



an agency of the  
Department of Arts & Culture



# ANNUAL REPORT

2017/2018



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# Part A

## 1. PUBLIC ENTITY'S GENERAL INFORMATION

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Registered Name:	The Playhouse Company
Physical Address:	29 Acutt Street, Durban, 4001
Postal Address:	P O Box 5353, Durban, 4000
Telephone Number:	+27 (0)31 369 9555
Fax Number:	+27 (0)31 306 2166
Email Address:	cfo@playhousecompany.com
Website Address:	www.playhousecompany.com
External Auditors:	The Auditor-General of South Africa
Bankers:	First National Bank

## 2. LIST OF ABBREVIATIONS/ACRONYMS

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CEO	Chief Executive Officer
CFO	Chief Financial Officer
DAC	Department of Arts and Culture
PFMA	Public Finance Management Act
MTEF	Medium-Term Expenditure Framework
SAWAF	South African Women's Arts Festival
SCM	Supply Chain Management

# 3. STRATEGIC OVERVIEW

## 3.1. Vision

Inspiring and cultivating artistic excellence and cultural diversity in the performing arts.

## 3.2. Mission

In achieving the above vision, The Playhouse Company describes its mission as:

We advance, promote and preserve the performing arts by:

- Producing, co-producing and presenting productions with artistic, entertainment and educational value for diverse and ever increasing audiences;
- Facilitating social cohesion, diversity and inclusivity through our work;
- Targeting diverse audiences through a proactive marketing and customer focused approach;
- Inculcating an appreciation for the performing arts, developing future audiences and commissioning local content productions;
- Supporting education, training and skills development for artists, arts practitioners and staff;
- Working in partnership with local, national and international partners to maximise the impact of our programmes;
- Enhancing financial viability through a balanced transformation and commercial programming for future generations; and
- Ensuring the protection of the historic landmark that is The Playhouse.

## 3.3. Values

### What it means in practice for The Playhouse Company

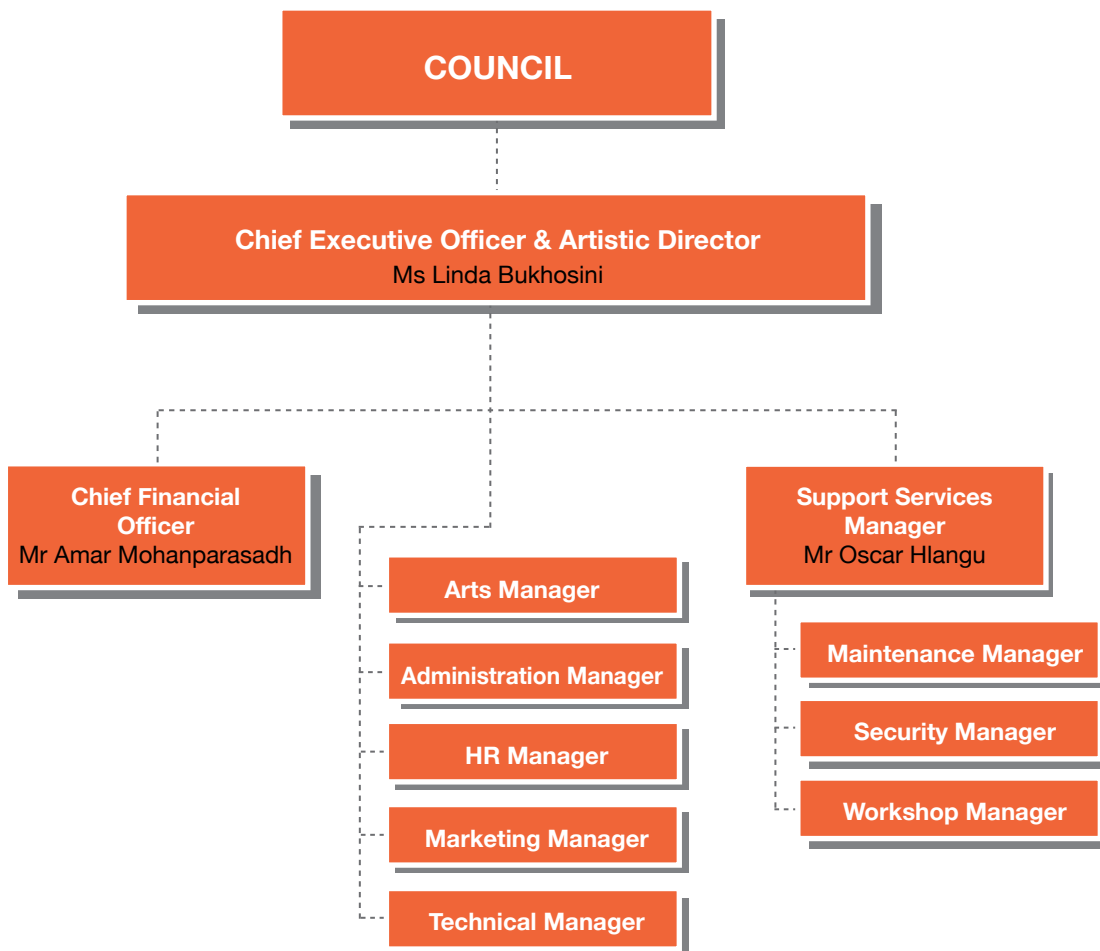


## 4. LEGISLATIVE AND OTHER MANDATES

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, among others:

- Public Finance Management Act (PFMA);
- Division of Revenue Act (DORA);
- The Cultural Institutions Act;
- Consumer Protection Act (No. 68 of 2008);
- Intergovernmental Relations Framework Act (No. 13 of 2005);
- Labour Relations Act (LRA);
- Basic Conditions of Service Act (BCSA);
- Occupational Health and Safety Act (OHSA);
- General Administration Regulations Act (GARA);
- Promotion of Access to Information Act (PAIA);
- Promotion of Administrative Justice Act (PAJA);
- Employment Equity Act;
- Protection of Personal Information Act;
- All Treasury regulations, prescripts and frameworks as published; and
- All Municipal by-laws and local legislation pertaining to The Playhouse Company and its operations.

## 5. ORGANISATIONAL STRUCTURE



## 6. FOREWORD BY THE CHAIRPERSON

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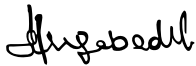
As one of South Africa's prime performing arts bodies, The Playhouse Company continues to host frontline artists from all corners of the country on its stages, as well as welcoming many international guest stars. The Company also takes pride in nurturing its ties with local artists, offering them the opportunity to showcase their talent at home before venturing further afield. It is with pleasure that I report that the 2017/2018 year under review once again saw The Playhouse Company carrying out its mandate of diligently and proactively serving all sectors of the performing arts community that fall within its ambit.

It is heartening to record that there has been a significant increase in young members of our society from all races being featured in productions that have been showcased at The Playhouse Company. Also worth noting is the strong focus that has been placed on indigenous musical performances we have hosted.

Furthermore, it is gratifying for us to note that the shows we have presented have made remarkable strides towards promoting a positive spirit of social cohesion within our arts community. This is most encouraging as it must surely lead to a positive knock-on effect in South African society at large.

The Playhouse Company Council members have stood beside the Company's senior management, keeping an eye on the ball in shaping the Company's strategy and risk assessment, maintaining a solid fiscal footing while traversing the path of holistic nation building that continues to inform our Arts Programme.

I extend my gratitude to all stakeholders of The Playhouse Company for their support, including our loyal patrons, the media, and visitors from across the Province and South Africa, as well as those international guests who have honoured us with their presence in our venues over the year. We wish you fulfilment on all levels as we look ahead, secure in our resolve to serve our public with the rigour and commitment to achieving peace, harmony and unity through the promulgation of the performing arts.



**Ms Hlengiwe Christophina Mgabedeli**

Council Chairperson



## 7. CHIEF EXECUTIVE OFFICER'S OVERVIEW



**Ms Linda Bukhosini**  
Chief Executive Officer  
and Artistic Director

The year in review has seen The Playhouse Company present a diverse arts programme that bears testimony to a truly diverse and artistically remarkable body of stage works, comprising over 460 performances that featured just under 16 000 artists who played to more than 260 000 diverse audience members.

We at The Playhouse Company believe that through the performing arts, we often have opportunities to foster greater understanding among our diverse communities and encourage critical thinking on the issues that affect our daily lives. To this end, The Playhouse Company is proud of its ability to stage grand productions but is equally gratified about its involvement in promoting traditional art forms, providing professional mentorship to community artists, and staging works that serve the needs and interests of learners in KwaZulu-Natal schools and the broader community.

The Playhouse Company undertakes to continue to play an enabling role in using dance, music and dramatic stage works to entertain, educate and enrich people's lives in our country. We can only achieve this with the continued help, support and co-operation of our government, Council, dedicated staff, funders, the performing arts community, both here and internationally, and the many stakeholders including the media and our loyal patrons, who share our goals and aspirations.

**Ms Linda Bukhosini**  
Chief Executive Officer and Artistic Director

	ARTISTS	PRODUCTIONS	PERFORMANCES	AUDIENCE
In-house	4 359	71	196	45 874
Mobile Stage	278	3	82	122 133
In Association	1 096	15	79	37 946
Outside Hirers	10 264	75	107	55 577
<b>Total</b>	<b>15 997</b>	<b>164</b>	<b>464</b>	<b>261 530</b>





**A Christmas Celebration**

## In-house Productions

(Fully funded and produced by The Playhouse Company.)

### NEW STAGES

This annual season of drama, dance and music offers cutting-edge productions from near and far.





**SOUTH AFRICAN WOMEN'S ARTS FESTIVAL**

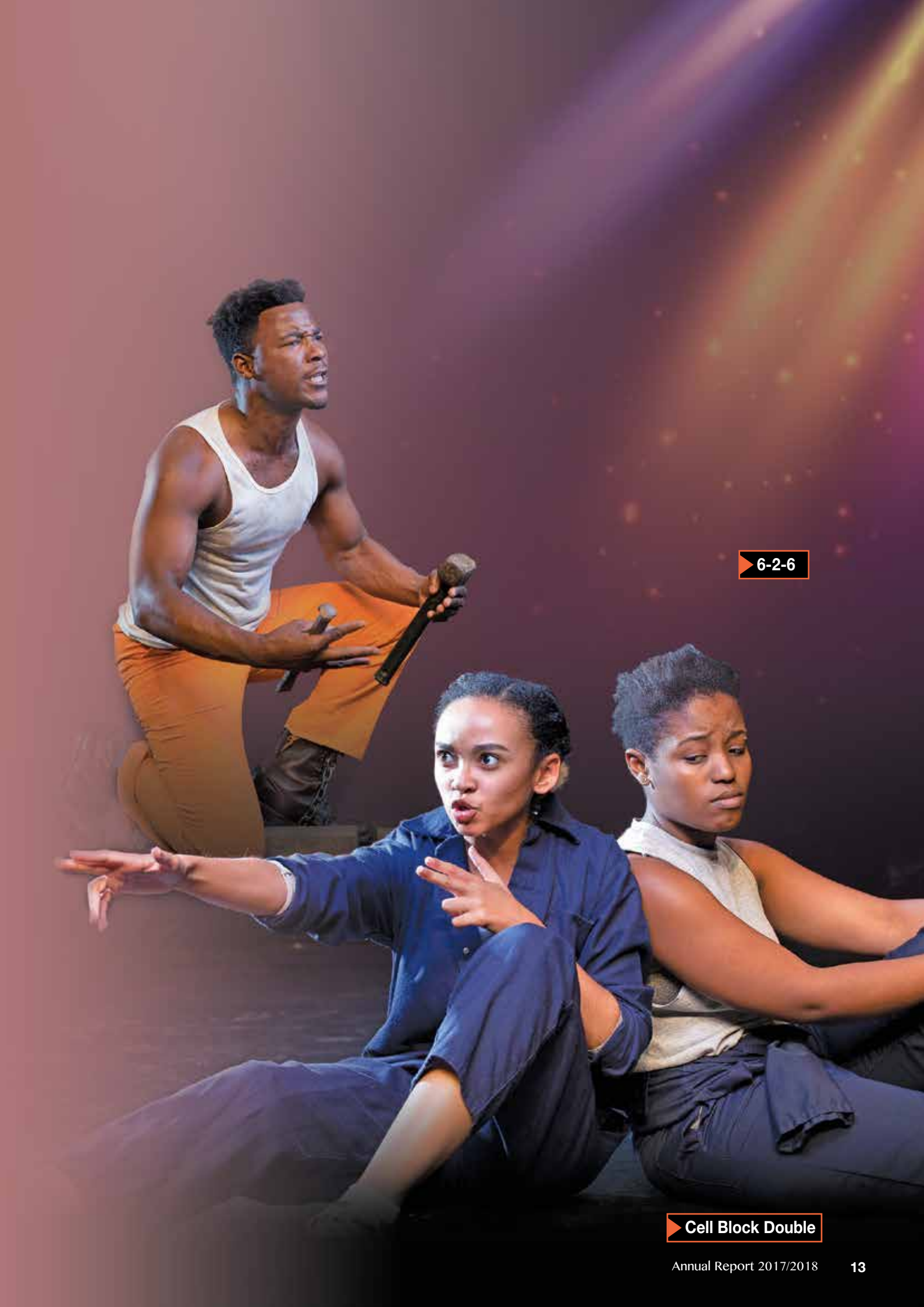


**Suddenly the Storm**





▶ **Scorched**



▶ 6-2-6

▶ Cell Block Double

# FESTIVE SEASON



**A Christmas Celebration**







**A Christmas Celebration**



## COMMUNITY ARTS MENTORSHIP PROGRAMME







▶ Isicathamiya Competition

## TEST DRIVING THE ARTS

Monthly, free lunch-hour concerts run throughout the year and provide a platform for up-and-coming local artists.

## SUNDOWNERS & POETRY

Relaxing concerts with poetry are held at the Playhouse after work on the first Friday of every month.







## AFRICA ALIVE

Showcasing South African theatre works, the primary focus is on development of works that reflect South Africa's diverse artistic and cultural heritage.



## IN-HOUSE PRODUCTIONS

(All productions are fully funded and produced by The Playhouse Company)

ARTISTS	PRODUCTIONS	PERFORMANCES	AUDIENCE
4 359	71	196	45 874

## MOBILE STAGE

ARTISTS	PRODUCTIONS	PERFORMANCES	AUDIENCE
278	3	82	122 133

## IN ASSOCIATION

(Productions presented with other producers)

A wide range of productions, concerts and comedy festivals were staged by independent producers in partnership with The Playhouse Company.

ARTISTS	PRODUCTIONS	PERFORMANCES	AUDIENCE
1 096	15	79	37 946

## OUTSIDE HIRERS

(Independent productions and events)

A wide ranging variety of productions, concerts, festivals, choir competitions and arts events were staged by independent producers.

ARTISTS	PRODUCTIONS	PERFORMANCES	AUDIENCE
10 264	75	107	55 577

TOTAL	ARTISTS	PRODUCTIONS	PERFORMANCES	AUDIENCE
	15 997	164	464	261 530

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

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To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General.

The Annual Report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the Annual Report, as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP standards applicable to the public entity. The accounting authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal controls that have been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Entity for the financial year ended 31 March 2018.



**Ms Linda Bukhosini**

Chief Executive Officer and Artistic Director

Date: 31 July 2018



**Ms Hlengiwe Christophina Mgabedeli**

Council Chairperson

Date: 31 July 2018

# Part B

## PERFORMANCE INFORMATION

### 1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

FOR THE YEAR ENDED 31 MARCH 2018

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The Chief Executive Officer is responsible for the preparation of The Playhouse Company's performance information and for the judgements made in this information.

The Chief Executive Officer is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

DESCRIPTION	NUMBER (%)
No. of annual performance targets	54
Annual performance targets achieved	54 (100%)

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per Annual Performance Plan of The Playhouse Company for the financial year ended 31 March 2018.

The Playhouse Company performance information for the year ended 31 March 2018 has been examined by the external auditors and their report is presented on page 52-54.

The performance information of The Playhouse Company set out on pages 27 to 36 were approved by the Board.



**Ms Linda Bukhosini**

**Chief Executive Officer & Artistic Director**

## 2. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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

Refer to page 52 for the Auditor's Report, published as Part E: Financial Information.

## 3. PERFORMANCE INFORMATION BY PROGRAMME

### 3.1 Programme 1: Administration

#### 3.1.1. Sub-programme 1.1: Corporate Governance and Finance

**A. Programme purpose** Provide governance and financial support to the entity

**B. Description:**

**B.1 Structure** The Finance Department manages the financial affairs, corporate governance and statutory compliance

**B.2 Department responsible** Finance Department

Strategic objectives/outcomes	Actions to support strategic objectives	Baseline information	Measurable and evidence based performance indicators 2017/2018	Measurable and evidence based performance indicators 2018/2019	Measurable and evidence based performance indicators 2019/2020	Measurable and evidence based performance indicators 2020/2021	Measurable and evidence based performance indicators 2021/2022
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 received for March	Unqualified Audit Report at 31 March	Unqualified Audit Report at 31 March	Unqualified Audit Report at 31 March	Unqualified Audit Report at 31 March	Unqualified Audit Report at 31 March
		Quarterly Compliance checklists for March 2017 submitted timeously	PFMA/National Treasury compliance checklist completed quarterly	PFMA/National Treasury compliance checklist completed quarterly	PFMA/National Treasury compliance checklist completed quarterly	PFMA/National Treasury compliance checklist completed quarterly	PFMA/National Treasury compliance checklist completed quarterly
		Quarterly annual performance plans for March 2017 submitted timeously	Produce quarterly annual performance plan reports	Produce quarterly annual performance plan reports	Produce quarterly annual performance plan reports	Produce quarterly annual performance plan reports	Produce quarterly annual performance plan reports

#### Strategic objectives, performance indicators, planned targets and actual achievements

Strategic objectives	Actual achievement 2016-2017	Planned target 2017-2018	Actual achievement 2017-2018	Deviation from planned target to actual achievement for 2017-2018	Comment on deviations
To provide effective and efficient financial administration and corporate governance	Achieved. Unqualified clean audit report received for the year ended 31 March 2017	Unqualified Audit Report at 31 March.	Achieved. Unqualified clean audit report received for the year ended 31 March 2018	None	n/a
	Achieved. The quarterly compliance checklists were completed timeously	PFMA/National Treasury compliance checklist completed quarterly	Achieved. The quarterly compliance checklists were completed timeously	None	n/a
	Achieved. Quarterly annual performance plans for March 2017 submitted timeously	Produce quarterly annual performance plan reports.	Achieved. Quarterly annual performance plans for March 2018 submitted timeously	None	n/a

## Key performance indicators, planned targets and actual achievements

Outcomes: key objectives	Actions to accomplish objectives	Measurable and evidence based performance indicators 2017-2018	Actual achievement 2016-2017	Planned target 2017-2018	Actual achievement 2017-2018	Deviation: planned/ actual 2017-2018	Comment on deviations
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	Unqualified audit report yearly	1	1	1	0	n/a
	Review and update all the Policies and Procedures in the Organisation on an annual basis	An annual communication detailing the changes to all policies within the Organisation by 1 April	1	1	1	0	n/a
2.2 Implementing controls, processes and systems of the above	Ensuring Internal Audits are completed as per the internal audit plan	4 Internal audits to be conducted annually	4	4	4	0	n/a
	Ensuring good governance and controls are in place	Maximum of 10% critical findings to be raised per internal audit report	0%	10%	0%	10%	No critical findings reported
	Risk assessment completed on an annual basis	1 risk assessment report prepared on an annual basis by 30 April	1	1	1	0	n/a
	Review the IT plan. Improve IT infrastructure. Supply efficient IT resources to all departments	Less than 10% downtime in operations reflected in monthly report	0%	10%	0%	10%	No downtime experienced
2.3 Fixed Assets: Increase efficiency in the management of fixed assets	Annual verification of fixed assets Monthly updates of the fixed asset register and bar coding of new assets	Completed fixed asset register in compliance with Fixed Asset Policy by 31 March	1	1	1	0	n/a
2.4 Supply Chain Management (SCM): To enforce compliance with SCM policies and procedures	Implement all treasury practice notes within the stipulated timelines	Ensure practice notes are discussed with staff within 30 days on receipt from Treasury. Minutes of meeting or email confirmation available to support this	100% compliance	100% compliance	100% compliance	0	n/a
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	5% variance of actual against budget must have an explanation on a monthly basis	12	12	12	0	n/a
	Annual budgets to be submitted to DAC by 31 August, 30 November and final by 15 January each year	Monthly management accounts to be distributed to Management, FINCO and Audit & Governance Committee members by 15th of every month	12	12	12	0	n/a
		Quarterly management accounts to be distributed to key stakeholders 30 days after each quarter	4	4	4	0	n/a
2.6 Bad Debt: develop a system to guide the process of incurring debt	Implement a debt management system	Minimum of 90% debt recovery excluding legal matters by 31 March	100%	90%	100%	10%	All debtors excluding legal matters is recoverable

## Linking performance with budgets

	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	R'000	R'000	R'000	R'000	R'000
Corporate Governance and Finance	13 595	13 016	578	13 106	10 963	2 143
<b>Total</b>	<b>13 595</b>	<b>13 016</b>	<b>578</b>	<b>13 106</b>	<b>10 963</b>	<b>2 143</b>

### 3.1.2. Sub-programme 1.2: Human Resources

**A. Programme purpose** Provide human resources support to the Entity

**B. Description:**

**B.1 Structure**

The Human Resources Department manages the human resources affairs and statutory human resources compliance

**B.2 Departments responsible**

Human Resources Department

Strategic objectives/outcomes	Actions to support strategic objectives	Baseline information	Measurable and evidence based performance indicators 2017/2018	Measurable and evidence based performance indicators 2018/2019	Measurable and evidence based performance indicators 2019/2020	Measurable and evidence based performance indicators 2020/2021	Measurable and evidence based performance indicators 2021/2022
3. To effectively support and service the human resources requirements of the organisation	To provide skills training that will ensure a highly skilled workforce	92% of training plan implemented by 31 March 2017	90% of the training plan is implemented by 31 March annually	90% of the training plan is implemented by 31 March annually	90% of the training plan is implemented by 31 March annually	90% of the training plan is implemented by 31 March annually	90% of the training plan is implemented by 31 March annually
	To assist line management in the implementation of the performance management system	Interim and final performance assessment performed timeously for March 2017	Performance agreements are drawn by 31 March and conduct bi-annual performance assessments	Performance agreements are drawn by 31 March and conduct bi-annual performance assessments	Performance agreements are drawn by 31 March and conduct bi-annual performance assessments	Performance agreements are drawn by 31 March and conduct bi-annual performance assessments	Performance agreements are drawn by 31 March and conduct bi-annual performance assessments

### Strategic objectives, performance indicators, planned targets and actual achievements

Strategic objectives	Actual achievement 2016-2017	Planned target 2017-2018	Actual achievement 2017-2018	Deviation from planned target to actual achievement for 2017-2018	Comment on deviations
3. To effectively support and service the human resources requirements of the Organisation	Achieved. 92% of the training plan was completed by the end of March 2017	90% of the training plan is implemented by 31 March annually	Achieved. 91% of the training plan was completed by the end of March 2018	1%	The 1% variance is manageable by management
	Achieved. The 1st half yearly reviews were completed in October 2016, whilst the 2nd reviews were completed in April 2017	Performance agreements are drawn by 31 March and conduct bi-annual performance assessments	Achieved. The 1st half yearly reviews were completed in October 2017, whilst the 2nd reviews were completed in April 2018	None	n/a

## Key performance indicators, planned targets and actual achievements

Outcomes: key objectives	Actions to accomplish objectives	Measurable and evidence based performance indicators 2017-2018	Actual achievement 2016-2017	Planned target 2017-2018	Actual achievement 2017-2018	Deviation: planned/ actual 2017-2018	Comment on deviations
3.1 To ensure a constant resource of skilled, talented and motivated employees to meet the Institution's needs	Implementation of effective recruitment, training and development, and performance management systems	Following plans and system in place by 31 January of each year, i.e. the recruitment system, the training and development plan and the performance management plan	1	1	1	0	n/a
3.2 Effectively manage, monitor and evaluate staff turnover	Review annual labour turnover	Report on the annual labour turnover on a monthly basis	12	12	12	0	n/a
		Annual vacancy rate below 10%	7.50%	10%	8.60%	1.40%	The 1.4% variance is manageable by management
		Review of actual positions filled against those budgeted and report thereon at the monthly management meetings	12	12	12	0	n/a
3.3 Compliance to Employment Equity legislation	1. Review the Employment Equity Plan	Report on the employment equity progress versus plan on a quarterly basis	4	4	4	0	n/a
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	1	1	1	0	n/a
		90% of Training plan and budget accomplished by 31 March of each year	92%	90%	91%	1%	Proper management of the plan ensured 91% implementation
	Provide work experience to capacitate trainees	Enroll at least 4 trainees to receive on the job work exposure	8	4	8	4	TPC created an additional 4 positions for trainees
	Bi-annual Performance Reviews for all employees	Performance Reviews completed for employees on a bi-annual basis	2	2	2	0	n/a
3.5 Ensure a stable IR operating environment	Monitor and review disciplinary and grievance matters reported	Report on disciplinary and grievance matters on a quarterly basis	4	4	4	0	n/a
	Building and maintenance of sound collaborative employee relations within the Organisation	Negotiate wage agreement annually with the Collective Bargaining Forum	1	1	1	0	n/a

## Linking performance with budgets

	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	R'000	R'000	R'000	R'000	R'000
Human Resources	2 567	1 917	651	2 458	3 104	(646)
Total	2 567	1 917	651	2 458	3 104	(646)



### 3.1.3. Sub-programme 1.3: Support Services

**A. Programme purpose** Provide infrastructural, capital and security support.

**B. Description:**

**B.1 Structure** The Support Services Department is supported by maintenance, Mayville workshop and security department.

**B.2 Departments responsible** Support Services, Mayville Workshop and Security Department

Strategic objectives/outcomes	Actions to support strategic objectives	Baseline information	Measurable and evidence based performance indicators 2017/2018	Measurable and evidence based performance indicators 2018/2019	Measurable and evidence based performance indicators 2019/2020	Measurable and evidence based performance indicators 2020/2021	Measurable and evidence based performance indicators 2021/2022
To provide functional, efficient and safe asset management	Compile a comprehensive infrastructural support and safety plan	Support and safety plan was in place at 31 March 2017. Monthly progress was reported on at the management meetings	Comprehensive infrastructural support and safety plan in place by 1 February of each year and monthly progress reporting	Comprehensive infrastructural support and safety plan in place by 1 February of each year and monthly progress reporting	Comprehensive infrastructural support and safety plan in place by 1 February of each year and monthly progress reporting	Comprehensive infrastructural support and safety plan in place by 1 February of each year and monthly progress reporting	Comprehensive infrastructural support and safety plan in place by 1 February of each year and monthly progress reporting

#### Strategic objectives, performance indicators planned, targets and actual achievements

Strategic objectives	Actual achievement 2016-2017	Planned target 2017-2018	Actual achievement 2017-2018	Deviation from planned target to actual achievement for 2017-2018	Comment on deviations
To provide functional, efficient and safe asset management	Achieved. Support and safety plans were approved by 1 February. Progress was reported on at the monthly management meetings	Comprehensive infrastructural support and safety plan in place by 1 February of each year and monthly progress reporting	Achieved. Support and safety plans were approved by 1 February. Progress was reported on at the monthly management meetings	None	n/a

#### Key performance indicators, planned targets and actual achievements

Outcomes: key objectives	Actions to accomplish objectives	Measurable and evidence based performance indicators 2017-2018	Actual achievement 2016-2017	Planned Target 2017-2018	Actual achievement 2017-2018	Deviation: planned/ actual 2017-2018	Comment on deviations
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 31 January of each year	Signed written master maintenance plan and monthly departmental meeting minutes	10	10	10	0	n/a
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 source funding for capital expenditure projects	Annual capital funding expenditure Plan by 31 January of each year	1	1	1	0	n/a
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 31 March	1	1	1	0	n/a
		Quarterly health and safety meetings with recorded minutes	4	4	4	0	n/a
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	1	1	1	0	n/a

## Linking performance with budgets

	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	R'000	R'000	R'000	R'000	R'000
Support Services	27 164	23 676	3 488	26 357	22 515	3 842
<b>Total</b>	<b>27 164</b>	<b>23 676</b>	<b>3 488</b>	<b>26 357</b>	<b>22 515</b>	<b>3 842</b>

## 3.2 Programme 2: Business Development

### 3.2.1 Sub-programme 2.1: Arts, Marketing and Technical Services

**A. Programme purpose** Produce and present productions, concerts and arts events of various genres

**B. Description:**

**B.1. Structure** Arts Department responsible for artistic and administration processes  
Marketing Department responsible for communications and sales  
Technical Department responsible for technical staging

**B.2. Departments responsible** The Arts, Marketing and Technical Departments

Strategic objectives/outcomes	Actions to support strategic objectives	Baseline information	Measurable and evidence based performance indicators 2017/2018	Measurable and evidence based performance indicators 2018/2019	Measurable and evidence based performance indicators 2019/2020	Measurable and evidence based performance indicators 2020/2021	Measurable and evidence based performance indicators 2021/2022
To produce and present diverse shows that have artistic, entertainment and educational value	Develop an Annual Arts Plan that includes both professional and developmental productions	Arts plan for year ended 31 March 2017 finalised by 31 January 2016	Finalised Annual Arts Plan in place by 28 February	Finalised Annual Arts Plan in place by 28 February	Finalised Annual Arts Plan in place by 28 February	Finalised Annual Arts Plan in place by 28 February	Finalised Annual Arts Plan in place by 28 February

### Strategic objectives, performance indicators, planned targets and actual achievements

Strategic objectives	Actual achievement 2016-2017	Planned target 2017-2018	Actual achievement 2017-2018	Deviation from planned target to actual achievement for 2017-2018	Comment on deviations
To produce and present professional and developmental productions	Achieved. The Annual Arts Plan was finalised by 31 January	Finalised Annual Arts Programme by 31 January	Achieved. The Annual Arts Plan was finalised by 31 January	None	n/a

## Key performance indicators, planned targets and actual achievements

Outcomes: Key objectives	Actions to accomplish objectives	Measurable and evidence based performance indicators 2017-2018	Actual achievement 2016-2017	Planned target 2017-2018	Actual achievement 2017-2018	Deviation: planned/actual 2017-2018	Comment on deviations	
1.1 To produce and present shows that have artistic, entertainment and educational value (subject to available funding)	Develop an Annual Arts Programme (AAP)	Finalized Annual Arts Programme by 31 January, it will include the following:	1	1	1	0	n/a	
	Implement the Annual Arts Programme by 31 March annually	a) Indigenous performing arts		2	2	2	0	n/a
		b) New Stages		8	3	7	4	Additional productions presented due to high demand from audiences and artists
		c) SA Women's Arts Festival		11	10	10	0	n/a
		d) Schools Programmes		2	2	3	1	Additional productions presented due to high demand from schools
		e) Test Driving the Arts		14	11	14	3	3 additional unplanned concerts presented during our SAWAF and Festive Seasons
		f) Festive Season		3	2	2	0	n/a
		g) In-Association Productions and Events		28	12	15	3	Opportunities arose to assist additional arts practitioner/ producers at no additional expense
		h) Community Arts Mentorship Programme		1	1	1	0	n/a
		i) Outside Hire Production and Events		77	35	75	40	Demand for the venues exceeded expectation
		j) Mobile Stage		54	40	85	45	Opportunities arose to present more performances on the mobile stage at various schools
k) Sundowners		17	10	24	14	Additional performances presented in the month of May in order to hype the existing programmes		
1.2 Ensure equity in our artistic programming	AAP to ensure that at least 80% of previously marginalised groups participate annually	Artistic panel and peer review process to ensure that minimum of 80% of previously marginalised groups participate annually	93%	80%	93%	13%	The additional productions presented enabled us to increase the reach to previously marginalised groups	
1.3 To position and strengthen The Playhouse Company brand, market inhouse productions and develop production sponsorship partnerships	Secure partnerships with media houses	Secured in kind sponsorships to a value no less than R250 000 per annum	R425 277	R250 000	R348 308	R98 308	The Playhouse Company received unprecedented support from service providers	
	Develop marketing campaigns for various activities at The Playhouse Company	Marketing plan in place by 31 January annually	1	1	1	0	n/a	
	To strengthen relationships/partnerships with relevant stakeholders	Stakeholder management plan in place by 31 January annually	1	1	1	0	n/a	

Outcomes: Key objectives	Actions to accomplish objectives	Measurable and evidence based performance indicators 2017-2018	Actual achievement 2016-2017	Planned target 2017-2018	Actual achievement 2017-2018	Deviation: planned/actual 2017-2018	Comment on deviations
1.4 Ensure effective audience development through implementation of the artistic programme	Audience attendance of at least 250 000 per annum (paying and non-paying audience)	Audience attendance and sales report to reflect attendance of at least 250 000 per annum (Paying and non-paying)	251 502	250 000	261 530	11 530	The presentation of a successful festive season production as well as the schools programme contributed to exceeding our target
	Paying audience attendance of at least 43 188 per annum.	Audience attendance and sales report to reflect paying attendance of at least 45 000 per annum	109 181	45 000	72 642	27 642	Box offices demand exceeded expectation
1.5 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 monthly maintenance report with evidence-based improvement is in place for all venues and resources, Sound, Lighting, Wardrobe and Recording Studio	12	12	12	0	n/a
1.6 To deliver high quality customer service at Front of House	Conduct on-going customer surveys	Report on Annual Satisfaction Survey monthly	12	12	12	0	n/a

### Linking performance with budgets

	2016/2017			2015/2016		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	R'000	R'000	R'000	R'000	R'000
1. Arts and Technical Services	36 833	29 542	7 291	34 949	32 094	2 855
<b>Total</b>	<b>36 833</b>	<b>29 542</b>	<b>7 291</b>	<b>34 949</b>	<b>32 094</b>	<b>2 855</b>

### 3.3. Programme 3: Revenue

**A. Programme purpose** Generate secondary revenue.

**B. Description:**

**B.1 Structure** The Finance Department is responsible for investment income, the Arts Department for production related income and the Support Services Department for rental, costume, sets and props income.

**B.2 Departments responsible** Finance, Arts and Support Services Departments

Strategic objectives/outcomes	Actions to support strategic objectives	Baseline information	Measurable and evidence based performance indicators 2017/2018	Measurable and evidence based performance indicators 2018/2019	Measurable and evidence based performance indicators 2019/2020	Measurable and evidence based performance indicators 2020/2021	Measurable and evidence based performance indicators 2021/2022
To optimise the institution's revenue streams.	Collate and align infrastructural funding resources and institutional needs from various streams into the annual budget	The finalised budget incorporating the funding streams was approved by Council by 31 January 2017	Finalised budget incorporating funding streams by 31 January	Finalised budget incorporating funding streams by 31 January	Finalised budget incorporating funding streams by 31 January	Finalised budget incorporating funding streams by 31 January	Finalised budget incorporating funding streams by 31 January

## Strategic objectives, performance indicators planned, targets and actual achievements

Strategic objectives	Actual achievement 2016-2017	Planned target 2017-2018	Actual achievement 2017-2018	Deviation from planned target to actual achievement for 2017-2018	Comment on deviations
To optimise the Institution's revenue streams	Achieved. Finalised budget incorporating funding streams were included in the budget which was approved by Council in January	Finalised budget incorporating funding streams by 31 January	Achieved. Finalised budget incorporating funding streams were included in the budget which was approved by Council in January	None	n/a

## Key performance indicators, planned targets and actual achievements

Outcomes: key Objectives	Actions to accomplish objectives	Measurable and evidence based performance indicators 2017-2018	Actual achievement 2016-2017	Planned target 2017-2018	Actual achievement 2017-2018	Deviation: planned/ actual 2017-2018	Comment on deviations
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 31 January of each year	2	2	2	0	n/a
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%	Yes	Yes	Yes	0	n/a
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	Outside theatre hires to achieve 90% of budgeted revenue annually	245%	90%	546%	456%	Demand for the venues exceeded expectation
5.4 Costumes, sets and props	Ensure the proactive drive in the hire of office space, costumes, sets and props meets the budgeted targets established	Tenants, costumes, sets and props hire to achieve 75% of budgeted revenue annually	99%	75%	85%	10%	Demand for office space, costumes, sets and props exceeded demand when compared to prior years
5.5 Box office	Ensure the revenue generated from ticket sales meets the budgeted targets established	Ticket sales to achieve 90% of budgeted revenue annually	294%	90%	110%	20%	Box offices demand exceeded expectation
5.6 Sponsorship income	Ensure the revenue generated from sponsorship meets the budgeted targets established	Sponsorship to achieve 90% of budgeted revenue annually	100%	90%	100%	10%	Achieved 100% of sponsorship budget

## Linking performance with budgets

	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue consolidation	14 140	15 549	(1 409)	14 363	20 956	(6 593)
<b>Total</b>	<b>14 140</b>	<b>15 549</b>	<b>(1 409)</b>	<b>14 363</b>	<b>20 956</b>	<b>(6 593)</b>

## 4. SUMMARY OF FINANCIAL INFORMATION

### 4.1. Revenue collection

	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	R'000	R'000	R'000	R'000	R'000
Grants – Operational	58 012	58 762	(750)	52 323	54 602	(2 279)
Grants – Capital	1 770	5 298	(3 528)	13 818	20 454	(6 636)
Finance income	7 104	7 389	(285)	7 003	7 805	(802)
Production income	2 755	3 043	(287)	2 624	7 710	(5 086)
Rentals	449	476	(28)	427	569	(142)
Costume, décor & props hire	579	437	142	551	485	67
Sundry income	1 097	2 095	(998)	1 258	1 888	(630)
Recording Studio	221	173	47	0	0	0
Sponsorship income	1 936	1 936	0	2 499	2 499	0
<b>Total</b>	<b>73 922</b>	<b>79 609</b>	<b>(5 687)</b>	<b>80 504</b>	<b>96 012</b>	<b>(15 508)</b>

### 4.2. Programme expenditure

Programme name	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	R'000	R'000	R'000	R'000	R'000
Arts and technical services	36 833	29 542	7 291	34 949	32 094	2 855
Corporate governance and finance	13 595	13 016	578	13 106	10 963	2 143
Human resources	2 567	1 917	651	2 458	3 104	(646)
Support services	27 164	23 676	3 488	26 357	22 515	3 842
<b>Total</b>	<b>80 160</b>	<b>68 151</b>	<b>12 009</b>	<b>76 871</b>	<b>68 677</b>	<b>8 194</b>

Infrastructure projects	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	R'000	R'000	R'000	R'000	R'000
Office equipment	890	760	130	768	297	471
Computer equipment	346	652	(307)	225	1 289	(1 064)
Buildings	19 999	11 125	8 874	26 902	11 048	15 854
Stage and other equipment	2 510	1 069	1 441	26 662	21 028	5 634
Motor vehicles	500	467	33	0	0	0
<b>Total</b>	<b>24 244</b>	<b>14 074</b>	<b>10 170</b>	<b>54 558</b>	<b>33 662</b>	<b>20 895</b>



# Part C

## GOVERNANCE

### 1. INTRODUCTION

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Corporate governance embodies processes and systems by which The Playhouse Company is directed, controlled and held to account. In addition to legislative requirements based on The Playhouse Company's enabling legislation, corporate governance with regard to The Playhouse Company is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

The Playhouse Company did not have any meetings with the Portfolio Committee on Arts And Culture.

### 2. THE COUNCIL

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#### 2.1. Functions of the Council

The functions of the Council are:

- To formulate policy;
- To hold, preserve and safeguard all movable and immovable property of whatever kind placed in their care, loaned or belonging to The Playhouse Company;
- To receive, hold, preserve and safeguard all specimens and collection of all other movable property placed under its care and management under Section 10 of the CI Act 10(1);
- To raise funds for The Playhouse Company;
- To manage and control the monies received by The Playhouse Company and to utilise those monies for defraying expenses in connection with the performance of its functions;
- To keep a proper record of the property of The Playhouse Company, and to submit to the Director-General any returns required by him or her in regard thereto and to cause proper books of account to be kept;
- To determine and substitute the CI Act and with the approval of the Minister, the object of the declared institution; and
- To generally carry out the objects of the declared institution.

Council may determine the hours and conditions to which the public may visit The Playhouse Company.

The Council shall have the power to appoint such persons as it considers necessary to perform the functions of The Playhouse Company. The determination of the remuneration and terms and conditions of service shall be in accordance with the scheme approved by the Minister in consultation with the Minister of Finance.



## Composition of the Old Board – Term ended on 30 November 2017

Name	Date appointed	Qualifications	Area of expertise	Total number of meeting attended	Amounts paid and/or accrued (R)
Ms Hlengiwe Christophina Mgabadelo <i>Chairperson of Council</i>	1-12-2014	BA Social Work, Honours in Sociology	Public Service and Administration	10	15 310
Mr Sathie Gounden	1-12-2014	CA (SA)	Finance, risk management corporate governance and audit	2	2 456
Ms Fikile Eunice Khumalo	1-12-2014	Labour Relations, Social Security	Labour, trade and industry, social development	4	3 492
Ms Khwezi BL Kunene	1-12-2014	BSc Property Development	Quantity surveying, contracts management	3	0
Mr Nathi Mbele	1-12-2014		Social and economic development, textile and information communication technology expert	4	4 656
Ms Siphesihle Ndlela	1-12-2014	BA Communications (UNISA) Hotel Management (ND) Durban Hotel School	Client and media liaising, promotions and marketing	4	4 656
Ms Linda Zama	1-04-2016	BA, LLB degrees	Law, governance and administration	1	0
Mr Clive Mlungisi Mancini	1-10-2016	Senior Executive Programme-Africa, Postgraduate Diploma Business Management, Mergers and Acquisitions, Corporate Restructuring, Mergers and Acquisitions, Finance for Non-financial Managers	Entrepreneur	3	0
Mr Sadhasivan Naidoo	1-10-2016	BA; BAdmin; BAdmin (Honours) Industrial Psychology	Tourism, Entrepreneurship and Human Resource Development	5	5 820

## Old Committees – Term ended on 30 November 2017

Members	Finance & Procurement Committee	Audit & Governance Committee	Human Resources Committee	Arts & Fund raising Committee
Ms Hlengiwe Mgabadelo				
Mr Sathie Gounden		✓		
Ms Fikile Khumalo			✓	✓
Ms Khwezi Kunene	✓		✓	
Mr Nathi Mbele				✓
Ms Siphesihle Ndlela	✓			✓
Ms Linda Zama		✓		
Mr Mlu Mancini	✓			✓
Mr Sadha Naidoo			✓	✓

## Composition of the New Board – Appointed on 1 December 2017

Name	Date appointed	Qualifications	Area of expertise	Total number of meeting attended	Amounts paid and/or accrued (R)
Ms Hlengiwe Christophina Mgabadelo <i>Chairperson of Council</i>	1-12-2017	BA Social Work; Honours in Sociology	Public service and administration	4	6 124
Mr Sathie Gounden	1-12-2017	CA (SA)	Finance, risk management corporate governance and audit	2	2 456
Ms Siphesihle Ndlela	1-12-2017	BA Communications (UNISA); Hotel Management (ND) Durban Hotel School	Client and media liaising, promotions and marketing	1	1 228
Ms Linda Zama	1-12-2017	BA; LLB degrees	Law, governance and administration	0	0
Mr Sadhasivan Naidoo	1-12-2017	BA; BAdmin; BAdmin (Honours) Industrial Psychology	Tourism, entrepreneurship and human resource development	0	0
Mr Abia Litheko	1-12-2017			2	2 456
Ms Thandeka Mngadi	1-12-2017	BA Humanities; MA Humanities	BA Humanities, MA Humanities. Administration and Human Resource Management	2	2 456
Mr Phumzile Moseha Apleni	1-12-2017	Desktop Publishing Certificate: Management Development Programme (University of Stellenbosch - Business School -s Executive Development); Certificate: International Business Ethics & Leadership (University of Stellenbosch Business School/Wittenberg Centre For Global Ethics-Wittenberg University), Germany	Business Leadership, Business Ethics and Communication	0	0
Mr Bernard Jay	1-12-2017	Arts Council of Great Britain Bursaries for Study: Theatre Administration in the UK; Children's Theatre in Leningrad, USSR	Theatre Administration, Theatre Production, Marketing, Governance, Global Network	2	2 456

## Committees of the New Board – Appointed on 1 December 2017

Members	Finance & Procurement Committee	Audit & Governance Committee	Human Resources Committee	Arts & Fund Raising Committee
Ms Hlengiwe Christophina Mgabadelo				
Mr Sathie Gounden	✓		✓	
Ms Siphesihle Ndlela	✓			✓
Ms Linda Zama		✓		
Mr Sadhasivan Naidoo		✓		
Mr Abia Litheo	✓		✓	
Ms Thandeka Mngadi			✓	✓
Mr Phumzile Moseha Apleni			✓	✓
Mr Bernard Jay	✓			✓

### 3. RISK MANAGEMENT

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The Playhouse Company has in place a risk management policy that guides the process of risk identification and management. The policy is reviewed annually. The management of risk is the process by which the Accounting Officer, Chief Financial Officer and other senior management of The Playhouse Company pro-actively, purposefully and regularly identify and define current as well as emerging business, financial and operational risks, and identify appropriate business and cost-effective methods of managing these risks.

Effective risk management is imperative to The Playhouse Company to fulfil its mandate in line with the service delivery expectations of the public and the performance expectations of DAC.

The risk register is reviewed annually after an intense risk identification session with management and all governance structures. The risk register is used to pave the way for the three-year internal audit rolling plan which is reviewed and approved by the Audit and Governance Committee and Council.

The progress on control improvements for risks identified is monitored at the monthly management meetings.

### 4. INTERNAL CONTROL UNIT

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The internal control is a responsibility of each individual manager. We have policies and procedures which are used to prescribe internal controls, the policies are reviewed annually to ensure they are up to date in terms of laws and regulations. Management uses the findings of the auditors on internal controls to improve the internal controls.

### 5. INTERNAL AUDIT FUNCTION

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The Playhouse Company has in place an Internal Audit Charter that is reviewed annually.

The Internal Audit Charter was drawn up in order to define the organisational status, objectives, authority and responsibility of the outsourced internal audit function. The internal audit function is driven by the provisions of Section 3.2 of the Treasury Regulations and Section 38(1)(a)(i) and 76(4)(e) of the PFMA and is key to underpinning governance within The Playhouse Company.

The primary objective of the internal audit function at The Playhouse Company is to provide independent assurance and advice on the internal control systems, risk management and government processes, as well as operations and performance of The Playhouse Company in terms of prevailing laws, regulations and policies.

Summary of engagements concluded during the financial year in line with the approved internal audit coverage plan:

1. Performance management system (PMS) review
2. Supply chain management – Contracts
3. Pay as you earn (PAYE) review
4. Information Technology General Controls Review
5. Revenue process review (External hirers)
6. Follow up review of issues previously raised

The existing internal auditor's term of engagement ended on 31 March 2018. The Playhouse Company went out on tender and the new service provider was appointed in April 2018 on a 3 year contract.

## 6. AUDIT AND GOVERNANCE COMMITTEE

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The Playhouse Company has in place an Audit & Governance Committee Charter that is reviewed annually.

The primary objective of the Audit and Governance Committee is to assist the Council in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control process and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

The Audit and Governance Committee:

1. Oversee, co-ordinate and appraise the quality of audits conducted both by the institution's external and internal auditors;
2. Maintain, by scheduling regular meetings, open lines of communication among the Council, the internal and external auditors to exchange views and information, as well as confirm their respective authority and responsibilities;
3. Serve as an independent and objective party to review the financial information presented by management;
4. Review the adequacy of the reporting and accounting controls in place; and
5. Provide an open avenue for communication between the internal auditors and external auditors and the Council.

## 7. COMPLIANCE WITH LAWS AND REGULATIONS

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The Playhouse Company, in terms of Section 4 of the Cultural Institutions Act, constitutes a corporate body and accordingly, The Playhouse Company, the Council and all members are required to comply with the principles of good corporate governance and all laws and regulations.

The Playhouse Company management reports on compliance with laws and regulations on a quarterly basis. The PFMA checklist is compiled and any noncompliance is reported to Council and its subcommittees.

## 8. FRAUD AND CORRUPTION

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The Playhouse Company has in place a fraud prevention plan. The plan is reviewed annually. The plan recognises basic fraud prevention initiatives within The Playhouse Company.

The primary objectives of the plan are to:

1. Provide guidelines in preventing, detecting and reporting fraudulent activities;
2. Create a culture where all employees and stakeholders continuously behave ethically in their dealings with or on behalf of The Playhouse Company;
3. Encourage all employees and stakeholders to stride towards the prevention and detection of fraud impacting or having the potential to impact on The Playhouse Company;
4. Encourage all employees and stakeholders to report suspicions of fraudulent activity without fear of reprisals or recriminations; and
5. Provide a focus point for the allocation of accountability and authority.

## 9. MINIMISING CONFLICT OF INTEREST

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Management and finance staff complete an annual declaration of interest form. Management and staff are encouraged to update the form as and when there is a change in circumstances.

The Playhouse Company has in place an Ethics Policy that guides employees on instances where there is a potential conflict of interest.

## 10. CODE OF CONDUCT

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The Playhouse Company has in place an Ethics Policy and a Code of Conduct Policy that guides employees on their code of conduct in the workplace.

The Code of Conduct Policy is displayed on notice boards throughout The Playhouse Company.

In deciding on a course of action and determining what constitutes ethical behaviour, employees should consider and be guided by:

- Policies of the company;
- Laws of the country;
- Universally acceptable behaviour and standard practices; and
- Their own morals and values.

If any action or potential action transgresses any of the above, it is likely that it will be considered unethical behaviour.

Where it is found that the staff member has breached the Ethics Policy and/or the Code of Conduct Policy, the normal human resources grievance and disciplinary procedures will be followed.

## 11. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

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The Playhouse Company annually performs an assessment of compliance to health and safety regulations. The outcome of the investigation informs The Playhouse Company on the relevant improvement actions to implement.

Compliance with the health and safety regulations forms one of the key performance indicators in the Support Services Manager's annual performance plan.

The Playhouse Company is fully compliant with all health and safety regulations.

## 12. SOCIAL RESPONSIBILITY

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The mission of The Playhouse Company is to advance, promote and preserve the performing arts by staging productions with entertainment and educational values to diverse audiences.

The Playhouse Company sees its mission as its social responsibility.

The Playhouse Company's arts programme is geared to deliver on its social responsibility.

Among all the programmes geared to social responsibility, the mobile stage is used to take the outreach programmes to the outlying rural areas where people do not have access to the theatre to see staged performances. Some of these people see a live performance on a stage for the first time and are overwhelmed.

The mobile stage is also used to showcase the schools' set works in the rural areas. In excess of 74 000 school children had the opportunity to see a live performance of the school set work on stage. These children would otherwise not have had the opportunity to see a staged performance.

# 13. AUDIT COMMITTEE REPORT

The Audit and Governance Committee (the Committee), presents its report for the financial year end 31 March 2018.

## Audit and Governance Committee members and attendance

The Committee consists of the five members listed below and is required to meet at least four times per year as per its approved terms of reference. During the current year, four meetings were held.

### Old Committee term ended on 30 November 2017

Name	Qualifications	Internal or External	Date Appointed
Judge Leona Valerie Theron	Master of Law, Bachelor of Laws and Bachelor of Arts	External – Chairperson of the Audit and Governance Committee	10 April 2015
Ms Charmaine Jugnarayan	CA (SA), RA	External	10 April 2015
Ms Noluthando Lungile Radebe	CA (SA), RA	External	24 July 2015
Mr Sathie Gounden	CA (SA), RA	Internal	1 December 2014
Ms Linda Zama	BA, LLB degree	Internal	1 April 2016

### Committees of the New Board – Appointed on 1 December 2017

Name	Qualifications	Internal or External	Date Appointed
Ms Linda Zama	BA, LLB degree	Internal	23 February 2018
Mr Sadhasivan Naidoo	BA; BAdmin; BAdmin (Honours) Industrial Psychology	Internal	23 February 2018

## Audit and Governance Committee responsibility

The Committee reports that it has complied with its responsibilities arising from Section 38 (1)(a) of the Public Finance Management Act No. 1 of 1999 and Treasury Regulations 3.1. The Committee 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 its responsibilities as contained therein. The charter is reviewed annually and adopted by the Committee on approval by the Accounting Authority.

## Internal audit

The Committee co-ordinates and monitors the activities of the Internal Audit function. Through this, the Committee is able to report on the effectiveness of the Internal Audit. The Internal Audit function was outsourced and operational for the financial year under review.

The Committee considered the updated risk register based on the risk management framework and policy adopted by the Accounting Authority. The Committee reviewed and approved the risk based three-year rolling Internal Audit plan.

The Committee is satisfied with the effectiveness of the Internal Audit function.

## Effectiveness of internal controls

The Committee assessed the effectiveness of the internal controls and reviewed the risk assessment process, as follows:

- Attended risk assessment workshop with all key stakeholders;
- Considered the effectiveness of the company risk assessment processes as ongoing by Management;
- Monitored the follow-up process on all findings by the auditors to ensure findings are dealt with and addressed at root causes;

- Sought assurance from Management that action is being taken on related issues identified by the auditors; and
- Provided guidance and advice to Management and the Accounting Authority over strengthening risk management processes and performance information when we reviewed the quarterly reports.

The Committee reviewed the Internal Audit reports, where there were weaknesses identified within the Company, and considered the adequacy of management responses to ensure the risk exposure is reduced and there is continuous improvement within the control environment.

The Committee is satisfied that the Company is continually focused on maintaining effective levels of internal controls.

The Committee concurs with auditors that internal controls were reasonably effective and reliable and any matters reported by internal auditors during the year did not indicate any significant or material deficiencies.

The administration of monthly/quarterly reports submitted in terms of the PFMA and Division of Revenue Act was satisfactory according to monitoring and internal audit results.

### **In-year management and Monthly/Quarterly Report**

The Playhouse Company has submitted the monthly reports to FINCO and the Audit and Governance Committees timeously and has submitted the quarterly reports to the Department of Arts and Culture as is required by the PFMA.

### **Evaluation of financial statements**

The Committee has:

- Reviewed the quarterly reports, including financial statements, to ensure consistency and accuracy of information;
- Considered the appropriateness, adoption and consistent application of the South African Statement of Generally Recognised Accounting Practices adopted by the Accounting Authority;
- Considered the quality and timeliness of the financial information available to the Committee for oversight purposes during the year;
- Reviewed the financial statements of the Company for the year ended 31 March 2018 and is satisfied that they comply with relevant provisions of the Public Finance Management Act and the South African Statement of Generally Recognised Accounting Practices;
- Reviewed the Auditor-General's Management Report and Management's response; and
- Reviewed the Auditor-General's Audit Report and noted that there were no findings in the financial statements and performance information.

### **Auditor's Report**

The Committee is pleased to report that the Company has received an unqualified clean audit report.

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 congratulates the Council and Management on their countless efforts and commitment in obtaining an unqualified clean audit report from the Auditor-General for five consecutive years. The Committee is grateful for the support received from the Council and Management.



**Our Story Magic**



# Part D

## HUMAN RESOURCE MANAGEMENT

### 1. HUMAN RESOURCE OVERSIGHT STATISTICS

#### Personnel cost by programme

Programme	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee (R'000)
–	91 274	33 428	37%	85	393

#### Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top management	2 031	7%	1	2 031
Senior management	1 430	5%	1	1 430
Professional qualified	5 489	18%	9	610
Skilled	11 559	37%	33	350
Semi-skilled	10 659	34%	41	260
Unskilled	–	–	0	–
<b>TOTAL</b>	<b>31 168</b>	<b>100%</b>	<b>85</b>	<b>367</b>

#### Training costs

Directorate/ Business Unit	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	No. of employees trained	Avg training cost per employee
–	33 428	293	1%	118	3 000

#### Employment and vacancies

Programme	2016/2017 no. of employees	2017/2018 approved posts	2017/2018 no. of employees	2017/2018 vacancies	% of vacancies
–	86	93	85	8	8.6%

Programme	2016/2017 No. of employees	2017/2018 Approved posts	2017/2018 No. of employees	2017/2018 Vacancies	% of vacancies
Top management	1	1	1	0	0
Senior management	1	1	1	0	0
Professional qualified	10	12	9	3	25%
Skilled	33	37	33	4	10.8%
Semi-skilled	41	42	41	1	2.3%
Unskilled	0	0	0	0	0
<b>TOTAL</b>	<b>86</b>	<b>93</b>	<b>85</b>	<b>8</b>	<b>8.6%</b>

#### Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	1	0	0	1
Senior management	1	0	0	1
Professional qualified	10	1	2	9
Skilled	33	4	4	33
Semi-skilled	41	2	2	41
Unskilled	0	0	0	0
<b>Total</b>	<b>86</b>	<b>7</b>	<b>8</b>	<b>85</b>

## Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	0
Resignation	5	62.5%
Dismissal	1	12.5%
Retirement	2	25%
Ill health	0	0
Expiry of contract	0	0
Other	0	0
<b>Total</b>	<b>8</b>	<b>100%</b>

## Labour relations: misconduct and disciplinary action

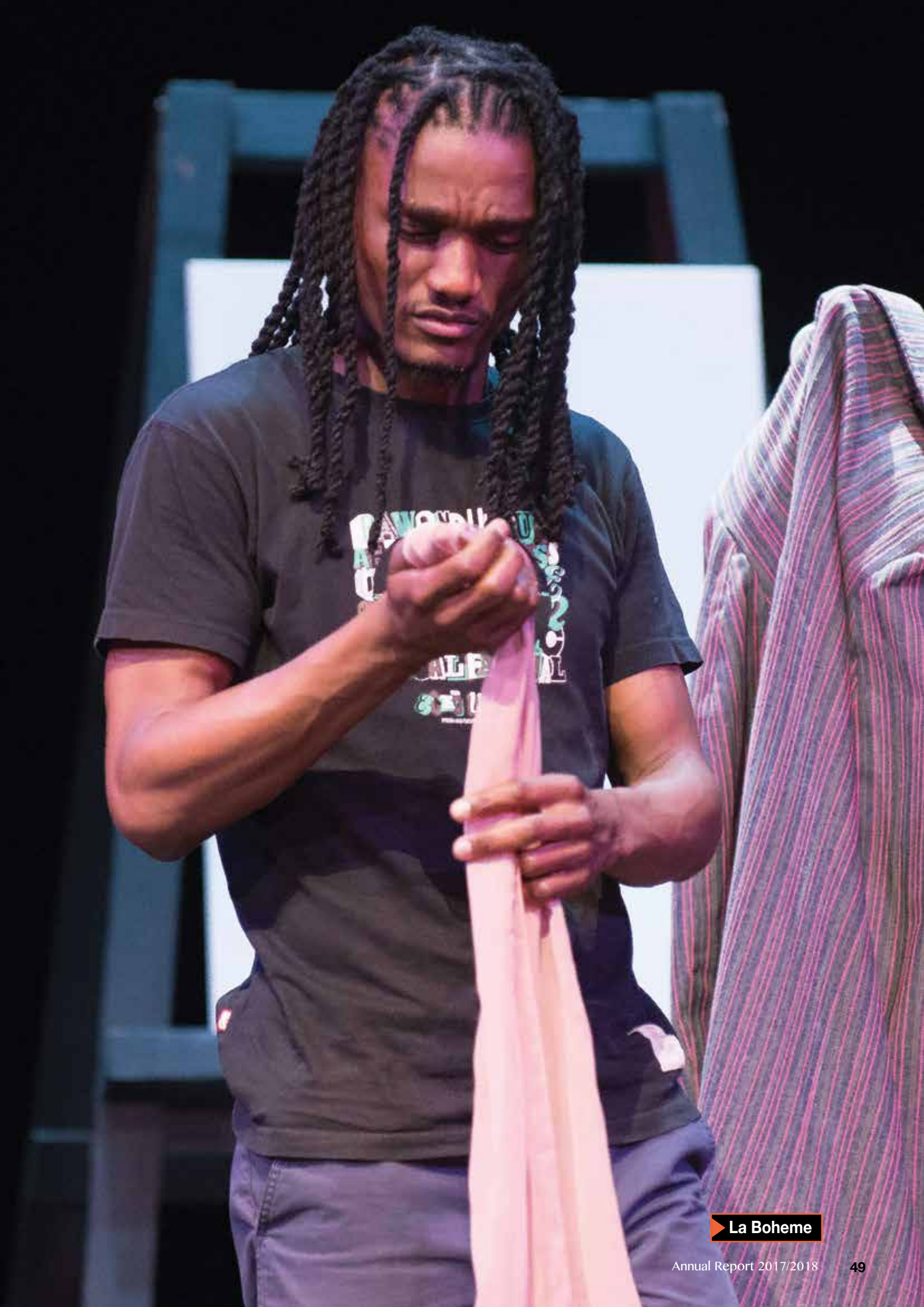
Nature of disciplinary action	Number
Verbal warning	0
Written warning	4
Final written warning	0
Dismissal	1

## Equity target and employment equity status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	1	1	0	0
Professional qualified	3	3	0	1	2	1	1	1
Skilled	19	20	1	1	2	2	2	3
Semi-skilled	19	22	0	0	4	4	1	1
Unskilled	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>41</b>	<b>45</b>	<b>1</b>	<b>2</b>	<b>9</b>	<b>8</b>	<b>4</b>	<b>5</b>

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0
Professional qualified	1	2	0	0	1	1	1	1
Skilled	7	9	1	1	0	0	1	1
Semi-skilled	11	10	2	1	4	4		2
Unskilled	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>20</b>	<b>22</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>2</b>	<b>4</b>

Levels	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



# Part E

## FINANCIAL INFORMATION

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

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The Council is responsible for the preparation of The Playhouse Company's Annual Financial Statements and for the judgements made in this information.

The Council is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the Annual Financial Statements.

In my opinion, the financial statements fairly reflect the operations of The Playhouse Company for the financial year ended 31 March 2018.

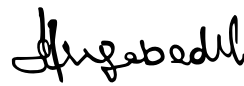
The Auditor-General is engaged to express an independent opinion on the Annual Financial Statements of The Playhouse Company.

The Playhouse Company's Annual Financial Statements for the year ended 31 March 2018 have been audited by the Auditor-General and their report is presented on page 52.

The Annual Financial Statements of The Playhouse Company set out on pages 55 to 80 have been approved.



**Ms Linda Bukhosini**  
**Chief Executive Officer and Artistic Director**  
Date: 31 July 2018



**Ms Hlengiwe Christophina Mgabadel**  
**Council Chairperson**  
Date: 31 July 2018

## 2. REPORT OF THE CHIEF EXECUTIVE OFFICER AND ARTISTIC DIRECTOR

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### Financial performance

#### Revenue

Total revenue decreased by 17% from R104m to R87m.

- The decrease was mainly attributable to a reduction in the capital income recognised in terms of GRAP 23 - Revenue from Non-Exchange Transactions Taxes and Transfers.

#### Operating expenses

Operating expenses remained the same as the prior year at R91m.

#### Deficit for the year

The Deficit of R 4.8m for the 2018 year takes into account the decrease in box office income.

### Financial position

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

- The decrease in non-current assets by R2m is primarily due to increased depreciation charges raised on assets.
- Current assets decreased by R6m and this were primarily as a result of a decrease in cash and cash equivalents.
- Current liabilities decreased by R0.5m.
- This decrease in non-current liabilities by R4m is primarily due to utilisation of deferred income.

### Cash flows

Cash and cash equivalents decreased by R7m from R97m to R90m. Cash inflows from operating activities of R7m was offset by cash outflows from investing activities of R14m.

### 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.



**Ms Linda Bukhosini**

**Chief Executive Officer and Artistic Director**

### 3. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE PLAYHOUSE COMPANY

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#### Report on the Audit of the Financial Statements

##### Opinion

1. I have audited the financial statements of The Playhouse Company set out on pages 55 to 80, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of financial performance actual versus budget for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of The Playhouse Company as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

##### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

##### Responsibilities of the council, which constitutes the accounting authority, for the financial statements

6. The council, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the council, which constitutes the accounting authority, determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the council, which constitutes the accounting authority, is responsible for assessing The Playhouse Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the council, which constitutes the accounting authority, either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

##### Auditor-General's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

#### Report on the Audit of the Annual Performance Report

##### Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

### 3. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE PLAYHOUSE COMPANY (CONTINUED)

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2 - Business Development	32-34
Programme 3 - Revenue Consolidation	34-35

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programmes.

#### Other matter

15. I draw attention to the matter below.

#### Achievement of planned targets

16. The annual performance report on pages 27 to 36 contains information on the achievement of planned targets for the year and explanations provided for the overachievement of a significant number of targets.

### Report on audit of compliance with legislation

#### Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

### Other information

19. The council, which constitutes the accounting authority, is responsible for the other information. The other information comprises the information included in the annual report, which includes the report of the chief executive officer and artistic director and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
23. Based on reading the other information, I have nothing to report in this regard.

### Internal control deficiencies

24. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
25. I did not identify any significant deficiencies in internal control.

*Auditor-General*

Pietermaritzburg  
23 July 2018



### 3. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE PLAYHOUSE COMPANY (CONTINUED)

#### Annexure – Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the entity's compliance with respect to the selected subject matters.

##### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
  - obtain an understanding of internal control relevant to the audit 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
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
  - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Playhouse Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease continuing as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

##### Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.



## 4. ANNUAL FINANCIAL STATEMENTS

### Statement of Financial Position

	Notes	March 2018 R	March 2017 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Heritage assets	2,1	88 330 000	88 330 000
Property, plant and equipment	2,2	100 931 342	102 747 781
Intangible assets	2,3	407 588	799 076
<b>Current assets</b>			
		92 306 758	98 640 508
Inventories	3	605 240	536 877
Trade and other receivables	4	1 882 179	1 366 265
Cash and cash equivalents	5	89 819 339	96 737 366
<b>Total Assets</b>		<b>281 975 688</b>	<b>290 517 365</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income	6	10 885 416	15 163 799
<b>Current liabilities</b>			
Payable from exchange transactions	7	9 071 175	8 584 395
<b>Total liabilities</b>		<b>19 956 591</b>	<b>23 748 194</b>
<b>Net assets</b>			
Accumulated surplus		262 019 097	266 769 171
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>281 975 688</b>	<b>290 517 365</b>

## Statement of Financial Performance

	Notes	March 2018 R	March 2017 R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
		<b>13 613 831</b>	<b>18 456 646</b>
Services facilities and equipment	8	6 231 997	10 651 556
Interest received - Investments		7 381 834	7 805 090
<b>Revenue from non-exchange transactions</b>			
		<b>72 910 276</b>	<b>85 252 438</b>
Grants	9	64 060 384	75 055 947
Donations and sponsorships (productions)		1 936 000	2 499 102
Services in kind		6 913 892	7 697 389
<b>Total Revenue</b>		<b>86 524 107</b>	<b>103 709 084</b>
<b>Less : Expenditure</b>			
		<b>91 274 181</b>	<b>91 139 810</b>
Cleaning		2 026 624	1 766 696
Depreciation & amortisation	10	16 209 570	14 765 879
Electricity		4 019 483	4 320 335
Employee related costs	11	33 428 138	33 477 686
General Expenses	12	8 836 728	8 068 735
Maintenance expenditure	13	2 359 785	1 418 058
Production expenditure	14	14 223 989	16 539 383
Rates and Taxes		6 913 892	7 697 389
Security costs		3 255 972	3 085 649
<b>(Deficit)Surplus for the year</b>	15	<b>(4 750 074)</b>	<b>12 569 274</b>

## Statement of Changes in Net Assets

	Notes	March 2018 R	March 2017 R
<b>Opening accumulated surplus as previously reported</b>		266 769 171	254 199 897
(Deficit) Surplus for the year		(4 750 074)	12 569 274
<b>Closing accumulated surpluses</b>	16	<b>262 019 097</b>	<b>266 769 171</b>

## Statement of Cash Flows

	Notes	March 2018 R	March 2017 R
<b>Cash flows from operating activities</b>			
Cash receipts from grantors and clients		89 209 808	111 683 450
Cash paid to suppliers and employees		(89 738 360)	(99 724 694)
<b>Cash (utilised) generated from operations</b>	17	(528 552)	11 938 756
Interest received		7 381 834	7 805 090
<b>Net cash from operating activities</b>		6 853 282	19 743 846
<b>Cash flows used in investing activities</b>			
Additions to property, plant and equipment		(14 012 232)	(32 843 016)
Additions to intangibles		(62 077)	(819 481)
Proceeds on sale of property, plant and equipment		303 000	15 870
<b>Net cash used in investing activities</b>		(13 771 309)	(33 646 627)
<b>Cash flows from financing activities</b>			
Decrease in long term borrowings		-	-
<b>Net cash from financing activities</b>		-	-
<b>Net decrease in cash and cash equivalents</b>		(6 918 027)	(13 902 781)
Cash and cash equivalents at beginning of year		96 737 366	110 640 147
<b>Cash and cash equivalents at end of year</b>	5	89 819 339	96 737 366

## 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 Playhouse Company.

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 31 Intangible Assets

IPSAS 20 Related Party Disclosures

GRAP 21 Impairment of Non-cash-generating Assets (not applicable to The Playhouse Company)

GRAP 23 Revenue from Non-Exchange Transactions Taxes and Transfers

GRAP 24 Presentation of Budget Information

GRAP 25 Employee Benefits

GRAP 26 Impairment of Cash-generating Assets

GRAP 103 Heritage Assets

GRAP 104 Financial Instruments

The following statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board are in issue but not applicable to The Playhouse Company:

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 18 Segment Reporting

GRAP 27 Agriculture

GRAP 105 Transfers of Functions between Entities Under Common Control

GRAP 106 Transfers of Functions between Entities not Under Common Control

GRAP 107 Mergers

IFRS 4 Insurance Contracts

IFRS 6 Exploration for and Evaluation of Mineral Resources

IAS 12 Income Taxes

IFRIC 12 Service Concession Arrangements

SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

SIC 29 Service Concession Arrangements

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 20 Related Party Disclosure

GRAP 32 Service Concession Arrangements: Grantor

GRAP 108 Statutory Receivables

GRAP 109 Accounting by Principals and Agents

IGRAP 17 Service Concession Arrangements where a grantor controls a significant residual interest in an asset.

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.

## Accounting Policies (continued)

### 1.2. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, 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 judgements 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 on going 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 judgements 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 1.13 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 Playhouse Company. 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 equipment is zero as the assets are used for their entire economic life.

Where an asset is acquired by the public entity for no or nominal consideration (i.e. non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Assets are fair valued on the depreciated cost replacement method. Where an active market does not exist, the fair value of the item has been established by reference to other items with similar characteristics.

Major spare parts qualify as property, plant and equipment when the public entity expects to use them during more than one period. Similarly, if the major spare parts can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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	: 4 Years
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 Playhouse Company 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
----------	-----------

## Accounting Policies (continued)

### 1.6. **Heritage assets**

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Heritage assets are recognised as an asset if, and only if : (a) it is probable that future economic benefits or service potential association with the asset will flow to the entity, and (b) the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost.

Where the heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at date of acquisition.

After recognition as an asset, a class of heritage asset shall be carried at its cost less any accumulated impairment losses.

### 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 Playhouse Company 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 Playhouse Company 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 Playhouse Company to provide retirement benefits for the employees. The Playhouse Company'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 Playhouse Company has entered into a lease agreement for the free use of certain land and buildings.

### 1.11. **Revenue**

#### *Grants*

Grants related to operational expenditure are 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.

## Accounting Policies (continued)

### 1.11. Revenue (continued)

#### *Grants (continued)*

Grants related to the acquisition or construction of an asset are 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 Playhouse Company.

#### *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 recognized when it is probable that the future economic benefits will flow to The Playhouse Company and it can be measured reliably.

### 1.12. Services in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

### 1.13. Provisions

Provisions are recognised when The Playhouse Company 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.

### 1.14. 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 Playhouse Company unless otherwise stated.

### 1.15. 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 exercise significant influence over the other 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.

### 1.16. 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.

### 1.17. Comparative figures

Comparative figures have been adjusted to conform to changes in presentation and classification, where necessary.

### 1.18. Going concern

The going concern basis has been adopted in preparing the financial statements. Management have no reason to believe that the company will not be a going concern in the foreseeable future, based on funding commitment from the Department of Arts and Culture, forecasts and available cash and finance resources.

The Playhouse Company has received a funding allocation in terms of the MTEF from the Department of Arts and Culture for the next 3 years.

### 1.19. Deferred Income

Liabilities are raised for money received from conditional grants. The revenue from these grants are deferred until such time that the conditions of the grant have been met. The grant liability decreases as the grant deferred revenue is realised.

### 1.20. Budgetary Information

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives, where possible. The approved budget covers the fiscal period from 1 April to 31 March. The financial statements and the budget are not on the same basis of accounting. The actual financial statement information is presented on a comparable basis to the budget information. The comparison and reconciliation between the statement of financial performance and the budget for the reporting period have been included in Statement of Comparison of Budget and Actual Amounts.

The net surplus per the statement of financial performance is reconciled to the budget surplus and the material differences, as determined by the materiality and significance framework, are explained in Statement of Comparison of Budget and Actual Amounts.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	March 2018 R	March 2017 R
<b>2. ASSETS</b>		
<b>2.1 Heritage assets</b>		
<b>Carrying amount</b>	88 330 000	88 330 000
Gross carrying amount	88 330 000	88 330 000
Accumulated Impairment loss	-	-
<b>Carrying amount at year end</b>	88 330 000	88 330 000

Heritage assets comprises of land and buildings : Rem of portion 1 of ERF 10636 of Durban. The property was valued by eThekweni Municipality in May 2008.

Heritage assets were recognised for the first time in March 2011.

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

In terms of section 66 of the PFMA Act, The Playhouse Company may not use the immovable property, including the heritage assets as collateral and the land and buildings are unencumbered.

No heritage assets are pledged as security.



## Notes to the Annual Financial Statements (continued)

### 2.2. Reconciliation of carrying value of property, plant and equipment

	Motor vehicles	Maintenance spares	Office furniture and other equipment	Computer equipment	Stage equipment	Workshop equipment	Art-works	Capitalised leased assets (office equip, land and buildings)	Total
	R	R	R	R	R	R	R	R	R
<b>Carrying amount 1 April 2016</b>	<b>1 918 291</b>	<b>27 935</b>	<b>3 134 086</b>	<b>723 111</b>	<b>11 217 529</b>	<b>147 622</b>	<b>452 049</b>	<b>66 997 092</b>	<b>84 617 715</b>
Gross carrying amount	4 685 455	27 935	12 307 953	2 432 268	32 083 338	533 886	452 049	111 031 592	163 554 476
Accumulated depreciation	(2 767 164)	-	(9 173 867)	(1 709 157)	(21 241 034)	(386 264)	-	(46 878 025)	(82 155 511)
WIP	-	-	-	-	375 225	-	-	2 843 525	3 218 750
Additions	-	-	272 725	480 678	21 031 109	-	-	11 796 308	33 580 820
WIP	-	-	-	-	49 082	-	-	(786 887)	(737 805)
Depreciation	(577 025)	-	(1 360 616)	(339 543)	(6 818 803)	(100 905)	-	(11 404 288)	(20 601 180)
Depreciation write-back	208 526	-	382 171	121 587	1 376 558	17 126	-	3 799 007	5 904 975
<b>Disposals</b>	-	(877)	(3 469)	(528)	(10 792)	(4)	(1 075)	-	(16 745)
<b>Cost</b>	-	(877)	(106 314)	(183 509)	(535 363)	(12 349)	(1 075)	-	(839 487)
Accumulated depreciation	-	-	102 845	182 981	524 571	12 345	-	-	822 742
<b>Carrying amount 31 March 2017</b>	<b>1 549 792</b>	<b>27 058</b>	<b>2 424 897</b>	<b>985 305</b>	<b>26 844 683</b>	<b>63 839</b>	<b>450 974</b>	<b>70 401 232</b>	<b>102 747 780</b>
Gross carrying amount	4 685 455	27 058	12 474 364	2 729 437	52 579 084	521 537	450 974	122 827 900	196 295 809
Accumulated depreciation	(3 135 663)	-	(10 049 467)	(1 744 132)	(26 158 708)	(457 698)	-	(54 483 306)	(96 028 974)
WIP	-	-	-	-	424 307	-	-	2 056 638	2 480 945
Additions	466 887	-	760 103	590 251	1 031 978	37 514	-	13 606 445	16 493 178
WIP	-	-	-	-	(424 307)	-	-	(2 056 638)	(2 480 945)
Depreciation	(610 211)	-	(1 417 562)	(493 831)	(9 675 417)	(48 475)	-	(11 393 822)	(23 639 318)
Depreciation write-back	30 826	-	836 658	271 465	1 281 234	137 310	-	5 325 819	7 883 312
Disposals	(25 773)	-	(34 521)	(9 360)	(3 011)	-	-	-	(72 665)
Cost	(562 785)	-	(369 333)	(101 431)	(36 482)	-	-	-	(1 070 031)
Accumulated depreciation	537 012	-	334 812	92 071	33 471	-	-	-	997 366
<b>Carrying amount 31 March 2018</b>	<b>1 411 521</b>	<b>27 058</b>	<b>2 569 574</b>	<b>1 343 830</b>	<b>19 055 161</b>	<b>190 188</b>	<b>450 974</b>	<b>75 883 036</b>	<b>100 931 342</b>
Gross carrying amount	4 589 557	27 058	12 865 133	3 218 257	53 574 581	559 051	450 974	136 434 345	211 718 956
Accumulated depreciation	(3 178 036)	-	(10 295 559)	(1 874 427)	(34 519 420)	(368 863)	-	(60 551 309)	(110 787 614)

Capitalised leased assets comprise of:

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

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

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

No property, plant and equipment are pledged as security.

## Notes to the Annual Financial Statements (continued)

### 2.3. Intangible assets

	Software	Total
	R	R
<b>Carrying amount 1 April 2016</b>	49 269	49 269
Gross carrying amount	576 605	576 605
Accumulated amortisation	(527 336)	(527 336)
Additions	819 480	819 480
Amortisation	(198 229)	(198 229)
Amortisation write-back	128 557	128 557
<b>Disposals</b>	(1)	(1)
Cost	(3 795)	(3 795)
Accumulated amortisation	3 794	3 794
<b>Carrying amount 31 March 2017</b>	799 076	799 076
Gross carrying amount	1 392 290	1 392 290
Accumulated amortisation	(593 214)	(593 214)
Additions	62 077	62 077
Amortisation	(463 818)	(463 818)
Amortisation write-back	10 253	10 253
<b>Disposals</b>	-	-
Cost	-	-
Accumulated amortisation	-	-
<b>Carrying amount 31 March 2018</b>	407 588	407 588
Gross carrying amount	1 454 367	1 454 367
Accumulated amortisation	(1 046 779)	(1 046 779)

Amortisation is included with depreciation.

	March 2018	March 2017
	R	R
<b>3. Inventories</b>		
Catering	135 507	95 540
Workshop	254 305	239 068
Wardrobe	96 138	94 284
General stores	119 290	107 985
<b>Total</b>	<u>605 240</u>	<u>536 877</u>
<b>4. Receivables from exchange transactions</b>		
Trade receivables	505 132	266 222
Staff debtors	7 833	5 833
Other receivables	1 546 584	1 216 732
	<u>2 059 549</u>	<u>1 488 787</u>
Less: Debtors impairment	(177 370)	(122 522)
<b>Total</b>	<u>1 882 179</u>	<u>1 366 265</u>
<b>4.1. Movement in the provision for impairment of trade receivables</b>		
<b>Balance at 1 April</b>	122 522	213 368
Provision for receivables impairment	54 848	(90 846)
Receivables written off during the year as uncollectible	-	-
Unused amounts reversed	-	-
Unwinding of discount	-	-
<b>Balance at 31 March</b>	<u>177 370</u>	<u>122 522</u>

Notes to the Annual Financial Statements (continued)

	March 2018 R	March 2017 R
<b>5. Cash and cash equivalents at end of year</b>		
Cash available immediately	17 747 955	28 137 720
<b>Investments – fixed deposits</b>	72 071 384	68 599 646
Cash available in 30 days	26 389 787	-
Cash available in 60 days	3 000 000	21 500 000
Cash available in 90 days	42 681 597	47 099 646
<b>Total</b>	<b>89 819 339</b>	<b>96 737 366</b>
R 277 816 and R 30 360 are pledged as security for guarantees issued by FNB on behalf of The Playhouse Company for eThekweni Municipality and The Postmaster respectively. The guarantees will expire on 31 December 2025 and will not be renewed.		
<b>6. Deferred Income</b>		
Grant received in advance	10 885 416	15 163 799
National Department of Arts and Culture	10 885 416	14 413 799
eThekweni Municipality	-	750 000
<b>Total</b>	<b>10 885 416</b>	<b>15 163 799</b>
<b>7. Payables from exchange transactions</b>		
Trade payables	3 212 370	1 907 920
Other payables and accruals	2 883 303	3 129 570
Leave pay accrual	2 068 960	2 717 182
Bonus accrual	906 542	829 723
<b>Total</b>	<b>9 071 175</b>	<b>8 584 395</b>
<b>8. Services, facilities and equipment</b>		
Hire of performance venues, costumes, sets, and mobile stage	3 260 527	2 575 280
Box office income	803 868	5 948 878
Rent received	476 475	569 075
Bar & other sales	483 106	609 573
Functions	307 503	238 132
Box office commission – external productions	236 542	475 754
Gains on sale of motor vehicles	301 968	-
Sundry revenue - admin, computicket commission	362 008	234 864
<b>Total</b>	<b>6 231 997</b>	<b>10 651 556</b>
<b>9. Grants</b>		
National Department of Arts and Culture (DAC)	49 838 000	43 815 000
Special Capital Expenditure Grant – (DAC)	5 298 384	20 453 947
KZN Department of Arts and Culture	8 174 000	7 787 000
eThekweni Municipality	750 000	3 000 000
<b>Total</b>	<b>64 060 384</b>	<b>75 055 947</b>

## Notes to the Annual Financial Statements (continued)

### Conditional grant

#### National Department of Arts and Culture

The Playhouse Company 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 Playhouse Company has received the approval from National Treasury to retain the accumulated surplus.

#### The KwaZulu-Natal Department of Arts and Culture

The Playhouse Company receives public funding from the KwaZulu-Natal Department of Arts and Culture.

As a declared cultural institution, The Playhouse Company has objectives that have been agreed to by the Department:

1. To comply with the declaration that The Playhouse Company 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 therein.
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 close out report for the 2017/2018 financial year by no later than the 30th April 2018.
7. 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.
8. To account for the interest earned each month and acknowledges that the Department reserves the right to determine the utilisation of the interest.
9. To maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.
10. To immediately notify the Department in writing of any failure on its part to achieve any of its obligations.
- 11.1 To ensure that in its execution of the MOA and in the performance of its duties, The Playhouse Company does not cause breach of any other agreement to which The Playhouse Company is a party.
- 11.2 To ensure that any other agreement that The Playhouse Company 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)

### Conditional grant (continued)

#### eThekwini Municipality

The eThekwini Municipality has not renewed the agreement with The Playhouse Company for the granting of financial assistance.

The eThekwini Municipality and The Playhouse Company had entered into a Memorandum of Agreement in January 2015 for the year ended 31st March 2017. The agreement has not been reviewed.

The funds are granted based on The Playhouse Company achieving certain performance related obligations.

These obligations are set out hereunder:

1. The Playhouse Company shall apply the funds to the attainment of its main object as a cultural institution.
2. The Playhouse Company shall commit itself to contributing meaningfully to the improvement of the quality of life of the artistic communities within eThekwini Municipality by:
  - 2.1. Developing, presenting and implementing its artistic plan in order to encourage participation by the communities within the eThekwini municipal area.
  - 2.2. Utilising arts and culture to enhance socio-economic empowerment of local artists.
  - 2.3. Ensuring the visibility and accessibility of The Playhouse Company in various communities of eThekwini as well as in those art centres which elect to collaborate with The Playhouse.
  - 2.4. Contributing and playing a promotional and a significant role in economic development and tourism.
  - 2.5. Ensuring The Playhouse Company's artistic growth, financial sustainability and achieving excellence in all its activities.
3. The Artistic Director and Chief Executive of The Playhouse Company and the City manager, or the Managing Department of eThekwini Municipality shall, in addition to the annual review, have a formal review of The Playhouse Company's performance in terms of this agreement.
4. The review of the annual grant shall take place by the 15th of December and shall focus on, but not restricted to, The Playhouse Company's attainment of the following targets and other obligations:
  - 4.1. Securing funding from other sources of funding including other spheres of government.
  - 4.2. The ratio of administrative staff costs in relation to total grant should not exceed 30%.
  - 4.3. Evidencing that 70% of the total grant was exclusively utilised towards the artistic plan.
  - 4.4. Showing that outreach programmes shall be notably increased in comparison with previous years and the presentation of relevant statistics as well as means of verification reflecting new community outreach programmes for the year.
  - 4.5. The Playhouse Company shall make its venues and facilities available free of charge to applicants (maximum of 10 per Council financial year) referred to it by eThekwini, provided that The Playhouse Company does not incur any expense in the provision of those venues or facilities.
  - 4.6. The Playhouse Company shall make its venues and facilities available in accordance with the following:
    - 4.6.1 The request for facilities must be made in writing no less than six months prior to the event.
    - 4.6.2 The Playhouse Company shall notify eThekwini on an alternate date if the date requested is not available.
    - 4.6.3 The applicants referred, save for the hire costs, shall be subject to the same terms and conditions as other ordinary clients of The Playhouse company.
  - 4.7. The Playhouse Company shall acknowledge eThekwini through means of including but not limited to, the inclusion of its logo on all its promotional material as well as especially internal programmes, projects and events.
  - 4.8. The Playhouse Company shall submit a copy of its quarterly report to eThekwini.
  - 4.9. The Playhouse Company shall provide a copy of its audited AFS as soon as it becomes available but not later than 15 August each year.
  - 4.10. The Playhouse Company shall provide a copy of its Annual Report as soon as it becomes available but not later than 15 August each year.

Notes to the Annual Financial Statements (continued)

Notes	March 2018 R	March 2017 R
<b>10. Depreciation &amp; amortisation</b>		
<b>Depreciation of property, plant and equipment:</b>	15 756 006	14 696 206
Motor vehicles	610 211	577 025
Office furniture and other equipment	1 417 562	1 360 616
Computer equipment	493 831	339 543
Stage equipment	9 675 417	6 818 803
Workshop equipment	48 475	100 905
Leased assets	11 393 822	11 404 288
	23 639 318	20 601 180
Depreciation write back	(7 883 312)	(5 904 974)
<b>Amortisation</b>	453 565	69 672
Intangible assets	463 818	198 229
Amortisation write back	(10 253)	(128 557)
<b>Total</b>	<b>16 209 571</b>	<b>14 765 878</b>
<b>11. Employee related costs</b>		
Salaries	24 301 591	22 732 594
Adhocs	1 900 062	2 502 543
Provident fund	3 451 944	3 191 784
Medical aid	814 591	730 068
Uif	167 625	175 245
Bonus	1 972 348	1 854 468
Overtime	147 313	240 734
Leave	(479 786)	792 635
Council - attendance	62 355	134 321
Council - travel	180 915	204 134
Housing subsidies	873 000	863 000
Long service awards	36 180	56 160
<b>Total</b>	<b>33 428 138</b>	<b>33 477 686</b>

## Notes to the Annual Financial Statements (continued)

	Notes	March 2018 R	March 2017 R
<b>12. General Expenses</b>			
Advertising		1 440 296	680 657
Audit fees		1 443 072	1 539 192
Bank charges		143 767	132 160
Conferences and delegations		64 185	61 438
Consulting fees		7 638	22 230
Consumables		1 066 850	1 233 710
Fuel and oil		30 910	-
Insurance		265 002	335 035
Legal expenses		23 881	21 079
Licence fees - vehicles		280 909	291 108
Loss on sale of assets		71 632	15 871
Other		928 085	893 657
Printing and stationery		326 382	305 096
Professional fees		534 713	474 278
Subscription & publication		72 494	102 418
Telephone cost		478 988	389 845
Training		293 412	312 477
Travel and subsistence - Foreign		200 646	159 911
Travel and subsistence - Local		635 413	376 454
Uniforms & overalls		214 449	197 313
Water		314 004	524 806
<b>Total</b>		<b>8 836 728</b>	<b>8 068 735</b>
<b>13. Maintenance expenditure</b>			
Airconditioning		-	-
Buildings		1 704 261	846 237
Domestic Electrical		-	-
Fire Fighting Equipment		62 609	118 545
Lifts		-	-
Motor Vehicles		319 518	232 784
Plant, Machinery & Equipment		251 356	219 292
General		22 041	1 200
<b>Total</b>		<b>2 359 785</b>	<b>1 418 058</b>

## Notes to the Annual Financial Statements (continued)

	March 2018 R	March 2017 R
<b>14. Production expenditure</b>		
Productions and festivals	14 142 382	16 413 317
Administrative	65 196	25 586
Airfares and Accommodation	1 010 800	1 044 813
Artist fees	9 234 798	9 760 603
Marketing and publicity	1 088 422	2 189 097
Materials	548 484	690 466
Equipment and Venue hire	297 256	168 970
Royalty commission and licences	111 273	774 335
Subsistence and travel	1 786 153	1 759 447
Outside hirers	56 389	33 034
Mobile stage	25 218	93 032
<b>Total</b>	<b>14 223 989</b>	<b>16 539 383</b>
<b>15. (Deficit) Surplus for the year</b>		
The (Deficit) Surplus for the 2018 & 2017 year takes into account the recognition of the capital income in terms of GRAP 23 - Revenue from Non-Exchange Transactions Taxes and Transfers.		
<b>16. Reconciliation of statement of changes in net assets</b>		
Balance at 31 March	262 019 097	266 769 171
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	120 119 097	124 869 171
<b>17. Reconciliation of cash generated</b>		
(Deficit) Surplus for the year	(4 750 074)	12 569 274
Adjusted for:		
Depreciation, amortisation and impairment	16 209 570	14 765 879
Gain on disposal of property, plant and equipment	(230 336)	877
Interest received	(7 381 834)	(7 805 090)
Operating cash flows before working capital changes	3 847 326	19 530 940
Working capital changes	(4 375 878)	(7 592 184)
Increase in inventories	(68 363)	(27 168)
(Increase) Decrease in accounts receivable	(515 913)	595 657
Increase in accounts payable	486 780	1 180 868
Decrease in deferred income	(4 278 382)	(9 341 541)
Cash (Utilised) Generated from operations	(528 552)	11 938 756



## Notes to the Annual Financial Statements (continued)

	March 2018 R	March 2017 R
<b>18. Financial instruments</b>		
<i>Overview</i>		
The Playhouse Company 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 Playhouse Company's exposure to each of the above risks, The Playhouse Company's objectives, policies and processes for measuring and managing risk, and The Playhouse Company'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 Playhouse Company's risk management policies.		
The Playhouse Company's risk management policies are established to identify and analyse the risks faced by The Playhouse Company, 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 Playhouse Company's activities. The Playhouse Company, 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 Playhouse Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by The Playhouse Company. 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.		
<b>Credit risk</b>		
Credit risk is the risk of financial loss to The Playhouse Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from The Playhouse Company's receivables from customers.		
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 March was:		
Trade and other receivables (note 4)	1 882 179	1 366 265
<b>Trade and other receivables</b>		
The Playhouse Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The composition of The Playhouse Company'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.		
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 Playhouse Company 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.		

## Notes to the Annual Financial Statements (continued)

	March 2018 R	March 2017 R
18. Financial instruments (continued)		
<b>Trade and other receivables (continued)</b>		
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.		
Analysis of trade and other receivables for reporting purposes:		
90 days and over	217 195	189 934
60 days	16 571	-
30 days	94 644	8 781
Current	1 553 768	1 553 768
	<u>1 882 179</u>	<u>1 366 265</u>

### **Investments**

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

### **Guarantees**

The Playhouse Company's policy is to provide financial guarantees only for specified services.

The guarantees in issue as at 31 March 2018 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.

### **Liquidity risk**

Liquidity risk is the risk that The Playhouse Company will not be able to meet its financial obligations as they fall due. The Playhouse Company'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 Playhouse Company's reputation.

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

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

The cash available at 31 March 2018 was R89 819 339 (2017 - R96 737 366).

### **Market risk**

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

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

### **Currency risk**

The Playhouse Company does not engage in foreign currency transactions and is thus not exposed to this risk.

### **Interest rate risk**

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

## Notes to the Annual Financial Statements (continued)

### 18. Financial instruments (continued)

#### Interest rate risk (continued)

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

Profile	2018		2017	
	Int Rate %	Carrying amount	Int Rate %	Carrying amount
Variable rate instrument				
FNB – 120 days	7,60	2 000 000	-	-
Investec – 120 day fixed	7,85	21 058 022	7,85	18 243 834
Nedbank – 60 Day fixed	-	-	-	-
Nedbank – 120 day fixed	7,90	21 637 330	7,90	19 072 768
ABSA – 120 day fixed	-	-	-	-
Standard Bank – 120 day	7,94	27 376 032	7,94	31 283 044
		72 071 384		68 599 646

At 31 March 2018, 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 R 720 714.

At 31 March 2018, 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 Playhouse Company is exempt from taxation in terms Section 10 (1)(cA)(l) of the Income Tax Act.

### 20. Key management and council

	March 2017	March 2016
	R	R
<b>Key management</b>		
<b>L Bukhosini - (Chief executive and artistic director)</b>	2 031 462	1 904 712
Salary	1 621 726	1 518 470
Bonus	135 144	126 539
Pension, med-aid contributions	267 585	250 548
Cell phone and other	7 007	9 155
<b>A Mohanparasadh - (Chief financial officer)</b>	1 430 033	1 305 762
Salary	1 219 389	1 142 901
Bonus	101 616	95 242
Cell phone and other	109 028	67 619
<b>O Hlangu - (Support services manager)</b>	1 211 707	1 096 132
Salary	879 321	823 334
Bonus	73 277	68 611
Pension, med-aid contributions	163 160	153 922
Cell phone and other	95 949	50 265
<b>Total senior managers</b>	<b>4 673 202</b>	<b>4 306 606</b>

## Notes to the Annual Financial Statements (continued)

	March 2018 R	March 2017 R
<b>20. Key management and council (continued)</b>		
<b>Members of council and sub-committees</b>	<b>62 355</b>	<b>134 321</b>
HC Mgabadeli - Chairperson of council	23 536	45 325
L Theron* - Audit committee member	-	-
S Gounden	4 784	8 084
C Jugnarayan*	4 706	18 539
N Mbele	4 656	11 512
FE Khumalo	5 601	13 840
KB Kunene	-	132
TC Mngadi	2 456	-
JA Litheko	2 456	-
NLB Radebe*	-	13 833
SP Ndlela	5 884	18 400
J Bernard	2 456	-
Sadha Naidoo	5 820	4 656
<b>Total emoluments</b>	<b>4 735 557</b>	<b>4 440 927</b>

\* External independent member of the Audit Committee.

### 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 contribution to the provident funds R3 451 944 (2017: R3 191 784) 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 R 49 838 000, and for the year ended 2018/19 will amount to R 49 632 000 after a reduction of R3 097 000.

#### 22.2 KZN Department of Arts and Culture

Grant received for the 2017/18 financial year amounted to R8 174 000, and for the year ended 2018/19 will amount to R 8 657 000.

#### 22.3 eThekweni Municipality

A total transfer payment of R3 000 000 was received for the period 1 July 2016 to 30 June 2017 in line with the municipalities financial year. An amount of R750 000, relating to April, May and June 2017 was deferred to the current 2017/18 financial year. A total transfer payment of R750 000 (2017: R3 000 000) is recorded as income for the current year.

#### 22.4 Department of Public Works

The department is the legal owner of the land and buildings occupied by The Playhouse Company and The Playhouse Company leases the property at no charge. The Department paid for rates for the year as follows: R6 913 892 (2017: R7 697 389).

## Notes to the Annual Financial Statements (continued)

	March 2018 R	March 2017 R
<b>22. Related parties (continued)</b>		
<b>22.5 KwaZulu-Natal Philharmonic Orchestra – KZNPO</b>		
On 1 April 1998, The Playhouse Company reduced its operational size in line with the principles contained in the Department of Arts, Culture, Science & Technology White Paper. The restructuring exercise was driven by two main objectives: to eliminate the budgeted deficit and to implement strategies to avoid future deficit scenarios. One of the ways of reducing the expenditure was by registering the KZNPO as a non-profit independent Section 21 Association Not for Gain Entity. As a result of this transformation, the two organisations agreed to enter into a mutual benefit relationship.		
A Memorandum of Agreement exists between The Playhouse Company and KZNPO. This agreement includes the following:		
a) Occupying a portion of The Playhouse Company'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 Playhouse Company receives a discounted rate for the artistic services offered by KZNPO to The Playhouse Company.		
The Playhouse Company engaged the services of KZNPO for various productions in a professional and mutually beneficial relations for the delivery of services according to the mandate of each institution.		
Payments by The Playhouse Company to KZNPO	1 915 356	1 484 335
Accrual by The Playhouse Company	209 587	627 267
Payments by KZNPO to The Playhouse Company	515 546	437 778
The KZNPO is the only professional orchestra in Kwa-Zulu Natal to render such services. It is cost effective to utilise a locally established entity thus eliminating unnecessary exorbitant transport and accommodation costs.		
The Chief Executive Officer of the KZNPO is married to the Chief Executive Officer of The Playhouse Company.		
<b>22.6. Council</b>		
The Council was appointed by the Minister of Arts and Culture to oversee and ensure good corporate governance. Council has various subcommittees such as Arts and Fundraising, Finance, Audit and Governance, Human Resources and Remuneration Committees that guide and assist management which is appointed by Council. Refer note 20 - compensation.		
In her capacity as an accomplished public speaker both on the international and local fronts Ms HC Mgabadeli - Chairperson of Council, was tasked with the added responsibility of being the guest speaker for the Playhouse's arts programme - Women in Leadership for a better Society Dialogue - SAWAF - 2017. The event took place in August. She was paid R 10 000 for her professional services.		
<b>22.7. Key personnel</b>		
Chief Executive and Artistic Director – Linda Bukhosini		
Chief Financial Officer – Amar Mohanparasadh		
Support Services Manager – Oscar Hlangu		
<b>23. Subsequent events</b>		
There was no significant events that occurred between balance sheet date and date of this report.		
<b>24. Irregular, fruitless or wasteful expenditure</b>		
No material losses through criminal conduct, or irregular, fruitless or wasteful expenditure were incurred during the year ended 31 March 2018.		

## Notes to the Annual Financial Statements (continued)

	March 2018 R	March 2017 R
<b>25. Services in-kind</b>		
<b>25.1.</b> The Company received services in-kind that was significant to the company's operations and/or service delivery objectives. The in-kind services relating to the rates and taxes paid by the Department of Public Works KZN have been recognised in the annual financial statements.		
Rates and taxes paid by the Department of Public Works KZN	6 913 892	7 697 389
The following in-kind services have not been recognised in the annual financial statements.		
<b>25.2. In-kind services rendered by Council and committee members in the employment of the State:</b>		
The Treasury Regulation on "Service benefit packages for office-bearers for certain statutory and other institutions" states that employees of National, Provincial and Local Government or institutions, agencies and entities of government serving as office bearers of public entities/ institutions are not entitled to additional remuneration.		
Two Council and committee members were in the employment of the state and did not receive fees for attending council and committee meetings.		
<b>25.3. Publicity and media partnerships in kind:</b>		
One of the entities APP objectives deals with publicity and media partnerships in kind. When the entities name appears in the any written media, the measurements of the articles are taken and a formula applied to generate a value for in-kind publicity. The entity has insufficient control over the services provided.		
<b>26. Non-cancellable committed tenders</b>		
At the balance sheet date The Playhouse Company had outstanding commitments in respect of non-cancellable tenders awarded during the year.		
The tender awards are as follows:		
Generators	-	10 202 276
	-	10 202 276

## Notes to the Annual Financial Statements (continued)

	March 2018 R	March 2017 R
<b>27. Reconciliation between budget and statement of financial performance</b>		
Net (deficit) surplus per the statement of financial performance	(4 750 074)	12 569 275
Adjusted for:		
Increase in capital works grant from DAC	(3 528 384)	(6 635 541)
Increase in grant received	(750 000)	(2 279 200)
Increase in sponsorship for the staging of productions	-	(103)
Increase in production income	(405 196)	(4 874 808)
Increase in liquor bar and sundry income	(722 801)	(748 773)
Increase in finance income	(281 834)	(805 090)
Decrease in production expenditure	(5 535 324)	(2 103 532)
Decrease in compensation to employees as certain positions not filled	(2 657 748)	(1 087 515)
Decrease in consumables, electricity and cleaning	(1 110 298)	(115 304)
Decrease in council expenses	(157 656)	(152 237)
Increase (Decrease) in telephone expenses	101 220	(2 744)
Decrease in repairs and maintenance	(638 830)	(1 538 097)
Decrease in other operating expenses	(1 582 055)	(3 210 833)
Deficit on the sale of assets	71 632	15 871
Depreciation	16 209 570	14 765 879
Capital expenditure budgeted but not processed to statement of financial performance	(24 244 256)	(54 557 568)
<b>Net deficit per approved budget (including capex)</b>	<b>(29 982 034)</b>	<b>(50 760 320)</b>

## Notes to the Annual Financial Statements (continued)

### 28.1. Reconciliation between budget and statement of financial performance – operating expenditure

#### STATEMENT OF FINANCIAL PERFORMANCE – ACTUAL VERSUS BUDGET

	2018 ACTUAL	2018 ORIGINAL BUDGET	2018 REVISED BUDGET	2018 VARIANCE	2018 VARIANCE
	R	R	R	R	%
<b>REVENUE</b>	79 142 273	85 820 187	66 822 000	12 320 273	
Grants	64 060 384	78 780 187	59 782 000	4 278 384	7%
Production income	803 868	3 914 281	2 002 692	(1 198 824)	-60%
Donations and sponsorships	1 936 000	24 411	1 936 000	-	0%
Rent received	476 475	448 718	448 718	27 757	6%
Hire of performance venues, costumes and sets	3 260 527	1 656 507	1 656 507	1 604 020	97%
Box office commission – external productions	236 542	165 375	165 375	71 167	43%
Bar and other sales	483 106	420 000	420 000	63 106	15%
Services in kind	6 913 892	-	-	6 913 892	
Sundry income	971 479	410 708	410 707	560 771	137%
<b>EXPENDITURE</b>	91 274 181	80 362 525	79 659 776	(11 614 405)	
Production expenditure	14 223 988	17 655 780	19 759 312	5 535 324	28%
Employee related costs	33 367 064	38 262 543	36 024 812	2 657 748	7%
Annual report	22 230	117 700	77 230	55 000	71%
Auditors fees external	985 757	1 177 000	1 000 000	214 243	18%
Auditors fees internal	457 315	481 500	531 332	174 017	28%
Council related expenses	230 589	700 447	388 245	157 656	41%
Cleaning and sanitation	1 548 481	1 398 468	1 676 483	128 002	8%
Consumables	1 043 327	1 472 444	1 755 072	711 745	41%
Electricity	4 019 482	4 320 737	4 418 034	398 552	9%
Security	3 255 972	3 368 868	3 368 868	112 896	3%
Insurance	265 002	354 032	322 732	57 730	18%
Legal expenses	23 881	64 200	22 583	(1 298)	-6%
Marketing	1 328 962	1 177 000	1 277 000	(151 962)	-13%
Rates & taxes	6 913 892	-	-	(6 913 892)	
Repairs & maintenance	2 263 156	3 005 377	2 901 986	638 830	22%
Telephone	478 988	451 100	377 768	(101 220)	-27%
Training	293 412	340 000	320 000	26 588	8%
Travel - local and overseas	556 252	732 471	540 042	(16 210)	-3%
Water	314 004	565 688	565 688	251 684	44%
Depreciation	16 209 571	-	-	(16 209 571)	100%
General expenses	3 472 856	4 717 170	4 332 589	859 733	16%
<b>Deficit from operations</b>	(12 131 908)	5 457 662	(12 837 776)	705 868	
Interest received	7 381 834	3 500 000	7 100 000	281 834	4%
<b>Deficit for the year</b>	(4 750 074)	8 957 662	(5 737 776)	987 702	

Changes from the approved budget to the final budget.

Some capital income funding requests were deferred to the outer years due to a restriction in the availability of capital grant funding from DAC.

The changes between the approved and final budget are a consequence of roll overs and reallocations within the approved budget parameters.



## Notes to the Annual Financial Statements (continued)

### Explanation of significant variance

Capital grant recognised in terms of GRAP 23 - Revenue from Non-Exchange Transactions Taxes and Transfers.  
Ticket sales lower than anticipated.

New tenants contracts entered into that were not originally budgeted for.

Outside hirers income exceeded budget. 75 outside hirers production were presented against a budget of 35.

Box office income increased in line with the increased outside hirers productions presented.

The liquor bar benefited from the increased attendance.

Services in kind as disclosed in note 25.

Functions venue hire exceeded budget due to high demand for venues.

The unspent production costs have been committed towards productions which commenced in the current year and planned to be completed in the new financial year. Two productions, Messiah and How Long have been earmarked to take place in the first quarter of the new financial year. Financial and other support will be provided for groups needing assistance to get to National Arts Festival in Grahamstown.

Savings as a result of cost saving initiatives. Some vacancies were filled using ad hoc employees.

Savings in publication and printing of 2017 annual report.

Savings in Auditor General's 2017 audit fee due to some audit costs being processed in the prior year.

Outstanding internal audit work in the current year paid in the first quarter of the new year.

Savings as a result of cost saving initiatives. Council members attended only one ISPA conference in December.

Savings as a result of cost saving initiatives.

Savings in HVAC costs due to maintenance agreements entered into. Savings in domestic electrical as energy saver lamps are lasting far longer with less replacement. Savings in other consumables are in line with cost saving initiatives.

Savings in electricity costs.

Capital equipment acquired during the year added to insurance schedule.

Legal guidance was sought for items not originally budgeted for.

The corporate marketing budget was used to bolster the production marketing budget in order to be top of mind with key stakeholders.

Services in Kind as disclosed in note 25.

The budget available was ring fenced for civil works in the rooms where the three newly acquired generators will be housed.

The budget was erroneously decreased and the premicell lines were in the process of being replaced and cell phone calls were processed using the Telkom lines.

Scheduled/planned training that did not take place due to non-availability of designated staff.

Savings as a result of cost saving initiatives.

Non cash flow item not budgeted for annually.

Savings in various expenses items due to cost saving initiatives.

Funds optimally invested with banks providing best rates of returns.

## Notes to the Annual Financial Statements (continued)

### 28.2. Reconciliation between budget and statement of financial performance – capital expenditure

#### FIXED ASSET ADDITIONS – ACTUAL VERSUS BUDGET

	2018 ACTUAL	2018 ORIGINAL BUDGET	2018 REVISED BUDGET	2018 VARIANCE	2018 VARIANCE	Explanation of significant variance
	R	R	R	R	%	
Office equipment	760 103	100 000	889 656	129 553	15%	Acquisition of some office equipment was delayed after receiving budget cut notification from National Treasury.
Computer equipment	652 328	225 000	345 600	(306 728)	-89%	Acquisition of a new exchange server required critically for continued optimum functionality.
Transport	466 887	-	500 000	33 113	7%	Savings in purchase price of vehicle following negotiations.
Stage equipment	1 069 492	16 770 000	2 510 000	1 440 508	57%	Tenders were awarded during the year and were in progress at year end. Work will be completed in first quarter of the new year.
Buildings	11 125 499	-	19 999 000	8 873 501	44%	Tenders awarded and work in progress at year end.
<b>Total</b>	<b>14 074 309</b>	<b>17 095 000</b>	<b>24 244 256</b>	<b>10 169 947</b>	<b>42%</b>	

Changes from the approved budget to the final budget were due to capital budget roll overs.

Funding for capital projects were received on 31 March 2016 and the funds had to be rolled over to the year ended 31 March 2017 for project implementation and execution.



Ingoma Competition



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**an agency of the**  
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