

CASTLE OF GOOD HOPE



ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2010



Castle Control Board

Annual Report

For the year ended 31 March 2010

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1. INTRODUCTION

1.1. Background

This year the Castle of Good Hope is 344 years old. Work on its foundations started in 1665, its cornerstones were laid on 02 January 1666. Since then, it has been at the centre of military and cultural life at the Cape

Built by soldiers, sailors and slaves of the Dutch East India Company as headquarters of its maritime replenishment station, the Castle was a powerful link in the trade between East and West, and witnessed the arrival in Africa of new peoples, languages, religions, customs, fashions, forms of government and flags.

Like a true castle its function has always been more than military, for it had lodgings, offices, warehouses, kitchens, a chapel, etc, but its military presence was so formidable that no army or navy dared to test it.

Until this day the presence of uniformed soldiers performing solemn guard duties and colourful ceremonies, the beaten drum and the booming cannon, the flash of bayonet, halberd and halfpike, the glittering regimental and civilian dinners, are unbroken links in the chain of the Castle of Good Hope's long history. It is always a popular attraction by day and night, an amazingly preserved renaissance curiosity to visitors, a historical school room to thousands of students annually, a rare gem on the international military history tourist route, and the envy of many other South African cities.

1.2. Submission of the Annual Report to the Executive Authority

In accordance with the provisions of the Public Finance Management Act, 1999 (Act 1 of 1999), we are to submit for presentation to the Minister of Defence, the Castle Control Board Annual Report for the financial year ended 31 March 2010.

1.3. Applicable Acts and Other Information

This report is submitted in compliance with the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996); Public Finance Management Act, 1999 (Act 1 of 1999 as amended by Act 29 of 1999); Castle Management Act, 1993 (Act 207 of 1993); Treasury Regulations and other applicable Acts and Regulations.

The Defence Endowment Property and Account Act, 1922 (Act 33 of 1922) transferred the Castle to the Republic of South Africa for the benefit of defence force organisations, establishments and land defences, or to conserve the value of such property. Since then the Castle of Good Hope has been governed and managed by the Minister of Defence.

The Castle Management Act, 1993 (Act 207 of 1993) provides for the Castle Control Board to govern and manage the Castle of Good Hope on behalf of the Minister of Defence and deal with the aspirations and concerns of all stakeholders.

1.4. Composition of the Castle Control Board

In terms of the referred to Castle Management Act, the Castle of Good Hope has been placed under the juristic control of the Castle Control Board, which should comprise representatives of the various national and provincial stakeholders. The following entities are currently represented in the Castle Control Board (CCB):

Representative of the Department of Defence	Major General J.T. Nkonyane (Chairperson)
Representative of the Cape Town Regional Chamber of Commerce and Industry	Mr R.M. Hudson-Bennett (Vice-Chairperson)
Representative of the Iziko Museums of Cape Town	Professor H.C. Bredekamp
Representative of the Department Of Public Works	Mr F. Johnson
Representative of the South African Heritage Resources Agency	Ms B. Crouts-Knipe
Officer Commanding Army Support Base Western Cape	Colonel J.P.M. Kobbie
Representative of the City of Cape Town	Mr D. Hart
Representative of the South African Tourism Board (Cape Town Routes Unlimited)	Mr B. Langalibalele
Two representatives appointed by the Minister of Defence	Adv D. Mitchell Ms A. Aggenbach
Representative of the Western Cape Provincial Legislature	Mr C. Dowman
Executive Director	Vacant
Secretary	Captain F. Morkel

1.5. Vision and Mission

Vision for the Castle of Good Hope

The Castle of Good Hope strives to be a centre of global significance that is the epitome of social, cultural and military heritage, accessible to all citizens of South Africa and the world. It will be the centre of national pride for a “nation of good hope”; an internationally known and recognised cultural and heritage centre for ubuntu and human rights recognition; and a smooth functioning, self-sustaining “must-see” visitor and learner destination.

Mission of the Castle of Good Hope

The Castle of Good Hope is a service orientated public entity, striving to optimise its tourism potential and accessibility to the public and to preserve and to protect its cultural and military heritage.

1.6. Statement of Responsibility

The Castle Control Board members are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in this Annual Report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Board has ultimate responsibility for the system of internal control and reviews its operation, primarily through quarterly Board meetings.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the entity's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive reporting system operating within strict deadlines and an appropriate control framework.

The Auditor-General is responsible for reporting on the financial statements.

The board members believe that the entity will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the entity's annual financial statements.

The annual financial statements of the Castle Control Board for the year ended 31 March 2010 set from paragraph 7 were approved by the Board on 12 May 2010 and are signed on its behalf by -



**(MAJOR GENERAL J.T. NKONYANE)
CHAIRPERSON**



**(MR R.M. HUDSON-BENNETT)
VICE-CHAIRPERSON**



2. MANAGEMENT REPORT

2.1 Events at the Castle

This year saw the hosting of many events, which included the participation of the Castle with the second opening of Parliament in June 2009 to appoint President Zuma as the third democratic elected president of South Africa.

The “Not Alone” exhibition focused on Aids awareness and was officially opened on 08 November 2009 and ran until 31 January 2010. Iziko Museums of Cape Town hosted the exhibition and utilized the Castle of Good Hope as one of its exhibition venues.

The Cape Town Military Tattoo has become a regular event on the Cape Town calendar and was well supported by the general public. The Military Tattoo was held from 19 to 21 November 2009. The Military Tattoo included participation by the five regiments stationed at the Castle of Good Hope, the SA Army Band Cape Town as well as various new acts, which included international participation by the Dutch Trumpet Corps of the Koninlijke Marechaussee.

For the first time in seven years we saw a decline in adult visitors to the Castle of Good Hope. The decline was noticeable in January and February 2009. Although the decline could be attributed to the unstable world economy, the support from local visitors clearly resulted in record ticket sales in December 2009. The Castle of Good Hope has proven to be both an affordable and educational experience for the whole family. In addition to the 130 000 tourists to the Castle, various functions and events were held at the Castle of Good Hope. These included art workshops sponsored by Truworths, and charity events to raise funds for the various charitable organisations.

Rental from offices, events, film and fashion shoots remain a respectable source of income and this year the Castle received R818 000,00 in revenue.

Throughout the year the five Cape Regiments showed their presence by displaying their colours during Medal, Church and Birthday Parades including El Alamein and the Opening of Parliament. In addition the Cannon Association of South Africa continue to entertain the public by firing the signal cannon on Saturdays and thus entertain and educate the youth.

2.2 Visitors

Although the Castle of Good Hope has shown a significant increase in gate takings it needs to take cognisance of a 5% increase in entrance fees for adults only in April 2009. As mentioned in last year’s annual report a decline in visitor numbers would be imminent as a result of the 2009 global recession.

The figures portrayed in the table below show a decline of visitor figures in comparison to 2008 and are calculated from January to December of the respective years.

Year	Adults	Pensioners	Child/Student	Booked School Groups	Concessions	Total
2008	87 183	4 922	23 880	19 189	774	135 948
2009	78 306	5 583	24 212	21 935	680	130 716

2.3 Daily Management

The Castle Control Board's management section continues to manage the Castle with limited resources and have been fortunate to receive dedicated support for its efforts from various departments and organisations involved with the Castle of Good Hope.

The primary focus for the year under review was day-to-day maintenance of the Castle as well as effective service delivery.

As an educational institution, the Castle has managed to increase its booked school group visits by a further 12,5%, which is a significant increase when compared to 2008.

Facilities Management

Funding for maintenance of the Castle of Good Hope remains a challenge. A dedicated allocation will ensure the preservation of this historic asset. It will require an active involvement by Department of Public Works, South African Heritage Resources Agency and Department of Defence and Military Veterans.

The Castle continues to be engaged with preventative maintenance measures. The Department of Public Works funded the appointment of consultants to do a thorough survey on the roofs of the Castle. It is envisaged that renovations could commence in August 2010. Attention is given to the woodwork as to ensure that no permanent damage is caused. An amount of R289 000,00 was spent on day-to-day maintenance during the year under review.

2.4 Improvements on Non-Compliance Matters

The Board actively strive towards improving on Non-Compliance Matters according to a Rectification Plan established and monitored by Department of Defence Chief Logistics.

Composition of the Board

With all efforts being made to fill vacant positions on the Board within the year under review, the representative of the Cape Provincial Legislation was appointed in October 2009. With the sudden resignation of the representative of the South African Tourism Board (Cape Town Routes Unlimited) the position remained vacant as from June 2009. The Board received no reasons from Cape Town Routes Unlimited for the member's resignation.

Appointment letters to support the appointment of Board members are now available at the Castle Section.

Board members were appointed in a staggered fashion to ensure continuity on a strategic guidance level, however a number of the memberships to the Board will expire in September 2010. It is envisaged that the members are to be re-elected for another two year term.

Appointment of Executive Director and Chief Financial Officer

The Executive Director and Chief Financial Officer have not been appointed as required by Section 4 (f) of the Castle Management Act, 1993. However, a Castle Manager remains appointed with a Management Directive, including tasks and function related to those of the Executive Director, signed by the Chairperson of the Board.

The appointment of both these positions is a standing point on the Board's agenda and is envisaged that such appointments will be made as soon as adequate financial resources are available. Investigation in this regard is in process in terms of the financial viability of appointing both an Executive Director and Chief Financial Officer.

Risk Management Policy

A formalized risk management plan has been developed and implemented. This plan is aligned to the Strategy as approved by the Board and is regularly reviewed by both the Board and the Audit Committee.

2.5 Implementation of Portfolio Committee on Defence Recommendations

Strategic Plan

The Castle Control Board has a Strategic Business Plan in operation, but is looking at amending the current plan to include measures to determine its mandate under the current dispensation and to improve its self-sustainability.

Financial Sustainability

Additional sources of funding have been explored to achieve financial sustainability and the successful application to Lottery by the Castle Military Museum Foundation (CMMF) has managed to attain valuable artefacts and educational material for exhibition and research purposes. Although this does not necessarily relieve the Castle Control Board of its high administration expenses, it nevertheless contributes to the Castle's value as a military and educational institution.

The Chairperson of the Board, Maj Gen J.T. Nkonyane, manages the process whereby it is envisaged that the Army Support Base (ASB) Western Cape Officers' Club will transfer the *Het Bakhuis* function and venue hire capability to the Board. A case study was conducted in April 2009 to determine the business potential of Het Bakhuis and presented to the Castle Control Board on 20 May 2009.

International Best Practices


Various investigations regarding International Best Practises had been done through liaison and networking platforms participated in by stakeholders of the Board. Research documentation in this regard remains to actively be utilised by the Board in management and operations activities.

Responsible Management of the Castle of Good Hope as Immovable Military Heritage Assets

The Minister of Defence is the Executive Authority and all major decisions in terms of strategic control and management will be implemented on her approval.

The South African Heritage Resources Agency Regional Office is currently occupying office space within the Castle of Good Hope and their direct involvement with heritage consultants

serves as direct proof of successful Board operations through involvement of all stakeholders towards implementation of measures towards effective management of the Castle of Good Hope as an Immovable Military Heritage Asset.

A handwritten signature in black ink, appearing to read 'J.T. Nkonyane', is written over a faint, light-colored rectangular stamp or watermark.

**(MAJOR GENERAL J.T. NKONYANE)
CASTLE CONTROL BOARD: CHAIRPERSON**

3. PERFORMANCE INFORMATION

3.1 Highlights

With the appointment of Mazars as the Internal Auditors of the Castle Control Board in September 2009, much attention has been given in particular to performance information and the identification of Key Performance Indicators (KPI's).

The Castle Control Board links its performance indicators to its Strategic Plan, however the newly and approved plan is in place, which adheres to the SMART principles as contained in the National Treasury reporting guidelines.

The Internal Auditors have indicated that reporting on performance information is not always consistent and needs improvement. The Performance information could be better presented, described and disclosed so as to properly align with National Treasury reporting requirements. Progress on predetermined objectives, indicators and targets also need to be improved.

3.2 Challenges

The CCB has evaluated those venues and facilities from which rental can be generated as to increase the annual revenue thus enabling a sustainable Entity under the current dispensation. The Het Bakhuis currently resorts under the Department of Defence (Non Public Institution) as the Combined Officer's Club and still does not contribute rental to the CCB for trading within its confines. It is envisaged that a rental based on percentage turnover will be considered.

The allocation of additional government grants would enable additional resources to both manage and maintain the Castle of Good Hope.

3.3 Departmental Support

SANDF personnel from Army Support Base Western Cape, seconded to the Castle of Good Hope, assist in the implementation of Castle Management tasks and functions ie administration, function co-ordination, tourism, marketing, etc. These members are fully supported by the Department of Defence in terms of wages and salaries and other human resources related funding amounting to R2,3 million per annum.

The Department of Defence's level of commitment in the management of the Castle of Good Hope is also increased with the chairmanship of the Castle Control Board resorting under Chief of Logistics. Personnel within the Logistics Division (Directorate Facilities Support Management) are responsible for administration by the Chairperson and act as liaison between the Chairperson and the Board in the co-ordination of the action plan towards rectification of non-compliance matters mentioned in the Auditor-General's Report 2009.

Acting Chief Logistics and involved personnel are fully supported by the Department of Defence in terms of subsistence and travel allowance, transport and accommodation funds as stipulated in par 13 of the Notes to the Annual Financial Statements.

Department of Defence Financial Division continue to spend increasing energy in their advisory role to the Chairperson in terms of PFMA requirements and National Treasury Regulations during the year under review, attending Board meetings as an invited member.

3.4 Strategic Objectives

Objectives and Mandate

The three Strategic Objectives as listed in the Castle Management Act are to preserve and protect the military and cultural heritage of the Castle of Good Hope, to optimise the tourism potential of the Castle of Good Hope and to optimise the accessibility of the Castle of Good Hope to the public. Within these three strategic objectives we identified nine key objectives. These are:

Key Objective 1: The Castle Control Board will undertake to improve the operational support for the management of the Castle taking cognisance of, in particular, the Castle Management Act, the PFMA Act and Treasury Regulations.

Strategy/Output	Service Delivery Indicator	Performance against Objective
Establish management support	Appointment of CEO/CFO	A Castle Manager appointed with management directive. Acting CFO appointed by the CCB.
Establishment of a detailed HR Management Plan or Corporate Policy	Review organisational structure and alignment of post requirements	A Human Resources Management Plan was approved by the CCB. An approved organisational structure remains incomplete.
	Training of tour guides as part of BEE Programme	One tour guide successfully completed tour operators workshop presented by the City of Cape Town.
Develop integrated legal framework	Ensure compliance with legislation and assistance ito legal matters	No incidents of contractual breach between the CCB and potential clients were reported
Develop IT support plan and policy	Ensure IT security and protection of electronic information.	Security upgrades executed monthly. No incidents of electronic virus infections and system failures were reported.
Ensure effective office administration capability	Implement the Strategic Business Plan for the CCB	Establish annual budget in line with Business Plan
Ensure Castle Management act as nodal link between all Castle Matters and the CCB/AC	Establish quarterly meetings, effective communication and reporting channels between management, Audit Committee and CCB	Management keeps minutes of all scheduled meetings for record purposes, which is used as legal documents for reference during the audit process.

Key Objective 2: The Castle Control Board will undertake to appropriately market the Castle making use of optimal methods by developing a Market Strategy

Strategy/Output	Service Delivery Indicator	Performance against Objective
Develop a Marketing Strategy	Determine methods towards promoting utilization, developing the image and generating income	The Marketing Strategy concentrated on both the publication and broadcasting media. Educational programmes in both English and Afrikaans utilized the Castle as a medium.
Enhance networking relations with tourism industry for full tourism integration of the Castle of Good Hope into the larger Cape Town	Undertake regular consultation sessions with local tourism office	Due to limited human resources, the matter did not receive the attention it requires.
Utilise all forms of media optimally for effective marketing eg electronic, printed, exhibitions, etc	Update, design, print and distribute all forms of marketing	German and Italian maps successfully upgraded and 10 000 copies printed.
		Web page was updated and improved additions to assist the general public were added.
		Advertised in several publications relating to tourism, event management and the film/fashion industry.
		The 2010 FIFA World Cup created an opportunity for free publicity and marketing opportunities.

Key Objective 3: The Castle Control Board will support and promote Military Activities within the precincts of the Castle

Strategy/Output	Service Delivery Indicator	Performance against Objective
Ensure current annual events continue to meet high standard eg Military Tattoo	Refine and update the database of military activities and ensure professional execution of projects.	The Cape Town Military Tattoo has become an annual event supported by the City of Cape Town and attracting more than 3 000 visitors to its three night performance.
	Regiments present commemoration, medal, church and birthday parades.	El Alamein, Poppy Day, Regiment Western Province birthday parade and opening of Parliament were successfully executed.

Key Objective 4: The Castle Control Board will ensure that there is both optimal and appropriate usage of the Castle at all times

Strategy/Output	Service Delivery Indicator	Performance against Objective
Establish new activities at the Castle of Good Hope	Develop proposals for new product development	The installation of an effective sound system remain a challenge, but the completion of the Frontier War Displays as well as the possible future implementation of a Maritime Museum depicting the Maritime history at the Cape could be seen as positive developments.
	Finalisation of extensions to the existing museum	Implementation following phases of the Frontier War Display, Maritime Museum and Castle Chapel.
Establish networking platforms with broader client base into local community and its recreational and educational requirements	Establish consultation sessions with each stakeholder to determine requirements, needs, vision, ideas, legal and institutional delegations, mandate, potential contribution, responsibilities	The continued efforts to ensure the sustainability of the Horse and Carriage Tours as well as the Audio Guides and Castle Forge have assured the efforts for the optimal and appropriate use of the Castle at all times.
Exploit the tourism potential of the Castle of Good Hope	Increased awareness of the Castle as tourist destination by incorporating various entertainment opportunities	The Castle Management has been fortunate to utilize the SANDF to execute daily ceremonies and firing of the Signal Cannon at no cost to the CCB. In addition the Cannon Association of South Africa does cannon firings over weekends, which has significantly increased the number of booked school groups by 12,5% as portrayed in the figures in par 2.2.

Key Objective 5: The Castle Control Board will endeavour to establish optimal Heritage Management

Strategy/Output	Service Delivery Indicator	Performance against Objective
Ensure maintenance of the Castle of Good Hope in line with legislation and guidelines	Update and take ownership of the Conservation Management Plan	A draft Conservation Management Plan (CMP) is drafted and will be approved once the amended Strategic Business Plan and subsequent inputs from heritage consultants are finalized. The management plan for the Castle of Good Hope will be incorporated into the CMP.
Investigate sources of funding and financial investment	Approach various stakeholders and organisations to get necessary funding.	Castle Military Museum Foundation approached the Lottery Board and was successful in acquiring generous funding for the Castle Military Museum.
Undertake review of policy guidelines including the CMP and safety and security guidelines	Develop safety and security programme for both the protection of equipment and public liability.	ADT has been appointed as an additional service provider for the safety and security of the Military Collections 24/7.
		Monthly instalments are paid for short term insurance, which covers office equipment, security cameras and public liability.

Key Objective 6: The Castle Control Board will seek the support and promotion of Tourism

Strategy/Output	Service Delivery Indicator	Performance against Objective
Undertake a 'business case' study assessing the business potential of the Castle	Develop policy for tourism	CCB approved the possible implementation of a Maritime Museum depicting the Cape's Maritime history.
	Undertake a facilities audit	"Het Bakhuis" yet to be incorporated/included into the Strategic Planning of the CCB. A facility audit was successfully compiled to determine the potential value of "Het Bakhuis"

Key Objective 7: The Castle Control Board will foster cooperation and coordination with Stakeholders to create a professional and competent corporate image

Strategy/Output	Service Delivery Indicator	Performance against Objective
Standardise communication platforms	Design corporate logo utilised for all external communication eg letterheads, notes, etc	Castle Logo is a registered trademark and will be renewed in 2017.
Effective professional liaison with stakeholders and potential clients	Establish consultation sessions with each stakeholder to determine requirements, needs, vision, ideas, legal and institutional delegations, mandate, potential contribution, responsibilities	An effective stakeholder database has been compiled over the years and is utilized accordingly.
	Liase with similar institutions than the Castle ito copy cat towards national and international levelling.	The Castle Management have been reactive instead of pro-active as shortage of staff has resulted in limited or no network with relevant stake holders and potential clients.
	Ensure high standard of hygiene clean environment	Real Clean Services and Rentokil have been appointed as service providers for ensuring high standards of hygiene at the Castle of Good Hope.
	Establish a Dry Cleaning Maintenance Plan ito uniforms, furniture, etc	Sans Laundry is appointed as service provider for the dry cleaning of ceremonial uniforms.
	Replace and add new signboards in and around the facilities	Due to extensive maintenance required the replacement of signage has been delayed.

Key Objective 8: The Castle Control Board will endeavour to ensure that all events within the Castle are adequately planned, streamlined and supported by updating the centralised Events Database

Strategy/Output	Service Delivery Indicator	Performance against Objective
Create professional first impression by displaying a professional corporate image	Ensure planned, streamlined and supported event management	A centralized database, which is accessible to all clients of the Castle of Good Hope was implemented. This database covers the planning, booking and coordination of all functions and events at the Castle.
Ensure the accessibility for filming of commercials, documentaries, fashion and feature films	Obtain prior approval through the CCB and DOD C Log for utilisation of State Immovable Heritage Assets	Acted as liaison officer to the client ito contractual commitments for all functions and events managed by the Castle Control Board.

Key Objective 9: The Castle Control Board will ensure that it maintains a policy of maximum educational outreach to the Learners, Tourists and members of the community that visit the Castle

Strategy/Output	Service Delivery Indicator	Performance against Objective
Continuously expand or renew the collection in providing optimal resources and information to the public on Cape Military History	Maintain and preserve current artefacts and valuable items on display	R30 000 was allocated for general restoration of current artefacts in the Military Museum collection. In addition the CCB has allocated a further R190 000 for day-to-day management of the Museum Collection. These funds were all committed for the year under review.
Ensure maximum educational outreach	Establish effective exhibitions towards educating the local community and international visitors	The first phase of the Frontier War display is nearly complete and the second phase should follow shortly. The Military Museum is also currently busy with publications on the French Military Presence at the Cape, 1781-1789, 1806 and Medal Rolls to the Town Guard, District Mounted Troop, Rifle Associations and Scouts.

4. CORPORATE GOVERNANCE

The Castle Control Board regard corporate governance as a fundamental contributor to the success of the entity and are fully committed towards ensuring that good governance is practised in order for the Castle of Good Hope to remain a sustainable and going concern.

4.1 Castle Control Board

The Castle Control Board was established by the Castle Management Act, 1993 (Act 207 of 1993). In terms of this Act, the Castle of Good Hope has been placed under juristic control of the Castle Control Board, which should comprise of representatives of various national and provincial stakeholders.

For the year under review vacancies in the Board existed regarding the Executive Director and a Representative of the Western Cape Provincial Legislature.

In order to ensure successful implementation of objectives and responsibilities, the Castle Control Board met on a two to three month basis (6 meetings) and established guidelines to Castle Management on execution of daily operations.

Prior to the withdrawal of the Castle Management Act Repeal Bill during June 2008, members from the Department of Arts and Culture were invited to attend Board meetings as to primarily ensure transparency and also establish continuity with a foundation towards the envisaged transfer of the management of the Castle of Good Hope.

Five(5) Board meetings were held during the year under review with representation as follow:

Present	Representing	Attendance meetings: 5
Members		
Major General J.T. Nkonyane (Chairperson)	Representative of the Department of Defence	4
Mr R.M. Hudson-Bennett CA(SA) (Vice Chairperson)	Cape Town Regional Chamber of Commerce and Industry	4
Colonel J.P.M. Kobbie/ Lt Col M.R. Mongo	Officer Commanding ASB Western Cape	5
Mrs A. Aggenbach	Representative appointed by the Minister of Defence	5
Mr D. Mitchell	Representative appointed by the Minister of Defence	4
Prof H.C. Bredekamp	CEO Iziko Museums of Cape Town	5
Mr B. Langalibalele *	Representative of the South African Tourism Board (Cape Town Routes Unlimited)	2
Mr F. Johnson/ Mr D. Rossouw	Representative of the Department of Public Works	5
Ms B. Crouts-Knipe	Representative of the South African Heritage Resources Agency	3
Mr D. Hart	Representative of the City of Cape Town	3
Mr C. Dowman**	Representative of Western Cape Provincial Legislature	1
Captain F. Morkel (Secretary)	Castle Section	5
Observers		
Mr P. du Bois/ Mr J. Fourie	Department of Defence (Finance Division)	5
Dr D. Sleigh	Co-opted Specialist Advisor	5

* Member resigned in June 2009 without being substituted.

** Member only appointed in October 2009.

4.2 Policy Development and Implementation

Human Resources Management Plan

The Castle Control Board approved the Human Resources Management Plan during the year under review. All management principles within the plan reflect guidelines in this regard according to the Public Service Act and are applicable to all members employed by the Castle Control Board. Members remunerated by the DOD remain under Human Resources Management guidelines as applicable to DOD members.

Conservation Management Plan

The Conservation Management Plan has the purpose of guiding the institution from a strategic level towards grading the specific site in terms of its significance as cultural site. The draft document had been distributed to line institutions for input. The plan will only be finalized once the amendments to the Strategic Business Plan and the inputs of heritage consultants have been considered and approved.

Maintenance Plan

In order to compile a comprehensive Maintenance Plan for the Castle of Good Hope, DPW appointed a company specialising in Conservation Architecture for this purpose during the year under review. The Maintenance Plan will guide all future maintenance of facilities and will be incorporated into the Conservation Management Plan.

Materiality and Significance Framework 2009/10

In accordance with the PFMA and National Treasury regulations, a Materiality and Significance Framework has been developed and approved by the Board subsequent to the financial year end.

4.3 Report of the Audit Committee

The Audit Committee of the Castle Control Board presents its report for the financial year ended 31 March 2010.

Audit Committee Charter Members and Attendance

The audit committee had 5 meetings during the year ended 31 March 2010 and the attendance was as follows:

Present	Representing	Attendance of Meetings: 5
Members		
Mr P.J. Strachan (Chairperson)	Audit Committee of the Castle Control Board	5
Mrs F. Allie	CFO Iziko Museums	4
Ms B. Khumalo	CFO SAHRA	4

Two of the members are from inside the public service but are not employees of the Castle Control Board; the chairman is independent, however.

Audit Committee Responsibility

The Audit Committee reports that it has complied with the responsibilities arising from Sections 51 (1)(a) of the Public Finance Management Act and Treasury Regulation 27.1.10. The Audit Committee reports that it has complied with the terms of its charter adopted on 26 November 2008 and have discharged its duties in accordance therewith. A review of the Charter was conducted in conjunction with the Internal Auditors during the year.

Internal Control

The system of internal control is designed to provide cost effective assurance that assets are safeguarded and liabilities and working capital are efficiently managed in compliance with all relevant statutory and governance requirements.

The Audit Committee notes that from the Audit Report on the annual financial statements and Management Report of the Auditor-General, that there has been no significant non-compliance with prescribed policies and procedures has been reported and the committee is accordingly able to report that the system of Internal Control for the year under review was effective and efficient.

Internal Audit

The committee is pleased to report that the CCB appointed Internal Auditors during the year for a three year term. The committee developed and Internal Audit Charter, which has been agreed with the Internal Auditors. The three-year internal audit plan and the first year audit plan was approved by the committee in terms of Treasury Regulation 27.2.7

Risk Management and other policies

The Risk Management Plan, which was developed in the previous year is regularly reviewed by the committee. During this year the newly appointed Internal Auditors were tasked to independently review the Risk Management Plan and the process of Identification of Risks and Risk Mitigation actions. The audit committee will continue to promote Risk Awareness throughout the CCB.

Quality of Management Reporting

The Audit Committee is satisfied with the content and quality of monthly, quarterly and annual reporting, which are presented to both the Audit Committee and the Castle Control Board and the committee is comfortable that these provide a reasonable basis for the organisation's management and control.

Evaluation of Financial Statements

The Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the Annual Report, with the Auditor-General and with the Castle Control Board as the Accounting Authority
- reviewed the Auditor-General's management report and Management's response thereto,
- reviewed changes in accounting policies and practices, as applicable, and
- reviewed and endorsed the accounting policy adjustments that resulted from the audit.

Compliance with General Recognised Accounting Practices (GRAP)

The Audit Committee is aware of the developments in General Recognised Accounting Practices (GRAP) on Financial Reporting and Disclosure. Many of which are complex and onerous, particularly for an entity such as the CCB. Notwithstanding the aforementioned comment, the CCB and the committee consider that one of the more important issues still requiring clarification is the valuation,

reporting and disclosure of Heritage Assets, Antiquities and Collections (GRAP 103), but more importantly the concomitant valuation process which would require costly specialist expertise.

The Audit Committee accordingly concurs with and supports the Auditor-General's conclusion on the annual financial statements, and is of the opinion that the audited financial statements can be accepted and read together with the Auditor- General's report.

A handwritten signature in black ink, appearing to read 'P.J. Strachan', enclosed within a large, hand-drawn oval. Below the oval is a long, horizontal, slightly curved line.

**(P.J. STRACHAN CA(SA))
AUDIT COMMITTEE: CHAIRPERSON**



5. HUMAN RESOURCES MANAGEMENT

The Castle Section comprises a total of 18 members of whom ten (10) are remunerated by the Department of Defence.

It is necessary for the Castle Control Board to employ additional staff to execute duties related to posts no longer occupied by SANDF personnel. These posts include three (3) Castle Guides, a bookkeeper, financial clerk, a cashier together with an assistant and a museum assistant.

Other services include permanent cleaning services, char services during the festive season and weekends as well as temporary replacement personnel during leave and public holidays.

In order to comply the Castle Control Board was to approve a Human Resource Policy, which is currently in draft. The Human Resources Policy is applicable to those eight (8) members who are appointed and remunerated by the Castle Control Board.

5.1 Permanent Employees

Total number of permanent workers as employed by the Department of Defence and seconded to the CCB (as on 31 March 2010)

Post Level	MALE				FEMALE				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Level 9	-	1	-	-	-	-	-	2	3
Level 8	-	-	-	2	-	-	-	1	3
Level 7	-	-	-	-	-	-	-	-	-
Level 6	-	-	-	-	-	-	-	-	-
Level 5	-	-	-	-	-	-	-	-	-
Level 4	1	-	-	2	-	-	-	-	3
Level 3	-	-	-	-	-	-	-	-	-
Level 2	-	1	-	-	-	-	-	-	1
Total	1	2	-	4	-	-	-	3	10

5.2 Contract Workers

Total number of contract workers as appointed by the Castle Control Board (as on 31 March 2010)

Post Level	MALE				FEMALE				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Professionally Qualified	-	1	-	1	1	1	-	-	4
Semi-skilled and discretionary decision making	-	-	-	1	-	2	-	1	4
Total	-	1	-	2	1	3	-	1	8

6. DISCLOSURE OF EXPENDITURE RELATING TO SOCCER WORLD CUP CLOTHING AND TICKETS

No tickets or clothing were purchased before, during or after the Soccer World Cup. The Castle of Good Hope was fortunate to be a backdrop to the Grand Parade Fanpark and also assisted the City of Cape Town to accommodate those vendors and traders that were displaced from the Grand Parade during the World Cup Soccer at no cost.

7. ANNUAL FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2010

Report of the Auditor-General

Statement of Financial Performance

Statement of Financial Position

Statement of Changes in Net Assets

Cash Flow Statement

Accounting Policies

Notes to the Annual Financial Statements

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE CASTLE CONTROL BOARD FOR THE YEAR ENDED 31 MARCH 2010

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Castle Control Board, which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 31 to 44.

Accounting Authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999)(PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 20 of the Castle Management Act, of South Africa, 1993 (Act No. 207 of 1993), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Castle Control Board as at 31 March 2010, and its financial performance and its cash flows for the year then ended in accordance with the SA Standards of GRAP and in the manner required by the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

8. In terms of the PAA of South Africa and *General notice 1570 of 2009*, issued in *Government Gazette No. 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the PFMA and financial management (internal control).

Findings

Predetermined objectives

Non-compliance with regulatory and reporting requirements

9. The strategic plan 2009-2011 of the entity did not include key performance measures and indicators for assessing the public entity's performance in delivering the desired outcomes and objectives, as required by Treasury Regulation 30.1.3 (d-f).
10. The three-year rolling strategic plan for the entity was not submitted to the executive authority for the 2009/10 year as required by Treasury Regulation 30.1.1.
11. Quarterly reports on the progress in achieving measurable objectives and targets, for quarters one to three of 2009/10 were not prepared by the entity to facilitate effective performance monitoring, evaluation and corrective action, as required by Treasury Regulation 29.3.1.

Usefulness of reported performance information

12. The following criteria were used to assess the usefulness of the planned and reported performance:
 - Consistency: Has the entity reported on its performance with regard to its objectives, indicators and targets in its approved strategic plan/corporate plan i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
 - Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
 - Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

Planned and reported performance targets not specific

13. For the selected objectives, 100% of the planned and reported targets were not:
 - measurable in identifying the required performance;
 - time - bound in specifying the time period or deadline for delivery.

Compliance with laws and regulations

PFMA and treasury regulations

Non adherence to legislation

14. Contrary to the requirements of the Treasury Regulations (TR) 3.2.1 and sections 38 (1) (a)(i) and 76 (4)(e) of the PFMA the entity did not have an approved fraud prevention plan.
15. Contrary to the requirements of section 53 (3) of the PFMA the entity did not apply to the National Treasury to retain its surplus.
16. Contrary to the requirements of the National Treasury Practice Note 8 of 2007/2008 a list of prospective suppliers to be used for the procurement requirements was not compiled by the accounting authority.

Internal control

17. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

Governance

18. Castle Control Board does not have a fraud prevention plan in place. The Castle Control Board as well as the employees involved in procurement were not required to disclose any interests in companies.

Leadership

19. The accounting authority does not exercise oversight responsibility over compliance with laws and regulations as well as predetermined objectives as reported in paragraphs 14-16 and 9-11 as well as 13, respectively.

Auditor - General

Cape Town

31 July 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Statement of Financial Performance

for the year ended 31 March 2010

		2009/10	2008/9
<i>Revenue (from exchange transactions)</i>	<i>Notes</i>	<i>R'000</i>	<i>R'000</i>
Sale of Goods		106	107
Other income	2	2,380	2,073
Income from investments	5	666	934
Total revenue		3,152	3,114
Expenses			
Cost of Sales		(75)	(81)
Administrative expenses	3	(572)	(436)
Staff costs		(422)	(295)
Audit fees		(292)	(175)
Other operating expenses	4	(597)	(306)
Total Expenditure		(1,958)	(1,293)
Gains/(Losses) on disposal of assets		(2)	-
Surplus for the year		1,192	1,821

Statement of Financial Position

as at 31 March 2010

	Notes	2009/10 R'000	2008/9 R'000
ASSETS			
Current Assets			
Inventory	7	99	107
Trade and other receivables	8	62	81
Cash and cash equivalents	9	10,211	9,181
		<u>10,372</u>	9,369
Non-current assets			
Plant and equipment	6	1,263	1,195
Total assets		<u>11,635</u>	10,564
 EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	10	69	191
Capital and reserves		<u>11,566</u>	10,373
Total equity and liabilities		<u>11,635</u>	10,564

Statement of Changes in Net Assets

for the year ended 31 March 2010

	Revaluation reserve	Military Tattoo reserve	Accumulated profit/(loss)	Total
	R'000	R'000	R'000	R'000
Balance at 1 April 2008	636	-	7,894	8,530
Prior year adjustment (Note 1.15)	-	-	23	23
Revaluation increase on plant & equipment	23	-	(23)	-
Adjusted balance at 1 April 2008	659	-	7,894	8,553
Net profit for the year	-	-	1,821	1,821
Transfer #	-	167	(167)	-
Balance at 1 April 2009	659	167	9,548	10,374
Net profit for the year	-	-	1,192	1,192
Transfer to/(from) reserves #	-	58	(58)	-
Balance at 31 March 2010	659	225	10,682	11,566

The Military Tattoo Reserve has been created to be able to monitor the results of this annual event and to ensure that any surpluses can be utilized for future events.

Cash Flow Statement

for the year ended 31 March 2010

	Notes	2009/10 R'000	2008/9 R'000
Net cash inflows from operating activities			
Cash receipts from visitors		2,447	2,109
Cash paid to suppliers and employees		<u>(1,940)</u>	<u>(1,123)</u>
	11	507	986
Interest received		<u>666</u>	<u>934</u>
Net cash inflows from operating activities		1,173	1,920
Net cash from/(used in) investing activities	12	(143)	(37)
Net increase in cash and cash equivalents		1,030	1,883
Cash and cash equivalents at the beginning of the year		9,181	7,298
Cash and cash equivalents at end of the year		10,211	9,181

Notes to the Annual Financial Statements

for the year ended 31 March 2010

1 Measurement and accounting policies

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

The Financial statements have been prepared on a going concern basis and the following policies have been consistently applied in all material aspects.

1.1 Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer.

Revenue arising from the rendering of services is based on the stage of completion determined by reference to the physical amount of work performed in relation to the total project.

Interest income is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

1.2 Leasing

Finance leases as per the Treasury Regulations refers to a contract that transfers the risks, rewards, rights and obligations incident to ownership to the lessee and is recorded as a purchase of equipment by means of long-term borrowing; All other leases are classified as operating leases, which are applicable to this entity.

The entity as a lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

The Castle Control Board has entered into operating lease agreements, with the following parties. The term of these lease agreements are for one year.

Rental received for the year:

De Goewerneur Restaurant	R 132,000.00
South African Heritage Resources Agency	R 72,000.00

1.3 Taxation

An application was submitted to the South African Revenue Service and Tax Exemption was granted. Consequently no tax has been provided in these accounts.

1.4 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the reducing balance method, on the following bases:

Plant and equipment	15% Straight line
Furniture and Fittings	15% Straight line
Computer hardware and software	33⅓ Straight line

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

Other Museum Antiquities

Museum Antiquities are stated at cost with no depreciation. However Museum Antiquities purchased prior to April 2004 were re-valued to estimated market value at the time and had not been re-valued since. Certain Museum Antiquities amounting to R23,000 were identified during the year, which had not been included in prior years valuation and an adjustment has been made to the 31 March 2008 opening balance in both fixed assets and Museum Antiquities (note 6) and the Statement of Changes in Net Assets.

1.5 Impairment

At each balance sheet date, the entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a re-valued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

1.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less any costs of completion and costs to be incurred in marketing, selling and distribution.

Cost is determined on the following basis:

Finished goods are valued on the FIFO basis.

1.7 Financial instruments

Recognition

Financial assets and financial liabilities are recognised on the entity's balance sheet when the entity becomes a party to the contractual provisions of the instrument.

All "regular way" purchases and sales of financial assets are initially recognised using trade date accounting.

Measurement

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

Financial assets

The entity's principle financial assets are investments and loans, accounts receivable and cash and cash equivalents.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

1.8 Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

1.9 Financial liability and Equity

The entity's principle financial liabilities are accounts payable.

The entity's principle financial liabilities are measured at amortised cost, comprising original debt less principle payments and amortisations, except for financial liabilities held-for-trading and derivative liabilities, which are subsequently measured at fair value.

1.10 Trade payables

Trade and other payables are stated at their nominal value, which includes a provision for leave pay amounting to R3 (2008-nil).

1.11 Cash and cash equivalent

Cash and cash equivalents are stated at their nominal value.

1.12 Related Parties

Related Parties represent those transactions which have been entered into between the Board and Related Parties.

1.13 Unauthorised, irregular, fruitless and wasteful expenditure

The financial statements must, in terms of the Public Finance Management Act, 1999 (Section 55(2)(h)(1), include particulars of any such expenditure. No such expenditure was incurred and if incurred, would be charged against income when incurred.

1.14 Use of Estimates, judgements and Assumptions

Management is required to make estimates and assumptions in preparing the annual financial statements. These assumptions and estimates are made on the best available information relating to impairments, useful life, depreciation and disclosures.

1.15 Prior Year Adjustment and Restatement

Certain Museum Antiquities amounting to R23,000 were identified during the year, which had not been included in prior year valuations and consequently the Statement of Changes in Net Assets and comparative figures in the fixed assets have been restated as reflected in notes 1.4 and 6.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

2 Other Income

	2009/10	2008/9
	R'000	R'000
Buildings Rental income	818	679
Net Ticket Sales, Ceremonial Guards, Breakages	1,503	1,307
Sundry Income	1	1
Military Tattoo	58	86
Total	2,380	2,073

3 Administrative expenses

Advertising and subscriptions	92	66
Uniforms, flags, gunpowder, etc	99	16
Insurance	22	20
Museum expenses	178	100
Fees for services		
- Administrative	70	106
Entertainment	16	10
Stationery and printing	49	62
Training	5	17
Venues & facilities	1	1
Bank Charges	40	38
Total	572	436

4 Other operating expenses

Maintenance, repairs and running costs		
- Property and buildings	289	48
- Other maintenance, repairs and costs	180	158
	469	206
Depreciation on Assets carried at cost	74	59
Stores/consumables	15	12
Travel and subsistence	11	4
Communication costs	28	25
Total	597	306

5 Income from investments

Interest income		
- Bank deposits	666	934

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

6 Plant and equipment

	Office Furniture and fittings R'000	Museum Antiquities R'000	Total R'000
Year ended 31/3/2009			
Opening net carrying amount	150	1,068	1,218
Gross carrying amount	197	1,045	1,242
Prior year restatement to revaluation		23	23
Accumulated depreciation	(47)	-	(47)
Additions	37		37
Depreciation charge	(60)		(60)
Net carrying amount 31 March	127	1,068	1,195
Year ended 31/3/2010			
Opening net carrying amount	127	1,068	1,195
Gross carrying amount	234	1,068	1,302
Accumulated depreciation	(107)		(107)
Additions	98	46	144
Disposals	(2)	-	(2)
Depreciation charge	(74)	-	(74)
Net carrying amount 31 March	149	1,114	1,263

7 Inventories

	2009/10 R'000	2008/9 R'000
Finished goods	99	107

8 Trade and other receivables

Trade receivables	5	2
Accrual of interest	57	79
	62	81

9 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to insignificant interest rate risk. The carrying amount of these assets approximates to their fair value.

	2009/10 R'000	2008/09 R'000
Cash at bank	449	455
Cash on hand	5	5
Short-term investments / instruments	9,757	8,721
	10,211	9,181

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

As required in section 7(2) and 7(3) of the Public Finance Management Act, the National Treasury has approved both the local and foreign banks where the bank accounts are held.

10 Trade and other payables

	2009/10	2008/09
	R'000	R'000
Trade creditors	61	188
Leave Pay	3	3
Deposits	5	
	69	191

11 Reconciliation of profit before taxation to cash generated from/(utilised in) operations

Profit before taxation	1,192	1,822
Adjusted for:		
- Depreciation on plant and equipment	74	60
- Investment income	(666)	(934)
Operating cash flows before working capital changes	600	948
Working capital changes	(93)	38
- Loss on disposal of fixed assets	2	-
- Decrease/(increase) in inventories	8	(67)
- Decrease/(increase) in receivables	19	(71)
- Increase/(decrease) in payables	(122)	176
Cash generated from operations	507	986

12 Net cash from/(used in) investing activities

Acquisition of plant and equipment	(143)	(37)
Cash from/(used in) investing activities	(143)	(37)

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

13 Related Parties

Related Party	Nature of the relationship	Amount confirmed 2009/10 R'000	Amount confirmed 2008/9 R'000
Iziko Museums of Cape Town	Share of income from gate takings and related business in terms of agreement	750	637
SANDF	Management and Administrative Support to the CCB, which includes salaries.	2,271	2,057
Army Support Base Western Cape	Regular lessees of CCB managed facilities and equipment	402	393
SANDF	Recipient of payment for Fixed line telecommunications equipment	14	13
RM Hudson-Bennett	As vice-chairperson of the CCB also responsible for the preparation of Financial Statements, including Estimates of National Expenditure (ENE) and attending related workshops as initiated by National Treasury.	64	65
SAHRA	As lessee	72	-
SAHRA	As creditor	76	-
F Morkel	SANDF employee reimbursed for cellular telephone contract expenditure by CCB.	7	7

14 FINANCIAL RISK MANAGEMENT

14.1 Financial risk factors

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Castle Control Board's income. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising return.

(i) Foreign exchange risk

The Castle Control Board is not exposed to foreign exchange risk.

(b) Credit risk

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

An allowance for impairment is established based on management's estimate of identified incurred losses in respect of specific trade and other receivables. Bad debts identified are written off as they incur.

The Castle Control Board's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no significant concentration of unsecured credit risk.

Reputable financial institutions are used for investing and cash handling purposes.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

(c) *Liquidity risk*

Liquidity risk is the risk that the Castle Control Board will not be able to meet its financial obligations as they fall due. The Castle Control Board'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.

The liquidity risk is considered as low, because the Castle Control Board has adequate funds at their disposal.

(d) *Interest risk*

The Castle Control Board's exposure to changes in interest rates is on a floating rate basis relating to funds invested with reputable financial institutions on a short terms basis.

(e) *Capital management*

The policy of the management is to maintain a strong capital base so as to maintain public sector confidence and to sustain future developments of the Castle Control Board. There were no changes in the management's approach to capital management of the Castle Control Board during the year.

31 March 2010	Floating Interest rate R'000	Non-interesting bearing R'000	Total R'000
ASSETS			
Trade receivables	-	62	62
Cash and cash equivalents	10,211	-	10,211
Total assets	10,211	62	10,273
LIABILITIES			
Trade payables	-	69	69
Total liabilities	-	69	69
Net financial assets/ (liabilities)	10,211	(7)	10,204

31 March 2009	Floating Interest rate R'000	Non-interesting bearing R'000	Total R'000
ASSETS			
Trade receivables	-	81	81
Cash and cash equivalents	9,181	-	9,181
Total assets	9,181	81	9,262
LIABILITIES			
Trade payables	-	191	191
Total liabilities	-	191	191
Net financial assets/ (liabilities)	9,181	(110)	9,071

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

14.2 Interest risk sensitivity analysis

	2009/10 R'000	2008/9 R'000
Trade and other receivables	62	81
1% interest fluctuation impact	0.62	0.81
Trade and other payables	69	191
1% interest fluctuation impact	0.69	1.91
Cash and cash equivalents	10,211	9,181
1% interest fluctuation impact	102.21	91.81

Currency risk

The Castle Control Board does not enter into forward exchange contracts and therefore have no currency risk.

Liquidity risk

The carrying amounts of financial liabilities at the reporting date were:

	2009/10 R'000	2008/9 R'000
Trade and other payables	69	191

The contractual maturities for all borrowings and payables outstanding at 31 March 2010 are 12 months or less.

The risk is covered by a cash and equivalents balance of R10,211 at 31 March 2010.

14.3 Fair value estimation

The face values of cash, trade receivables and trade payables less any estimated credit adjustments, are the approximately fair values on 31 March 2010, as a result of the short-term maturity of these assets and liabilities.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

15. Reconciliation of Budget Surplus with the surplus of financial performance

	2009/10 R'000
Net surplus for approved budget	1,433
Adjusted for:	
Income received less than budget	(166)
Expenses incurred in excess budget	(75)
Net surplus for statement of financial performance	1,192

16. Schedule of Irregular Expenses reported

There were no irregular expenses reported as is required in terms of Treasury Regulation 33.1.3.

17. Standards and Interpretations

At the date of authorisation of financial statements for the year ended 31 March 2010, the following standards were in issue but not yet effective:

Standard

GRAP 21	Impairment of non-generating assets
GRAP 23	Revenue foreign-exchange transactions (Taxes and Transfers)
GRAP 25	Employee benefits
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage assets
GRAP 104	Financial instruments

All applicable Standards will be adopted at its effective date

The management is of the opinion that the impact of the application of the Standards will not have a material effect on the financial position, performance or disclosure of the Board for the following standards being GRAP 21, 23, 25, 26 and 104.

However the implementation of GRAP 103 and its effective date is likely to have a material effect on the financial position, performance, disclosure and the potential cost of obtaining valuations by appropriate experts.

18. Contingent Liability

The Castle Control Board has not applied or received approval from Treasury to retain the surplus as disclosed in the statement of financial position. The recognition of the liability is dependent on whether the Castle receives approval from National Treasury to retain the surplus funds as required by section 53(3) of the Public Finance Management Act, 1999 (Act No. 1 of 1999). However, the Board has complied with the Castle Management Act under which the Board was constituted and this Act allows the retention of surpluses arising from operations.