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PART A

GENERAL INFORMATION



1 GENERAL INFORMATION

REGISTERED NAME:	Performing Arts Centre of the Free State
PHYSICAL ADDRESS:	12 First Avenue Westdene Bloemfontein 9301
POSTAL ADDRESS:	P.O. Box 1292 Bloemfontein 9301
TELEPHONE NUMBER/S:	051 – 447 7771
FAX NUMBER:	051 – 430 5523
EMAIL ADDRESS:	ceo@pacofs.co.za
WEBSITE ADDRESS:	www.pacofs.co.za
EXTERNAL AUDITORS:	Auditor General of South Africa
BANKERS:	ABSA Bank
COMPANY SECRETARY:	Council performs the secretarial functions



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LIST OF ABBREVIATIONS/ACRONYMS

AGSA:	Auditor General of South Africa
APP:	Annual Performance Plan
CEO:	Chief Executive Officer
CFO:	Chief Financial Officer
DAC:	Department of Arts and Culture
DSACR:	Department of Sport, Arts, Culture and Recreation
GRAP:	Generally Recognised Accounting Principles
MACUFE:	Mangaung African Cultural Festival
MOU:	Memorandum of Understanding
PACOFs:	Performing Arts Centre of the Free State
PFMA	Public Finance Management Act
SPP:	Strategic Performance Plan

Icamagu



The 2016/2017 financial year was a year of transition for PACOFS from enduring the harshness of too many winter seasons. This year we presented a total of 55 productions and these include Festivals, Artist Assist Programme, Touring productions, Partnerships and Co- Productions as well as the Iconic MACUFE. At the beginning of the 4th quarter, we appointed a CEO, a CFO and an Artistic Director. Their brief time at PACOFS has been transformative. We are delighted with the enthusiasm, vision and excitement that they have brought to the institution.

Our financial result moved from a deficit to a surplus, as a result of cost containment that was introduced in the last two months of the year, compared to the previous financial year deficit. Going forward, proper budgeting process will be in line with our strategic objectives, with even more financial discipline. The Supply Chain Management Policy, the Irregular, Fruitless and Wasteful Expenditure Policy which were approved by the Council this March, will assist in better financial controls and compliance with laws and regulations.

A huge thank you for the generous and ongoing support from the Departments of Arts and Culture, both nationally and provincially. You have contributed to our ability to continue to showcase a wide range of productions, workshops and training on incubator programmes, that cover all genres of theater and cater for a wide spectrum of audience. Our sincere gratitude.

We implore PACOFS staff to embrace a culture of working together. Please deepen the understanding of the imperative of personal responsibility and the notion of accountability. The survival and success of PACOFS require a disciplined and harmonious workforce. Display a standard of excellence in your field of work. After all, failure is a choice and greatness is not reserved for the chosen few. We are all duty bound to brighten the corner and bless the lives of those we serve. On behalf of Council, I thank you all for your intention to commit to the privileged and gift of being PACOFS employees.

It is indeed true if you "fix your course to a star, you can navigate any storm." I would like to thank Council members for working hard to change an unpalatable culture of employee related litigations, as well as a tradition of maladministration and non-compliance of supply chain related cases, which have plagued the institution for over a decade. Indeed, winters do not last. Thank you all for your commitment.

Finally, we wish the artistic leadership, together with all the talented creatives who perform at PACOFS, productions that will sustain, intrigue and delight us and generate revenue in the new financial year.



Ms Afrika Msimang
Council Chairperson

Performing Arts Centre of the Free State (PACOFs) has already achieved significant success in its aspirations to be the leading Public Performing Arts Institution in the Free State. It has distinguished itself as an institution which has not only presented a diverse Artistic Programme, but also taken the arts to communities within the Free State Province. PACOFs will progressively expand its role in technical training and ensuring that skills transfer takes place so that its staff is empowered.

PACOFs operates in the Free State Province as an entity of the National Department of Arts and Culture that has achieved this success despite the fact that the performing arts have over the last number of years been significantly underfunded. PACOFs has become a developing sector, sourcing its strengths from the National Government service delivery and key priorities. Its programming is focused on delivering effective, efficient and reliable products to its customers namely artists and general service providers, with increased commitments to funding facilities and the performing arts in general. PACOFs now finds itself with the opportunity to significantly expand its facilities, activities and contribution to the economy and arts communities of the Free State.

The year under review saw the institution exceeding the targeted number of productions due to the high demand from Producers as well as the general public's interest in using our facilities. This has however not been balanced with the revenue collected but we have drawn some lessons on how we should draft and negotiate our partnership contracts as well as offer market related prices for our facilities and venues. The institution aims to ensure that the artistic content presented on its stages is based on a multicultural consciousness with artistic products that will attract and entertain audiences.

We have continued to strengthen our relationships with key stakeholders such as the Free State Department of Sport, Arts, Culture and Recreation, with whom we entered into a Memorandum of Understanding that guides how we should partner on Programmes as well as sharing of resources in order to achieve common goals. Through our Development Department, we have partnered with the Xhariep District, Moqhaka, Dihlabeng and Fezile Dabi Local Municipalities staging Development Festivals whose aim is to provide platform, identify talent, expose and promote up and coming artists in other areas outside Mangaung. We will continue to partner with other municipalities as well as other key stakeholders to ensure that we have our footprints in the entire Province of the Free State.

With the guidance of Council, we embarked on a Turnaround Strategy that informed our Restructuring Strategy as well as the development of the Organisational Structure which subsequently was approved by Council. We are working to ensure that these get fully implemented in the 2017/18 Financial year with an aim of maximizing our output as an institution. In addition, our Finance and Human Resources Departments have also been strengthened with the appointments of the Chief Financial Officer and the Human Resource Manager respectively.

PACOFs will continue to adapt its business strategies to address the national imperatives to build a robust economy, create job opportunities, promote social cohesion and transfer skills for sustainable growth, especially in the arts and culture sector across a wide spectrum.

Taking this Iconic institution to a level of performance that will be best described as sound and impressive, requires success in a number of crucial business areas. This includes cleaning up our administration by strengthening the internal controls to the quality level required by the Auditor General as well as adherence to general principles of Good Governance, providing entertainment and recreation in line with our mandate as a Performing Arts Institution.

Lastly, management created a healthy environment with labour unions through the establishment of the Committee called the Management Union Forum (MUF). The committee serves as a platform for Unions and Management to discuss issues of common interest with the sole aim of fostering unity between staff and management in order to achieve the strategic goals of the Institution and to implement the Annual Performance Plan approved by the council.

On behalf of staff and Management, I wish to commit that everyone at PACOFs will be working very hard to ensure that this prestigious institution is taken to greater heights.



Meshack Xaba
Acting Chief Executive Officer



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STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General of South Africa.

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 control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2017.



Chairperson of the Council
Ms Afrika Msimang



Acting Chief Executive Officer
Mr Meshack Xaba

31 July 2017

Date

6 STRATEGIC OVERVIEW

6.1 Vision

A leading performing arts and celebration destination that provides access to all, to experience cultural and arts activities across the Free State

6.2 Mission

To use the arts as an instrument to encourage social cohesion and nation building through promotion, recognition and preservation of local and national heritage.

To stimulate economic interest, participation and appreciation of art across racial barriers while soliciting international role players.

6.3 Values

PACOFs is committed to becoming a Performing Arts Centre that upholds constitutional values as well as Batho Pele Principles through:

Accountability

- An employee must be responsible and accountable in dealing with public funds, property and other resources.

Fairness

This incorporates the following key values:

- Honesty
- Equality
- Application of systems & procedure
- Equitable Treatment

Commitment

Seeing through:

- Completion of tasks
- Reliability of service
- Dedication
- Consistency

Communication

- Information Sharing
- Transparency
- Integrity
- Easily Accessible
- Consultation
- Courtesy

Responsiveness

- Punctuality
- Productivity
- Turnaround time



LEGISLATIVE AND OTHER MANDATES

PACOFs is a public entity reporting to the Department of Arts and Culture. PACOFs finds its mandate entrenched in the primary legislative mandate of the Department. All frameworks, systems, policies and procedures must be developed within the constitutional, legislative and policy mandates.

7.1 Constitutional mandates

The primary legislative mandate of the Department of Arts and Culture comes from the Constitution of the Republic of South Africa, which states that:

Section 16(1) – “Everyone has the right to freedom of expression which includes -

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

Section 30 – “Everyone has the right to use language and to participate in the cultural life of their choice, but no one exercising these rights may do so in a manner inconsistent with any provision of the Bill of Rights”.

Emanating from the White Paper on Arts, Culture and Heritage the following Acts have been promulgated by Parliament and institutions created in furtherance of the constitutional mandate of the Department of Arts and Culture:

- National Heritage Resources Act, 1999 (Act No. 25 of 1999)
- National Heritage Council Act, 1999 (Act No. 11 of 1999)
- Cultural Institutions Act, 1998 (Act No. 119 of 1998)
- South African Geographical Names Council Act, 1998 (Act No. 118 of 1998)
- National Library of South Africa Act, 1998 (Act No. 92 of 1998)
- South African Library for the Blind Act, 1998 (Act No. 91 of 1998)
- National Film and Video Foundation Act, 1997 (Act No. 73 of 1997)
- National Arts Council Act, 1997 (Act No. 56 of 1997)
- Legal Deposit Act, 1997 (Act No. 54 of 1997)
- National Archives and Record Service of South Africa Act, 1996 (Act No. 43 of 1996)
- Pan South African Language Board Act, 1995 (Act No. 59 of 1995)
- Culture Promotion Act, 1983 (Act No. 35 of 1983)
- Heraldry Act, 1962 (Act No. 18 of 1962)

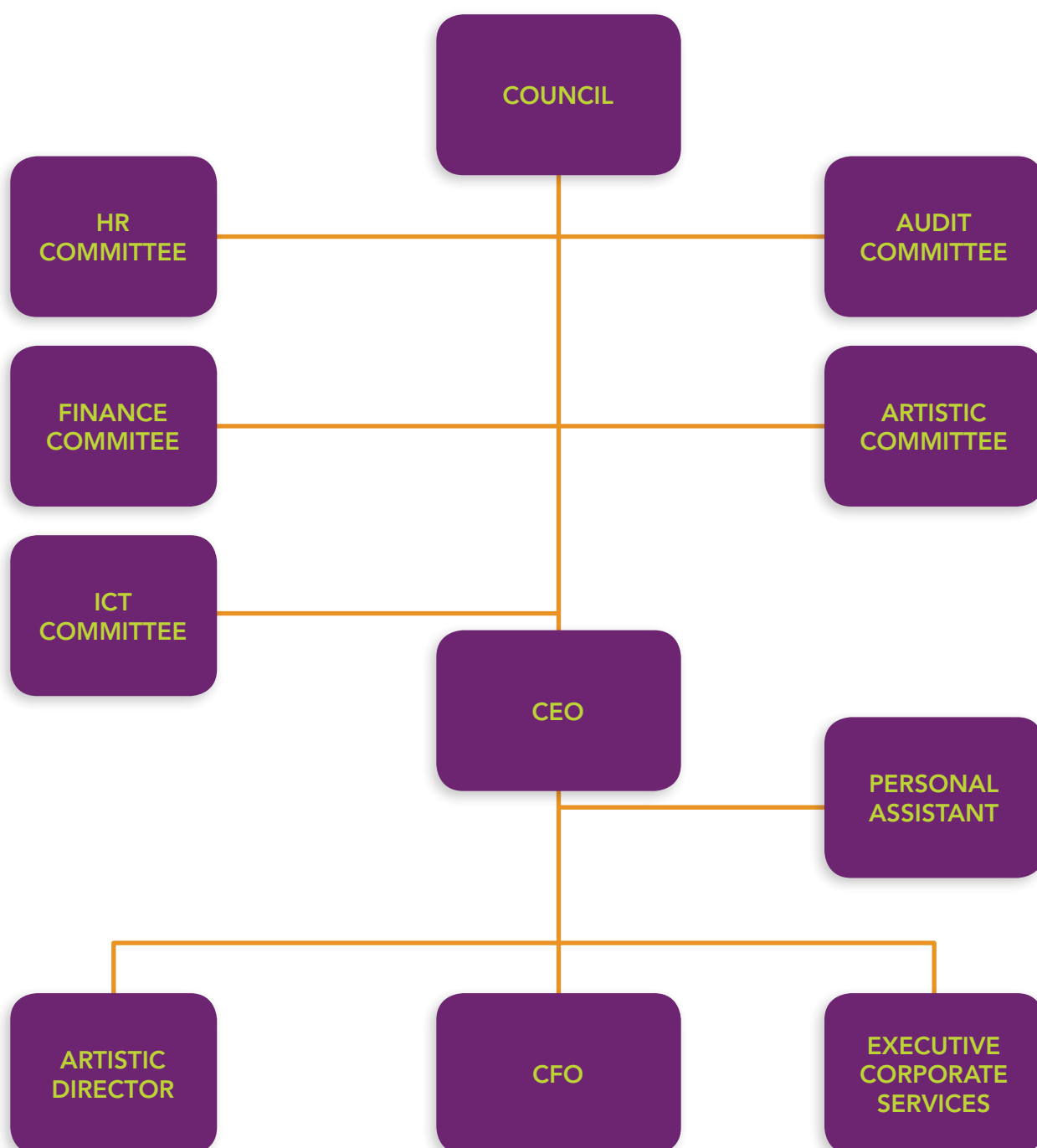
7.2 Legislative mandates

PACOFs as a public entity will not only be guided by legislative mandates but also other legislation directly or indirectly impacting on the entity. The list mentioned below is not complete by any means, but provide us with a working framework of legislative mandates governing our daily operations and responsibilities.

- The Constitution of the Republic of South Africa, 1996.
- Public Finance Management Act, 1999 (PFMA), Act of 1999 as amended by Act 29 of 1999
- White Paper on Arts, Culture and Heritage (1998)
- Cultural Institutions Act, 1998 (Act No 119 of 1998)
- Culture Promotion Act, 1983 (Act No 35 of 1983)
- Competitions Act, 1998 (Act No 89 of 1998)
- National Arts Council Act, 1997 (Act No 56 of 1997)
- Labour Relations Act, 1995 (Act No 66 of 1995 updated 2002)
- Occupational Health and Safety Act, 1993 (Act No 85 of 1993)
- Employment Equity Act, 1998 (Act No 55 of 1998)
- Basic Conditions of Employment Act, 1997 (Act No 75 of 1997)
- Skills Development Act, 1998 (Act No 97 of 1998)
- Skills Development Levies Act, 1999 (Act No 9 of 1999)

- Promotion of Access to Information Act, 2000 (Act No 2 of 2000)
- Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000)
- Broad Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003)
- Intellectual Property Laws Amendment Act, 1997 (Act No 38 of 1997)
- Copyright Act, 1978 (Act No 98 of 1978)
- Promotion of Administrative Justice Act, 2000 (Act No 3 of 2000)
- Treasury Regulations

8 PACOFS ORGANISATIONAL STRUCTURE



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PART B

PERFORMANCE INFORMATION

Refer to page 40-50 of the Auditors Report, published as Part E: Financial Information.

2.1 Service Delivery Environment

2016/2017 was the year for supporting our local artists with 95 % of our productions being presented by artists from around the Free State Province. A total of 55 productions were hosted for the financial year and these included the following: just to mention but a few, Festivals, Artist Assist, Touring Productions, partnerships and co –productions. In this year we got to partner with most of the local artist and this assisted the Institution in presenting more local content and being able to achieve our target beyond expectation. The 2017/2018 program will include a balance of commercially viable shows whilst still providing a platform for artists from the Free State province to showcase their works. New partnerships will be formed by introducing our facilities to productions touring SA whilst also supporting our local Theatre Practitioners. Relationships with other theatres will be the key focus and the co-producing of productions with these theatres will be a priority. The Artist Assist project will continually provide support for our Free State artists to attend festivals and other events around the country and also providing a platform within our facilities.

2.2 Organisational Environment

During the 2016/17 financial year, the institution noted a decrease of its Service Delivery mandate through Programme 2. In addition, the institution placed emphasis on management development and addressing the Auditor General's findings for 2015/16. Council has stressed the importance of efficient management of the entity, along with building a high performance oriented organization that embraces the highest standard of corporate governance.

In order to achieve social inclusivity, PACOFS must continue to strive to identify and obtain additional funding to activate artistic programmes in disadvantaged communities in order to make theatre going practical in those communities.

2.3 Key Policy Developments and Legislative Changes

The following policies were developed and approved by Council during the year under review:

- Accommodation and Rental Policy
- Acting and Additional Allowances
- Code of Conduct
- Code of Ethics
- Council Remuneration
- Delegated Authorities
- Employee Education Assistance
- Fraud and Corruption Plan
- HIV Aids
- Leave
- Performance Management
- Recruitment and Selection
- Risk Management Framework
- Risk Management Policy
- S & T Policy

Legislative changes: Revised White Paper on Arts, Culture and Heritage: Third Draft



2.4 Strategic Outcome Orientated Goals

As a Public Entity of the Department of Arts and Culture, PACOFS aligns itself with the strategic outcomes of the shareholder department and its developed goals to achieve these outcomes.

Key Priority of DAC	Strategic Outcome	PACOFS Goal Statement
Social Cohesion and Nation Building	Improve Social Interaction	To identify, develop and promote new art expressions to progressively advance the cultural wellbeing of all South Africans
Skills Development	Improve Skills level	To identify, develop and train specific target groups that can be deployed to improve the overall skill levels and increase the interest of people in the arts, resulting in increased audience
Economic Development	Stimulate local economy	To identify, develop and implement strategies to contribute to the New Growth Path
Development, Preservation and Promotion of Arts, Culture and Heritage	Creating an enabling and vibrant creative arts environment	Creating an environment where the arts could gain exposure to existing genres, being creative in developing new creative ideas and promoting a holistic experience to the sector
Preservation for Access to Information	Create a legacy of information	To identify information that should be retained and implement the national guidelines on the digitization as heritage resources
Good Corporate Governance	Create financially viable and efficient organisation	To provide and maintain high quality support services to the Council and the Department pertaining to sound financial management, human resource management, information technology, cleaning, transport and security management.

3

PERFORMANCE INFORMATION BY PROGRAMME

3.1 Programme 1: Administration

The programme aims to provide strategic leadership, direction and support through good governance to PACOFS. Its role is to ensure that the necessary support services are provided for the effective management of the organisation.

Sub-programmes:

- Central Office; Office of CFO; Financial Management and Supply Chain Management.

Strategic Objectives:

- To promote an environment of efficient and effective governance and reporting
- To ensure sound financial management of all PACOFS revenue sources and safeguard its assets
- To maintain a culture and practice of compliance with legislation and policies

Create a financially viable and efficient organisation		Programme 2: ADMINISTRATION				
Strategic objectives	Key Performance indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
To promote an environment of efficient and effective governance and reporting	No of Internal audit committee meetings conducted in a year	1	4	1	-3	Internal auditor not yet appointed. Tender has closed on the 23 May and we are in the process of evaluation. Envisaged start date is beginning of July
To ensure sound financial management of all PACOFS revenue sources and safeguard the assets of the Project	% of external AG audit findings resolved (division specific)	100%	100%	100%	0.00%	Achieved as a result of increase in local theatre practitioners PACOFS partnered with
To maintain a culture and practice of compliance with legislation and policies	Nature of Audit Opinion		Unqualified	0	0	Outcome to be addressed by YE audit
	Nature of asset register clean reports per quarter and annum		100%	100%	0%	.
	Annual Report tabled		1	1	0	Achieved in 2nd Qrt
	Number of Quarterly Reports Generated		4	4	0	Achieved and submitted on time.

Programme 2: Business Development

The programme aims to enable the performing arts and celebration environment through development, planning implementation, monitoring and evaluation. This programme focuses on the development of artistic programmes and productions, including the developmental programme to create an appreciation for the arts in all communities as well as marketing of the respective programmes. It is necessary to understand the relationship between this programme and the other support functions. The success of the programme requires an integrated approach.

Sub-programmes:

- Theatre Management; Artistic Production; Audience Development; Marketing and Communication, Human Resources

Strategic Objectives:

- To create platforms for artistic expression in music, dance, theatre, poetry, opera and comedy
- To develop Artistic drama concepts that will grow and sustain a vibrant creative arts environment
- To create platforms for local artists to perform and become known
- Implement the vision of the Mzansi Golden Economy through giving expression to its programmes to create an enabling and vibrant creative arts environment.
- To offer the theatre complex as a vibrant facility for events
- To promote PACOFS and its internal and external productions to the public through effective marketing and communication campaigns
- To develop technical skills for both PACOFS and non PACOFS employees to generally improve technical skills levels

PROGRAMME 2: BUSINESS DEVELOPMENT

Strategic Outcome1:		Improve social interactions					
Strategic outcome4:		Creating an enabling and vibrant creative arts environment					
Strategic objectives	Key Performance indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations	
To create platforms for artistic expression in music, dance, theatre, poetry, opera and comedy	Total number of productions staged (Dance, music, opera, drama, comedy,	75	38	54	16	Achieved as a result of increase in co-productions and partnerships secured	
To develop Artistic drama concepts that will grow and sustain a vibrant creative arts environment							
Implement the vision of the Mzansi Golden Economy through giving expression to its programmes to create an enabling and vibrant creative arts environment							
To create platforms for local artists to perform and become known	Number of community based productions	30	9	8	-1	There were not enough proposals received from community based productions	
	Number of festivals staged	0	2	3	1	PACOFs was afforded the opportunity to present a Local Festival in partnership with Local artists	
To offer the theatre complex as a vibrant facility for events	Proportion of production that is local content	30	5	13	8	Achieved as a result of increase in local theatre practitioners PACOFs partnered with	
	Total number of audience attending productions	0	25000	24104	896	The number of audiences declined possibly due to economic conditions	
To promote PACOFs and its internal and external Productions to the public through effective marketing and communications campaigns	Total number of patrons for internal productions	0	16000	11228	4772	The number of audiences declined possibly due to economic conditions	
	Number of paying audience for internal productions	0	10200	8832	1368	The number of audiences declined possibly due to economic conditions	
	Total revenue generated through staged productions	0	1250000	1141288	108712	The number of audiences declined possibly due to economic conditions	
	Total revenue generated through staged internal productions	0	510000	406870	103130	The number of audiences declined possibly due to economic conditions	

Strategic outcome: 2		Improve Skills Level				
Strategic objectives	Key Performance indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
To develop technical skills for both PACOFS and non PACOFS employees to generally improve technical skills levels	Number of students enrolled in short courses (1 day to 6 months) in arts management , computer skills, etc.		16	1	-15	The Skills Development Committee had not identified individuals to register in short courses.
	Number of students enrolled in long courses (1 year to 4 years) in arts management , computer skills, etc.		5	3	2	The Skills Development Committee had not identified individuals to register in long courses.
	Number of mentorship/ internship programmes in place		8	0	-8	Achieved a the plan due to more students that we took in for internship
	Number of alliances/partnerships with other institutions e.g. higher learning (tertiary)		3	1	-2	We have concluded alliance/ Partnerships with Motheo FET College. We are currently busy with the drafting and consultations with other institutions.
	Workplace forum meetings		4	1	-3	Refer to the LRA we have done an diagnoses on the workplace forum it was wrongly report previously, our staff component doesn't respond to the LRA requirements of having 100 employees to establish a workplace forum, currently our staff component is 88 permanent. We propose to utilise the current Management and Union as a Management and Labour Forum



Programme 3: Public Engagement

The programme aims to engage the public and make sure they are well informed about all PACOFS' programs. To great awareness, strengthen and enrich the institutional brand and identity to the public. To build trust and mutual understanding.

Sub-programmes:

- Artistic Productions, Marketing & Communications, Audience Development

Strategic Objectives:

- To promote, educate and develop Audiences & young artists by way of presentation outside and inside PACOFS
- To develop a love and interest for, and sound understanding of Arts and Culture within rural communities
- To Promote PACOFS and Its internal and external productions to the public through effective marketing and communications campaigns

Strategic outcome 2:		Improve Skills Level				
Strategic outcome 4:		Creating an enabling and vibrant creative arts environment				
Strategic objectives	Key Performance indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
To promote, educate and develop Audiences & young artists by way of presentation outside and inside PACOFS	Number of outreach projects in place targeting various groups (children, people with disabilities, women and rural communities)		4	7	3	The demand and interest were high
	Number of public/community programmes conducted other than exhibitions/expositions (e.g. arts indabas)		4	2	2	Achieved as per the annual target
To develop a love and interest for, and sound understanding of Arts and Culture within rural communities	Number of touring productions to various communities targeting certain groups		2	2	0	Achieved as per the annual target
	Number of school set works in different indigenous languages conducted		2	2	0	Achieved

To Promote PACOFS and Its internal and external productions to the public through effective marketing and communications campaigns	Number of public awareness (media campaigns) activities conducted through various media platforms		2	17	15	The campaigns were run through using PACOFS in-house resources. Like the printer and social networks
	Number of formal media partnerships secured		2	1	-1	Due to budget constraints we are not able to form any formal partnerships
	Number of marketing plans implemented for each production as per the annual artistic calendar		28	0	-28	During the fiscal year 6 marketing plans were drafted and implemented however due to the fact that there was no sufficient information to support. It's reported as 0. The other reason is due to the fact that most of the productions presented were partnerships where the producers were responsible for marketing of the productions.
	Number of customer perception surveys conducted		4	4	0	The surveys were done on all the quarters
	Number of monthly external newsletters produced		4	0	-4	Not achieved due to Budget constraints
	Number of community consultations held		2	0	-2	Not achieved due to Budget constraints



LINK PERFORMANCE WITH BUDGET

Programme 1: Administration

Sub-Programme/activity/ objective	2016/2017			2015/2016		
	Budget	Actual Ex- penditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Central Office	2 799	4 156	(1357)	2 691	2 905	-214
Office of the CFO	947	164	783	911	36	874
Financial Management	12 399	13 942	(1 543)	12 348	12 661	-312
Corporate and Support Services	8 913	8 165	748	8 675	8 112	564
Supply Chain Management	2 669	2 802	(133)	2 411	2 466	-55
Total	27 727	29 229	(1502)	27 036	26 180	857

Programme 2: Business Development

Sub-Programme/activity/ objective	2016/2017			2015/2016		
	Budget	Actual Ex- penditure	(Over)/Under Expenditure	Budget	Actual Expend- iture	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Front and back of House Theatre Management	2 436	2 839	(403)	2 350	3 986	-1 636
Artistic and Production	5 862	5 934	(72)	5 637	5 102	534
Audience and Artistic Devel- opment and Training	1 547	864	683	1 487	1 119	368
Marketing and Production	2 254	730	1 525	1 928	1 024	904
Total	12 100	10 367	1 733	11 402	11 231	171

Programme 3: Public Engagement

Sub-Programme/activi- ty/ objective	2016/2017			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Electro Mechanical / Techni- cal and Maintenance	5 558	2 413	3 145	5 108	3 922	1 187
Production / Stage Services	2 450	3 527	(1 077)	2 360	3 705	-1 346
Stage and Technical Ser- vices	946	810	136	910	788	122
Total	8 954	6 750	2 204	8 378	8 415	-37

Consolidated

Sub-Programme/ activity/ objective	2016/2017			2015/2016		
	Budget	Actual Revenue	Over/ (Under) Collection	Budget	Actual Revenue	Over/ (Under) Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Core Funding	41 513	41 513	0	39 198	40 148	950
Government grant- subsidy	41 513	41 513	0	39 198	40 148	950
Revenue from exchange transactions	7 322	7 459	137	7 619	4 151	(3 468)
Sale of goods	2 712	1 798	(914)	1 258	938	(320)
Rendering of services	2 528	3 827	1299	1 272	1 242	(30)
Other income	1 185	1 171	(14)	4 181	1 629	(2 552)
Interest received - investment	897	663	(234)	908	342	(567)
Total Revenue	48 835	48 972	137	46 817	44 299	(2 518)
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Central Office	2 799	4 156	(1 357)	2 691	2 905	(214)
Office of the CFO	947	163	784	911	36	874
Financial Management	12 399	13 942	(1 543)	12 348	12 661	(312)
Corporate and Support Services	8 913	8 165	748	8 675	8 112	564
Supply Chain Management	2 669	2 802	(133)	2 411	2 466	(55)
Front and back of House Theatre Management	2 436	2 839	(403)	2 350	3 986	(1 636)
Production & Stage	5 862	5 934	(72)	5 637	5 102	534
Audience and Artistic Devel- opment and Training	1 547	864	683	1 487	1 119	368
Marketing and Production	2 254	730	1 524	1 928	1 024	904
Electro Mechanical / Techni- cal and Maintenance	5 558	2 413	3 145	5 108	3 922	1 187
Production / Stage Services	2 450	3 527	(1 077)	2 360	3 705	(1 346)
Stage and Technical Services	946	810	136	910	788	122
Total Expenditure	48 781	46 345	2 436	46 817	45 826	991
Net Surplus / (Deficit)	56	2 627	2 573	0	-1 527	-1 528

3.4 Strategy to overcome areas of under performance

The strengthening of support departments will ensure that PACOFS realises its strategic objectives. Some of the plans to improve areas of underperformance are;

- Identifying new revenue streams
- Capacitating key departments with key skills
- Attentive management i.e. management that understands the needs, proactively manages risks to ensure staff productivity.
- Building good working relationship between management and employees
- Implementing a performance management system
- Leverage current partnerships.

4 REVENUE COLLECTION

In the previous annual report we had targeted that this year 2016/2017 we will focus on increasing own revenue, however there has been a decline in our revenue

Revenue Collection

Sub-Programme/activity/objective	2016/2017			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Core Funding	41 513	44 646	(3 133)	39 198	40 148	950
Government grant- subsidy	41 513	44 646	(3 133)	39 198	40 148	950
Revenue from exchange transactions	7 323	4 327	2 996	7 619	4 151	(3 468)
Sale of goods	1 019	232	787	1 258	938	(320)
Rendering of services	3 242	2 397	845	1 272	1 242	(30)
Other income	2 165	1 035	1 130	4 181	1 629	(2 552)
Interest received - investment	897	663	234	908	342	(567)
Total Revenue	48 836	48 973	(137)	46 817	44 299	(2 518)

Capital Investment

Project Name	Physical Progress Status %	Total project budget/ Allocation	Actual Spend	Unspend Allocation	Anticipated completion date	Comments
DAC Branding/ Theatre Building	70%	500 000	324 387	175 613		Projected completion is in 2016/17
Maintenance and Refurbishment of Existing Installations	0%	4 370 824	0	4 370 824		On the final stage of specification completion
Motorized Lighting Batten (100% completed)	100%	500 000	383 735	116 265		Completed. Awaiting completion certificate.
PACOFs Main Entrance (10% Completed)	0%	720 000	162 152	557 848		Project not started
Revamp Andre Huguenet	100%	32 000 000	1 586 534	30 413 466		Not completed
Roof Upgrade (100% Completed)	100%	13 255 000	13 253 920	1 080		Completed
Sand Carpet (100% Completed)	100%	3 200 000	2 129 752	1 070 248		Completed. Awaiting completion certificate.
Sand du Plessis - Air conditioning (60% Completed)	0%	13 121 179	2 866 445	10 254 734		Project not started
Sand Plumbing (100% Completed)	100%	80 000	0	80 000		Completed
Sand Sound System (40% Completed)	40%	4 000 000	2 992 978	1 007 022		
Upgrade Machinery Synchronous (100% Completed)	100%	12 000 000	9 522 872	2 477 128		Completed
Upgrade Parking Area	0%	2 059 821	0	2 059 821		Project not started
Upgrade Sand Video Monitor (100% Complete)	100%	316 000	199 859	116 141		Completed
Incubator project		5 000 000	876 537	4 123 463		Project in progress
Total		91 122 824	34 299 171	56 823 653		

4.1.1 Progress made on the maintenance of infrastructure

- There has been no progress on infrastructure since the instruction from DAC to stop all infrastructure projects until further notice.

4.1.2 Developments relating to the above that are expected to impact on the public entity's current expenditure.

- Due to the DAC moratorium, there will be no financial impact on expenditure in current year of reporting.

PART C

GOVERNANCE



1 INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, corporate governance with regard to public entities is applied through the precepts of the PFMA and run in tandem with the principles contained in the King III Report on Corporate Governance.

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

2 PORTFOLIO COMMITTEES

PACOFs briefed the Portfolio Committee on Arts and Culture on Management and Labour issues, wasteful expenditure in the entity, and relationship between management and employees, this was on 16 August 2016 in parliament and 02 December 2016 when the committee had done the site visit at PACOFs.

3 EXECUTIVE AUTHORITY

REPORT DESCRIPTION	SUBMISSION DATES	ISSUES RAISED BY THE EXECUTIVE AUTHORITY
Procurement Plans	24 August 2016	None
First Quarter Report	29 July 2016	None
Second Quarter Report	30 October 2016	None
Third Quarter Report	30 January 2016	None
Fourth Quarter Report	28 April 2017	None
Annual Report 2015/16	29 August 2016	None
Strategic Plan 2015/16 – 2019/2020	30 January 2016	None
Annual Performance Plan 2015/16	30 January 2015	None
User Asset Management Plan	30 January 2016	None

4 THE ACCOUNTING AUTHORITY

Council recognises that transparency, disclosure, financial controls and accountability remain the pillars of a good system of corporate governance. Council will ensure that Management is responsible for implementing controls as required by the PFMA.

4.1 Council Members

In terms of Section 3 of the Cultural Institutions Act (1998, as amended), the composition of the Council shall not be less than seven non- executive Council members.

4.2 Constitution of the Council

PACOFs is a declared Schedule 3A public entity. Members are governed by the Code of Ethics which has been enhanced to ensure that the entity operates efficiently and effectively. It is also a Cultural Institution in terms of section 3 of the Cultural Institutions Act (1998).



4.3 Composition of the Council

As at 31 March 2017, the Council comprised of eight members. The new Chairperson of the Council, Ms Afrika Msimang, Mr. Nkosana Sifumba and Ms. Malekgoloane Malapane were appointed in this fiscal year. The Council members bring to the Council a wide range of experience and skills. The composition of the Council also meets the requirements of the Code.

4.4 Responsibilities

The Council of the PACOFS is the Accounting Authority and is responsible for enhancing service delivery as espoused in the strategic and business plans. The Council must ensure that the entity has clear goals and policies. The Council oversees the entity's strategic direction and reviews its performance, authorises and monitors implementation of strategic decisions, ensures legislative compliance and safeguards the entity's resources. The Council ensures that the entity is managed in a manner that fulfils stakeholders aspirations and expectations.

The Council members also ensure that as independent members, their other responsibilities do not impinge on their responsibilities as Council members of the PACOFS.

The Council has a responsibility to:

- Formulate the strategic policies of the PACOFS in furtherance of its objectives and public purposes, and in consultation with the Minister;
- Approve, monitor the priorities and programmes and the plans and budget of the PACOFS;
- Approve the financial statements of the PACOFS;
- Ensure that the PACOFS applies and manages its financial, human, and other resources with economy, efficiency, effectiveness and transparency;
- Appoint a suitably qualified person to serve as Chief Executive Officer; and
- Delegate powers to any of its committees, or to the Chief Executive Officer of the PACOFS.

4.5 Compliance

The Council ensures adherence to applicable legislation, provisions of the law, rules and regulations, National Treasury prescribed guidelines, etc. It further ensures compliance to all applicable provisions of the relevant acts and statutory requirements whenever necessary. With the release of King III Codes on Governance, the Council strives to embrace its principles by implementing and applying them in all spheres. The Council engages the recommendations of the King III codes by applying the general practices of corporate governance as espoused therein and ensuring conformity and compliance thereto.

4.6 Committees of Council

Council has delegated specific responsibilities to a number of committees which operate within defined terms of reference approved by the Council. The following Committees were operational for the financial year under review:

1. Finance Committee
2. Audit Committee
3. Artistic Committee
4. Human Resources Committee
5. ICT Committee

COUNCIL COMPOSITION

Name	Designation	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Other Directorship	Committees	No . of Meetings Attended
Ms Afrika Msimang	Chairperson	13 May 2016		Masters in Public Administration BA Honours) in Political Science BA – Political Science and Development Studies. Certificate in Nutrition Certified Yoga & Meditation Teacher	Governance Communications Policy Analyst Fashion Designing Enterprise Development Community Development Yoga Teacher Write	Andulsite Mining Tsogo Sun Moves For Life	Institute of Directors, SA Vice Chair: National Museum Chairperson: South African Air Force Spouses Forum	5
Adv. Khaya Thango	Deputy Chairperson	27 March 2015		B Proc (Bachelor Degree) LLB (Post Grad Degree) In pursuit: LLM –MASTER DEGREE	Law	Executive Chairperson of KZN Progressive Professional Chairperson of Emseni Community Project	Council member for Institute of Business Advisors Council Member of the Durban Chamber of Commerce & Industry SARS Chairperson of Tax Board, KZN in Republic of South Africa	5
Mr.T Segopolo	Member	01 December 2014		B Tech Degree Business Administration B Tech Degree Information Technology	Technology		Institute of Directors SA; Tsogang investment Holding & Black M Non-Executive Chairman of the Board AJ Martin (Pty) Ltd management Forum	8
Mr. Z Mkiva	Member	01 December 2014			Arts & Culture		Bloem Water National Arts Council (SA) Eastern Cape Provincial Arts & Culture Council	8
Mrs. MAD Mnumzana	Member	01 December 2014		Soyikwa: Diploma in Speech & Drama Moving into Dance: Teacher's Diploma in Dance & Drama-in- Education	Arts & Culture			7
Mr. F Wetes	Member	01 December 2014		Bachelor of Arts Graduate Diploma in Company Direction Advanced diploma in management (labour Relation) Post graduate diploma in Labour Law Bachelor of Commerce (Honours) in human resource management	Governance, Human Resource & Labour Relations		Acting Chairman College Council: Motheo FET College	6
Ms. Malekgoloane Malapane	Member	17 May 2016		Bachelor of Accountancy Master of Business Administration (MBA)	Finance, Governance			3
Mr Nkosana Sifumba	Member	08 August 2016		B Com (IS & Econ), MBL Professional: CISA, CGEIT, CRISC		Zululand District Development Agency: Director SifCo Advisory: Managing Director InfitechZA: Director Afropop Concerts: Director Equip GRC: Director		4

Remuneration of Council members

- The remuneration rates for PACOFS council members are determined by the National Treasury.
- Other allowances comprise only of the UIF contributions.

The table below discloses the total remuneration paid to council members:

Name	Remuneration (R)	Other allowance (R)	Total (R)
Ms. M.A. Msimang	58 784	526	59 310
Adv. K.P.Thango	44 548	414	44 962
Mr.T. Segopolo	38 081	337	38 418
Mr. Z. Mkiva	31 194	284	31 478
Ms. M.A.D. Mnumzana	34 957	308	35 265
Mr. N Sifumba	37 331	325	37 656
Total	R 244 895	2 194	247 089

5 RISK MANAGEMENT

In terms of the Public Finance Management Act, public sector organizations are required to maintain an effective, efficient and transparent system of financial and risk management and internal control. The management of the organization must, before the beginning of the financial year, facilitate a risk assessment to determine the material risks to which the institution may be exposed and evaluate the strategy for managing these risks.

Therefore in its policy statement PACOFS recognises that risks are present in all its business activities and that successful management of such risks is a critical factor in maximising business value. As such, PACOFS will continuously develop, implement and sustain an Enterprise Risk Management (ERM) programme to identify, evaluate, mitigate and report on and monitor key risks in a manner that will strengthen management practices and support corporate governance needs.

5.1 BENEFITS OF UPDATED RISKS REGISTER

The risk register, which in practical terms contains risks, identified within the workplace environment, once compiled and confirmed should:

5.1.1 Provide an effective check that the activities of the organization help it meet objectives, which means that:

- Measurable outcomes are achieved by ensuring that every objective links directly to the activities; and
- A strategic plan is grounded in the real world of the business' day-to-day activities.

5.1.2 Improve the quality of strategic planning by ensuring that :

- the planned objectives entirely respond to the organization's mandate; and
- the planned objectives are sensible and achievable;

5.1.3 Facilitate the design of an effective internal control systems such as:

- organisational structure;
 - organizational mandate and delegated authorities;
 - strategic decision-making and review processes;
 - policies and procedures and their implementation and review;
 - human-resources policies;
 - financial planning, budgeting and reporting
 - performance monitoring system; and
 - Information technology issues.
- During the year under review:

- The Risk Assessment workshop was conducted on the 15th July 2016
- The Risk Register was reviewed and updated at the 2nd November 2016 Mancom meeting
- The role of Chief Risk Officer was incorporated into the functions of the CEO as there is no risk unit
- The strategic risks have been excluded from the Operational risk document for purposes of reporting to the Audit Committee
- PACOFS Council approved a Risk Management Framework as well as the Risk Management Policy
- Council resolved to combine both the Risk and Audit Committees into one Committee.

6 INTERNAL CONTROL UNIT

There was no internal audit function for the year under review.

7 INTERNAL AUDIT AND AUDIT COMMITTEES

During the year under review, there was no Internal Audit however, the Audit Committee performed all the Audit functions. The table below discloses relevant information on the audit committee members and reports:

AUDIT COMMITTEE COMPOSITION

Name	Qualifications	Internal or external	Date appointed	Term ending date	No . of Meetings attended
Mr KA Nkoe	1. Bcom degree 2. Advance diploma in Accounting	External Audit Chairperson	01 March 2016	28 February 2019	4
Ms LM Nkonki	1. Bcom degree 2. Post Graduate diploma in Applied Accounting	External Member	01 March 2016	28 February 2019	3
Ms. Z Chonco	1. Bcom degree 2. Bcom Hons In Accounting	External Member	01 March 2016	28 February 2019	4
Ms ML Ralikon-yana	1. Bcom degree 2. Diploma in Internal Auditing	External Member	01 March 2016	28 February 2019	3

Members	Dates	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Mr. KA Nkoe	15 April 2016 25 July 2016 04 November 2016 17 March 2017	✓	✓	✓	✓
Ms. LM Nkoki	15 April 2016 25 July 2016 04 November 2016	✓	✓	✓	X
Ms. Z Chonco	15 April 2016 25 July 2016 04 November 2016 17 March 2017	✓	✓	✓	✓
Ms. ML Ralikonyana	25 July 2016 04 November 2016 17 March 2017	X	✓	✓	✓

8

COMPLIANCE WITH LAWS AND REGULATIONS

PACOFs has complied with all the relevant Laws and Regulations..

9

FRAUD AND CORRUPTION

- It is the policy of the PACOFs that fraud, corruption, maladministration or any other dishonest activities of a similar nature will not be tolerated. Such activities will be investigated and actions instituted against those found responsible. Such actions may include the laying of criminal charges, civil and administrative actions and recoveries where applicable.
- Prevention, detection, response and investigative strategies will be designed and implemented. These will include any existing controls (system controls and manual internal controls) and those currently prescribed in existing policies, procedures and other relevant prescripts to the activities of PACOFs.
- It is the responsibility of all employees to report all incidents of fraud and corruption that may come to his / her attention to his / her supervisor. Alternatively, such reports can be made by way of submitting a report through the prescribed whistle blowing mechanism.
- All reports received will be treated with the requisite confidentiality and will not be disclosed or discussed with parties other than those charged with investigation into such reports.
- All Managers are responsible for the detection, prevention and investigation of fraud and corruption, within their areas of responsibility.
- Additionally the PACOFs is also using the Free State Province: Fraud and Corruption reporting hotline (0800 21 21 78) and DAC anti- fraud and corruption hotline (Whistle blower toll-free: 0800 701 701).

10

MINIMISING CONFLICT OF INTEREST

- Bid Committee members must all sign a declaration of interest form which forms part of the Evaluation and Adjudication minutes. For bids over R500 000, each Bid-Evaluation panel member signs a declaration of interest form for every service provider evaluated for functionality.
- If any Bid Committee member does have interest in a service provider, he/she must declare it and recuse him/her from the evaluation / adjudication process. This is recorded in the documentation.
- SCM staff members all complete financial disclosure forms.

11

CODE OF CONDUCT

During the year under review, the Council of PACOFs approved a policy on the Code of Conduct

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HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Institution has improved in complying with the OHS regulations. The institution strives for zero incidents of harm at the workplace. There were no serious injuries reported in the financial year.

PACOFs is in the process of appointing a Company/Board Secretary.

PACOFs donated burglar proofing material and Palisade fence to Olesego Place of Safety in Rocklands' (Bloemfontein). It was after we had identified that the shelter had 3 break-ins in that year. The place is a shelter for young children who have different challenges in their families e.g some are abandoned, abused while others are orphaned.

Report of Audit Committee

We are pleased to present our report for the financial year ended 31 March 2017.

Audit Committee Responsibilities

The Audit Committee reports that it has complied with its responsibilities arising from Section 38(1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control

PACOFs management and the board have taken the responsibility for establishing and maintaining an adequate system of internal control to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. The audit committee is required to assess the effectiveness of the internal control. The Audit Committee could not satisfy itself of the adequacy and effectiveness of the internal control due to the absence of the Internal Audit function. However, since we also rely on other assurance providers for the assessment of the internal control, it is also prudent to seek the external audit management letter to guide us on deliberative assessment of the internal control to determine if there were any significant or material non-compliance within the financial system control.

Internal Audit

The internal audit function carries its mandate according to the Internal Audit charter that should be approved by the Audit Committee and in line with the Standard of Professional Practice in internal auditing. Internal Audit Function is responsible for an independent and objective evaluation of the system of internal control.

During the financial period ending 31 March 2017, the entity did not appoint or have an Internal Audit function. Therefore, the Audit Committee can't report on the work that was performed by the Internal Audit. The Audit Committee has requested and recommended management to speed up the process of appointing the internal audit function.

Risk Management

During the financial period under review, the PACOFs has performed a risk assessment, prepared and presented the risk management register including the mitigation strategies for the risks identified to the Audit Committee. The PACOFs needs to improve on risk management in terms of monitoring the mitigations plans and reporting to the Audit Committee on a quarterly basis.

In-Year Management and Monthly/quarterly reports

In the absence of the Internal Audit function, the Audit Committee members have considered and reviewed the quarterly management reports including performance information throughout the year as part of reviewing internal controls. The Audit Committee noted that the entity has been achieving most of its quarterly targets. The entity has been reporting monthly and quarterly to the relevant DAC and Treasury as required by the PFMA.



Evaluation of Financial Statements

In the absence of the Internal Audit Function, the Audit Committee has reviewed the annual financial statements prepared and has accepted the explanations provided by the entity. The Audit Committee endorsed approval of the financial statement by the Board/Council.

Reporting to the Executing Authority

During the financial year under review, the Chairperson of the Audit Committee sent quarterly reports to the Chairperson of the Board/Council on the activities and observations of the Audit Committee.

Auditor-General's Report

We have reviewed the entity's implementation plans for the audit issues raised in the previous year and accepted management progress. Detailed review or quality assurance could not be performed due to absence of the internal audit function.

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

The Audit Committee is satisfied with the independence of the External Auditor from the entity and the commitment to keep Audit Committee informed on the audit affairs of the entity.



Khotso Nkoe
Audit Committee Chairperson



PART D

HUMAN RESOURCE MANAGEMENT



1 INTRODUCTION

1.1 Overview of PACOFS Human Resources:

- Human resources cover a wide range of activities. Some of the work that falls to HR professionals includes hiring employees, creating organizational charts and shaping corporate culture after a merger or acquisition, managing employee communications, settling employee disputes, creating benefits programs, navigating institutional regulations, dealing with legal issues and occupational safety, and setting up policy and programs for measuring performance, compensating, recognizing, and training employees.
- An HRM strategic plan has been developed to assist with the systematic approach to develop and implement a long term HRM strategies that includes, policies and procedures to enable the organization to achieve its objectives
- The objectives are to:
 - Evaluate whether or not HRM has been meaningfully implemented and, if so, to what extent.
 - Investigate the form it may take.
 - Determine the principal driving forces for the implementation of HRM.
 - Summarize evidence for its effectiveness.
 - Consider trends and future developments for the human resource function.

1.2 HR priorities under review:

- HR priorities are to implement restructuring and finalise all essential positions within the institution.
- Improving Senior Leader Capabilities at managing the workforce.
- Improving Manager Capabilities at managing their direct reports.
- Engaging employees.
- Improving employee performance.
- Workforce Planning.
- Improving the Strategic Effectiveness of HR.

1.3 Workforce planning framework to recruit skilled capable workforce

PACOFS workforce planning ensures that there are right people in the right jobs at the right time and for the right cost and the strategic workforce planning entails the following:

- Current workforce environment.
- Necessary skills, capabilities and aptitudes that will be required.
- Workforce strategies, systems and practices to fill any skills gaps.
- Workforce planning will be integrated with other planning processes, such as:
 - Strategic and corporate plans.
 - Operational and business planning, and
 - Budget plans.

1.4 Performance Management

- Performance Management policy has been developed. The consultation of all stakeholders is in the process and the implementation will be finalized during this financial year.
 - Performance Management priorities include:
 - Building a culture of feedback and recognition.
 - Performance discussions taking place through the year.
 - Talent mobility: employees to stay and grow into new roles instead of leaving.
 - HR setting goals that drive outcomes and supporting employees with their learning and development needs.

1.5 Employee Wellness Programme

- Employee wellness strategy is to ensure that a safe and healthy work and social environment is created and maintained, together with individual wellness commitment that enables employees to perform optimally, meeting all health and safety legislative requirements and relevant wellness good practices which will support the achievement of the institution objectives.
- ICAS wellness programme has been implemented and it provides psychosocial counselling services to employees and their dependants in all 11 official South African languages. These services are provided 24/7/365 via dedicated toll free access to the ICAS National Support Centre. Employees and dependants can also be referred to one of our professional affiliates for Face-to-Face, short-term counselling. Trauma counselling is available to employees, and their families, A dedicated toll-free line provides a 24/7365 professional service at no cost to your employees and their dependants. This service is confidential and provided exclusively by a team of registered professionals (i.e. psychologists, social workers and registered counsellors).

1.6 Policy Development

Several policy developments have been completed at the same time implementation has taken place on some policies. Outstanding policies still have to be approved by council.

1.7 Highlights Achievements

The implementation of the employee wellness programme and the establishment of the Employment Equity and Skill Development Committee April 2017.

1.8 Challenges faced by the entity The challenges are:

- Resistance to Change: Developing strategies to combat this resistance to change is key to the human resources manager's role. This starts by assuring employees of their worth and meaningful place within the business and by helping them to see the technology as an aid not a hindrance to their work.
- Dealing with Workforce Shortages: A shortage of skilled workers exists, as a result, human resource managers often find it difficult to find workers who are adept at using new technology.
- Training: Providing training and support to employees who wish to keep up with technical changes not only benefits the institution but also helps the employees who take this route to feel like they are a vital part of the business.

1.9 Future HR Plans/Goals

- Recruit and retain high quality people
- Training and development within the institution, prioritise for 2016/2017
- Encourage high performance
- Ensure legal compliance and best practice
- Encourage a positive organisational culture
- Encourage innovation and collaboration



2

HUMAN RESOURCE OVERSIGHT STATISTICS

The public entity must provide the following key information on human resources. All the financial amounts must agree to the amounts disclosed in the annual financial statements. Where considered appropriate provide reasons for variances.

Personnel Cost by programme/ activity/ objective

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
ADMINISTRATION	28 706	13 858	48,28%	48	288,71
BUSINESS DEVELOPMENT	10 367	3 536	34,11%	11	321,45
PUBLIC ENGAGEMENT	6 750	6 931	102,68%	23	301,35

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	1 157	5,89%	4	289
Senior Management	3 420	17,41%	8	427
Professional qualified	1 199	6,11%	4	300
Skilled	5 212	26,54%	21	248
Semi-skilled	7 056	35,94%	42	168
Unskilled	1 592	8,11%	12	133
TOTAL	19 634	100	91	216

Performance Rewards (Not Applicable)

Level	Performance Rewards	Personel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management			
Senior Management			
Professional qualified			
Skilled			
Semi-skilled			
Unskilled			
TOTAL			

Training Cost

Programme/activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No of employees trained	Avg training cost per employee
ADMINISTRATION	13 858	147	0,011%	6	24,50
BUSINESS DEVELOPMENT	3 536	0	0%	0	0
PUBLIC ENGAGEMENT	6 931	21	0,003%	4	5,25
TOTAL	24 325	168	0,007%	10	16,80

Employment and vacancies

Programme/activity/objective	2016/2017 No. of Employees	2016/2017 Approved Posts	2016/2017 Vacancies	% of vacancies
ADMINISTRATION	48	52	48	7.6%
ARTISTIC	11	11	11	0%
TECHNICAL	23	28	23	17.8%
TOTAL	82	91	82	9.8%

Programme/activity/objective	2016/2017 No. of Employees	2016/2017 Approved Posts	2016/2017 Vacancies	% of vacancies
Top Management	3	4	1	25
Senior Management	7	10	3	30%
Professional qualified	3	4	1	25%
Skilled	19	20	1	5%
Semi-skilled	39	40	1	2.5%
Unskilled	11	13	2	15.4%
TOTAL	82	91	9	9.8%

Explanations: Detail the attempts made to fill the posts of senior management and highly skilled supervision and explain why there are no appropriate internal staff to fill the vacancies. Explain how long, at a minimum, vacancies have remained unfilled and the reasons for this. Explain measures taken to successfully attract and retain staff.

The three vacant positions namely the Executive of Corporate Services, Marketing & Communication Manager and ICT manager could not attract enough number of applications who meet the minimum requirement of the position in 2016. It's essential that all three positions be advertised to increase the pool of applicants

Employment changes

Provide information on changes in employment over the financial year. Turnover rates provide an indication of trends in employment profile of the public entity.

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	3	1	3
Senior Management	7	1	1	7
Professional qualified	4	0	1	3
Skilled	20	0	1	19
Semi-skilled	43	0	4	39
Unskilled	12	0	1	11
Total	87	4	9	82

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	0
Resignation	2	22.2%
Dismissal	3	33.3%
Retirement	4	44.4%
Ill health	0	0
Expiry of contract	0	0
Other	0	0
Total	9	100%

Explanations: Provide explanations for staff leaving and what attempts are made to replace these staff.

- Better opportunities
- Recruitment and Selection processes for more skilled personnel

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	1
Written Warning	5
Final Written warning	0
Dismissal	3

Equity Target and Employment Equity Status

Currently the recruitment and selection process has not been concluded our target is the following: EE/AA Female or people with disability

EE/AA Male

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	0	1	0	0	0	1
Senior Management	4	0	0	1	0	0	1	0
Professional qualified	2	0	0	0	0	0	0	0
Skilled	7	0	2	0	0	0	0	1
Semi-skilled	26	0	1	0	0	0	0	0
Unskilled	2	0	0	0	0	0	0	0
TOTAL	43	0	3	2	0	0	1	2

EE/AA Female

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	0	1
Senior Management	1	0	1	1	0	0	0	1
Professional qualified	1	1	0	1	0	0	0	0
Skilled	5	0	0	0	0	0	5	0
Semi-skilled	12	0	0	0	0	0	0	0
Unskilled	9	0	0	0	0	0	0	0
TOTAL	29	1	1	2	0	0	5	2

Recruitment of people with disability was a concern for the institution, the building didn't have the facilities and new facilities have been constructed. The recruitment of people with disability will be processed.

PART E

FINANCIAL INFORMATION



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Report of the auditor-general to Parliament on the Performing Arts Centre of the Free State

Report on the audit of the financial statements

Adverse opinion

1. I have audited the financial statements of the Performing Arts Centre of the Free State set out on pages 54 to 100 which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information and actual amounts 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, because of the significance of the matters described in the basis for adverse opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Performing Arts Centre of the Free State as at 31 March 2017, 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 adverse opinion

Property, plant and equipment

3. The entity did not recognise all items of property, plant and equipment in accordance with GRAP 17, property, plant and equipment, as improvements of R23 600 645 made to the buildings were not separated into their significant parts and were not depreciated accordingly. Additionally, the residual values and useful lives of property, plant and equipment amounting were not reviewed at each reporting date in accordance with GRAP 17. I was not able to determine the impact on the net carrying amount of property, plant and equipment and depreciation and amortisation as it was impracticable to do so.

Capital works in progress

4. The entity did not recognise all items of property, plant and equipment in accordance with GRAP 17, property, plant and equipment. Capital projects were ready for use but were not transferred to property, plant and equipment and as a result these assets were not depreciated. Consequently, property, plant and equipment was understated and work in progress was overstated by R23 257 617 (2016: R23 257 617) as disclosed in note 4 to the financial statements. Additionally, there was a resultant impact on the surplus for the period and on the accumulated surplus.

Repairs and maintenance

5. During 2016, I was unable to obtain sufficient appropriate audit evidence for repairs and maintenance and to confirm the expenditure thereof by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to repairs and maintenance stated at R962 488. My audit opinion on the financial statements for the period ended 31 March 2016 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of operating expenditure for the current period.

Commitments

6. I was unable to obtain sufficient appropriate audit evidence for commitments, as the entity did not maintain appropriate records of the contractual information used to determine commitments. I was unable to confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to commitments stated at R352 305 (2016: R2 321 929) in note 25 to the financial statements.

Receivables from exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence that receivables from exchange transactions had been properly accounted for, due to the status of the accounting records. I was unable to confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to receivables from exchange transactions stated at R1 158 364 in note 3 to the financial statements.

General expenses

8. I was unable to obtain sufficient appropriate audit evidence for general expenses due to status of the accounting records. The entity did not have adequate systems of internal control for the recording of all transactions and events in the financial statements. In addition, the entity had misclassifications between different types of expenditure transaction resulting in General expenses being overstated by R547 908. I was unable to confirm the expenditure by alternative means. Consequently, I was unable to determine whether any further adjustments to the general expenses stated at R18 983 373 in note 20 to the financial statements were necessary.

Statement of comparison of budget and actual amounts

9. I was unable to obtain sufficient appropriate audit evidence for the statement of comparison of budget and actual amounts, as the amounts disclosed in the statement could not be supported by an approved budget. I was unable to confirm the amounts disclosed as approved budget amounts by alternative means. Consequently, I was unable to determine whether any adjustments to the statement of comparison of budget and actual amounts were necessary.

10. 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 my report.
11. 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.
12. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Material uncertainty related to going concern

13. I draw attention to note 31 in the financial statements, which indicates that the management of the entity have concluded that the existence of a combination of circumstances represent a material uncertainty that casts significant doubt about the entity's ability to continue as a going concern. These conditions or events indicate that a material uncertainty exists that may cast significant doubt on the department's ability to meet its financial obligations as they fall due and achieve service delivery as outlined in the annual performance plan. My opinion is not modified in respect of this matter.

Emphasis of matters

14. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

15. As disclosed in note 29 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of errors in the financial statements of the department at, and for the year ended, 31 March 2017.

Irregular expenditure

As disclosed in note 34 to the financial statements, irregular expenditure of R 3 958 324 (2016: R 15182 656) was incurred due to non-compliance with SCM requirements. In addition, the full extent of irregular expenditure is still in the process of being determined.

Other matters

16. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Achievement of planned targets

17. Refer to the annual performance report on pages 12 to 22 for information on the achievement of planned targets for the year and explanations provided for the

under/overachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness of the reported performance information in paragraphs 27 to 29 of this report.

Adjustment of material misstatements

18. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Programme 2 – business development and Programme 3 – public engagement. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness of the reported performance information.

Responsibilities of the party responsible for the financial statements

19. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
20. In preparing the financial statements, the accounting authority is responsible for assessing the public entity'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 intention is to liquidate the entity or cease operations, or there is no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

21. 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 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.
22. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

23. 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.

24. 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.
25. 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 2017

Programmes	Pages in the annual performance report
Programme 2 – business development	15-16
Programme 3 – public engagement	17-18

26. 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.
27. The material findings in respect of the usefulness of the selected programmes are as follows:

Programme 2 – business development

Various indicators

28. The source information and evidence for the achievement of the following planned indicators was not clearly defined, as required by the Framework for Managing Programme Performance Information (FMPPI).

Indicator	Reported achievement
Indicator 9: number of community-based productions	8
Indicator 10: proportion of production that is local content	13

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Programme 3 – public engagement

Various indicators

29. The source information and evidence for the achievement of the following planned indicators was not clearly defined, as required by the FMPPI.

Indicator	Reported achievement
Number of public awareness (media campaigns) activities conducted through various media platforms	17
Indicator 24: number of school set works in different indigenous languages conducted	2

Report on the audit of compliance with legislation

Introduction and scope

30. 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.
31. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements

32. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA .
33. Material misstatements of non-current assets, current assets, expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving an adverse audit opinion.

Procurement and contract management

- 34. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by treasury regulation 16A6.1.
- 35. Quotations were accepted from prospective suppliers who had not submitted a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with treasury regulation 16A8.3
- 36. Contracts were extended or modified without the approval of a properly delegated official, as required by treasury regulation 8.1 and 8.2.
- 37. Persons in service of other state institutions who had a private or business interest in contracts awarded by the entity participated in the process relating to that contract in contravention of treasury regulation 16A8.4.

Expenditure management

- 38. Effective steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The value of R3 958 324, as disclosed in note 34, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R86 108, as disclosed in note 33 to the annual financial statements, in contravention of section 51(1) (b)(ii) of the PFMA.

Budget

- 39. Expenditure was incurred without an approved budget, in contravention of section 53(4) of the PFMA.

Consequence management

- 40. Disciplinary steps were not taken against officials who had incurred or permitted irregular expenditure amounting to R57 006 990, as required by section 51(1)(e)(iii) of the PFMA.
- 41. Disciplinary steps were not taken against officials who had incurred and or permitted fruitless and wasteful expenditure amounting to R2 464 003, as required by section 51(1)(e)(iii) of the PFMA.

Revenue management

- 42. Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the PFMA and treasury regulation 31.1.2(a) and (e).

Other information

43. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
44. 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.
45. 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. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.
46. I have not yet received the annual report. When I do receive this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected I may have to re-issue my auditor's report amended as appropriate.

Internal control deficiencies

47. 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 thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for adverse opinion, the findings on the performance report and the findings on compliance with legislation included in this report.
48. The management did not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively due to the delays in the procurement processes.
49. The council did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities as the entity did not have an approved asset management policy to guide the asset management processes due to instability in the finance unit.
50. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting due to lack of competencies in the finance unit as the CFO position was vacant for a significant part of the financial year under audit.

Auditor - General

Bloemfontein

31 July 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

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 the 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 authority.
 - conclude on the appropriateness of the accounting authority’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 Performing Arts Centre of the Free State’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 the auditor’s report. However, future events or conditions may cause an entity to cease operating 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.
 - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the

consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

3. I communicate with the accounting authority 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.

I also confirm to the accounting authority 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.

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Playhouse
Registered office	55 Elizabeth Street Bloemfontein 9300
Postal address	P.O. Box 1292 Bloemfontein 9300
Bankers	ABSA Bank
Auditors	Auditor-General of South Africa
Attorneys	Matlho Attorneys
Members	Ms M.A Msimang, (Chairperson) Adv KP Thango (Deputy Chairperson) Mr.T. Segopolo Mr. Z. Mkiva Ms. M. Malapane Ms. M.A.D. Mnumzana Mr. Fezile Wetes Mr Nkosana Sifumba
Key Management	Lebethe A Interim CEO Segoneco G Makhari N Xaba MM Salimani, NS Ndiwa, KJ Tlhogo, LE Geyer, AH Zondi, MF Moeketsane, PP Leeuw, JS

BOARD MEMBERS' RESPONSIBILITIES AND APPROVAL

The members are required by the Companies Act, 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the board of members sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the

highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The external auditors are responsible for independently auditing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 40.

The annual financial statements set out on pages 49 - 53 which have been prepared on the going concern basis, were approved by the board of members on 31 May 2017 and were signed on its behalf by:

BOARD MEMBERS' REPORT

The members submit their report for the year ended 31 March 2017.

1. Review of activities (Main business and operations)

The entity's business consists of running a playhouse facility in the Free State to promote, develop and encourage the performing arts and to present it to the public for the development, appreciation and enjoyment of this form of culture; to contribute to the enhancement of artists, musicians composers and writers, thus giving them the opportunity to perform in front of the public. There has been no major change in the nature of the business during the year under review.

PACOFs is a Cultural Institution in terms of section 3 of the Cultural Institutions Act, 1998. The legislation governing the entity's operations are the PFMA, and the Treasury Regulations.

2. Financial results

The financial results of the entity are fully disclosed in the attached annual financial statements.

3. Going concern

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these are discussed in note 31 of these annual financial statements.

4. Subsequent events

Subsequent to year end, a fire occurred on 11 May 2016 and theft of cash from the drop safe was discovered on 9 May 2016. Three council members were appointed during the year under review:

Ms. A Msimang (Chairperson)-Appointed 13 May 2016 Ms. M Malapane- Appointed 17 May 2016

Mr. Nkosana Sifumba- Appointed August 2016

5. Board Members

The members of the entity during the year and to the date of this report are as follows:

Name	Nationality	Appointment Date
Mr. M. A. Msimang (Chairperson)	South African	13 May 2016
Adv K.P. Thango (Deputy Chairperson)	South African	27 March 2015
Mr. T. Segopolo	South African	01 December 2014
Mr. Z. Mkiva	South African	01 December 2014
Mr. M. Malapane	South African	17 May 2016
Mrs. M.A.D. Mnumzana	South African	01 December 2014
Mr. F Wetes	South African	01 December 2014
Mr. N. Sifumba	South African	August 2016

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Statement of Financial Position as at 31 March, 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	2	1,759,456	1,728,944
Receivables from exchange transactions	3	1,158,364	1,791,760
Cash and cash equivalents	5	53,364,288	18,578,386
		56,282,108	22,099,090
Non-Current Assets			
Property, plant and equipment	6	35,565,199	36,633,767
Intangible assets	7	109,394	53,474
Heritage assets	8	3,872,500	3,872,500
Capital works in progress	4	23,257,617	23,257,617
		62,804,710	63,817,358
Total Assets		119,086,818	85,916,448
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	10,189,767	9,347,986
Unspent conditional grants and receipts	11	40,237,388	9,787,582
		50,427,155	19,135,568
Non-Current Liabilities			
Deferred revenue	9	46,858,262	46,858,262
Employee benefit obligation	12	8,012,000	8,813,000
		54,870,262	55,671,262
Total Liabilities		105,297,417	74,806,830
Net Assets		13,789,401	11,109,618
Reserves			
Revaluations reserve		953,766	953,766
Accumulated surplus		12,835,635	10,155,852
Total Net Assets		13,789,401	11,109,618

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	14	232,357	873,354
Rendering of services	14	2,397,059	2,183,590
Other income	15	200,116	1,175,585
Interest received - investment	16	663,187	341,785
Total revenue from exchange transactions		3,492,719	4,574,314
Revenue from non-exchange transactions			
Revenue in kind		834,504	765,600
Transfer revenue			
Government grants & subsidies	17	41,513,000	39,423,999
Revenue realised on conditional grants		3,133,372	723,981
Total revenue from non-exchange transactions		45,480,876	40,913,580
Total revenue	14	48,973,595	45,487,894
Expenditure			
Employee related costs	18	(23,510,884)	(24,083,549)
Depreciation and amortisation	6&7	(2,324,439)	(3,125,553)
Impairment loss/ Reversal of impairments		(69,908)	-
Finance costs		(6,091)	(117)
Bad debts		(907,373)	-
Repairs and maintenance	21	(543,602)	(962,488)
General Expenses	19	(18,983,373)	(18,951,380)
Total expenditure		(46,345,670)	(47,123,087)
Operating surplus (deficit)	20	2,627,925	(1,635,193)
Surplus (deficit) for the year		2,627,925	(1,635,193)

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 April, 2015	953,766	11,766,213	12,719,979
Changes in net assets			
Surplus for the year	-	(1,859,656)	(1,859,656)
Prior period error correction	-	249,295	249,295
Total changes	-	(1,610,361)	(1,610,361)
Restated* Balance at 01 April, 2016	953,766	10,155,852	11,109,618
Changes in net assets			
Surplus for the year	-	2,627,925	2,627,925
Prior period error correction	-	51,858	51,858
Total changes	-	2,679,783	2,679,783
Balance at 31 March, 2017	953,766	12,835,635	13,789,401



Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		3,315,649	2,711,480
Cash received from government grants		73,038,358	40,147,979
Interest income		663,187	341,785
		<u>77,017,194</u>	<u>43,201,244</u>
Payments			
Employee costs		(24,164,546)	(24,083,549)
Cash paid to suppliers		(18,503,514)	(17,956,604)
Finance costs		(6,091)	(117)
		<u>(42,674,151)</u>	<u>(42,040,270)</u>
Net cash flows from operating activities	23	<u>34,343,043</u>	<u>1,160,974</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1,326,925)	(175,903)
Proceeds from sale of property, plant and equipment	6	32,000	
Purchase of other intangible assets	7	(85,394)	(7,565)
Movement in unspent interest on conditional grant		1,823,178	617,333
Net cash flows from investing activities		<u>442,859</u>	<u>433,865</u>
Net increase/(decrease) in cash and cash equivalents		<u>34,785,902</u>	<u>1,594,839</u>
Cash and cash equivalents at the beginning of the year		18,578,386	16,983,547
Cash and cash equivalents at the end of the year	5	<u>53,364,288</u>	<u>18,578,386</u>

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of goods	1,018,705	-	1,018,705	232,357	(786,348)	Note 34 - X1
Rendering of services	3,241,979	-	3,241,979	2,397,059	(844,920)	Note 34 - X2
Other income	2,165,372	-	2,165,372	200,116	(1,965,256)	Note 34 - X4
Interest received - investment	897,420	-	897,420	663,187	(234,233)	Note 34 - X5
Total revenue from exchange transactions	7,323,476	-	7,323,476	3,492,719	(3,830,757)	

Revenue from non-exchange transactions

Taxation revenue

Other taxation revenue 1	-	-	-	834,504	834,504	
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Transfer revenue

Government grants & subsidies	41,513,000	-	41,513,000	41,513,000	-	
Revenue realised on conditional grants	-	-	-	3,133,372	3,133,372	Note 34 - X6

Total revenue from non-exchange transactions	41,513,000	-	41,513,000	45,480,876	3,967,876	
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Total revenue	48,836,476	-	48,836,476	48,973,595	137,119	
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Expenditure

Employee related costs	(25,452,130)	-	(25,452,130)	(23,510,884)	1,941,246	Note 34 - X7
Depreciation and amortisation	(2,613,624)	-	(2,613,624)	(2,324,439)	289,185	Note 34 - X8
Impairment loss/ Reversal of impairments	-	-	-	(69,908)	(69,908)	
Finance costs	(304)	-	(304)	(6,091)	(5,787)	Note 34 - X9
Bad debts written off	-	-	-	(907,373)	(907,373)	Note 34 - X10
Repairs and maintenance	(1,105,605)	-	(1,105,605)	(543,602)	562,003	Note 34 - X11
General Expenses	(19,609,269)	-	(19,609,269)	(18,983,373)	625,896	Note 34 - X12

Total expenditure	(48,780,932)	-	(48,780,932)	(46,345,670)	2,435,262	
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Surplus before taxation	55,544	-	55,544	2,627,925	2,572,381	
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	55,544	-	55,544	2,627,925	2,572,381	
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No adjustments were made on the approved budget.



Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board as required by section 216 (1)(a) of the Constitution of South Africa and Public Finance Management Act, 1 of 1999.

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

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

1.1 Going concern assumption

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

The ability of the entity to continue is dependent on a number of factors. The most significant of these are discussed in note 31 of these annual financial statements.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Accounting Policies

1.2 Property, plant and equipment (continued)

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	Average useful life
Computer equipment	3-5 years
Furniture and fittings	8-15 years
Motor vehicles	5-15 years
Musical instruments	5-15 years
Permanent advertising structures	5-15 years
Photographic equipment	5-12 years
Sound equipment	5-25 years
Theatre equipment	5-25 years
Wardrobe equipment	5-12 years
Workshop machinery	5-25 years

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

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

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

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

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

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

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Accounting Policies

1.3 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

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

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

Item	Useful life
Computer software, internally generated	Infinite
Software licences	1 year

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.4 Heritage assets

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Accounting Policies

1.4 Heritage assets (continued)

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Heritage assets are revalued every three years in terms of GRAP 103.

Impairment

The entity assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.5 Financial instruments

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

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

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

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Accounting Policies

1.5 Financial instruments (continued)

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

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

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

A financial asset is:

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

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

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

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

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

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

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Accounting Policies

1.5 Financial instruments (continued)

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

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

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

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

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

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

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at fair value/ consideration receivable
Receivables from exchange transactions	Financial asset measured at fair value/ consideration receivable

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Deferred revenue	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Accounting Policies

1.5 Financial instruments (continued)

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Accounting Policies

1.5 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial performance when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Accounting Policies

1.5 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets. Transaction costs incurred on residual interests is accounted for as a deduction from net assets.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial performance when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Tax

Tax expenses

Provision for South African normal taxation has not been made as the entity is exempt from income tax in terms of section 10(1)(a) of the income tax act.

1.7 Leases

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

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

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

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

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

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

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Accounting Policies

1.8 Inventories (continued)

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

The cost of inventories is assigned using the weighted average cost method. The same cost method is used for all inventories having a similar nature and use to the entity.

When inventories are sold or issued for use, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Obsolete, redundant and slow moving inventories are identified and are written down to their estimated net realisable values.

1.9 Impairment of cash-generating assets

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

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

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

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

Vested employee benefits are employee benefits that are not conditional on future employment.

Performing Arts Centre of the Free State

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Accounting Policies

1.10 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

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

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

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Contributions to defined contribution funds are charged against income as incurred.

Performing Arts Centre of the Free State

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Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested, past service costs are recognised immediately.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

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

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

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

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

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

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

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

Performing Arts Centre of the Free State

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Accounting Policies

1.10 Employee benefits (continued)

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Performing Arts Centre of the Free State

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Accounting Policies

1.11 Provisions and contingencies (continued)

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

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 25.

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.13 Revenue from exchange transactions

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

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

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

Revenue comprises of government grants, ticket sales and net invoiced sales to customers, investment income and other non-operating income.

Measurement

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

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Sale of goods

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

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Ticket sale income on own productions and commission income on ticket sales of third party productions are recognised when the events, to which the sales relate, have been successfully staged.

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

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised in surplus or deficit on a time proportion basis, taking account of the principal outstanding and the effective rate over the year to maturity.

1.14 Revenue from non-exchange transactions

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

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

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

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

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

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Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

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

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

Transfers / Government grants

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Government grants are recognised when it is probable that future economic benefits will flow to the public entity and these benefits can be measured reliably. The grant is recognised to the extent that there are no further obligations arising from the receipt of the grant.

1.15 Cost of sales

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

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Accounting Policies

1.17 Comparative figures

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

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

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

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

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

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

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

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

1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.21 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 01-Apr-16 to 31-Mar-17.

The budget for the economic entity includes all the entities approved budgets under its control.

Performing Arts Centre of the Free State

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Accounting Policies

1.21 Budget information (continued)

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The annual budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies adopted by Council for the preparation of the financial statements. The amounts are scheduled as a separate additional financial statements, called the statement of comparison of budget and actual. Explanatory comments are provided in the notes to the financial statements, firstly stating reasons for overall growth or decline in the budget, and secondly motivating overspending and underspending on line items.

The annual budget figures included in the financial statements are for the entity. These figures are those approved by Council both at the beginning and during the year.

Comparative information is not required.

1.22 Related parties

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

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

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

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

1.23 Interdepartmental transactions

Interdepartmental transactions are eliminated for the preparation of the annual financial statements.

1.24 Finance costs

Finance costs are expensed within the period in which they are incurred.

1.25 Income received in advance

Deferred income received from government and other contributors are brought to account on a receipt basis and are utilised to subsidise specific operating expenditure associated with a particular project.

Unutilised subsidies are carried forward to the next financial year.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
2. Inventories		
Stock	879,925	964,421
Maintenance and consumable stores	900,435	866,426
	<u>1,780,360</u>	<u>1,830,847</u>
Write-down of obsolete inventory	(20,904)	(101,903)
	<u>1,759,456</u>	<u>1,728,944</u>

Stock comprises of cleaning material, liquor, paint, stationery, catering stock, wardrobe stock and linen stock on hand at the end of the year.

Inventory pledged as security

There were no inventory pledged as security.

3. Receivables from exchange transactions

Trade debtors	1,319,108	1,704,086
Other debtors	195,159	35,547
Medical pensioners debtors	35,547	-
Prepaid expenses	159,408	103,522
Sundry debtors	24,615	70,965
Other debtors #2	423,958	(3,351)
Accrued income	-	22,542
Provision for impairment receivables from exchange transactions	(999,431)	(141,551)
	<u>1,158,364</u>	<u>1,791,760</u>

Trade and other receivables pledged as security

Trade and other receivables originating at the Performing Arts Centre of the Free State are not initially recognised at fair value and subsequently carried at amortised cost, less provision for credit losses.

No trade and other receivables were pledged as security.

Trade and other receivables past due but not impaired

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

Trade and other receivables ageing- past due but not impaired

0 - 30 days	57,589	1,421,756
30 - 60 days	9,368	2,595
90 - 120 days	1,288,157	305,283
	<u>1,355,114</u>	<u>1,729,634</u>

In determining the recoverability of trade receivable, the Entity considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believe that there is no further credit provision required in excess of the allowance for credit losses.

Trade and other receivables impaired

The ageing of the receivables is as follows:

3 to 6 months	1,288,157	994,965
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Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

Notes to the Annual Financial Statements

Figures in Rand

2017

2016

3. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	141,447	163,331
Provision for impairment	857,881	(21,884)
	999,328	141,447

4. Capital works in progress

Capital work in progress comprises of capital projects still in progress at the end of the year. These projects were funded from unspent conditional grants (note 12) and the corresponding events has been recorded in deferred revenue (note 11).

	2017	2016
Opening balance	23,257,617	23,257,617

No portion of the carrying value of capital work in progress was pledged as security.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Short-term deposits	48,179,595	10,098,931
Bank balances	5,034,045	8,328,016
Other cash and cash equivalents	136,339	134,239
Cash on hand	14,309	17,200
	53,364,288	18,578,386

Cash and cash equivalents held by the entity that are not available for use by the economic entity	136,339	134,239
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The short term deposits comprise of investments held with ABSA and the South African Reserve Bank.

Investment ABSA	6 275 958	18 473
Investment SARB	41 904 036	10 080 458

The short term deposits have not been pledged as security.

The cash and cash equivalents not available for use consist of pension funds accumulated by former employees for the benefit of their children as well as money bequeathed by benefactors to PACOFS for the development of arts. The funds are restricted and not available for use.

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Figures in Rand

2017

2016

6. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	7,401,725	(5,776,346)	1,625,379	7,381,781	(5,291,521)	2,090,260
Motor vehicles	652,673	(480,988)	171,685	652,673	(438,225)	214,448
Computer equipment	2,704,798	(1,483,419)	1,221,379	2,381,335	(1,525,458)	855,877
Assets held for transfer	23,600,645	-	23,600,645	23,600,645	-	23,600,645
Wardrobe equipment	251,989	(194,781)	57,208	251,989	(175,453)	76,536
Permanent advertising structures	471,761	(428,911)	42,850	471,761	(409,523)	62,238
Theatre equipment	10,155,382	(7,369,225)	2,786,157	9,768,466	(6,843,140)	2,925,326
Sound equipment	11,110,207	(8,456,075)	2,654,132	11,108,708	(7,724,514)	3,384,194
Musical instruments	3,934,369	(762,081)	3,172,288	3,697,924	(571,085)	3,126,839
Workshop machinery	848,076	(614,600)	233,476	898,076	(600,672)	297,404
Total	61,131,625	(25,566,426)	35,565,199	60,213,358	(23,579,591)	36,633,767

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Furniture and fixtures	2,090,259	24,000	(130)	(476,440)	(12,310)	1,625,379
Motor vehicles	214,448	-	-	(42,763)	-	171,685
Computer equipment	855,877	678,066	(30,700)	(271,114)	(10,750)	1,221,379
Assets held for transfer	23,600,645	-	-	-	-	23,600,645
Wardrobe equipment	76,537	-	-	(19,126)	(203)	57,208
Permanent advertising structures	62,237	-	-	(18,918)	(469)	42,850
Lighting equipment	2,925,327	386,915	-	(495,240)	(30,845)	2,786,157
Sound equipment	3,384,193	1,499	-	(720,162)	(11,398)	2,654,132
Musical instruments	3,126,838	236,445	-	(187,582)	(3,413)	3,172,288
Workshop machinery	297,404	-	(1,170)	(62,236)	(522)	233,476
Total	36,633,765	1,326,925	(32,000)	(2,293,581)	(69,910)	35,565,199

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	2,870,553	76,934	(857,228)	2,090,259
Motor vehicles	265,723	-	(51,275)	214,448
Computer equipment	1,199,517	-	(343,640)	855,877
Assets held for transfer	23,600,645	-	-	23,600,645
Wardrobe equipment	100,125	-	(23,588)	76,537
Permanent advertising structures	87,829	-	(25,592)	62,237
Lighting equipment	3,584,315	-	(658,988)	2,925,327
Sound equipment	4,169,122	98,969	(883,898)	3,384,193
Musical instruments	3,187,651	-	(60,813)	3,126,838
Workshop machinery	376,725	-	(79,321)	297,404
Total	39,442,205	175,903	(2,984,343)	36,633,765

Performing Arts Centre of the Free State

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6. Property, plant and equipment (continued)

Pledged as security

No assets were pledged as security.

The Performing Arts Centre of the Free State is housed in a building that is the property of the Department of Public Works. The building includes the Sand du Plessis Theatre as well as all the office space. The use of the building (theatre and office space) is provided free of charge.

7. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	622,631	(513,237)	109,394	537,237	(483,763)	53,474

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	54,856	85,394	-	(30,856)	109,394

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	169,334	7,565	-	(122,043)	54,856

8. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	3,872,500	-	3,872,500	3,872,500	-	3,872,500

Reconciliation of heritage assets 2017

	Opening balance	Total
Art Collections, antiquities and exhibits	3,872,500	3,872,500

Reconciliation of heritage assets 2016

	Opening balance	Total
Art Collections, antiquities and exhibits	3,872,500	3,872,500

Pledged as security

No carrying value of heritage assets has been pledged as security:

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8. Heritage assets (continued)

Revaluations

Art collections

Heritage assets are revalued every 3 years in terms of GRAP 103 par.46. The last revaluation was performed in 2015. Heritage assets are stated at the revalued amount of R 3 872 500 (2016: R 3 872 500 restated). An independent valuator, EGN Bezuidenhout with registration number 1204/3, was used for the revaluation performed on 31 March 2015.

The revaluation surplus relating to the heritage asset is as follows:

Opening balance	953,766	953,766
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9. Deferred revenue

At amortised cost

Conditional government grants	46,858,262	46,858,262
The balance comprise qualifying capital expenditure on projects that have not been completed at the end of the financial year.		

Non-current liabilities

At amortised cost	46,858,262	46,858,262
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10. Payables from exchange transactions

Bonus Provision	453,053	459,877
Deposits received	315,588	313,925
Leave pay provision	1,231,213	1,016,051
Payments received in advanced	-	440,824
Sundry creditors	315,149	645,372
Trade payables	7,874,764	6,471,937
	10,189,767	9,347,986

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Capital Grant - Branding Theatre	175,613	175,613
Capital Grant - Motorized Lighting Batten (100% completed)	116,265	116,265
Capital Grant - PACOFS Main Entrance (10% Completed)	557,849	557,849
Capital Grant - Revamp Andre Huguenet	413,466	413,466
Capital Grant - Sand du Plessis - Air conditioning (60% Completed)	31,239,071	1,239,071
Capital Grant - Sand Plumbing (100% Completed)	80,000	80,000
Capital Grant - Upgrade Sand Video Monitor (100% Complete)	116,141	116,141
Capital Grant - Incubator project	4,268,678	5,000,000
Incubator Subsidy	233,970	876,020
Unspent interest on conditional grant	3,036,335	1,213,157
	40,237,388	9,787,582

Performing Arts Centre of the Free State

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Figures in Rand	2017	2016
11. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	9,787,582	8,294,226
Additions during the year	33,583,178	2,217,336
Income recognition during the year	(3,133,372)	(723,980)
	40,237,388	9,787,582

These amounts are invested in a ring-fenced investment until utilised.

The projects recognised at 100% are those for which funds were fully utilised. However, completion certificates had not yet been received at the financial statements date and the matter is subject to investigation.

12. Employee benefit obligations

Post-employment medical benefit

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

Opening balance	8,813,000	8,727,000
Current service cost	217,000	224,000
Interest cost	793,000	679,000
Actuarial (gains) losses	(1,250,000)	(310,000)
Settlement	(561,000)	(507,000)
	8,012,000	8,813,000

Net expense recognised in the statement of financial performance

Current service cost	217,000	224,000
Interest cost	793,000	679,000
Actuarial (gains) losses	(1,250,000)	(310,000)
Settlement	(561,000)	(507,000)
	(801,000)	86,000

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March, 2017

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12. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Continuation at retirement	100.00 %	100.00 %
Discount rates used	9.70 %	9.29 %
Expected increase in healthcare costs	8.35 %	8.34 %
Proportion married at retirement	80.00 %	85.00 %
Normal retirement age	60	60
Spouse age gap	3	3
Expected average retirement age	60	60

The post-employment medical benefit is actuarially valued every year by an independent valuator. The most recent valuation was performed by QDI Consult (Pty) Ltd on 31 March 2017 and reflects a liability of R 8 012 000 (2016: R 8 813 000). The valuation as at 31 March 2017 reflects the reasonable value of the post-employment medical aid liability as at 31 March 2017.

In accordance with IAS19 the actuarial adjustment was recognised in full during the year under review.

PACOFs expects to make a contribution of R 449 000 (2016: R 561 000) to the defined medical benefit plan during the next financial year.

There are currently no long-term assets set aside in respect of PACOFs' post-employment health care liabilities. Therefore no assumptions specifically relating to assets have been made.



Performing Arts Centre of the Free State

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Figures in Rand	2017	2016
13. Financial instruments disclosure		
Categories of financial instruments		
2017		
Financial assets		
	At amortised cost	Total
Trade and other receivables from exchange transactions	557,184	557,184
Cash and cash equivalents	53,364,288	53,364,288
	53,921,472	53,921,472
Financial liabilities		
	At amortised cost	Total
Deferred revenue	46,858,262	46,858,262
Trade and other payables from exchange transactions	10,201,839	10,201,839
Unspent conditional grants	37,055,838	37,055,838
	94,115,939	94,115,939
2016		
Financial assets		
	At amortised cost	Total
Trade and other receivables from exchange transactions	1,816,893	1,816,893
Cash and cash equivalents	18,578,386	18,578,386
	20,395,279	20,395,279
Financial liabilities		
	At amortised cost	Total
Deferred revenue	46,858,262	46,858,262
Trade and other payables from exchange transactions	9,351,337	9,351,337
Unspent conditional grants	8,574,425	8,574,425
	64,784,024	64,784,024
14. Revenue		
Sale of goods	232,357	873,354
Income from productions	2,397,059	2,183,590
Other income	200,116	1,175,585
Interest received - Investment	663,187	341,785
Revenue in kind	834,504	765,600
Government grants & subsidies	41,513,000	39,423,999
Revenue realised on conditional grants	3,133,372	723,981
	48,973,595	45,487,894

Performing Arts Centre of the Free State

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14. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	232,357	873,354
Rendering of services	2,397,059	2,183,590
Other income	200,116	1,175,585
Interest received - Investment	663,187	341,785
	3,492,719	4,574,314

The amount included in revenue arising from non-exchange transactions is as follows:

Revenue in kind	834,504	765,600
Transfer revenue		
Government grants & subsidies	41,513,000	39,423,999
Revenue realised on conditional grants	3,133,372	723,981

15. Other income

Donations reversed	90,500	-
Advertising income	44,200	19,000
Bad debts recovered	-	1,329
Handling fees earned	43,205	49,427
Insurance income	-	37,852
Marketing commission received	22,211	1,067,977
	200,116	1,175,585

16. Investment revenue

Interest revenue

Bank	663,187	341,785
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Interest was received from investments with the following banks:
- ABSA

17. Government grants and subsidies

DAC grant (operating)	41,513,000	39,423,999
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Other governmental assistance

The Performing Arts Centre of the Free State is housed in a building that is the property of the Department of Public Works. The Sand du Plessis Theatre as well as all the office space form part of the building. The use of the building (theatre and office space) is provided free of charge.

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Figures in Rand	2017	2016
18. Employee related costs		
Basic salary	16,459,551	16,052,881
Annual bonus	747,044	1,181,839
Settlements	670,000	-
Contract personnel	831,333	289,064
Post-employment medical benefit (income)/expense	(801,000)	86,000
Housing benefits and allowances	663,710	773,280
Productions costs- casuals	358,784	551,956
Leave payouts	485,326	305,212
Medical aid - company contributions	231,013	290,109
Medical aid allowances	467,828	1,122,190
Overtime on productions	595,505	618,913
Overtime payments	46,032	245,362
PACOFs pension contributions	2,558,804	2,424,384
Night allowance	45,730	-
UIF	151,224	142,359
	23,510,884	24,083,549

Key management

2017	Basic salary	Annual bonus	Pension	Medical and Other	Total
Segoneco, G	275,465	-	45,155	446	321,066
Macholo TJ	596,168	44,589	37,837	892	679,486
Makhari, N	99,132	8,194	12,017	149	119,492
Xaba, M	121,818	-	18,527	297	140,642
Mojaki, L	62,322	2,726	10,085	297	75,430
Salimani, NS	508,129	52,357	3,910	1,635	566,031
Tlhogo, LE	427,794	35,050	43,952	1,785	508,581
Ndiwa, KJ	438,223	35,919	71,119	1,785	547,046
Geyer, AH	468,168	-	76,060	67,100	611,328
Zondi, MF	438,223	35,919	67,886	1,785	543,813
Moeketsane, PP	497,645	-	80,923	1,785	580,353
Leeuw, JS	385,950	31,562	62,494	134,085	614,091
	4,319,037	246,316	529,965	212,041	5,307,359

2016	Basic salary	Annual bonus	Pension	Medical and other	Total
Macholo, TJ	1,086,456	75,538	89,739	1,785	1,253,518
Salimani NS	671,702	34,156	41,583	1,785	749,226
Mofokeng JM	363,826	44,415	52,550	1,190	461,981
Alexander RR	294,338	35,742	27,167	1,041	358,288
Kabi M	95,617	-	-	149	95,766
Tlhogo LE	416,994	34,150	40,570	1,785	493,499
Ndiwa, KJ	427,423	35,019	69,337	1,785	533,564
Geyer AH	457,314	-	74,269	60,341	591,924
Zondi MF	428,269	34,172	69,337	1,785	533,563
Moeketsane PP	487,467	-	79,244	1,785	568,496
Leeuw S	375,150	30,662	60,712	117,903	584,427
	5,104,556	323,854	604,508	191,334	6,224,252

Performing Arts Centre of the Free State

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19. General expenses		
Accounting fees	79,084	364,093
Advertising	373,217	221,092
Auditors remuneration	1,770,792	2,011,019
Audit committee fees	50,080	4,320
Bank charges	126,063	139,184
Commission paid	11,986	8,037
Cleaning expenses	292,690	333,421
Computer expenses	159,002	100,223
Samro costs	2,443	25,844
Consulting fees	589,797	1,240,326
Loss on disposal of assets	32,001	-
Catering expenses	267,286	1,173,310
Cost of box office tickets	58,664	-
Donations	20,848	90,500
Entertainment	117,555	68,983
Board fees	247,089	55,531
Flowers & gifts	1,142	8,367
Fuel and oil	37,728	32,452
Artist Fees	2,273,075	2,528,443
Subsistence and travelling	96,619	75,265
Production costs- Stock	357,576	209,074
Production stipends	1,379,435	318,889
Artistic costs	72,143	103,165
Insurance	269,000	316,569
Production costs- Catering	11,878	34,487
Marketing costs	114,993	317,794
Health test costs	1,300	6,052
Motor vehicle expenses	729,915	887,250
Other operating expenses	163,150	111,649
Pest control	29,137	22,909
Placement fees	-	353
Postage and courier	596	519
Printing and stationery	289,062	340,406
Production expenses- travel and accommodation	153,736	67,477
Stage services costs	21,838	10,205
Production costs- Security	7,581	102,942
Protective clothing	5,428	7,441
Operating lease rentals	120,365	122,390
Legal fees	1,018,103	291,059
Security	1,227,179	1,200,245
Subscriptions and membership fees	29,837	88,433
Telephone and fax	511,358	441,440
Training	99,532	71,243
Travel and accommodation - Local	1,374,604	917,699
Expenses in kind	834,504	765,600
Utilities	3,553,962	3,715,680
	18,983,373	18,951,380

Production costs have been reclassified in the current year based on their nature rather than function as in the previous year.



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19. General expenses (continued)		
The line item other expenses includes the following:		
Development costs	84 109	60 803
Hire of venues	10 010	-
TV licences	12 952	6 476
Box office	775	3 133
Annual report costs	28 502	25 775
Liquor licence	5 000	5 000
Services rendered	256	-
Small tools	21 545	1 460
20. Operating surplus (deficit)		
Operating surplus (deficit) for the year is stated after accounting for the following:		
Impairment on property, plant and equipment	69,908	-
Amortisation on intangible assets	30,856	122,043
Depreciation on property, plant and equipment	2,293,582	2,954,335
Employee costs	23,510,884	24,083,549
21. Repairs and Maintenance		
Costs incurred		
Repairs and maintenance are costs that have been incurred to keep the assets operating at their present condition.		
Amount spent on repairs	543 602	962 488
22. Auditors' remuneration		
External auditors	1,770,792	1,627,476
Internal audit	-	383,543
	1,770,792	2,011,019
23. Cash generated from operations		
Surplus (deficit)	2,627,925	(1,635,193)
Adjustments for:		
Depreciation and amortisation	2,324,439	3,125,553
Impairment deficit	69,908	-
Debt impairment	907,373	-
Movements in retirement benefit assets and liabilities	(801,000)	86,000
Prior year error adjustment	533,866	7,047
Reversal of incorrect proceeds from sale	(2,338,568)	-
Loss on disposal of assets	32,001	-
Changes in working capital:		
Inventories	(30,512)	(337,949)
Receivables from exchange transactions	633,396	(1,517,199)
Debt impairment	(907,373)	-
Payables from exchange transactions	841,782	556,695
Unspent conditional grants and receipts	30,449,806	876,020
	34,343,043	1,160,974

Performing Arts Centre of the Free State

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24. Commitments

Authorised operational expenditure

Already contracted for but not provided for

• Other financial assets	352,305	2,321,929
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A legal representative has been appointed to handle all legal matters on behalf of PACOFS and the contract is as and when the service is needed. There are currently two legal cases pending.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	339,441	727,329
- in second to fifth year inclusive	176,673	516,083
	516,114	1,243,412

Operating lease payments represent rentals payable by the entity for the use of digital copiers/printers and motor vehicles.

1) Copier/ printer leases are negotiated for a term of three years starting on the 1 Sept 2014 - 31 August 2017. The monthly installments remain fixed over the contract term with 0% escalation.

The leases are not cancellable and expire on the following dates:

Rental of 2 MXM 382 Digital Copier / Printer - Expiry Date: 31 August 2017.

Rental of 1 MX182 Digital Copier / Printer - Expiry Date: 31 August 2017.

2) A memorandum of agreement is in place for the use of motor vehicles until the 2020 period for the following vehicles

GG Number	Model ID
GBG855FS	60058400 Toyota Quantum Bus 14 Seater
GBG856FS	10032100 Chevrolet Optra
GBK570FS	47032026 Nissan NP300
GBJ491FS	28515420 Iveco Daily Panel Van
GBJ614FS	54047360 Renault Fluence.

25. Contingent Liabilities

2017:

No contingent liabilities are anticipated on the legal cases that are ongoing other than the legal fees that may be incurred.

2016:

An arbitration award had been made by the CCMA against PACOFS in 1 individual case. PACOFS has opposed the application to certify the arbitration award. An estimation of the legal costs in respect of the application amounts to R80 000. A final outcome has not been finalised.

An arbitration award had been made by the CCMA against PACOFS in 1 individual case. PACOFS approached the Labour Court to set aside the award and this was unopposed. The arbitration award amounts to R302 691. A final outcome has not been finalised.

A disciplinary hearing has been instituted against an employee. A final outcome has not been finalised at year end.

On 31 March 2011, a company was appointed to render professional engineering services for PACOFS. A forensic investigation was however instituted as it relates to the appointment of the company. The services were to be rendered in accordance with government gazette No. 23851, dated 4 January 2010 "Guideline scope of services and tariff of fees for persons registered in terms of the Engineering Profession Act, 2000".

Performing Arts Centre of the Free State

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26. Related parties

Relationships

Members

Refer to members' report note 27

Ultimate controlling entity

Department of Arts & Culture

Members of key management

Segoneco, G
Lebethe, A
Makhari, N
Xaba, M
Mojaki, L
Ndiwa, KJ
Tlhogo, LE
Macholo, TJ (Last day of employment 31 August 2016)
Salimani, NS (Last day of employment 28 February 2017)
Geyer, AH
Zondi, MF
Moeketsane, PP
Leeuw, JS

The Performing Arts Centre of the Free State is housed in a building that is the property of the Department of Public Works. The building includes the Sand du Plessis Theatre as well as all the office space. The use of the building (theatre and office space) is provided free of charge.

The DAC can have a significant influence on the control of PACOFS due to the material nature of the grants paid by the department to PACOFS.

Related party balances

Government grants and subsidies

DAC Operational Grant	41,513,000	39,423,999
DAC Capital Works	30,000,000	-
DAC Sponsorships	1,760,000	1,600,000

Related party transactions

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27. Members' emoluments

Non-Executive

2017

	Emoluments	Other benefits*	Total
Mrs A. Msimang	58,784	526	59,310
ADV. K.P. Thango	44,548	414	44,962
Mr. T. Segopolo	38,081	337	38,418
Mr. Z. Mkiva	31,194	284	31,478
Ms. M.A.D. Mnumzana	34,957	308	35,265
Mr. N Sifumba	37,331	325	37,656

2016

	Emoluments	Other benefits*	Total
Mr. P Lourens	5,376	54	5,430
ADV KP Thango	4,320	43	4,363
Mr. T. Segopolo	10,239	385	10,624
Mr. Z. Mkiva	8,528	198	8,726
Mr. C.J.T. Wing	8,416	310	8,726
Mrs. M.A.D. Mnumzana	12,399	407	12,806
Ms. O Mochware	2,048	134	2,182

* Other benefits comprise only of UIF contributions.

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28. Prior period errors

The following errors were corrected in terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors.

28.1 Prior period error - Property, plant & equipment understated in the prior year:

During the period under review, it was noted that the accumulated depreciation on the assets was overstated. The comparative statements for 2015/16 financial year have been restated. The effect of the correction of error is summarised below:

Statement of Financial Position

Increase in accumulated surplus	(249,297)
Increase in property, plant and equipment	249,297

28.2 Prior period error - Trade and other payables and trade and other payables misstated in the prior year :

During the period under review, it was identified that creditors and receivables were misstated in the prior year. The comparative statements for 2015/16 financial year have been restated. The effect of the corrections of errors is summarised below:

Statement of financial position

Increase in payables from exchange transaction	-	(3,350)
Increase in trade and other receivables	-	3,350

28.3 Prior period error - Reclassification of Income:

During the period under review the entity reassigned income accounts incorrectly recorded as expenses in the prior year. The comparative statement of financial performance for 2015/2016 financial year has been restated. The effect of the correction is summarised below:

Statement of financial performance

Sale of goods	-	65,038
Rendering of services	-	(942,031)
Other Income	-	453,160
Employee related costs	-	1,170,869
General expenses	-	(689,491)
Repairs and maintenance	-	(57,545)

28.4 Prior period error - Unspent conditional grants understated:

During the period under review it was noted that interest received on unspent conditional grants in previous financial years was incorrectly recorded as a non distributable reserve. The comparative statements for 2015/2016 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position:

Decrease in non distributable reserves	1 213 157
Increase in unspent conditional grants	(1 213 157)

28.5 Prior period error - Unrecorded revenue and expenses in kind

During the period under review, it was noted that revenue and expenses in kind were not recorded in the prior year. The effect of the correction is summarised as follows:

Statement of financial performance:

Increase in revenue in kind	(765 600)
Increase in expenses in kind	765 600

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28. Prior period errors (continued)

28.6 Prior period error - Income incorrectly accounted for in the prior year :

During the period under review it was noted that irregular expenditure was understated in 2016. The comparative statements for 2015/2016 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Increase in irregular expenditure	-	6,179,403
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29. Risk management

Financial risk management

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

The entity's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial performance to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Derivative financial instruments	46,858,262	-	-	-
Trade and other payables	10,201,839	-	-	-
Unspent conditional grants	37,055,838	-	-	-
At 31 March, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Derivative financial instruments	46,858,262	-	-	-
Trade and other payables	9,351,336	-	-	-
Unspent conditional grants	8,574,425	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. No collateral is required in respect of financial assets. Management evaluated credit risk relating to customers on an ongoing basis. Credit valuations are performed on all customers requiring credit over a certain amount. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

No significant concentrations of credit risks were identified on 31 March 2017. The maximum exposure to credit risk is represented by the carrying amount of each class of financial asset in the statement of financial position.

Market risk

Fair values risk

The fair values of trade and other payables have been recalculated, all other financial instruments are approximate to carrying amounts reflected in the statement of financial position.

Interest rate risk

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29. Risk management (continued)

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

The entity does not limit its risk in respect of interest rate changes. Interest rate fluctuations will directly impact on the entity's results.

30. Going concern

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

The management of the entity have concluded that the existence of a combination of circumstances represent a material uncertainty that casts significant doubt about the entity's ability to continue as a going concern. nevertheless after making enquiries about considering the uncertainties described below, the management of the entity have a reasonable expectation that the entity will have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the annual financial statements of the entity.

The following analysis supports the going concern assumption:

While the management of the entity have instituted measures to preserve cash, control overheads, increase revenue and secure additional funding the following circumstances create material uncertainties over the future trading results and cash flows.

- The entity's current assets exceed its current liabilities by R5 849 953.
- Management considers that the outlook presents significant challenges in terms of enhancing the quality earnings, increasing revenue volumes as well as controlling input costs.
- The entity's operational grants funding does not cover the entity's operating costs and without increasing the quality of revenue from operations continued deficits are likely.
- Potential decrease in the total net asset value upon transfer of capital works projects to the Department of Public Works.

In response to the indicators listed above management have initiated the following:

- Applied zero based budgeting for the 2016/2017 - 2017/2018 financial years.
- Outlined various initiatives as contained in the entity's Strategic and Turnaround Plans to boost revenue and the quality of revenue.
- Initiate discussions for the ring fencing of additional operational funding to support its developmental mandate and seeking additional operational funding from DAC.

The following Key ratios were also considered during the going concern assessment:

- Total Assets R 119 086 818 (2016: R 85 916 448) exceeds total liabilities R 105 297 417 (2016: R 74 806 830)
- The entity has accumulated reserves of R 12 835 635 (2016: R 10 155 852).

31. Events after the reporting date

Subsequent to year end, eleven items of property, plant and equipment were discovered as missing. The investigation process has been initiated.

An obligation to pay an amount of R670 000 to the previous Acting CFO/CEO arose from a CCMA award.

32. Fruitless and wasteful expenditure

Opening balance	2,464,003	2,420,958
Fruitless and wasteful expenditure- current year	86,108	43,045
	2,550,111	2,464,003

Analysis of expenditure awaiting condonation:

Current Year	86,108	43,045
Prior Years	2,464,003	2,420,958
	2,550,111	2,464,003

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32. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure - 2016

	Disciplinary steps taken/criminal proceedings	
Expenses incurred in vain	The incidents disclosed are under investigation. No disciplinary steps instituted.	43 045

33. Irregular expenditure

Opening balance	57,006,990	41,824,334
Add: Irregular Expenditure - current year	3,958,324	15,182,656
	60,965,314	57,006,990

In addition the entity is investigating possible irregular expenditure which may result from the utilisation of conditional grants for purposes not intended for.

Analysis of expenditure awaiting condonation per age classification

Current year	2,255,846	9,003,253
Prior years	50,827,587	41,824,334
	53,083,433	50,827,587

Details of irregular expenditure – 2017

	Disciplinary steps taken/criminal proceedings	
Non-compliance with laws and regulations	The incidents are still under investigation/ awaiting possible condonation	2,255,846

Details of irregular expenditure – 2016

	Condoned by (condoning authority)	
Non-compliance with laws and regulations	The incidents are still under investigation/ awaiting possible condonation	9,003,253

34. Actual operating expenditure versus budgeted operating expenditure

Detailed below are explanations of the significant variances between the actual expenditure versus budgeted expenditure as detailed in the Statement of Comparison between Budget and Actual:

- X1 - Variance due to unrealistic projections of revenue and the closing of the kitchen during the year.
- X2 - Conservative budget estimate exceeded by the actual, incubator project extensive during the year.
- X3 - Variance due to unrealistic budget on revenue.
- X4 - Under realised interest earned is attributable to the reduction in operational bank balances.
- X5 - Savings realised due to vacant key positions during the year.
- X6 - Variance due to additions during the year.
- X7 - No budgeted amount for debtor write offs.
- X8 - Variance due to less outsourcing of services.
- X9 - Variance realised due to legal costs, utility costs, audit fees and board travelling costs in excess of the budget.

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35. Significant judgements and sources of estimation uncertainty

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

Receivables from exchange transactions

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Provisions for interest have been made to show financial liabilities as trade and other payables at fair value on the financial statements. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

Provisions

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

Post retirement benefits

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

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

Other key assumptions for post retirement obligations are based on current market conditions. Additional information is disclosed in Note 12.

Effective interest rate

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35. Significant judgements and sources of estimation uncertainty (continued)

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

Allowance for doubtful debts

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

Statements of GRAP issued

For the 2016/17 reporting period, the following Standards of GRAP have been issued:

Standard	Title
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control
GRAP 107	Mergers

Statements of GRAP issued but not yet effective

For the 2016/17 reporting period, the following Standards of GRAP have been issued but are not yet effective or are not required to be applied:

Standard	Effective Date	Expected Impact
GRAP 20- Related Party Disclosures	No date determined yet	Minimal- certain additional disclosures may be required
GRAP 32- Service Concession Arrangements: Grantor	No date determined yet	No impact
GRAP 34- Separate Financial Statements	No date determined yet	No impact
GRAP 35- Consolidated Financial Statements	No date determined yet	No impact

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35. Significant judgements and sources of estimation uncertainty (continued)		
GRAP 35- Consolidated Financial Statements	No date determined yet	No impact
GRAP 36- Investments in Associate and Joint Ventures	No date determined yet	No impact
GRAP 37- Joint Arrangements	No date determined yet	No impact
GRAP 38- Disclosure of Interests in Other Entities	No date determined yet	No impact
GRAP 108- Statutory Receivables	No date determined yet	No impact
GRAP109- Accounting by Principals and Agents	No date determined yet	No impact
GRAP 110- Living and non living resources	No date determined yet	No impact



