E

FINANCIAL INFORMATION

01. COUNCIL'S RESPONSIBILITIES AND APPROVAL

The Council is required by the Public Finance Management Act (Act 1 of 1999), 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 Council to ensure that the annual financial statements fairly present the state of affairs of the NAC 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 were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (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 Council acknowledges 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 accounting authority 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 NAC and all employees are required to maintain the highest ethical standards in ensuring the NAC ís business is conducted in a manner that in all reasonable circumstances is above reproach.

"The focus of risk management in the NAC is on identifying, assessing, managing and monitoring all known forms of risk across the NAC."

While operating risk cannot be fully eliminated, the NAC endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Council is 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 Council has reviewed the entity ís cash flow statement for the year to 31 March 2017 and in the light of this review and the current

financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The National Arts Council is wholly dependent on the Department of Arts and Culture for continued funding of operations. The annual financial statements are prepared on the basis that the National Arts Council is a going concern.

"Although the Council is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors."

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been audited by the entity's external auditors and their report is presented on page 6.

Council Chairperson

MR HARTLEY NGOATO

NAC Chairperson

02. AUDIT AND RISK COMMITTEE REPORT

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

AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE

The Audit and Risk Committee comprises of the members listed hereunder and should meet at least 2 times per annum as per Section 77 of the PFMA. During the year under review, 3 meetings were held.

No.	Name of member	Number of meetings attended
The term of the following members ended on 31 August 2016:		
01	Mr. Thami Kubheka (Chairperson)	3
02	Mr. David Maahlamela	3
03	Mr. Sikhuthali Nyangatsimbi	3
04	Mr. Nchoke Raphela	3

The following Audit and Risk Committee was appointed in April 2017 and completed the review of the annual financial statements. (Even though Council term started in January 2017, however Audit and Risk Committee was established in April 2017):

Ms Avril Joffe
Ms Mmathebe Moja
Mr. Sikhuthali Nyangatsimbi
Mr. Nchoke John Raphela

AUDIT COMMITTEE RESPONSIBILITY

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 55(1)(a) of the PFMA and Treasury Regulation 27.1.

The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference in 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

The system of internal controls applied by the National Arts Council over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The Audit and Risk Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the management of the National Arts Council of South Africa during the year under review.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

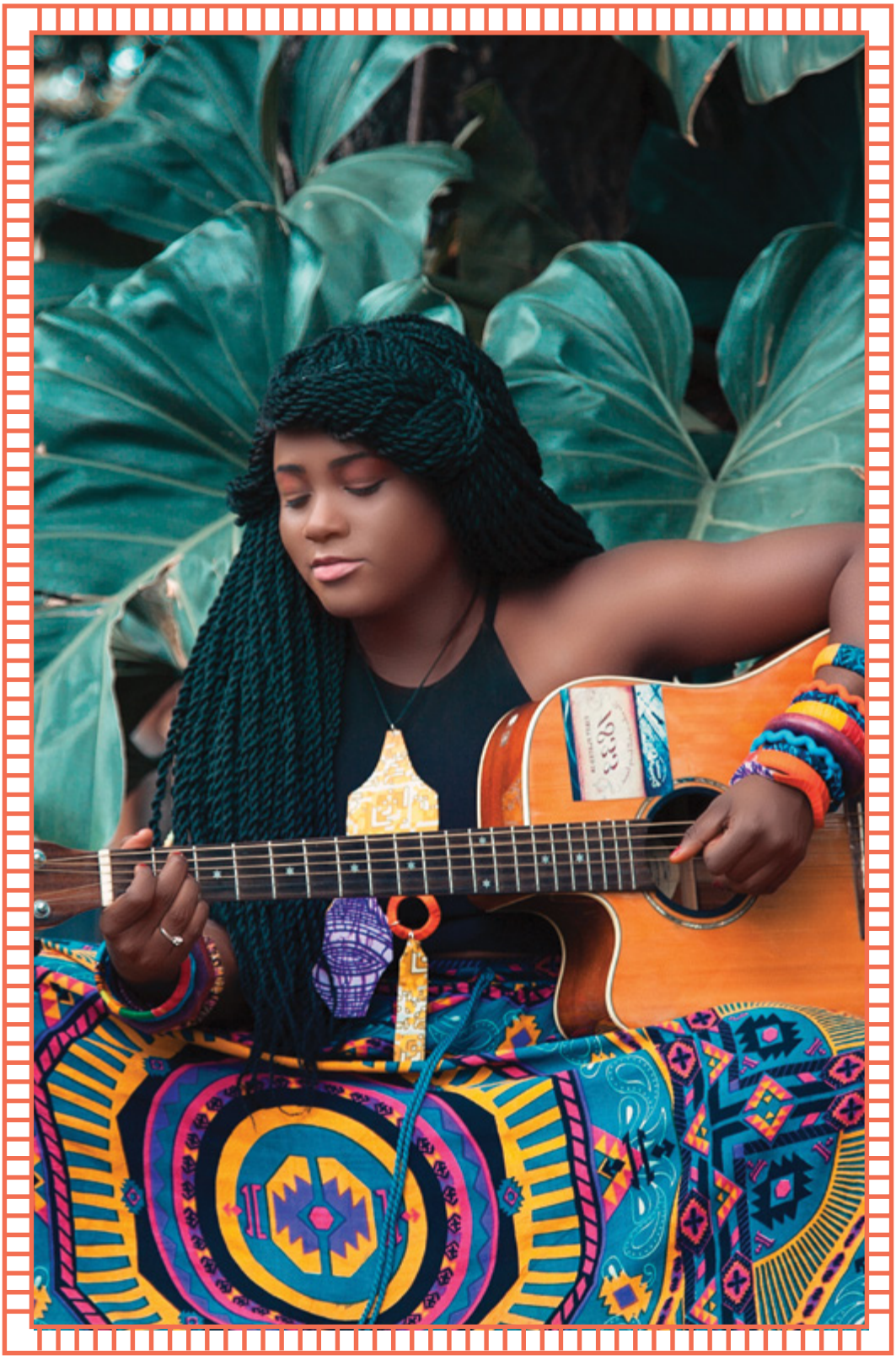
The audit committee has:

reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor General and the Internal Auditors;
reviewed changes in accounting policies and practices;
reviewed the entities compliance with legal and regulatory provisions;

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the National Arts Council and its audits.

The Chairperson of the Audit and Risk Committee



03. REPORT OF THE AUDITOR GENERAL

OPINION

1. I have audited the financial statements of the National Arts Council of South Africa set out on pages 167 to 171, 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 and actual amounts for the year ended as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Arts Council of South Africa as at 31 March 2017, and its financial performance and cash flows for the year ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999)(PFMA).

BASIS FOR OPINION

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My respon sibilities under those standards are further described n the Auditor-General's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

EMPHASIS OF MATTER

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

Restatement of corresponding figures

7. As disclosed in note 31 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2017.

RESPONSIBILITIES OF ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

8. 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.

9. In preparing the financial statements, the Accounting Authority is responsible for assessing the National Arts Council of South Africa'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 there is an intention either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

10. My objectives are to obtain reasonable assurance about 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 mis statement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. 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

12. 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 strategic goals presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

13. My procedure address the reported performance information, which must be based on the approved performance planning documents of the public 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.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting frame work, as defined in the general notice, for the following selected strategic goals presented in the annual performance report of the public entity for the year ended 31 March 2017:

Strategic objectives		Page
01	Strengthen the practice of the arts through focused efficient and effective grand funding	38
02	Equity in the arts	39
03	Sustainable arts capacity	40
04	Market access and creative engagement	41

15. I performed procedures to determine whether the reported performance information was properly presented and whether a 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.

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected strategic goals.

OTHER MATTERS

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

Achievement of planned targets

18. Refer to the annual performance report on pages 37 to 49 for information on the achievement of planned targets for the year and explanations provided for the under /overachievement of a number of targets. This information should be considered in the context of the conclusions expressed on the usefulness and reliability of the reported performance information in paragraphs 14 to 16 of this report.

Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Strategic goal 1: Strengthen the practice of arts through focused, efficient and effective grant funding. As management subsequently corrected the misstatements, I did not report any material findings on the usefulness and reliability of the reported performance information.

INTRODUCTION AND SCOPE

20. 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 public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

21. I did not identify an instance of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

22. The National Arts Council of South Africa accounting authority is responsible for the other information. The other information does not include the financial statements, the auditor's report thereon and those selected strategic goals presented in the annual performance report that has been specifically reported on in the auditor's report.

23. My opinion on the financial statement 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.

24. In connection with the 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 strategic goals presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to e 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. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

25. 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. I did not identify any significant deficiencies in internal control.

OTHER REPORTS

26. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

27. The Department of Arts and Culture (DAC) received allegations from one beneficiary alleging that their beneficiary's grant application was deliberately declined because of the public entity's senior management failing to adhere to the grant funding policies of the public entity. The DAC then appointed a service provider to perform a forensic investigation into the al legation. The outcome of the forensic investigation indicated that no irregularities occurred.

28. The public entity initiated a forensic investigation in respect of internal information allegedly leaked to the media. The investigation identified irregularities conducted by some employees of the public entity.

Auditor- General

Auditor – General
Johannesburg
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 judgment and maintain professional skepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected strategic goals and on the public 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 detectinga 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 public entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting esti mates and related disclosure made by the accounting authority.
- Conclude on the appropriateness of the accounting authority, use of the going concern basis of ac counting 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 National Arts Council of South Africa's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention to my auditor's report to the related disclosures in the financial statement about the material uncertainty or, if such disclosure is 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 a public entity to cease to continue 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 a fair presentation.

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.

4. 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 here applicable, related safeguards.

04. ACCOUNTING AUTHORITY'S REPORT

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

1. GOING CONCERN

We draw attention to the fact that at 31 March 2017, the entity had accumulated surplus of R 41,059,101 and that the entity's total Assets exceed its liabilities by R 45,482,162.

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 accumulated surplus of R 41,059,101 includes projects contracted but not fully paid and projects approved by council but not contracted.The National Arts Council submitted the request to National Treasury to retain the surplus.

05. STATEMENT OF FINANCIAL POSITION

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Trade and other receivables	4	347,100	334,742
Cash and cash equivalents	5	39,773,893	45,566,667
		40,120,993	**45,901,409**
Non Current Assets			
Property, plant and equipment	2	8, 110.517	5,519.313
Intangible assets	3	318,475	144.295
Total Assets		**48 549 985**	**51 565 017**
Liabilities			
Current Liabilities			
Trade and other Payables	8	1,521,782	979,632
Deferred Grant Income	27	843,417	1,522,570
Provisions	28	701,981	612,572
Administered Funds	6	-	426,947
Projects and bursaries payable	7	643	503,435
		3,067,823	**4,045,156**
Total Liabilities		**3,067,823**	**4,045,156**
Net Assets		**45,482,162**	**47,519,861**
Reserves			
Revaluation reserve	26	4,423,061	3,229,040
Accumulated surplus		41,059,101	44,290,821
Total Net Assets		**45,482,162**	**47,519,861**

06. STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2017	2016
Revenue from non exchange transactions	9	102,054,327	96,089,000
Other income	10&29	586,634	177,802
Operating expenses	12	(14,108,395)	(14,012,457)
Employee related costs	13	(20,300,524)	(17,755,270)
Projects and bursaries expenses	24	(73,449,673)	(70,732,248)
Operating deficit		**(5,217,631)**	**(6,233,173)**
Investment revenue	11	1,986,369	2,717,327
Finance costs	14	(460)	(68,372)
Deficit for the year		**(3,231,722)**	**(3,584,218)**

07. STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 1 April 2015	**3,229,040**	**47,875,039**	**51,104,079**
Changes in net assets			
Deficit for the year	-	(3,584,218)	(3,584,218)
Total changes	-	(3,584,218)	(3,584,218)
Balance at 01 April 2016	**3,229,040**	**44,290,823**	**47,519,863**
Changes in net assets			
Deficit for the year	-	(3,231,722)	(3,231,722)
Revaluation of assets	1,194,021	-	1,194,021
Total changes	1,194,021	(3,231,722)	(2,037,701)
Balance at 31 March 2017	**4,423,061**	**41,059,101**	**45,482,162**
Note(s)	26		

08. CASH FLOW STATEMENT

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Other income		574,685	620,859
Grants and other income received		101,375,174	96,089,000
Investment revenue		1,986,369	2,717,327
Non cash movements in receivables from exchange transactions		-	339,116
		103,936,228	99,766,302
Payments			
Employee costs		(20,300,524)	(17,755,270)
Suppliers		(12,744,371)	(11,519,354)
Finance costs		(460)	(68,372)
Projects and bursaries		(73,449,030)	(71,243,988)
		(106,494,385)	(100,586,984)
Net cash flows from operating activities	16	**(2,558,157)**	**(820,682)**

Cash flows from investing activities			
Annula Financial Statements for the year ended 31 March 2017			
Purchase of property, plant and equipment	2	(2,085,939)	(309,849)
Non cash profit on extinguished assets	2	38,952	5,638
Purchase of other intangible assets	3	(217,405)	-
Other movements in property, plant and equipment	-	(40,486)	-
Net cash flows from investing activities		**(2,304,878)**	**(304,211)**
Cash flows from financing activities			
Movement in administered funds		(426,947)	-
Movement in projects and bursaries payable		(502,792)	(12,589)
Finance lease payments		-	(922,482)
Net cash flows from financing activities		**(929,739)**	**(935,071)**
Net increase/(decrease) in cash and cash equivalents		**(5,792,774)**	**(2,059,964)**
Cash and cash equivalents at the beginning of the year		45,566,667	47,626,631
Cash and cash equivalents at the end of the year	5	**39,773,893**	**45,566,667**

09. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis					
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Other income	-	-	-	586,634	586,634
Interest received investment	-	-	-	1,986,369	1,986,369
Total revenue from exchange transactions	**-**	**-**	**-**	**2,573,003**	**2,573,003**
Revenue from non exchange transactions					
Transfer revenue					
Government grants & subsidies	101,182,000	872,327	102,054,327	102,054,327	-
Total revenue	**101,182,000**	**872,327**	**102,054,327**	**104,627,330**	**2,573,003**

Expenditure					
Personnel	(16,958,000)	-	(16,958,000)	(20,300,524)	(3,342,524)
Depreciation and amortisation	-	-	-	(654,079)	(654,079)
Finance costs	-	-	-	(460)	(460)
Bad debts written off	-	-	-	(255,412)	(255,412)
Repairs and maintenance	-	-	-	(697,757)	(697,757)
General Expenses	(84,224,000)	(872,327)	(85,096,327)	(85,872,917)	(776,590)
Total expenditure	**(101,182,000)**	**(872,327)**	**(102,054,327)**	**(107,781,149)**	**(5,726,822)**
Operating deficit	**-**	**-**	**-**	**(3,153,819)**	**(3,153,819)**
Loss on disposal of assets	-	-	-	(77,903)	(77,903)
Deficit before taxation	-	-	-	**(3,231,722)**	**(3,231,722)**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	**(3,231,722)**	**(3,231,722)**

10. 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 in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

The following are the GRAP standards complied with:

GRAP 1: (as revised in 2010): Presentation of Financial Statements
GRAP 2: (as revised in 2010): Cash Flow Statement
GRAP 3: (as revised in 2013): Accounting policies, changes in accounting estimates & errors
GRAP 4: The Effects of Changes in Foreign Exchange Rates
GRAP 5: Borrowing Costs
GRAP 9: (as revised in 2010): Revenue from exchange transactions
GRAP 13: (as revised in 2010) leases
GRAP 14: (as revised in 2010): Events after the reporting date
GRAP 16 : Investment Property
GRAP 17: (as revised in 2010): Property, Plant & Equipment
GRAP 18: Segment Reporting
GRAP 19: (as revised in 2010): Provisions, Contingent Liabilities and Contingent Assets
GRAP 21: Impairment of non ñcash generating assets
GRAP 23: (as revised in 2010): Revenue from non exchange transactions
GRAP 24: (as revised in 2010) Presentation of budget information in financial statements
GRAP 25: Employee Benefits
GRAP 26: (as revised in 2010): Impairment of cash generating assets
GRAP 31: Intangible assets
GRAP 103: Heritage assets (revised version effective date is 01 April 2015)
GRAP 104: Financial instruments
GRAP 106 :Transfer of Functions between Entities Not Under Common Control
GRAP 107: Mergers

Other GRAP Standards issued but not yet effective that might affect the entity in future are as follows:
GRAP 20: Related Party Disclosure
GRAP 108 : Statutory Receivables

Management has considered all the above mentioned GRAP Standards approved but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flow of the entity.

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

A summary of the significant accounting policies, which have been consistently applied in the

preparation of these annual financial statements, are disclosed below.
These accounting policies are consistent with the previous period.

1.1 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.

1.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non current assets (including infrastructure 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.

Property, plant and equipment (with the exception of land and buildings) is carried at cost less accumulated depreciation and any impairment losses.

Land and buildings are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

Item	Depreciation method	Average useful life
Land	-	Indefinite
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	6 years
Motor vehicles	Straight line	5 years

Item	Depreciation method	Average useful life
Office equipment	Straight line	5 years
Computer equipment	Straight line	3 years
Paintings	-	Not depreciated
Banners	Straight line	3 years
Photocopiers	Straight line	5 years
Digital equipment	Straight line	3 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.

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.

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

Item	Useful life
Computer software, other	2 years

Assets under construction will be amortised when brought into use.

1.4 FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an armís 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 guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

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

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

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

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

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

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

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

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

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the

transaction as forming part of an entityís net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non derivative financial assets or non derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

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

Class	**Category**
Trade and other receivables	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at fair value

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

Class	**Category**
Trade and other payables	Financial liability measured at fair value
Projects and bursaries payables	Financial liability measured at fair value
Unspent conditional grants and receipts	Financial liability measured at fair value

1.5 LEASES

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

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

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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.

1.6 IMPAIRMENT OF CASH GENERATING ASSETS

Cash generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit oriented entity.

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 assetís future economic benefits or service potential through depreciation (amortisation).

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

A cash generating unit is the smallest identifiable group of assets managed with the 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 armís 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.

1.7 SHARE CAPITAL / CONTRIBUTED CAPITAL

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.8 EMPLOYEE BENEFITS

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entityís own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

- an entityís decision to terminate an employeeís employment before the normal retirement date; or
- an employeeís 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. 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 entityís 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.

1.9 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

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

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

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.10 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

Measurement

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

1.11 REVENUE FROM NON EXCHANGE TRANSACTIONS

Non exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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

Measurement

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

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which ever is earlier.

When government remit grants on a re imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Conditional grants and receipts

Revenue received from conditional grants and funding are recognised as revenue to the extent that the National Arts Council of South Africa 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.

1.12 INVESTMENT INCOME

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

1.13 BORROWING COSTS

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 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.

1.15 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.

1.16 BUDGET INFORMATION

Entity is 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.

The entity shall provide information whether resources were obtained and used in accordance with legally adopted budget for general purpose financial reporting.

The annual financial statements and the budget are not on the same basis of accounting. A comparison with the budgeted amounts for the reporting period has been included in the Statement of comparison of budget and actual amounts.

1.17 RELATED PARTIES

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

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity. Only transactions with related parties not at armís length or not in the ordinary course of business are disclosed.

1.18 EVENTS AFTER REPORTING DATE

Events after the reporting date are events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

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

The entity adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurrs.

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

11. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2. Property, plant and equipment

	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value Cost / Valuation
Land	1,611,895	-	1,611,895
Buildings	4,888,105	(505,988)	4,382,117
Furniture and fixtures	135,604	(28,556)	107,048
Motor vehicles	151,042	(50,347)	100,695
Office equipment	757,314	(165,688)	591,626
Computer equipment	1,295,373	(583,639)	711,734
Paintings	52,270	-	52,270
Photocopiers	645,176	(118,282)	526,894
Banners	40,770	(33,902)	6,868
Digital equipment	33,850	(14,480)	19,370
Total	**9,611,399**	**(1,500,882)**	**8,110,517**

Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value Cost / Valuatio
1,301,616	-	1,301,616
4,044,849	(432,402)	3,612,447
46,570	(20,581)	25,989
151,042	(20,139)	130,903
121,290	(71,097)	50,193
539,182	(348,911)	190,271
52,270	-	52,270
2,540,749	(2,423,894)	116,855
40,770	(32,654)	8,116
33,850	(3, 197)	30,653
8,872,188	**(3,352,875)**	**5,519,313**

Figures in Rand

2. Property, plant and equipment

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals
Land	1,301,616	-	-
Buildings	3,612,447	-	-
Furniture and fixtures	25,989	89,034	-
Motor vehicles	130,903	-	-
Office equipment	50,193	636,024	-
Computer equipment	190,271	715,705	-
Paintings	52,270	-	-
Photocopiers	116,855	645,176	(116,855)
Banners	8,116	-	-
Digital equipment	30,653	-	-
Total	**5,519,313**	**2,085,939**	**(116,855)**

	2017	2016
Other changes, movements	Additions	Disposals
310,279	-	1,611,895
843,256	(73,586)	4,382,117
-	(7,975)	107,048
-	(30,208)	100,695
-	(94,591)	591,626
40,486	(234,728)	711,734
-	-	52,270
-	(118,282)	526,894
-	(1,248)	6,868
-	(11,283)	19,370
1,194,021	**(571,901)**	**8,110,517**

Figures in Rand

2. Property, plant and equipment

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions
Land	1,301,616	-
Buildings	3,700,029	-
Furniture and fixtures	39,671	-
Motor vehicles	11,568	151,042
Office equipment	75,955	29,092
Computer equipment	342,763	95,865
Paintings	52,270	-
Photocopiers	604,639	-
Banners	30,491	-
Digital equipment	3,348	33,850
Total	**6,162,350**	**309,849**

	2017	2016
Disposals	Depreciation	Total
-	-	1,301,616
-	(87,582)	3,612,447
(4,651)	(9,031)	25,989
(7,712)	(23,995)	130,903
(24,297)	(30,557)	50,193
(65,371)	(182,986)	190,271
-	-	52,270
-	(487,784)	116,855
(3,237)	(19,138)	8,116
(478)	(6,067)	30,653
(105,746)	**(847,140)**	**5,519,313**

Change in estimate: Useful life of assets review
A change in the estimate useful life of assets in Computer, Office Equipment, resulted in change in depreciation for the year. NAC discloses the nature and an amount of a change in an accounting estimate that has an effect in the current period and is expected to have an effect in future. This change in estimate is applied prospectively.

Change in Accounting estimates	-	241,056
Effect of change in accounting estimate on future periods		
Increase in depreciation expenses	87, 582	31, 554
Decrease in Income	87, 582	31, 554
Revaluations		
Land and buildings	1,153,535	-

The effective date of the revaluations was 31 March 2017. Revaluations were performed by independent valuer, Mr Jaco Goosen, Professional Valuer, of Corporate Valuations. Mr J Goosen is not connected to the National Arts Council of South Africa. The Income Capitalisation Method was adopted to determine the market value. The estimated value of the property remained unchanged from the previous reporting period.

3. Intangible assets	**2017**		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	450,286	(349,216)	101,070
Assets under construction	217,405	-	217,405
Total	**667,691**	**(349,216)**	**318,475**

2016			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	450,286	(305,991)	144,295
	-	-	-
	450,286	**(305,991)**	**144,295**

Reconciliation of intangible assets 2017				
	Opening balance	Additions	Amortisation	Total
Computer software	144,295	-	(43,225)	101,070
Assets Under Construction Note below	-	217,405	-	217,405
	144,295	**217,405**	**(43,225)**	**318,475**

Reconciliation of intangible assets 2016			
	Opening balance	Amortisation	Total
Computer software	295,984	(151,689)	144,295

Assets under construction represent costs incurred so far towards development of a Grant Management System.

The expenses below is for the first phase:		
Assets under construction	217,405	-

4. Trade and other receivables		
Trade debtors	131,771	54,415
Staff Advances	16,461	19,617
Deposits	6,477	6,477
Interest receivable	192,391	254,233
	347,100	**334,742**

Trade receivable are non interest bearing and are normally settled on a 30 day term.

5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	4,990	5,000
Cash at Bank Current Account	6,147,154	2,510,746
Cash at Bank Call Account	33,621,749	43,050,921
	39,773,893	**45,566,667**

Analysis of Bank Accounts		
NAC Petty Cash	4,990	5,000
NAC Current Account	6,025,809	2,487,676
NAC Downtown Studios Current Account	(69)	500
NAC Call Account	33,621,749	43,050,921
Bank Account UNESCO	121,414	22,570
	39,773,893	**45,566,667**

6. Administered Funds

The National Arts Council of South Africa received funds from the Department of Arts and Culture to be used for specific projects. These funds are only used as directed by the Department of Arts and Culture in achieving its mandate.

Department of Arts and Culture (DAC) ringfenced Funds		
DAC Ringfenced Funds	-	426,947

7. Projects and Bursaries Payable

Projects and bursary expenditure is a core business of the National Arts Council of South Africa. In the prior periods, the National Arts Council recognised the approved funding amounts and related liability after the approval of the projects. Subsequent payments were processed through the liability.

In the year under review, only those projects and bursaries that met the criteria of a present obligation are recognised.

Projects and Bursaries Payable		
Opening Balance	(503,435)	(516,024)
Net Movement	502,792	12,589
	(643)	**(503,435)**

8. Trade and other Payables

Trade payables	79	27,336
Accrued leave pay	533,519	341,218
Accrued expenses	798,589	454,380
Salary Control Account	189,595	156,641
Union fees Control Account	-	57
	1,521,782	**979,632**

Trade payables are non interest bearing and are normally settled on a 30 day term.

Reconciliation of accrued leave pay - 2017	Opening balance	Current year provision	Utilised during the year	Prior year provision	Closing balance
Leave pay	341,218	533,519	-	(341,218)	533,519
	341,218	**533,519**	**-**	**(341,218)**	**533,519**

Reconciliation of accrued leave pay - 2016	Opening balance	Current year provision	Utilised during the year	Prior year provision	Closing balance
Leave pay	(214,282)	(341,218)	-	214,282	(341,218)

Age Analysis of Accounts Payable	Current	30 Days	60 Days	90 Days	120 Days
Accounts Payable	78	78	-	-	-

9. Revenue		
Administration and management fees received	-	126,000
Other income	586,634	51,802
Interest received investment	1,986,369	2,717,327
Government grants received NAC	102,054,327	96,089,000
	104,627,330	**98,984,129**

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

Administration and management fees received	-	126,000
Other income	586,634	51,802
Interest received investment	1,986,369	2,717,327
	2,573,003	**2,895,129**

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

Transfer revenue		
Department of Arts and Culture Grant received NAC	102,054,327	96,089,000

10. Other income		
Sundry income	586,634	51,802

The income received including refunds of unspent money by beneficiaries.

11.Investment income		
Interest revenue		
Bank	1,986,369	2,717,327

12.Operating expenses		
Auditors' fees	1,643,405	1,775,668
Bad debts	255,412	535,289
Bank charges	34,739	37,706
Cleaning	61,089	98,571
Conference	17,200	-
Consulting and professional fees	1,244,774	1,469,158
Depreciation, amortisation and impairments	654,079	998,853
Disposal of assets	77,903	100,108
Expense reimbursements	33,469	31,923
French Season Income and Expenses	-	17,745
Fuel and oil	28,114	8,769
IT expenses	632,464	873,018
Insurance	309,598	229,663
Marketing	2,108,363	1,990,417
Minor assets expense	197,492	4,993
Monitoring of projects	1,003,792	695,336
Motor vehicle expenses	236,474	172,314
Organisational review	-	7,980
Postage and courier	9,602	19,256
Printing and stationery	423,612	423,190
Recruitment costs	13,473	35,296
Remuneration Council and Panel	1,100,748	1,276,998
Repairs and maintenance	697,757	63,703
Security	320,852	252,730
Staff training	371,772	248,313
Staff welfare	2,000	-
Subscriptions and membership fees	24,740	10,452
Telephone and fax	889,023	647,631
Travel	1,079,457	1,264,761
Venue expenses	123,363	151,725
Water and Electricity	403,935	399,042
	14,108,395	**14,012,457**

Certain items within Operating Expenses were reclassified in order to improve their accuracy. Please refer to Note 31 for further detail on the changes carried out.

13.Employee related costs		
Basic salary	16,438,322	14,262,877
Medical aid company contributions	1,406,852	1,264,362
Unemployment Insurance Fund (UIF)	116,191	111,728
Workers Compensation Assistance (WCA)	2,000	-
Leave pay	228,196	143,299
Provident fund	1,070,332	711,996
Pension plans	863,081	1,145,647
Overtime payments	22,311	20,879
Housing benefits and allowances	153,239	94,482
	20,300,524	**17,755,270**

Certain items within Employee Related costs were reclassified in order to improve their accuracy. Please refer to Note 31 for further detail on the changes carried out.

14. Finance costs		
Finance Costs	460	68,372

15.Bad Debts		
Bad Debts	255,412	535,289

16.Cash used in operations		
Deficit	(3,231,722)	(3,584,218)

Adjustments for:		
Depreciation and amortisation	654,079	998,829
Gain on sale of assets and liabilities	77,903	100,108
Bad debts	255,412	535,289
Movements in provisions	89,409	103,077
Changes in working capital:		
Trade and other receivables	(267,770)	247,024
Trade and other Payables	543,685	(659,114)
Deferred Grant Income	(679,153)	1,438,323
	(2,558,157)	**(820,682)**

17. Commitments		
Projects: Already contracted for but not fully paid		
Arts Organisation Funding 2016/17	2,715,592	-
Arts Organisation Funding 2014	39,750	388,250
Arts Organisation Funding 2015	393,750	2,662,250
Arts Organisation 2016	4,693,500	7,537,250
2014 Projects (Balance)	2,824,138	3,566,692
2015 Projects (Balance)	477,700	3,520,877
2016 Projects (Balance)	936,942	4,985,287
2017 Projects (Balance)	7,364,327	-
2017 Orchetra	546,000	-
Multi Panel Projects x 2	-	5,000
Biography Writing	50,000	50,000
BASA Partnership	-	50,000
Flagship Projects 2014	-	2,202,041
Residency Howard University	250,000	10,000
NEPAD	136,529	15,536
IFACCA	-	187,750
Flagship projects 2015	-	1,517,160
Flagship projects 2015 (SA Book council)	10,000	763,334
Flagship projects other	10,000	125,000
Flagship projects 2016	1,760,339	-
Emergency Funding	345,142	584,985
Publishing Funding	1,404,627	-
Suppliers Already contracted fully paid		
Purchase Orders Issued and Service not yet delivered at year	1,103,744	517,613
	25,062,080	**28,689,025**

Projects: Not yet contracted for and authorised by members		
Expired Projects 2015	638,920	1,575,484
Expired flagship projects 2017	673,511	-
Expired Projects 2016	1,901,814	6,587,290
Book on African Dance	400,000	400,000
Cataloque on SA Artifacts	50,000	500,000
Multi Panel projects	283,609	-
Craft bursary	134,872	-
NAC Desk	960,000	960,000
RMB Primary Schools Research	270,000	270,000
Round tables	200,000	200,000
Community Arts Centres	1,000,000	-
Legacy Group Hotels and Resorts	-	300,000
Research and Database	2,000,000	2,000,000
ISO 9001	150,000	-
Provincial Projects	5,000,000	2,534,228
Seychelles	300,000	-
	13,962,726	**15,327,002**

Projects Approved by DAC		
NAC Health and Safety Building Improvement	627,673	1,500,000

Total capital commitments		
Already contracted for but not provided for	25,062,080	28,711,595
Not yet contracted for and authorised by members	13,962,726	15,327,002
Projects Approved by DAC	627,673	1,500,000
UNESCO	121,414	22,570
	39,773,893	**45,561,167**

The accumulated surplus from prior years will be utilised as outlined above. This committed expenditure relates to projects contracted for but have not yet recieved funds. Some of these contracts are due to projects not being completed as yet or awaiting project closure reports and annual financial statements as required by the stipulated funding conditions. In the 2015/2016 financial year, NAC received approval to retain surplus funds, these were paid during the current financial year, only the balance is disclosed above.

The UNESCO amount was previously included in the commitments (Purchase Order issued) during 2016 financial year and it has now been shown as a separate line item.

18. Related parties

Relationships	
Members	Refer to note 19
Department of Arts and Culture	Controlling Entity Grant
Members of key management	Refer to note 19

Related party balances

Amount Owing (to) by related parties		
Department of Arts and Culture	-	(426,947)

All balances are unsecured, interest free, with no fixed terms of repayment and are recorded at fair values

Related party transactions

Amount paid to (recieved from) related and former related parties		
Department of Arts and Culture	(102,054,327)	(96,089,000)
Downtown Music Hub	-	(5,500,000)

19. Emoluments

Executive

2017	Basic Salary	Salay Structure 13th Cheque	Performance Bonus
Chief Executive Officer	1,252,422	-	155,801
Chief Financial Officer	1,394,885	119,076	147,427
Arts Development Manager	926,291	79,093	34,718
Finance Manager	915,238	**-**	**34,718**
IT Manager	748,358	-	2,500
Communications & Marketing Specialist	670,089	-	61,425
Council Secretary	678,374	**56,531**	**2,500**
Project Manager in CEO's Office	600,000	-	-
HR Manager (1 December 2016 31 March 2017)	160,000	-	-
Total	**7,345,657**	**254,700**	**439,089**

Travel Allowance	Other benefits	Total
363,230	-	1,771,453
-	-	1,661,388
-	10,536	1,050,638
-	-	949,956
-	-	750,858
-	-	731,514
-	10,406	747,811
-	-	600,000
-	-	160,000
363,230	**20,942**	**8,423,618**

19. Emoluments

Executive

2016	Basic Salary	Salay Structure 13th Cheque	Performance Bonus
Chief Executive Officer	1,081,907	-	137,902
Chief Financial Officer	1,239,897	105,395	130,489
Arts Development Manager	826,496	69,913	-
Finance Manager	813,382	**-**	**79,033**
IT Manager	463,667	-	-
Communications & Marketing Specialist	567,467	-	-
Council Secretary	629,894	**52,482**	**-**
Project Manager in CEO's Office (01 April 2015 31 March 2016)	586,917	-	-
Project Manager in CEO's Office (01 March 2016 31 March 2016)	50,000	-	-
Total	**6,259,627**	**227,790**	**347,424**

*The total remuneration is the cost to company package to the National Arts Council

Travel Allowance	Other benefits	Total
337,117	-	1,556,926
-	-	1,475,781
-	10,536	906,945
-	-	892,415
-	-	463,667
-	-	567,467
-	10,428	692,804
-	30,000	616,917
	-	50,000
337,117	**50,964**	**7,222,922**

31 March 2017

Non executive Council members

The term of the previous council started on 1 September 2015 until 31 August 2016. The CEO was appointed as Interim Accounting Authority from 01 September 2016 until 31 December 2016, following which the new Council was appointed on the 01 January 2017. The following information relates to the current council:

Name	Remuneration	Total
Ms. Erica Elk	-	-
Ms. Nakedi Ribane	4,280	4,280
Mr. Michael Arendse	-	-
Ms. Jabu Dlamini	8,560	8,560
Dr. Same Mdluli	-	-
Mr. Zolani Mkiva	2,140	2,140
Mr. Phumzile Apleni	-	-
Mr. Masengana Jerry Mabuza	-	-
Ms. Thokozile Nogabe	-	-
Ms. Avril Joffe	4,280	4,280
Ms. Thandiwe January-Mclean	4,280	4,280
Ms. Mmathebe Moja	6,420	6,420
Mr. Bongani Mavuso	-	-
Mr. Segothe Mokgoatšana	-	-
Mr. Hartly Ngoato	10,479	10,479
Mr. Edmund Mhlongo	-	-
Ms. Maria Van Der Spuy	4,280	4,280
Mr. Pheni Ngove	4,280	4,280
	48,999	**48,999**

The term of the following council members ended on 31 August 2016:

Name	Remuneration	Total
Ms. Erica Elk	41,760	41,760
Mr. Mohau Samuel Mphomela	65,165	65,165
Ms. Nakedi Ribane	37,584	37,584
Mr. David Maahlamela	62,739	62,739
Ms. Jabu Dlamini	43,200	43,200
Mr. Zolani Mkiva	36,312	36,312
Mr. Zanemali Bani	20,880	20,880
Ms. Boitumelo Bopape	22,668	22,668
Ms. Jayesperi Moopen	43,330	43,330
Ms. Nontobeko Ntombela	12,528	12,528
Ms. Belisa Rodrigues	14,946	14,946
Ms. Georgina Thomson	41,760	41,760
Ms. Kim Matthews	49,262	49,262
Mr. Wandile Kasibe	20,880	20,880
Mr. Thami Kubheka	48,758	48,758
Mr. Phumzile Apleni	12,528	12,528
Mr. Masengana Mabuza	25,056	25,056
Ms. Thokozile Nogabe	12,528	12,528
	611,884	**611,884**

Non executive Panel members - 2017

In terms of the National Arts Council Act, the Council may establish an advisory panel for every field of the arts it deems necessary. Membership of each advisory panel consists of persons who have achieved distinction or have special knowledge or experience in the field of the arts in question, and who are not members of the Council. The advisory panels advise the Council on the merits of applications for grants and on any matter relating to the field of the arts for which they were appointed.

Name	Remuneration	Total
Mr. Michael Arendse	26,548	26,548
Ms. Igor Dlamini	12,756	12,756
Ms. Nikki Froneman	12,677	12,677
Ms. Lizelle Julie	12,723	12,723
Mr. Londiwe Langa	12,677	12,677
Mr. Jacob Leboko	21,128	21,128
Mr. Tebogo Maahlamela	62,738	62,738
Mr. Othusitse Mabilo	12,677	12,677
Mr. Nthabiseng Makhene	21,707	21,707
Ms. Nomsa Mdlalose	46,746	46,746
Mr. Wandile Mgcodo	31,863	31,863
Mr. Lionel Mkhwanazi	16,902	16,902
Ms. Mamela Nyamza	12,941	12,941
Mr. Pj Sabbagha	18,552	18,552
Mr. Menzi Thango	40,175	40,175
Ms. Marie Heleen Coetzee	12,677	12,677
Mr. Monwabisi Grootboom	12,941	12,941
Ms. Same Mdluli	25,354	25,354
Ms. Tracey Rose	8,451	8,451
Ms. Bulelwa Bam	21,352	21,352
Mr Molele Mohlatlego	38,460	38,460
Mr Emmenis Coleen	9,606	9,606
	491,651	**491,651**

Non executive - Council members

Name	Remuneration	Total
Ms Angie Makwetla	67,232	67,232
Mr Mohau Samuel Mphomela	83,456	83,456
Mr Zamindlela Joseph Bhengu	44,928	44,928
Prof. Muxe Nkondo	33,696	33,696
Ms Phylis Klotz	26,208	26,208
Ms Nwabisa Mavuso	26,208	26,208
Ms Erica Elk	48,672	48,672
Ms Seipati Bernice Dichabe	22,464	22,464
Ms Nakedi Ribane	67,392	67,392
Dr. MG Mapaya	7,488	7,488
Ms. Jabu Dlamini	18,720	18,720
Ms. T Moja External Audit member	7,488	7,488
Prof FK Netshiombo	7,488	7,488
Mr Bongani John Tembe	7,488	7,488
Mr Jonny Simon Masilela	18,720	18,720
Mr Ndela Nelson Ntshangase	22,464	22,464
Mr Manne Shadrack Thebe	18,720	18,720
Mr Chikapa Enoch Ray Phiri	-	-
Mr David Maahlamela	33,697	33,697
Prof. Dominic Thorburn	18,720	18,720
Mr IL Mokoena	7,488	7,488
Mr W Mofokeng	11,232	11,232
	599,969	**599,969**

Name	Remuneration	Total
Mr Arendse Michael	16,902	16,902
Ms Bam Bulelwa Ncumisa	25,354	25,354
Ms Marie Coetzee	16,992	16,992
Ms Dlamini Jabu Gladys	8,541	8,541
Mr Dlamini Thamsanqa Igor	16,902	16,902
Ms Froneman Nikki	14,451	14,451
Ms Grootboom Monwabisi	16,902	16,902
Ms Julie Lizelle	10,902	10,902
Ms Langa Londiwe	29,579	29,579
Mr Lebeko Jacob	25,354	25,354
Mr Mabilo Othusitse	16,902	16,902
Ms Makhene Nthabiseng	33,805	33,805
Ms Mdlalose Nomsa	16,902	16,902
Ms Mdluli Same	25,354	25,354
Mr Mqcodo Wandile	16,902	16,902
Mr Mkwanazi Lionel	16,902	16,902
Mr.Monamodi Moses	16,902	16,902
Ms Nyamza Mamela	16,902	16,902
Ms Rose Tracey	25,354	25,354
Mr Sabbagha PJ	16,902	16,902
Mr Thango Menzi	16,902	16,902
	401,608	**401,608**

Audit and Risk Committee members

2017	Remuneration	Total
Mr. Sikhuthali Nyangatsimbi (External Audit Committee Member)	4,280	4,280
Mr. Nchoke Raphela (External Audit Committee Member)	4,280	4,280
	8,560	**8,560**

Audit and Risk Committee members

2016	Remuneration	Total
Mr. Sikhuthali Nyangatsimbi (External Audit Committee Member)	13,320	13,320
Mr. Nchoke Raphela (External Audit Committee Member)	16,704	16,704
	30,024	**30,024**

Remuneration attributable to members of the Audit and Risk Committee who are also members of the council (Mr. Thami Kubheka (Chairperson) and Mr. David Maahlamela) is disclosed under "Non executive Council members" (above).

20.Going concern

We draw attention to the fact that at 31 March 2017, the entity had accumulated surplus of R 41,059,101 and that the entity's total assets exceed its liabilities by R 45,482,162.
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 accumulated surplus of R 41,059,101 includes projects contracted but not fully paid and projects approved by Council but not contracted. The National Arts Council submitted the request to National Treasury to retain the surplus.

21. Fruitless and wasteful expenditure

Incident	Disciplinary Steps/criminal proceedings	2017	2016
During the financial year expenditure was incurred on accommodation that was not utilised. This expenditure relates to projects.	No	-	1,509
During the audit of the financial year,management discovered the interest on late payment of Diners Club International outstanding payments.	No	409	-

22.Irregular expenditure

Opening balance	24,912,501	24,912,501
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	24,912,501	**24,912,501**

Analysis of expenditure awaiting condonation per age classification

Prior years	24,912,501	24,912,501

Investigation concluded, and the relevant documentation has been submitted to National Treasury for condonement.

23.Risk management

Liquidity risk

The National Arts Council of South Africa manages liquidity through the management of working capital, capital expenditure and cash flow and by variance reports between actual and budget items.

As at 31 March 2017	Interest Rate %	Year 1	Year 1-5	Over 5 years
Trade and other payables	Interest free	843,417		

As at 31 March 2016	Interest Rate %	Year 1	Year 1-5	Over 5 years
Trade and other payables	Interest free	979,634		

Financial Instruments	39,773,893	45,566,667
Cash and Cash Equivalents	337,771	334,742
Trade and other recievables		
	40,111,664	**45,901,409**

As at 31 March 2017 the carrying values of cash and cash equivalents, trade and other payables approximate their fair values due to the short term maturities of these assets and liabilities as disclosed above.

Credit risk
Credit risk is the risk of economic loss should any of NAC's clients or mrket counterparties fail to fulfill their contractual obligations. Financial assets, which potentially subject the entity to the risk of non performance by counter parties and thereby subjecting it to credit concentrations of credit risk, consist mainly of cash and cash equivalents, investments and accounts receivable.Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The entity managed to limit its exposure by only dealing with well established financial institutions, approved by the National Treasury. The entityís exposure is continuously monitored by the Accounting Authority.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
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.

Market risk
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
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.

2017	Change in investment	Upward change	Downward change
Cash and cash equivalents	1%	397,739	(397,739)
2016			
Cash and cash equivalents	1%	455,667	(455,667)

24. Project and Bursary Expenses		
Projects	5,912,629	11,832,489
Orchestras	20,912,000	20,238,000
Organisational Support Funding (Company Funding)	30,711,405	26,881,614
Individuals	10,018,774	7,580,041
Bursaries	5,894,865	4,200,104
	73,449,673	**70,732,248**

The projects costs of prior year comprise of ringfenced money for Orchestras.

Certain items within Project and Bursary Expenses were reclassified in order to improve their accuracy. Please refer to Note 31 for further detail on the changes carried out.

25. Auditors' remuneration		
Internal Audit	708,597	668,074
External Audit	934,808	1,107,594
	1,643,405	**1,775,668**

26.Revaluation reserve		
Opening balance	3,229,040	3,229,040
Change during the year	1,194,021	-
	4,423,061	**3,229,040**

*Change in accounting estimate.

27.Deferred Grant Income		
Movement during the year		
Balance at the beginning of the year	1,522,570	84,247
DAC capital works-Renovations	(679,153)	1,500,000
Other movement	-	(61,677)
	843,417	**1,522,570**

28. Provisions

Reconciliation of provisions 2017	Opening Balance	Additions	Reversed during the year	Total
Performance bonus	612,572	701,981	(612,572)	701,981

Reconciliation of provisions 2016	Opening Balance	Additions	Reversed during the year	Total
Performance bonus	509,495	490,540	(387,463)	612,572

"Performance bonus" represents management's best estimate of the company liability for staff bonuses.The provision raised estimates the amount of the provision based on the anticipated performance of employees. This anticipated performance is based on experience with the employees of the company, taking into account performance trends in the prior periods.

29. Other revenue

Administration and management fees received related party	-	126,000
Other income	586,634	51,802
	586,634	**177,802**

30.Contingencies

Contingencies in the current year comprise a contingent liability of R 35, 623.91 that might be payable to UNESCO as at year end.

31.Prior period errors

The executive remuneration of the Chief Executive Officer and Chief Financial Officer was overstated when reported in 2016 financial year. The correct figures are now presented.
The correction of the error(s) was within the executive remuneration note and did not result in adjustments to any other items at statement of financial position or statement of financial performance level. The adjustments to CEO's and CFO's amoluments were as follows:

CEO's Remuneration	-	(107,400)
CEO's Remuneration	-	(93,768)

The reporting for executive remuneration has been enhanced to disclose remuneration of all managers reporting the Chief Executive Officer or who form part of management team.

Certain items within Employee related costs, Projects and bursaries expenses, and Operating expenses respectively were reclassified in order to improve their accuracy. These reclassifications did not result in adjustments to any other items at statement of financial position or statement of financial performance level.

Employee related costs		
Basic salary	-	(58,346)
Leave pay	-	58,346

Projects and bursaries expenses		
Projects	-	245,000
Organisational Support Funding	-	(245,000)

Operating expenses		
Travel	-	(166,152)
Motor vehicle expenses	-	166,152
Staff welfare	-	(35,044)
Office expenses	-	35,044
Subscriptions and membership fees	-	(31,426)
IT expenses	-	26,433
Minor assets expense	-	4,993

12. DETAILED INCOME STATEMENT

Revenue			
Revenue from non exchange transactions		102,054,327	96,089,000
Other income			
Administration and management fees received	-	-	126,000
Other income	10	586,634	51,802
Interest received	11	1,986,369	2,717,327
		2,573,003	**2,895,129**
Expenses (Refer to page 45)		(34,408,919)	(31,767,727)
Operating surplus	-	70,218,411	67,216,402
	14	(460)	(68,372)
	-	(73,449,673)	(70,732,248)
		(73,450,133)	**(70,800,620)**
Deficit for the year		(3,231,722)	(3,584,218)

Operating expenses			
Auditors remuneration	25	(1,643,405)	(1,775,668)
Bad debts		(255,412)	(535,289)
Bank charges		(34,739)	(37,706)
Cleaning		(61,089)	(98,571)
Conference		(17,200)	-
Consulting		(1,128,729)	(1,126,050)
Consumables		(197,492)	(4,993)
Delivery expenses		(109,694)	(171,849)
Depreciation, amortisation and impairments		(654,079)	(998,853)
Expense reimbursements		(33,469)	(31,923)
French Season Income and Expenses		-	(17,745)
IT expenses		(632,464)	(873,018)
Insurance		(309,598)	(229,663)
Legal expenses		(116,045)	(343,108)
Loss on disposal of assets		(77,903)	(100,108)
Marketing		(2,108,363)	(1,990,417)
Monitoring of projects		(1,003,792)	(695,336)
Motor vehicle expenses		(236,474)	(172,314)
Organisational review		-	(7,980)
Petrol and oil		(28,114)	(8,769)
Postage and courier		(9,602)	(19,256)
Printing and stationery		(423,612)	(423,190)
Recruitment costs		(13,473)	(35,296)
Remuneration Council and Panel		(1,100,748)	(1,276,998)
Repairs and maintenance		(697,757)	(63,703)
Security		(320,852)	(252,730)
Staff Training		(371,772)	(248,313)
Staff costs		(20,300,524)	(17,755,270)
Staff welfare		(2,000)	-
Subscriptions and website management		(24,740)	(10,452)
Telephone expenses		(889,023)	(647,631)
Travel and accomodation		(1,079,457)	(1,264,761)
Venue and catering expenses		(123,363)	(151,725)
Water and Electricity		(403,935)	(399,042)
		(34,408,919)	**(31,767,727)**