional support for this service during the year.
44%	Income from events and functions of R78 000 was not budgeted. Insurance claims amounted to R19 000.
23%	Savings due to festive season productions held as In-Association instead of a major In-house production.
10%	Various vacancies were not filled during the year.
33%	The number of reports printed were reduced.
34%	Cost to be incurred in the next financial year.
14%	Certain audit not completed by year-end, to be billed in the following year.
52%	No Council members attendended the ISPA conference in January 2011.
5%	
39%	R378 000 related to the air cons which was not utilised as the new air cons are under warranty. Saving in other consumables in line with cost saving initiatives.
11%	Savings as a result of cost saving initiatives.
20%	Reduced number of shows resulted in savings in security costs.
32%	New service provider appointed resulting in savings.
5%	
24%	No major in-house production in December resulting in savings.
55%	Uncertainly relating to the final cost of installation pertaining to the air con upgrade prompted the company to hold back on certain repairs and maintenance to cover estimated shortfall. Now that the actual cost is known the balance will be rolled over to the new financial year.
23%	Savings as a result of cost saving initiatives.
21%	The literacy training originally budgeted for R160 00 was rolled out free of charge by a service provider. Other training is rolled over to the new year.
17%	Savings in local travel as a result of cost saving initiatives.
5%	
100%	Not budgeted for annually.
36%	R500 000 contingency reserve budgeted and not utilised. Savings in various expenses items due to cost saving initiatives.
7%	Funds optimally invested with banks providing best rates of returns.

27.2 Reconciliation between Budget and Statement of Financial Performance – Operating Expenditure

CAPITAL EXPENDITURE – ACTUAL VERSUS BUDGET	2011 ACTUAL R	2011 REVISED BUDGET R	2011 VARIANCE R	2011 VARIANCE %
Office equipment	60,287	143,000	82,713	58%
Computer equipment	77,604	298,500	220,896	74%
Transport	1,604,735	3,650,000	2,045,265	56%
Stage equipment	5,682,671	9,331,800	3,649,129	39%
Buildings	14,246,672	26,093,130	11,846,458	45%
Total	**21,671,969**	**39,516,430**	**17,844,461**	45%

Explanation of significant variance
Capital expenditures put on hold and deferred to the new financial year.
Capital expenditures put on hold and deferred to the new financial year.
Request for invited tenders issued at year end and awarded in April 2011. Expenditure deferred to next financial year.
Contracts for the installation of dimmers, belt drives and prop shaft for stage lifts has been awarded but not yet completed. Final payments to be made next year.
Contract for Remedial work on water tanks and plumbing, waterproofing and Occupational health and safety compliance awarded during the year but work to be completed in the next financial year. Major portion of the occupational health and safety has been deferred to the new financial year due to specifications and drawings that need to be completed.

HUMAN RESOURCES

PERSONNEL COSTS					
Total Expenditure	Personnel Expenditure	Training Expenditure	Consultancy Services	Personnel Costs as a % of Total Expenditure	Average personnel cost per employee
47,922,005	19,281,015	330,571	119,169	40,23%	211,879

SALARIES, OVERTIME, HOUSING SUBSIDY, MEDICAL ASSISTANCE, PENSION/PROVIDENT CONTRIBUTIONS, OTHER ALLOWANCES AND LEAVE GRATUITIES							
Salaries Amount	Overtime Amount	Housing Allowance	Medical Assistance	Pension/ Provident Fund	Other Allowances	Ad-hoc payments	Leave Gratuities
13,987,892	147,997	300,615	467,207	2,285,942	92,630	852,285	88,048

Type of post	Number of posts	Number of posts filled	Vacancy rate
Permanent	93	83	11%
Adhoc/Fixed Term contracts	0	8	

ANNUAL TURNOVER RATE						
Occupational level	Number of employees as at 1 April 10	Appointments and transfers into the institution	Terminations and transfers out of the institution	Turnover rate	Contracts on Permanent Positions	Total number as at 31 March 2011
Senior Management	2	0	0	0%	0	2
Professionaly qualified and experienced specialists and mid-management	9	0	0	0%	0	9
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	27	2	4	15%	0	25
Semi-skilled and discretionally decision making	49	1	3	6%	0	47
Unskilled and defined decision - making	0	0	0	0%	0	0
Totals	**87**	**3**	**7**	**8%**		**83**

Reasons why staff members are leaving the institution		
Termination type	Number	% of total
Death	0	0%
Resignation	5	72%
Expiry of Contract	0	0%
Dismissal; operational changes	0	0%
Dismissal; misconduct	1	14%
Dismissal; in-efficiency	0	0%
Discharged due to ill-health	0	0%
Retirement	1	14%
Other	0	0%
Total number of employees who left	7	100%
Total number of employees who left as a % of the total employment	8,43%	-

Employment Equity									
Post level	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	1	0	0	0	1
Senior Management	0	0	1	0	0	0	0	0	1
Professionaly qualified and experienced specialists and mid management	2	0	1	4	0	0	1	1	9
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	11	1	2	6	3	0	1	1	25
Semi-skilled and discretionally decision making	27	0	4	1	7	0	4	4	47
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total Permanent Employees	40	1	8	11	11	0	6	6	83
Non-permanent employees		0	0	0	0	0	0	0	0
Total	**40**	**1**	**8**	**11**	**11**	**0**	**6**	**6**	**83**

Labour Relations			
Disciplinary hearings Finalised	Number	Type of Misconducts	Number
Outcomes of Disciplinary Hearings	0		0
Final Written Warnings	1	Incapacity	1
Dismissals	1		1
Total	**2**		**2**

Training needs identified 1 April 2010 to 31 March 2011					
Gender	Number of employees as at 31 March 2011	Training needs identified at start of reporting period			
		Learnerships	Skills programmes & other short courses	Other forms of training (voluntary)	Total
Male	60	0	63	14	77
Female	23	0	38	2	40
Total	83	0	101	16	117

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