SURGING FORWARD AT THE BEAT OF THE AFRICAN DRUM

P·A·C·O·F·S
PERFORMING ARTS CENTRE OF THE FREE STATE
an agency of the Department of Arts and Culture

ANNUAL REPORT
2015-2016

Contents

PART A: GENERAL INFORMATION . . . 2
1. PUBLIC ENTITY'S GENERAL INFORMATION . . . 3
2. LIST OF ABBREVIATIONS/ACRONYMS . . . 4
3. FOREWORD BY THE CHAIRPERSON . . . 5
4. CHIEF EXECUTIVE OFFICER'S OVERVIEW . . . 6
5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT . . . 7
6. ARTISTIC REPORT . . . 8
6. STRATEGIC OVERVIEW . . . 9
6.1. Vision . . . 9
6.2. Mission . . . 9
6.3. Values . . . 9
7. LEGISLATIVE AND OTHER MANDATES . . . 9
8. ORGANISATIONAL STRUCTURE . . . 10

PART B: PERFORMANCE INFORMATION . . . 11
1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES . . . 12
2. SITUATIONAL ANALYSIS . . . 12
2.1. Organisational environment . . . 12
3. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE . . . 12
3.1. Programme 1 . . . 12
3.2. Programme 2 . . . 14
3.3. Programme 3 . . . 15
4. REVENUE COLLECTION . . . 18
4.1. Capital investment . . . 19

PART C: GOVERNANCE . . . 20
1. INTRODUCTION . . . 21
2. PORTFOLIO COMMITTEES . . . 21
3. EXECUTIVE AUTHORITY . . . 21
4. THE ACCOUNTING AUTHORITY / BOARD . . . 21
5. RISK MANAGEMENT . . . 23
6. INTERNAL CONTROL UNIT . . . 24
7. INTERNAL AUDIT AND AUDIT COMMITTEES . . . 24
8. COMPLIANCE WITH LAWS AND REGULATIONS . . . 25
9. FRAUD AND CORRUPTION . . . 25
10. MINIMISING CONFLICT OF INTEREST . . . 25
12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES . . . 25

PART D: HUMAN RESOURCE MANAGEMENT . . . 26
1. INTRODUCTION . . . 27
2. HUMAN RESOURCE OVERSIGHT STATISTICS . . . 28

PART E: FINANCIAL INFORMATION . . . 31
1. REPORT OF THE EXTERNAL AUDITOR . . . 32
2. ANNUAL FINANCIAL STATEMENTS . . . 43

PART A
GENERAL INFORMATION

1 PUBLIC ENTITY'S GENERAL INFORMATION

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

2 LIST OF ABBREVIATIONS/ACRONYMS

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

3 FOREWORD BY THE CHAIRPERSON

Introduction

I was appointed Chairperson of the PACOFS after the financial year-end. This is my inaugural report and I wish to thank Deputy Chairperson, Advocate Khaya Thango who was only too relieved to hand over this responsibility. Three sittings later as a new chair, the Council and I have committed to ensuring that the fortunes of the institution are turned around.

The findings of the Auditor-General for the year under review are concerning as we received a qualified audit. The Council has worked tirelessly with Management to conduct a post-mortem to determine where it all went wrong, not to apportion blame, but to ensure that such problems never resurface

We have established that:-

a. The institution has lost its compass.
b. The institution operated without guidance of a Chief Financial Officer
c. There was no internal audit function
d. There was a lack of management controls
e. Absence of a healthy work ethic

Poor management, lack of performance management contracts, corporate governance weaknesses, an attitude of entitlement and many other factors have continued to undermine Ministerial priorities and mandate. Also, unpatriotic South Africans exacerbate this challenge establishing parallel structures to serve narrow minority interests instead of finding a common solution for the benefit of our economy and artist and cultural consciousness.

To our union colleagues, admittedly, we need sense of resolute leadership if we are to save this institution from shutting down and losing jobs, please do lend us your ears and cooperation. Together we can and must address both strategic and operational issues in both the short and long term.

We therefore promise the Parliamentary Portfolio Committee to expedite the rescue mission by:

a. Normalising the governance environment through the approved organizational policies;
b. Normalising human resources environment through the approved organizational structure;
c. Normalising management of the environment through auditing the competencies of the management team, implementing programmes targeted at management development and vetting the management team;
d. Normalising the inherent service delivery expectations through a performance management system, linked to job descriptions and the institution's SPP and APP.

Link to Minister's 10 Priorties

Honourable Minister, indeed, PACOFS will strive to assist you fulfill your ten key priorities having identified those that are aligned to the institution:

- Nation Building and Social Cohesion
- Focusing on Africa
- Promotion of all languages
- Ensuring that MGE benefits the previously disadvantaged artists
- Community Arts Development programme
- Schools Programme
- Improving Reporting and Compliance

A special word of thanks goes out to the interim CEO and her staff for working tirelessly with the Council to restore PACOFS to a robust public entity. Together we will strengthen and fortify this institution by ensuring that it enjoys a clean bill of health in the coming 18-24 months.

Suspended CEO

In August 2015, the CEO was suspended and disciplinary processes ensued. The outcome of the disciplinary hearing is expected in the next financial year.

Capital Works Allocation

The Department stopped the capital works project in the previous financial year and we are awaiting confirmation on the intended start date of the forensic audit to be undertaken by National Treasury. We have approximately R27million unspent for the R61million allocated by DAC.

Going Concern

Our current assets (R18.578m) vs current liabilities (R64.697m) indicates PACOFS' current liabilities are higher than its current assets. The reason for this negative ratio is due to the disclosure of capital work assets under non-current assets, while the conditional grant relating to capital works is disclosed in current liabilities. We have put measures in place and will separate capital works funds from operations by having a separate bank account for each grant. In addition, we will transfer the completed assets to the Free State Department of Public Works (landlord), which will normalize the liquidity ratio.

…………………………………….

Ms A. Msimang
Chairperson of the Council
Performing Arts Centre of the Free State

…………………………………….

Date

4 CHIEF EXECUTIVE OFFICER'S OVERVIEW

EXECUTIVE SUMMARY

The year under review was a memorable one. I would like to take this opportunity to thank the previous chairperson Mr. Pieter Lourens for his contribution to PACOFS and to welcome current chairperson MS Afrika Msimang and her council members. We look forward to working with Ms Afrika Msimang and shaping PACOFS to achieve its vision. I am proud to report on the activities of the PACOFS and its achievements.

Good corporate governance, business partnerships and artistic programmes are the pillars of artistic excellence. The year under review is no exception to these underlying principles that drive the work of our institution. We have observed an increase in a number of productions presented across foundation, intermediate and professional levels. Secondly we have hosted as well as been part of National and Provincial events such as the SA National Sports Awards, Africa day, Macufe 2015, China Week, ANC Launch of the Young Woman Desk. Lastly we have continued improve our financial status from year to year and also addressing Auditor-General concerns.

GOVERNANCE

The 2015/2016 financial year has been one of many challenges, notably the suspension of CEO in August 2015, slow implementation of theTurnaround Strategy and resignations of the Artistic Director and Human Resource Manager. The management team has risen to the challenge to ensure that PACOFS thrives and improves its performance, despite these challenges.

ARTISTIC

This programmes achieved many milestones through stage productions, skills development and training. During the year under review we successfully provided work opportunities to over 1670 practitioners and arts enterprises; presented 75 performances; 30 Local productions; 42 partnerships and 2 Outreach development programmes with an actual spending of R4.503m.

We successfully staged the following productions:

1. Swan Lake Ballet
2. Vrystaat Festival
3. Children Festivals:
4. Gouelokkies
5. Hansel en Gretel
6. Once upon a tongue

BUSINESS RELATIONSHIPS

I am happy to note the invaluable support we received from the Free State Department of Sports, Arts, Culture and Recreation.. We are in the process of finalising an MOU with DSACR that will enhance PACOFS' service delivery and rebuild the partnership. We have also managed to address issues raised by the Auditor-General mandate In the 2016/17 financial year, the focus will be on the addressing all Auditor-General issues and work towards clean audit.

OPERATIONAL OVERIEW

1. Annual Performance:
   A detailed outline performance against objectives is listed in the Performance Report on page XX.
2. Human Resource:
   The absence of Human Resource manager has an impact in the department. There were no dismissals during the period under review.
3. Financial Highlights:
   Financial position and performance of the PACOFS has gradually improved for the last three years with the deficit of R1.759 (2015/16) vs R10.341 (2012/13). Cash flows remain positive for the last two years. The cash and cash equivalent at the end of the financial year was R18m and accumulated surplus was R10.04m includes unspent DAC capital works grants

My management team and I wish to express our warm appreciation to the Council of the PACOFS, the Department of Arts & Culture, and our dedicated staff in helping PACOFS to achieve its strategic goals.

……………………………………………..
Mr. N. Salimani
Acting Chief Executive Officer
Performing Arts Centre of the Free State

……………………………………………..
Date

5 STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

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

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP standards applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2016.

Yours faithfully

…………………………………………..	…………………………………………..	…………………………………
Chairperson of the Council Name: Ms. A. Msimang	Acting Chief Executive Officer Name: N. Salimani	Date

6 ARTISTIC REPORT

Highlights for 2015/2016 – Theatre and productions department

The Theatre department once again successfully hosted several of its annual clients including Sentraal school musical, Sand du Plessis Revue, Grey Music festival , Brebner school musical and Nataniel. New partnerships were formed with Provincial departments and we had the privilege of hosting the following events: China week, Africa day celebrations, Science and technology expo, Tourism expo, SABC sports awards and MACUFE.

Our productions department hosted the following annual events in partnership with clients including JHB ballets Swan Lake, Judith Sephuma national tour, World Supermodel, Miss Free State and The Drakensburg boys choir Noel tour. A New partnership was formed for the hosting of the Annual Vrystaat Festival and Molo Africa. New partnerships included hosting several local productions Die Kruiskoning, Ons eie Gospel, Local-s-lekker, Praise and workshop and Bob Marley tribute are just to name a few. A total of 42 partnership productions were hosted.

3 festivals were hosted during the year - Youth Festival featuring more than 12 Hip Hop groups, Woman's festival which featured 3 local drama productions The Cracked Vase, The Pen and 3 little bitches and Childrens Festival which included Once upon a tongue, Hansel and Gretel and Gouelokkies.

Our Artist assist program supported the following projects, Bloem Show Talent Search, Kiddies performing arts showcase and the launch of 2 local music projects Jazz Nites and Downstage Gigs.

The productions department co-produced the production Masote's Dream with Thambo Theatre Production, the production featured on the Main Festival at NAF and performed in Soweto Theatre and Welkom Theatre.

Submitted by: Nicky Hassett – Productions Department

7 STRATEGIC OVERVIEW

7.1 Vision

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

7.2 Mission

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

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

7.3 Values

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

Accountability

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

Fairness

This incorporates the following key values:

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

Commitment

Seeing through:

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

Communication

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

Responsiveness

- Punctuality
- Productivity;
- Turnaround time

8 LEGISLATIVE AND OTHER MANDATES

PACOFS is an entity in existence under the Performing Arts Council (PAC). As a public entity reporting to the Department of Arts and Culture, PACOFS finds its constitution mandate entrenched in the primary legislative mandate of the department. All frameworks, systems, policies and procedures must be developed within the constitutional, legislative and policy mandates. From time to time, court rulings will guide practices within the entity

8.1 Constitutional mandates

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

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

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

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

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

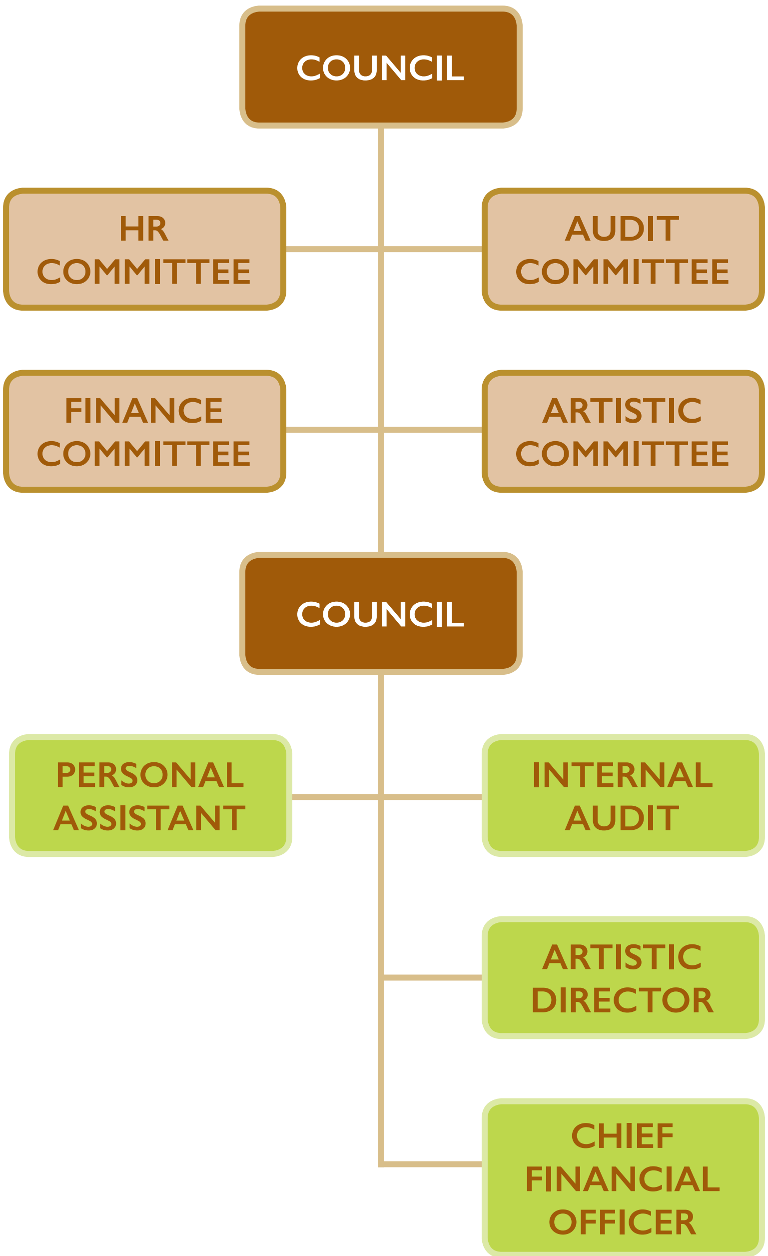
- National Heritage Resources Act, 1999 (Act No. 25 of 1999)
- National Heritage Council Act, 1999 (Act No. 11 of 1999)
- Cultural Institutions Act, 1998 (Act No. 119 of 1998)
- South African Geographical Names Council Act, 1998 (Act No. 118 of 1998)
- National Library of South Africa Act, 1998 (Act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

8.2 Legislative mandates

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

- The Constitution of the Republic of South Africa, 1996.
- Public Finance Management Act, 1999 (PFMA), Act of 1999 as amended by Act 29 of 1999
- White Paper on Arts, Culture and Heritage
- Cultural Institutions Act,1998 (Act No 119 of 1998)
- Culture Promotion Act, 1983 (Act No 35 of 1983)
- Competitions Act, 1998 (Act No 89 of 1998)
- National Arts Council Act, 1997 (Act No 56 of 1997)
- Labour Relations Act, 1995 (Act No 66 of 1995 updated 2002)
- Occupational Health and Safety Act, 1993 (Act No 85 of 1993)
- Employment Equity Act, 1998 (Act No 55 of 1998)
- Basic Conditions of Employment Act, 1997 (Act No 75 of 1997)
- Skills Development Act, 1998 (Act No 97 of 1998)
- Skills Development Levy Act, 1999 (Act No 9 of 1999)
- Promotion of Access to Information Act, 2000 (Act No 2 of 2000)
- Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000)
- Broad Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003)
- Intellectual Property Laws Amendment Act, 1997 (Act No 38 of 1997)
- Copyright Act, 1978 (Act No 98 of 1978)
- Promotion of Administrative Justice Act, 2000 (Act No 3 of 2000)
- Treasury Regulations

9 PACOFS ORGANISATIONAL STRUCTURE



PART B

PERFORMANCE INFORMATION

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

Refer to **page xx** of the Auditors Report, published as Part E: Financial Information.

1 SITUATIONAL ANALYSIS

1.1 Organisational Environment

During the 2015/2016 financial year, the institution noted an improvement of its service delivery mandate through Programme 2: Business Development. In addition, the institution placed emphasis on management development and addressing the Auditor-General's findings for 2014/15.

The focus for 2016/17 will be on the finalisation of turnaround strategy and implementation of approved policies. We will also work on improving internal controls, aligning key performance indicators to relevant programmes, implementing performance contracts and fostering transparent management through good governance.

The appointed Council has brought re-direction and focus and stressed the importance of the efficient management of the entity, along with building a high performance oriented organisation that embraces the highest standard of corporate governance.

The creative economy is an evolving concept based on creative assets embracing economic, cultural, social and technological aspects. It can foster economic growth, job creation, export earnings while promoting social inclusion, cultural diversity and human development. PACOFS embraces this definition.

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

2 PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

2.1 Programme 1: Administration

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

Sub-programmes:

- Central Office; Office of CFO; Financial Management; Supply Chain Management and Corporate & Support Services

Strategic Objectives:

- To promote an environment of efficient and effective governance and reporting
- To ensure sound financial management of all PACOFS revenue sources and safeguard the assets of the Project
- To maintain a culture and practice of compliance with legislation and policies
- To contribute to the achievement and development of PACOFS as a high performing organisation
- Ensure the effective identification and mitigation of risks across all functions

LEGISLATIVE AND OTHER MANDATES

Strategic Objective	No	Key Performance Indicators	Actual Achieved 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual to Achievement 2015/2016	Comment on deviations	Responsible Unit
To promote an environment of efficient and effective governance and reporting	1	Number of Council self-assessments completed in respect of the performance of the Board and in Council Committees.	-	1	0	-1	This targets was not supposed to include in APP as it refers to Council	CEO
	2	Development of Annual Report	-	2014/2015 annual report developed and approved by Aug 2015	1	0	Achieved AR for 2014/15 has been developed and submitted	CFO
	3	% of internal audit findings resolved (division specific)	-	0 older than 3 months	0.00%	0.00%	The was no internal audit for 2015/16	CFO
	4	Nature of Audit Opinion	-	Un- Qualified Audit Report	Un- Qualified Audit Report	-	Achieved un-qualified audit opinion for 2014/15	CEO
To ensure sound financial management of all PACOFS revenue sources and safeguard the assets of the Project	5	Maintain PACOFS asset register	-	A completed fixed asset register is in place	100%	-	Achieved the asset register is in place	SCM
	6	No. of irregular expenditure cases reported	-	Zero Cases of Irregular Expenditure	13	-13	Not Achieved due to SCM process not followed and ineffective of SCM unit in preventing irregular occurrence	SCM
	7	% expenditure of PACOFS budget		0% over expenditure and <15% positive variance or saving	<8.5%	<6.5%	Partially achieved on expenditure due to strict cash management and cost containment implementation	CFO
	8	% of BBBEE expenditure awarded to HDI's.	-	15% of actual spend	17%	2%	Achieved	SCM
To maintain a culture and practice of compliance with legislation and policies	9	Completion of annual policy reviews	-	100% policies reviewed by end of 1st quarter	0%	0%	Not achieved as per targets, however this has been achieved under Turnaround Strategy 2015/16	CEO
	10	Establish workplace forum	-	6 meetings	1	-5	Not achieved because of not been formed	HR
To contribute to the achievement and development of PACOFS as a high performing organisation	11	Level of implementation of an organisational performance management system aligned to the APP	-	100% implemented	0%	0%	Not Achieved as this is handled within Turnaround Strategy	HR
	12	Development of a talent, succession and retention strategy for PACOFS	-	Strategy Developed and Approved by Council	0	-	No Achieved, lack of expertise within the organisation	HR
Ensure the effective identification and mitigation of risks across all functions	13	Development of a leadership model and peer review tool for PACOFS	-	Tool fully developed	0	-	No Achieved, lack of expertise within the organisation	HR
	14	% completion and compliance with IT disaster recovery strategy and plan	-	Monthly management	0	-		IT
	15	% mitigation actions in risk registers implemented or up to date	-	90%	0%	0%		CEO

2.2 Programme 2: Business Development (Artistic)

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

Sub-programmes:

- Theatre Management; Artistic Production; Audience Development; Marketing and Communication

Strategic Objectives:

- To create platforms for artistic expression in music, dance, theatre, poetry, opera and comedy
- To create platforms for local artists to perform and become known
- To offer the theatre complex as a vibrate facility for events
- To promote PACOFS and its internal and external productions to the public through effective marketing and communications campaigns
- Ensure all support for stage set up and services is adhered to
- To ensure that PACOFS complies and excels with the heritage requirements on digitization and retaining of information on resources

PROGRAMME 2: ARTISTIC

Strategic Objective	No	Key Performance Indicators	Actual Achieved 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual to Achievement 2015/2016	Comment on deviations	Responsible Unit
To create platforms for artistic expression in music, dance, theatre, poetry, opera and comedy	16	Number of performance held	0	55	75	20	Increase in co-production and partnership	Artistic
To create platforms for local artists to perform and become known	17	Number of productions for local theatre practitioners (included above)	0	11	30	19	Increase in local theatre practitioners	Artistic
	18	Number of partnerships with practitioners	0	8	42	34	Increase in partnerships	Artistic
To offer the theatre complex as a vibrate facility for events	19	Number of adverts to promote catering or venue services to potential clients	0	8	0	-8	This target was included with view to resuscitate old kitchen	Marketing
	20	Number of external bookings to use theatre as a venue (for internal and external clients)	0	10	19	9	Increase in external booking from local productions and schools	Theatre
To Promote PACOFS and Its internal and external Productions to the public through effective marketing and communications campaigns	21	% development and delivery of a marketing plan for PACOFS	0	100%	0%	-100%	Lack of Marketing Manager	Marketing
	22	Number of media events (print, radio and TV) to popularize productions	0	24 Radio	1764	1740	Various media	Marketing
				20 Newspaper	18	-2	Use other media than newspapers	Marketing
	23	Number of business partnership sponsors	0	240	0	-240	Lack of Artistic Director	Artistic
	24	Number of online newsletters	0	4	0	-4	Lack of Marketing Manager	Marketing
	25	% development and delivery of a brand management strategy for PACOFS	0	100%	0%	-100%	Lack of Marketing Manager	Marketing
Ensure all support for stage set up and services is adhered to	26	Number of set ups for Artistic Productions	-	40	16	-24		Artistic
To ensure that PACOFS complies and excels with the Heritage requirements on digitization and retaining of information on resources	27	Mentoring existing semi-professional existing productions: Productions assisted in the development theatre environment.		Approved Business Plan	0		Not achieved due to lack of capacity	Artistic

2.3 Programme 3: Business Engagement (Technical Services)

The programme aims to provide education and development of artists through training and mentorship and by leveraging partnerships.

Sub-programmes:

- Electro Mechanical / Technical and Maintenance; Stage and Technical Services

Strategic Objectives:

- To promote, educate and develop Audience & young artists by educating audience & young artists in way of presentation outside and inside PACOFS.
- To develop technical skills for both PACOFS and non PACOFS employees to generally improve technical skills levels
- Ensure that PACOFS uses arts and culture as a medium to stimulate job creation and growth.
- To develop Artistic drama concepts that will grow and sustain a vibrant creative arts environment.
- Implement the vision of the Mzansi Golden Economy through giving expression to its programmes to create an enabling and vibrant creative arts environment.

PROGRAMME 3: DEVELOPMENT

Strategic Objective	No	Key Performance Indicators	Actual Achieved 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual to Achievement 2015/2016	Comment on deviations	Responsible Unit
To promote, educate and develop Audience & young artists by educating audience & young artists in way of presentation outside and inside PACOFS	28	Education (performing arts) mentorship and work shopping opportunities for youth in school, youth out of school, over 25s etc. first stages	-	10	16	6	Mentorship to various schools	Development
To develop technical skills for both PACOFs and non PACOFs employees to generally improve technical skills levels	29	Skills development committee constituted with terms of reference and members confirmed	-	PACOFS constitutes a Skills development committee to ensure that all staff including technical staff have continuing professional development	1	-	Developed via Turnaround Strategy	HR
Ensure that PACOFS uses arts and culture as a medium to stimulate job creation and growth	30	Number of jobs created (permanent and contract) per production	-	600	587	-13	Large productions including Orchestra and Musicals	Development
	31	Development of an artist management agency within PACOFS to represent artists across the Free State Province and Lesotho	-	Business Case Approved and database for artist registrar established	0	-	This target was never address	Development
To develop Artistic drama concepts that will grow and sustain a vibrant creative arts environment	32	Education: To provide our recording studio facilities for the practical training of sound technicians enrolled with institutions of higher learning As per institutional enrolment : yearly per curriculum		4	1	-3	Only one recording	Development
Implement that vision of the Mzansi Golden Economy through giving expression to its programmes to create an enabling and vibrant creative arts environment	33	Outreach Development: To provide our recording studio facilities to semi-professional artists and groups for the recording of their music for marketing and distribution purposes with 20 recordings		20	2	-18	Outreach in Wesselbron and Viejoenskroon	Development

Link performance with budget

Programme 1: Administration

	2015/2016			2014/2015		
Sub-Programme/activity/objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Central	2 691	2 905	-214	2 978	2 445	532
Office of the CFO	911	36	874	1 479	190	1 288
Financial Management	12 348	12 661	-312	14 749	11 307	3 442
Corporate and Support Services	8 675	8 112	564	8 798	9 079	-281
Supply Chain Management	2 411	2 466	-55	2 437	2 379	58
Total	**27 036**	**26 180**	**857**	**30 440**	**25 400**	**5 040**

Programme 2: Artistic Services

	2015/2016			2014/2015		
Sub-Programme/activity/objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Front and back of House Theatre Management	2 350	3 986	-1 636	3 410	2 992	418
Artistic and Production	5 637	5 102	534	6 294	5 501	793
Audience and Artistic Development and Training	1 487	1 119	368	1 578	908	670
Marketing and Production	1 928	1 024	904	1 691	1 294	397
Total	**11 402**	**11 231**	**171**	**12 973**	**10 694**	**2 279**

Programme 3: Technical Services

	2015/2016			2014/2015		
Sub-Programme/activity/objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Electro Mechanical / Technical and Maintenance	5 108	3 922	1 187	4 151	3 225	926
Production / Stage Services	2 360	3 705	-1 346	4 396	4 156	240
Stage and Technical Services	910	788	122	797	755	42
Total	**8 378**	**8 415**	**-37**	**9 344**	**8 137**	**1 207**

Consolidated

	2015/2016			2014/2015		
Sub-Programme/activity/ objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Core Funding	39 198	40 148	950	37 690	38 825	1 135
Government grant - subsidy	0	0	0	0	0	0
Revenue from exchange transactions			0			0
Sale of goods	1 258	938	-320	220	646	425
Rendering of services	1 272	1 242	-30	711	670	-40
Other income	4 181	1 629	-2 552	12 847	1 319	-11 528
Interest received - investment	908	342	-567	1 287	337	-950
Total Revenue	46 817	44 298	-2 518	52 756	41 798	-10 958
Central	2 691	2 905	-214	2 978	2 445	532
Office of the CFO	911	36	874	1 479	190	1 288
Financial Management	12 348	12 661	-312	14 749	11 307	3 442
Corporate and Support Services	8 675	8 112	564	8 798	9 079	-281
Supply Chain Management	2 411	2 466	-55	2 437	2 379	58
Front and back of House Theatre Management	2 350	3 986	-1 636	3 410	2 992	418
Artistic and Production	5 637	5 102	534	6 294	5 501	793
Audience and Artistic Development and Training	1 487	1 119	368	1 578	908	670
Marketing and Production	1 928	1 024	904	1 691	1 294	397
Electro Mechanical / Technical and Maintenance	5 108	3 922	1 187	4 151	3 225	926
Production / Stage Services	2 360	3 705	-1 346	4 395	4 156	239
Stage and Technical Services	910	788	122	797	755	42
Total Expenditure	46 817	45 826	991	52 755	44 231	8 525
Net Surplus / (Deficit)	-0	-1 527	-1 528	0	-2 433	-2 433

2.4 Strategy to overcome areas of under performance

The strengthening effective and efficient function of support departments will ensure that PACOFS realised strategic objectives. Some of the plans to improve areas of underperformance are;

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

3 REVENUE COLLECTION

There has been improvement on own venue in the following areas: sales of goods; rendering of services; and other income. More could have been done, however in 2016/2017 we will focus on increasing own revenue.

Revenue Collection

	2015/2016			2014/2015		
Sub-Programme/activity/objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Core Funding	39 198	40 148	950	37 690	38 825	1 135
Government grant - subsidy	0	0	0	0	0	0
Revenue from exchange transactions			0			0
Sale of goods	1 258	938	-320	220	646	425
Rendering of services	1 272	1 242	-30	711	670	-40
Other income	4 181	1 629	-2 552	12 847	1 319	-11 528
Interest received - investment	908	342	-567	1 287	337	-950
Total Revenue	46 817	44 298	-2 518	52 756	41 798	-10 958

3.1 Capital investment

4.1.1 Capital Projects

Project Name	Physical Progress Status %	Total project budget/ Allocation	Actual Spend	Unspend Allocation	Anticipated completion date	Comments
DAC Branding/ Theatre Building	70%	500 000	324 387	175 613		Projected completion is in 2016/17
Maintenance and Refurbishment of Existing Installations	0%	4 370 824	0	4 370 824		On the final stage of specification compilation
Motorized Lighting Batten (100% completed	100%	500 000	383 735	116 265		Completed. Awaiting completion certificate.
PACOFS Main Entrance (10% Completed	0%	720 000	162 152	557 848		Project not started
Revamp Andre Huguenet	100%	2 000 000	1 586 534	413 466		Completed
Roof Upgrade (100% Completed)	100%	13 255 000	13 253 920	1 080		Completed
Sand Carpet (100% Completed)	100%	3 200 000	2 129 752	1 070 248		Completed. Awaiting completion certificate.
Sand du Plessis - Air conditioning (60% Completed	0%	13 121 179	2 866 445	10 254 734		Project not started
Sand Plumbing (100% Completed	100%	80 000	0	80 000		Completed
Sand Sound System (40% Completed	40%	4 000 000	2 992 978	1 007 022		
Upgrade Machinery Synchronous (100% Completed	100%	12 000 000	9 522 872	2 477 128		Completed
Upgrade Parking Area	0%	2 059 821	0	2 059 821		Project not started
Upgrade Sand Video Monitor (100% Complete	100%	316 000	199 859	116 141		Completed
Incubator project		5 000 000	0	5 000 000		Project just started
Total		61 122 824	33 422 634	27 700 190		

3.1.2 Progress made on the maintenance of infrastructure

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

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

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

PART C

GOVERNANCE

1 INTRODUCTION

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

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

2 PORTFOLIO COMMITTEES

2 Audit meetings held on: 15 March 2016 and 23 March 2016

3 EXECUTIVE AUTHORITY

REPORT DESCRIPTION	SUBMISSION DATES	ISSUES RAISED BY THE EXECUTIVE AUTHORITY
Procurement Plans	24 April 2015	None
First Quarter Report	31 July 2015	None
Second Quarter Report	28 October 2015	None
Third Quarter Report	02 February 2016	None
Fourth Quarter Report	17 May 2016	None
Annual Report 2014/15	22 September 2015	None
Strategic Plan 2015/16 – 2019/2020	30 January 2016	None
Annual Performance Plan 2015/16	30 January 2016	None
User Asset Management Plan	30 January 2016	None

4 THE ACCOUNTING AUTHORITY

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

4.1 Council Members

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

4.2 Constitution of the Council

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

4.3 Composition of the Council

As at 31 March 2016, the Council comprised of six members. The new Chairperson of the Council, Ms Afrika Msimang, was appointment after year end. The Council members bring to the Council a wide range of experience and skills. The composition of the Council also meets the requirements of the Code.

4.4 Responsibilities

The Council of the PACOFS is the accounting authority and is responsible for enhancing service delivery as espoused in the strategic and business plans. The Council must ensure that the entity has clear goals and policies. The Council oversees the entity's strategic direction and reviews its performance, authorises and monitors implementation of strategic decisions, ensures legislative compliance and safeguards the entity's resources. The Council ensures that the entity is managed in a manner that fulfils stakeholders' aspirations and expectations. The Council members also ensure that as independent members, their other responsibilities do not impinge on their responsibilities as Council members of the PACOFS.

The Council has a responsibility to:

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

4.5 Compliance

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

4.6 Committees of Council

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

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

COUNCIL COMPOSITION

Name	Designation	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Other Directorship	Committees	No. of Meetings Attended
Mr. P Lourens	Chairperson	01 December 2014	14 April 2016	Master of Business Management and Administration	Governance	n/a	Audit Committee DAC; Finance Committee Cape Philharmonic Orchestra	4
Mrs. OR Mochware	Deputy Chairperson	01 December 2014	13 March 2016	BA - Bachelor of Arts & High Education Diploma	Governance	n/a	None	6
Mr. T Segopolo	Member	01 December 2014		BTech Degree, Business Administration	Technology	Institute of Directors SA; Tsogan investment Holding & Black Management Forum		6
Mr. Z Mkiva	Member	01 December 2014			Arts & Culture			6
Mr. CJT Wing	Member	01 December 2014	27 April 2016	Dual Master's degree in Business (MBA)	Governance	Wingnuts Consulting		6
Mrs. MAD Mnumzana	Member	01 December 2014			Arts & Culture			6
Mr. F Wetes	Member	01 December 2014			Governance			6
Mr. B Mathibela	Member	01 December 2014	26 October 2015					0

Remuneration of Council members

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

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

Name	Remuneration (R)	Other allowance (R)	Total (R)
Mr. P. Lourens	5 376	54	5 430
Adv. K.P.Thango	4 320	43	4 363
Mr. T. Segopolo	10 239	385	10 624
Mr. Z. Mkiva	8 528	198	8 726
Mr. C.J.T. Wing	8 416	310	8 726
Mrs. M.A.D. Mnumzana	12 399	407	12 806
Me. O. Mochware	2 048	134	2 182
Total	R 51 326	R 1 531	R 52 857

5 RISK MANAGEMENT

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

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

5.1 BENEFITS OF UPDATED RISKS REGISTER

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

5.1.1 Provide an effective check that the activities of the organization help it meet objectives, which means that:
- Measurable outcomes are achieved by ensuring that every objective links directly to the activities; and
- A strategic plan is grounded in the real world of the business's day-to-day activities.

5.1.2 Improve the quality of strategic planning by ensuring that :
- the planned objectives entirely respond to the organization's mandate; and
- the planned objectives are sensible and achievable;

5.1.3 Facilitate the design of an effective internal environment control systems such as:
- organisational structure;
- organizational mandate and delegated authorities;
- strategic decision-making and review processes;
- policies and procedures and their implementation and review;
- human-resources policies;
- financial planning, budgeting and reporting
- performance monitoring system; and
- Information technology issues.

Management did not perform risk assesstment for the year under review.

6 INTERNAL CONTROL UNIT

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

7 INTERNAL AUDIT AND AUDIT COMMITTEES

The internal audit did not perform any internal audit work during the year under review, which resulted to the internal audit not being able to submit the internal audit reports to the audit committee.

The tabled below discloses relevant information on the audit committee members:

AUDIT COMMITTEE COMPOSITION

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Term ending date	No. of Meetings attended
Mr. KA Nkoe	Bcom: Bachelor Degree in Commerce II Certificates: 1. Public Sector Risk Management; Membership: 1.The Institute of Internal Auditors South Africa; 2. South Africa Institute of Chartered Accountants	External	N/a	01-Mar-16	01-Mar-19	2
Ms. LM Nkoki	Bcom: Bachelor Degree in Commerce with specialization in Financial Management; Post Graduate Diploma in Applied Accounting Sciences; SAICA certificate; IRBA.	External	N/a	01-Mar-16	01-Mar-19	2
Ms. Z Chonco	Bcom: Bachelor Honors of Accounting Science; SAICA, Degree in Commerce Accounting; IRBA	External	N/a	01-Mar-16	01-Mar-19	2
Ms. ML Ralikonyana	Bcom: Bachelor Degree in Internal Auditing; Diploma in Internal Auditing; Risk Based Auditing	External	N/a	01-Mar-16	01-Mar-19	2

Members	Dates	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Mr KA Nkoe	15 March 2016				a
Ms LM Nkoki	15 March 2016				a
Ms Z Chonco	23 March 2016				a
Ms ML Ralikonyana	23 March 2016				a

a Member attended the Audit Committee meeting.

r Member did not attend the Audit Committee meeting.

8 COMPLIANCE WITH LAWS AND REGULATIONS

PACOFS has complied with all the relevant Laws and Regulations, except as highlighted in the audit report.

9 FRAUD AND CORRUPTION

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

10 MINIMISING CONFLICT OF INTEREST

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

11 HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Institution has improved in complying with the OHS regulations. The institutions strive for zero incidents of harm at workplace. No serious injuries reported in the financial year.

PART D

HUMAN RESOURCE MANAGEMENT

1 INTRODUCTION

1.1 Overview of PACOFS Human Resources:

- The process of transforming the organizational diversity and culture is essential.
- An HRM strategic plan has been drafted and will assist with the systematic approach to develop and implement a long term HRM strategies that includes, policies and procedures to enable the organization to achieve its objectives.

1.2 HR priorities under review:

- To finalise the recruitment and appointment of all essential positions within the institution.
- Training and development programmes were implemented to enhance organisational culture and improve service delivery.

1.3 Workforce planning framework to recruit skilled capable workforce

- The workforce planning strategy will assist with the systematic identification and analysis of organizational workforce that needs a workforce plan that will ensure sustainable organizational capacity towards achieving its strategic and operational objectives.
- The workforce plan will assist with the necessary action to recruit skilled people in the right positions.

1.4 Performance Management

- The Performance Management is a planned process of directing, developing, supporting, aligning and improving individual and team performance in enabling the sustained achievement of organizational objectives.
- The Performance Management policy has been developed and is awaiting Council approval. The consultation of all stakeholders is in underway and the implementation will be finalized during the 2016/17 financial year.

1.5 Policy Development

- Several policies have been drafted and will be presented to Council for approval.

1.6 Challenges faced by the entity

- The development system, training and development new changes needed to improve organizational effectiveness and efficiency by utilising diagnostic data, designing and implementing appropriate solutions and interventions to measurably the organization to optimise its purpose and strategy.

1.7 Future HR Plans/Goals

- Draft outstanding policies and procedures
- Training and development within the institution, prioritise for 2016/2017
- Improve performance of employees –mentoring and coaching
- Enhanced Reputation of the Institution

2 HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme/activity/objective

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Administration	26 180	11 322	43%	44	257
Artistic Services	11 231	4 426	39%	17	260
Technical Services	8 436	6 590	78%	26	253
TOTAL	**45 847**	**22 338**	**49%**	**87**	**257**

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	2 003	8.97%	1	2 003
Senior Management	4 222	18.90%	6	704
Professional qualified	2 347	10.51%	4	587
Skilled	4 177	18.70%	17	246
Semi-skilled	2 149	9.62%	39	55
*Unskilled	7 441	33.31%	20	372
TOTAL	**22 339**	**100.00%**	**87**	**3 966**

Employment and vacancies

Programme/activity/objective	2015/2016 No. of Employees	2015/2016 Approved Posts	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Administration	44	64	44	20	31%
Artistic Services	17	21	17	4	19%
Technical Services	26	50	26	24	48%
TOTAL	**87**	**135**	**87**	**48**	**36%**

Programme/activity/objective	2015/2016 No. of Employees	2015/2016 Approved Posts	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Top Management	1	3	1	2	67%
Senior Management	6	8	6	2	25%
Professional qualified	4	23	4	19	83%
Skilled	17	24	17	7	29%
Semi-skilled	39	45	39	6	13%
Unskilled	20	32	20	12	38%
TOTAL	**87**	**135**	**87**	**48**	**36%**

During the year under review, recruitment processes were undertaken for CFO position (vacant and responsibilities undertaken by Acting CFO); Marketing Manager; and Payroll Officer.

- The CFO position was not filled as a suitable candidate was not found. This process will be re-initiated in 206/17.
- The Marketing Manager declined the offer of employment. This process will be re-initiated in 2016/17.
- A suitable candidate was not secured from the internal recruitment process. This process will be re-initiated in 2016/17.

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	3	0	2	1
Senior Management	7	0	1	6
Professional qualified	7	1	4	4
Skilled	19	2	4	17
Semi-skilled	44	0	5	39
Unskilled	12	0	-8	20
TOTAL	92	3	8	87

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	1	17%
Resignation	4	67%
Dismissal	0	0
Retirement	1	17%
Ill health	0	0
Expiry of contract	0	0
Other	0	0
TOTAL	6	100%

Staff resigned from Pacofs to pursue other opportunities

Equity Target and Employment Equity Status

The recruitment and selection process has not been concluded and we target to appoint more females and people living with disabilities.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	0	0
Senior Management	5	0	0	0	0	0	1	0
Professional qualified	1	1	1	1	0	0	1	1
Skilled	8	2	1	3	0	0	0	2
Semi-skilled	17	0	1	0	0	0	0	1
Unskilled	13	2	0	2	0	0	0	3
TOTAL	45	5	3	6	0	0	2	7

LEVELS	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	2	0	0	0	0	0	0
Senior Management	1	0	1	0	0	0	0	1
Professional qualified	0	1	0	1	0	1	0	2
Skilled	3	2	1	0	0	0	3	3
Semi-skilled	18	0	0	3	0	0	3	2
Unskilled	7	1	0	1	0	0	0	0
TOTAL	29	6	2	5	0	1	6	8

Recruitment of people with disability remains a concern for the institution. Out facilities have been improved to enable PACOFS to people living with disabilities.

PART E

FINANCIAL INFORMATION

Index

Index	Page
Board Of Members' Responsibilities and Approval	41
Board Of Members' Report	42
Statement of Financial Position	43
Statement of Financial Performance	44
Statement of Changes in Net Assets	6
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9
Accounting Policies	10 - 32
Notes to the Annual Financial Statements	33 - 50

Auditor's report

Performing Arts Centre of the Free State

31 March 2016

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

Report on the financial statements

Introduction

1. I have audited the financial statements of the Performing Arts Centre of the Free State set out on pages xx to xx, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flows statement and statement of comparison of budget and actual amount for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with 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) 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.

Auditor–general's responsibility

3. My responsibility is to express an opinion on these financial statements based on our audit. I conducted our audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

Repairs and maintenance

6. The entity did not recognise inventory movements in the financial statements per the requirements of SA standards of GRAP, GRAP 1, *Presentation of financial statements.* The entity immediately recognised repairs and maintenance for stock items that were transferred to the maintenances department, however there was no evidence provided by the entity on the actual usage of the stock items to determine whether the amount expensed represents repairs and maintenance and is correctly expensed. Consequently, repairs and maintenance is overstated by R606 987 in note 20 and inventory understated by the same amount. Additionally there is a consequential impact on the deficit for the period and on the accumulated surplus.

Commitments

7. The entity did not disclose commitments in note 25 of the financial statements as per the requirements of SA standards of GRAP, GRAP 19, *Provisions, Contingent Liabilities & Contingent Assets* as there were active contracts which have no contract values and were omitted from the disclosure. Consequently, commitments were understated by an undeterminable amount. I was unable to determine the full extent of the misstatement as it was impracticable to do so

Qualified opinion

8. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Performing Arts Centre of the Free State as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA standards of GRAP and the requirements of the PFMA.

Emphasis of matters

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

Financial viability

10. The statement of financial performance indicates that the entity incurred a net loss of R1 859 657 during the year ended 31 March 2016. This as well as the conditions stated in note 31 indicate a material uncertainty relating to events or conditions that may cause significant doubt on the entity's ability to meet its financial obligations as they fall due and achievement of service delivery as outlined in the annual performance plan.

Restatement of corresponding figures

11. As disclosed in note 29 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during 2015/16 financial year in the financial statements of the entity at, and for the year ended, 31 March 2015.

Report on other legal and regulatory requirements

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 findings on the reported performance information against predetermined objectives of selected programmes presented in the annual report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2016:

    - Programme 2: Business development
    - Programme 3: Public engagement

14. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. The material findings in respect of the selected programmes are as follows:

Program 2: Business development

Usefulness of reported performance information

17. No reasons for variances between planned and actual achievements reported in the annual performance report were given all of the targets, as required by the National Treasury's *Guide for the preparation of the annual report*. This was due to a lack of documented and approved internal policies and procedures to address reporting requirements

Reliability of reported performance information

18. The FMPPI requires auditee to have appropriate systems to collect, collate, verify and store performance information to ensure valid and accurate reporting of actual achievements against planned objectives, indicators and targets. Significantly important targets were not reliable when compared to the source information or evidence provided. This was due to a lack of standard operating procedures for the accurate measurement and recording and monitoring of performance source documentation in support of actual achievements.

Program 3: Public engagement

Usefulness of reported performance information

19. No reasons for variances between planned and actual achievements reported in the annual performance report were given for all of the targets, as required by the National Treasury's *Guide for the preparation of the annual report*. This was due to a lack of documented and approved internal policies and procedures to address reporting requirements

Reliability of reported performance information

20. The FMPPI requires auditee to have appropriate systems to collect, collate, verify and store performance information to ensure valid and accurate reporting of actual achievements against planned objectives, indicators and targets. Important targets were not reliable when compared to the source information or evidence provided. This was due to a lack of standard operating procedures for the accurate measurement and recording and monitoring of performance source documentation in support of actual achievements.

Additional matter

21. I draw attention to the following matter. My conclusion is not modified in respect of this matter:

Achievement of planned targets

22. Refer to the annual performance report on page(s) x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the qualified conclusion expressed on the reliability of the reported performance information in paragraphs 17 to 20 of this report

Compliance with legislation

23. I performed procedures to obtain evidence that entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows are as follows

Strategic planning

24. Effective, efficient and transparent systems of risk management and internal controls with respect to performance information and management was not in place as required by section 51(1)(a)(i) of the PFMA.

Annual Financial Statements

25. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 55(1)(a) and (b) of the PFMA.

26. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.

Asset Management

27. Proper control systems to safeguard and maintain assets were not implemented, as required by sections 50(1)(a) and 51(1)(c) of the PFMA.

Expenditure management

28. The accounting authority did not take effective steps to prevent irregular, fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Revenue Management

29. Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the PFMA.

Procurement and contract management

30. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation (TR) 16A6.1.

31. Contracts and quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by TR 16A9.1(d) and the Preferential Procurement Regulations.

32. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with TR 16A8.3.

Internal control

33. I considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on annual performance report and the findings on compliance with legislation included in this report.

Leadership

34. The previous accounting authority did not prioritise the recommendations from the previous management reports and the weaknesses and non-compliance matters were not addressed timeously.
35. Management and the previous accounting authority also did not implement consequences where staff transgressed supply chain management and other requirements.

Financial and performance management

36. The vacancies at the finance department, including the CFO position and the suspension of the CEO, impacted significantly on the maintenance of financial records, as well as effective internal controls. This also led to errors in financial reporting not being detected before submission for auditing.

37. Inadequate communication between the different division and the finance division resulted in information in the maintenance division relating to the repairs and maintenance not being updated regularly.

Governance

38. There was no internal audit function established in the year under review which has resulted in internal control variances not being detected.

Auditor - General

Bloemfontein

31 July 2016

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Playhouse
Registered office	55 Elizabeth Street Bloemfontein 9300
Postal address	P.O. Box 1292 Bloemfontein 9300
Bankers	ABSA Bank
Auditors	Auditor-General of South Africa Chartered Accountants (S.A.)
Attorneys	Matlho Attorneys
Members	Lourens, P (Chairperson) - Resigned 4 April 2016 ADV KP Thango (Deputy Chairperson) Mr. T. Segopolo Mr. Z. Mkiva Mr. C.J.T. Wing - Resigned 27 April 2016 Me. M.A.D. Mnumzana Me. O. Mochware - Resigned 13 March 2016
Key Management	Macholo, TJ Salimani, NS Ndiwa, KJ Tlhogo, LE Geyer, AH Zondi, MF Moeketsane, PP Leeuw, JS

Index

Index	Page
Board Of Members' Responsibilities and Approval	41
Board Of Members' Report	42
Statement of Financial Position	43
Statement of Financial Performance	44
Statement of Changes in Net Assets	6
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9
Accounting Policies	10 - 32
Notes to the Annual Financial Statements	33 - 50

Board Of Members' Responsibilities and Approval

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

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

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

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the board of members sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The external auditors are responsible for independently auditing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 5 to 50, which have been prepared on the going concern basis, were approved by the board of members on 31 May, 2016 and were signed on its behalf by:

Ms. A Msimang (Chairperson)

Mr. N.S.Salimani (Acting Chief Executive Officer)

Board Of Members' Report

The members submit their report for the year ended 31 March, 2016.

1. Review of activities Main business and operations

The entity's business consists of running a playhouse facility in the Free State to promote, develop and encourage the performing arts and to present it to the public for the development, appreciation and enjoyment of this form of culture; to contribute to the enhancement of artists, musicians composers and writers, thus giving them the opportunity to perform in front of the public; and to help talented pupils through bursaries to develop in the performing arts.

There has been no major change in the nature of the business during the year under review.

PACOFS is a Cultural institution in terms of section 3 of the Cultural Institutions Act, 1998. The legislation governing the entity's operations are chapter 6 of the PFMA, part 9, 16 and 16A of the Treasury Regulations.

2. Financial results

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

3. Going concern

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

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

4. Subsequent events

Subsequent to year end, a fire occurred on 11 May 2016 and theft of cash from the drop safe was discovered on 9 May 2016.

Two council members were appointed after year end:

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

Ms. M Malapane- Appointed 17 May 2016

5. Board Of Members

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

Name	Nationality	Appointment Date
Mr P Lourens (Chairperson) - Resigned 4 April 2016	South African	01 December, 2014
ADV K.P. Thango (Deputy Chairperson)	South African	27 March, 2015
Mr. T. Segopolo	South African	01 December, 2014
Mr. Z. Mkiva	South African	01 December, 2014
Mr. C.J.T. Wing - Resigned 27 April 2016	South African	01 December, 2014
Mrs. M.A.D. Mnumzana	South African	01 December, 2014
Me. O. Mochware - Resigned 13 March 2016	South African	01 December, 2014
Mr. B. Mathibela - Resigned 26 October 2015	South African	01 December, 2014
Mr. F Wetes	South African	01 December, 2014

Statement of Financial Position as at 31 March, 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	2	1,728,944	1,390,995
Receivables from exchange transactions	3	1,795,111	277,912
Cash and cash equivalents	5	18,578,386	16,983,549
		22,102,441	**18,652,456**
Non-Current Assets			
Property, plant and equipment	6	36,384,470	39,442,205
Intangible assets	7	53,474	169,334
Heritage assets	8	3,872,500	3,872,500
Capital work in progress	4	23,257,617	23,257,617
		63,568,061	**66,741,656**
Total Assets		**85,670,502**	**85,394,112**
Liabilities			
Current Liabilities			
Deferred revenue	9	46,858,262	46,858,262
Payables from exchange transactions	10	9,351,336	8,794,647
Unspent conditional grants and receipts	11	8,574,425	7,698,405
		64,784,023	**63,351,314**
Non-Current Liabilities			
Employee benefit obligation	12	8,813,000	8,727,000
Total Liabilities		**73,597,023**	**72,078,314**
Net Assets		**12,073,479**	**13,315,798**
Reserves			
Revaluations reserve		953,766	953,766
Non distributable reserve		1,213,157	595,821
Accumulated surplus		9,906,556	11,766,211
Total Net Assets		**12,073,479**	**13,315,798**

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	14	938,392	645,686
Rendering of services	14	1,241,559	670,425
Other income	16	1,628,745	1,319,488
Interest received - investment	17	341,785	336,971
Total revenue from exchange transactions		**4,150,481**	**2,972,570**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	18	39,423,999	38,825,107
Revenue realised on conditional grants		723,981	-
Total revenue from non-exchange transactions		**40,147,980**	**38,825,107**
Total revenue	**14**	**44,298,461**	**41,797,677**
Expenditure			
Employee related costs	19	(22,912,680)	(23,645,775)
Depreciation and amortisation	6&7	(3,125,553)	(3,177,886)
Finance costs		(117)	-
Repairs and maintenance	22	(1,020,034)	(696,926)
General Expenses	20	(18,875,271)	(16,895,399)
Total expenditure		**(45,933,655)**	**(44,415,986)**
Operating deficit	**21**	**(1,635,194)**	**(2,618,309)**
Loss on disposal of assets and liabilities		(224,463)	(193,961)
Deficit for the year		**(1,859,657)**	**(2,812,270)**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Other NDR	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	570,539	132,456	702,995	13,542,298	14,245,293
Adjustments					
Prior year adjustments	-	-	-	1,036,183	1,036,183
Restated* Balance at April 01, 2014	570,539	132,456	702,995	14,578,481	15,281,476
Changes in net assets					
Deficit for the year	-	-	-	(2,812,270)	(2,812,270)
Interest earned on Trust Funds	-	643	643	-	643
Interest earned on SARB (Capital works)	-	462,722	462,722	-	462,722
Revaluation of heritage assets	383,227	-	383,227	-	383,227
Total changes	383,227	463,365	846,592	(2,812,270)	(1,965,678)
Balance at April 01, 2015	953,766	595,821	1,549,587	11,766,213	13,315,800
Changes in net assets					
Deficit for the year	-	-	-	(1,859,657)	(1,859,657)
Interest earned on SARB (Capital works)	-	617,336	617,336	-	617,336
Total changes	-	617,336	617,336	(1,859,657)	(1,242,321)
Balance at 31 March, 2016	953,766	1,213,157	2,166,923	9,906,556	12,073,479

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		2,291,497	2,523,624
Cash received from government grants		41,023,999	38,202,465
Interest income		341,785	336,971
		43,657,281	41,063,060
Payments			
Employee costs		(22,834,686)	(23,416,775)
Cash paid to suppliers		(19,668,552)	(12,321,961)
Finance costs		(117)	-
		(42,503,355)	(35,738,736)
Net cash flows from operating activities	**24**	**1,153,926**	**5,324,324**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(175,903)	(377,005)
Proceeds from sale of property, plant and equipment	6	7,046	4,141
Purchase of other intangible assets	7	(7,565)	(151,004)
Additions to capital work in progress		-	(4,570,868)
Movement in NDR		617,333	463,365
Net cash flows from investing activities		**440,911**	**(4,631,371)**
Cash flows from financing activities			
Movements on deferred revenue		-	4,570,868
Net cash flows from financing activities		**-**	**4,570,868**
Net increase/(decrease) in cash and cash equivalents		**1,594,837**	**5,263,821**
Cash and cash equivalents at the beginning of the year		16,983,549	11,719,728
Cash and cash equivalents at the end of the year	**5**	**18,578,386**	**16,983,549**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	1,258,194	-	1,258,194	938,392	(319,802)	Note 35 - X1
Rendering of services	1,271,528	-	1,271,528	1,241,559	(29,969)	Note 35 - X2
Other income	4,180,978	-	4,180,978	1,628,745	(2,552,233)	Note 35 - X3
Interest received - investment	908,320	-	908,320	341,785	(566,535)	Note 35 - X4
Total revenue from exchange transactions	7,619,020	-	7,619,020	4,150,481	(3,468,539)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	39,197,600	-	39,197,600	39,423,999	226,399	Note 35 - X5
Revenue realised on conditional grants	-	-	-	723,981	723,981	
Total revenue from non-exchange transactions	39,197,600	-	39,197,600	40,147,980	950,380	
Total revenue	46,816,620	-	46,816,620	44,298,461	(2,518,159)	
Expenditure						
Employee related costs	(25,025,924)	-	(25,025,924)	(22,912,680)	2,113,244	Note 35 - X6
Depreciation and amortisation	(2,513,100)	-	(2,513,100)	(3,125,553)	(612,453)	Note 35 - X7
Finance costs	-			(117)	(117)	
Repairs and maintenance	(1,398,290)	-	(1,398,290)	(1,020,034)	378,256	Note 35 - X8
General Expenses	(17,879,306)	-	(17,879,306)	(18,875,271)	(995,965)	Note 35 - X9
Total expenditure	(46,816,620)	-	(46,816,620)	(45,933,655)	882,965	
Operating deficit	-			(1,635,194)	(1,635,194)	
Loss on disposal of assets and liabilities	-	-	-	(224,463)	(224,463)	Note 35 - X10
Deficit before taxation	-			(1,859,657)	(1,859,657)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-			(1,859,657)	(1,859,657)	

No adjustments were made on the approved budget.

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 122(3) of the Companies Act, 71 of 2008.

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

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

1.1 Going concern assumption

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

The ability of the entity to continue is dependent on a number of factors. The most significant of these are discussed in note 32 of these annual financial statements.

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables from exchange transactions

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

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

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

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

Provisions

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

Post retirement benefits

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

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

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

Effective interest rate

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

Allowance for doubtful debts

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

Statements of GRAP issued but not yet effective

For the 2015/16 reporting period, the following Standards of GRAP have been issued but are not yet effective or are not required to be applied:

Standard	Effective Date	Expected Impact
GRAP 108- Statutory Receivables	No date determined yet	No impact
GRAP 20- Related Party Disclosures	No date determined yet	Minimal- certain additional
disclosures may be required		
GRAP109- Accounting by Principals and Agents	No date determined yet	No impact
GRAP 32- Service Concession arrangements	No date determined yet	No impact

1.3 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.

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

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

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

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

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

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

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

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

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

1.4 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.

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

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

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

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

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

Item	Useful life
Computer software, internally generated	Infinite
Licences	1 year

Intangible assets are derecognised:

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

1.5 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

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

Transfers

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

Derecognition

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

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

1.6 Financial instruments

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

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

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

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

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

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Reclassification

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

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

1.7 Tax

Tax expenses

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

1.8 Leases

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

Operating leases - lessee

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

1.9 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) method. The same cost method is used for all inventories having a similar nature and use to the entity.

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

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

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

1.11 Employee benefits

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

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

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

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

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.14 Revenue from exchange transactions

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

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

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

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

Measurement

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

Sale of goods

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

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;

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

Rendering of services

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

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

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

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

Interest

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

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

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

1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Transfers / Government grants

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

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

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

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

1.16 Cost of sales

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

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

Contract costs comprise:

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

1.17 Investment income

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

1.18 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.

1.19 Comparative figures

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

1.20 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.

1.21 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.

1.22 Conditional grants and receipts

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

1.23 Budget information

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

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

The approved budget covers the fiscal period from 01-Apr-15 to 31-Mar-16.

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

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

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

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

Comparative information is not required.

1.24 Related parties

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

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

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

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

1.25 Interdepartmental transactions

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

1.26 Finance costs

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

1.27 Income received in advance

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

Unutilised subsidies are carried forward to the next financial year.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
2. Inventories		
Stock	964,421	881,591
Maintenance and consumable stores	866,426	609,452
	1,830,847	1,491,043
Write-down of obsolete inventory	(101,903)	(100,048)
	1,728,944	1,390,995

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

Inventory pledged as security

There were no inventory pledged as security.

3. Receivables from exchange transactions

	2016	2015
Trade debtors	1,704,086	368,604
Medical pensioners Sundry debtors	35,547	-
Prepaid expenses	103,522	-
Sundry debtors	70,965	61,713
Accrued income	22,542	10,926
Provision for impairment receivables from exchange transactions	(141,551)	(163,331)
	1,795,111	277,912

Trade and other receivables pledged as security

Trade and other receivables originating at the Performing Arts Centre of the Free State are not initially recognised at fair value and subsequently carried at amortised cost, less provision for credit losses. Discounting is done on the remaining balances, as these accounts are normally paid in 30 days.

No trade and other receivables were pledged as security.

Trade and other receivables past due but not impaired

Included in the Entity's trade receivable balance are debtors with a carrying amount of R 1 729 634 (2015: R 205 272) which are past due at the reporting date for which the Entity has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The Entity does not hold any collateral over these balances. The average age of these receivables are 120 days (2015: 120 days)

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

Trade and other receivables - Ageing of past due but not impaired

	2016	2015
0 - 30 days	1,421,756	46,312
30 - 60 days	2,595	1,449
60 - 90 days	-	6,889
90 - 120 days	2,179	4,828
Over 120 days	303,104	145,794
	1,729,634	205,272

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

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Trade and other receivables impaired		
The ageing of the receivables is as follows:		
3 to 6 months	994,965	150,622

Reconciliation of provision for impairment of trade and other receivables		
Opening balance	141,447	163,331
Provision for impairment	-	(21,884)
	141,447	**141,447**

4. Capital work in progress

Capital work in progress comprises of capital projects still in progress at the end of the year.

These projects were funded from unspent conditional grants (note 12) and the corresponding events has been recorded in deferred revenue (note 11).

	2016	2015
Opening balance	23,257,617	42,287,394
Additions	4,570,868	
Transfers to Assets held for transfer	-	(23,600,645)
	23,257,617	**23,257,617**

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

Cash and cash equivalents

Cash and cash equivalents consist of:		
Short-term deposits	10,098,931	9,480,486
Bank balances	8,328,016	7,352,764
Other cash and cash equivalents	134,239	133,099
Cash on hand	17,200	17,200
	18,578,386	**16,983,549**
Cash and cash equivalents held by the entity that are not available for use by the economic entity	134,239	133,099

The short term deposits comprise of investments held with ABSA and the South African Reserve Bank.

Investment ABSA	18 473	17 764
Investment SARB	10 080 458	9 462 722

The short term deposits have not been pledged as security.

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

Figures in Rand	2016	2015

6. Property, plant and equipment

	2016			2015		
	Cost ! Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost ! Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	7,381,781	(5,349,824)	2,031,957	7,615,574	(4,745,021)	2,870,553
Motor vehicles	652,673	(442,970)	209,703	652,673	(386,950)	265,723
Computer equipment	2,381,335	(1,554,917)	826,418	2,429,173	(1,229,656)	1,199,517
Assets held for transfer	23,600,645	-	23,600,645	23,600,645	-	23,600,645
Wardrobe equipment	251,989	(177,627)	74,362	252,237	(152,112)	100,125
Permanent advertising structures	471,761	(411,892)	59,869	471,761	(383,932)	87,829
Theatre equipment	9,768,466	(6,902,341)	2,866,125	9,824,065	(6,239,750)	3,584,315
Sound equipment	11,108,708	(7,804,845)	3,303,863	11,060,485	(6,891,363)	4,169,122
Musical instruments	3,697,924	(576,704)	3,121,220	3,698,174	(510,523)	3,187,651
Workshop machinery	898,076	(607,768)	290,308	903,371	(526,646)	376,725
Total	**60,213,358**	**(23,828,888)**	**36,384,470**	**60,508,158**	**(21,065,953)**	**39,442,205**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2,870,553	76,934	(194,987)	(720,543)	2,031,957
Motor vehicles	265,723	-	-	(56,020)	209,703
Computer equipment	1,199,517	-	(9,837)	(363,262)	826,418
Assets held for transfer	23,600,645	-	-	-	23,600,645
Wardrobe equipment	100,125	-		(25,670)	74,362
Permanent advertising structures	87,829	-	-	(27,960)	59,869
Theatre equipment	3,584,315	-	(14,978)	(703,212)	2,866,125
Sound equipment	4,169,122	98,969	(9,537)	(954,691)	3,303,863
Musical instruments	3,187,651	-		(66,337)	3,121,220
Workshop machinery	376,725	-	(1,983)	(84,434)	290,308
	39,442,205	**175,903**	**(231,509)**	**(3,002,129)**	**36,384,470**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Furniture and fixtures	3,643,049	73,883	(94,114)	-	(752,265)	2,870,553
Motor vehicles	321,590	-	-	-	(55,867)	265,723
Computer equipment	1,317,036	228,903	(9,325)	-	(337,097)	1,199,517
Assets held for transfer	-	-	-	23,600,645	-	23,600,645
Wardrobe equipment	128,790	-	(2,452)	-	(26,213)	100,125
Permanent advertising structures	115,713	-	-	-	(27,884)	87,829
Theatre equipment	4,316,681	-	(15,846)	-	(716,520)	3,584,315
Sound equipment	5,101,487	74,219	(54,825)	-	(951,759)	4,169,122
Musical instruments	3,266,858	-	(10,441)	-	(68,766)	3,187,651
Workshop machinery	470,546	-	(11,099)	-	(82,722)	376,725
	18,681,750	**377,005**	**(198,102)**	**23,600,645**	**(3,019,093)**	**39,442,205**

Pledged as security

No assets were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

7. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	537,237	(483,763)	53,474	529,672	(360,338)	169,334

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Disposals	Amortisation	Total
Computer software	169,334	7,565	-	(123,425)	53,474

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	177,123	151,004	-	(158,793)	169,334

8. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Art Collections, antiquities and exhibits	3,872,500	-	3,872,500	3,872,500	-	3,872,500

Reconciliation of heritage assets 2016

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

Reconciliation of heritage assets 2015

	Opening balance	Revaluation increase/(decrease)	Total
Art Collections, antiquities and exhibits	3,489,273	383,227	3,872,500

Pledged as security

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

Revaluations

Art collections

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

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

Opening balance	**953,766**	**570,539**
Change/movement	**-**	**383,227**
Closing balance	**953,766**	**953,766**

9. Deferred revenue

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

Current liabilities		
At amortised cost	46,858,262	46,858,262

10. Payables from exchange transactions

Bonus Provision	459,877	456,707
Deposits received	313,925	374,985
Leave pay provision	1,016,051	861,567
Payments received in advanced	440,823	425,829
Sundry creditors	648,723	362,657
Trade payables	6,471,937	6,312,902
	9,351,336	8,794,647

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Capital Grant - Branding Theatre	175,613	175,613
Capital Grant - Motorized Lighting Batten (100% completed)	116,265	116,265
Capital Grant - PACOFS Main Entrance (10% Completed)	557,849	557,849
Capital Grant - Revamp Andre Huguenet	413,466	413,466
Capital Grant - Sand du Plessis - Air conditioning (60% Completed)	1,239,071	1,239,071
Capital Grant - Sand Plumbing (100% Completed)	80,000	80,000
Capital Grant - Upgrade Sand Video Monitor (100% Complete)	116,141	116,141
Capital Grant - Incubator project	5,000,000	5,000,000
Incubator Subsidy	876,020	-
	8,574,425	**7,698,405**

Movement during the year

Balance at the beginning of the year	7,698,405	8,321,048
Additions during the year	1,600,000	5,083,333
Transfer to deffered revenue	-	(4,570,868)
Income recognition during the year	(723,980)	(1,135,108)
	8,574,425	**7,698,405**

12. Employee benefit obligations

Post-employment medical benefit

The post-employment medical benefit is actuarially valued every year by an independent valuator. The most recent valuation was performed by ABSA Health Care Consultants (Pty) Ltd on 31 March 2016 and reflects a liability of R 8 813 000 (2015: R 8 727 000). The valuation as at 31 March 2016 reflects the reasonable value of the post-employment medical aid liability as at 31 March 2016.

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

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

Opening balance	8,727,000	8,498,000
Net expense recognised in the statement of financial performance	86,000	229,000
	8,813,000	**8,727,000**

Net expense recognised in the statement of financial performance

Current service cost	224,000	158,000
Interest cost	679,000	694,000
Actuarial (gains) losses	(310,000)	(142,000)
Settlement	(507,000)	(481,000)
	86,000	**229,000**

Key assumptions used

Assumptions used at the reporting date:

Continuation at retirement	100.00 %	100.00 %
Discount rates used	9.29 %	8.01 %
Expected increase in healthcare costs	8.34 %	7.17 %
Proportion married at retirement	85.00 %	85.00 %
Expected average retirement age	60.00 %	60.00 %
Normal retirement age	60	60
	60	60
Spouse age gap	3	3

PACOFS expects to make a contribution of R 561 000 (2015: R 507 000) to the defined medical benefit plan during the next financial year.

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

Figures in Rand	2016	2015

Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1,816,893	1,816,893
Cash and cash equivalents	18,578,386	18,578,386
	20,395,279	**20,395,279**

Financial liabilities

	At amortised cost	Total
Deferred Revenue	47,734,282	47,734,282
Trade and other payables from exchange transactions	9,273,187	9,273,187
Unspent Conditional Grants	7,698,405	7,698,405
	64,705,874	**64,705,874**

2015

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	277,907	277,907
Cash and cash equivalents	16,983,549	16,983,549
	17,261,456	**17,261,456**

Financial liabilities

	At amortised cost	Total
Deferred Revenue	46,858,262	46,858,262
Trade and other payables from exchange transactions	8,794,642	8,794,642
Unspent Conditional Grants	7,698,405	7,698,405
	63,351,309	**63,351,309**

14. Revenue

	2016	2015
Sale of goods	938,392	645,686
Income from productions	1,241,559	670,425
Other income	1,628,745	1,319,488
Interest received - Investment	341,785	336,971
Government grants & subsidies	39,423,999	38,825,107
Revenue realised on conditional grants	723,981	-
	44,298,461	**41,797,677**

Figures in Rand	2016	2015

14. Revenue (continued)

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

Sale of goods	938,392	645,686
Rendering of services	1,241,559	670,425
Other income	1,628,745	1,319,488
Interest received - Investment	341,785	336,971
	4,150,481	2,972,570

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

Transfer revenue

Government grants & subsidies	39,423,999	38,825,107
Revenue realised on conditional grants	723,981	-

15. Catering expenses

Rendering of services

Catering	816,523	398,691
Liqour	356,787	281,441
	1,173,310	680,132

16. Other income

Advertising income	19,000	-
Bad debts recovered	1,329	4,430
Handling fees earned	49,427	61,788
Insurance income	37,852	18,312
Marketing commission received	1,067,977	408,942
Rental of halls and equipment	453,160	826,016
	1,628,745	1,319,488

17. Investment revenue

Interest revenue

Bank	341,785	336,971

Interest was received from investments with the following banks:
- ABSA
- South African Reserve Bank

18. Government grants and subsidies

DAC grant (operating)	39,423,999	37,690,000
DAC financial assistance grant (artistic development programme)	-	1,051,774
Touring venture sponsorship	-	83,333

Other governmental assistance

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

Figures in Rand	2016	2015
19. Employee related costs		
Basic salary	16,052,881	15,942,814
Annual bonus	1,181,839	1,160,504
Contract personnel	289,064	535,237
Post-employment medical benefit (income)/expense	86,000	229,000
Housing benefits and allowances	773,280	841,560
Leave payouts	305,212	25,131
Medical aid - company contributions	290,109	382,813
Medical aid allowances	1,122,190	1,733,414
Overtime payments	245,362	117,097
PACOFS pension contributions	2,424,384	2,456,193
UIF	142,359	144,733
Workmens Compensation	-	77,279
	22,912,680	**23,645,775**

Key management

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

2015	**Basic salary**	**Annual bonus**	**Pension**	**Medical and other**	**Total**
Macholo, TJ	1,076,297	74,691	88,733	1,785	1,241,506
Salimani NS	417,073	34,156	40,577	1,785	493,591
Mofokeng JM	543,017	44,651	88,410	1,785	677,863
Alexander RR	487,017	26,595	52,658	1,785	568,055
Kabi M	116,292	26,601	16,460	446	159,799
Tlhogo LE	406,835	33,303	39,564	1,785	481,487
Ndiwa, KJ	417,264	34,172	67,661	1,785	520,882
Geyer AH	446,309	-	72,453	53,909	572,671
Zondi MF	417,264	34,172	67,661	3,750	522,847
Moeketsane PP	476,461	-	77,428	1,785	555,674
Leeuw S	364,991	29,816	59,035	89,013	542,855
	5,168,820	**338,157**	**670,640**	**159,613**	**6,337,230**

Figures in Rand	2016	2015

20. General expenses

Accounting fees	364,093	285,000
Advertising	7,187	79,623
Auditors remuneration	2,011,019	1,311,236
Bad debts	(19,410)	(21,885)
Bank charges	139,184	148,362
Capital expenditure	-	7,382
Cleaning	333,421	297,714
Computer expenses	4,867	367,848
Consulting fees	1,531,385	1,680,457
Catering expenses	1,173,310	680,132
Donations	90,500	3,234
Entertainment	68,983	70,393
Flowers	8,367	5,102
Fuel and oil	32,452	61,570
Insurance	316,569	294,609
Marketing	317,794	463,387
Medical expenses	6,052	45,029
Motor vehicle expenses	887,250	593,912
Other operating expenses	171,500	344,476
Pest control	22,909	44,553
Postage and courier	519	4,241
Printing and stationery	340,406	296,791
Production expenses - PACOFS	4,503,043	4,463,882
Protective clothing	7,441	104,129
Operating lease rentals	122,390	118,243
Security	1,200,245	1,212,546
Subscriptions and membership fees	88,433	89,666
Telephone and fax	441,440	421,857
Training	71,243	138,536
Travel and accommodation - Local	916,999	427,278
Utilities	3,715,680	2,856,096
	18,875,271	**16,895,399**

21. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Loss on sale of property, plant and equipment	(224,463)	(193,961)
Amortisation on intangible assets	-	150,056
Depreciation on property, plant and equipment	3,125,553	3,027,830
Employee costs	22,912,680	23,645,775

22. Repairs and Maintenance

Costs incurred

Repairs and maintenance are costs that have been incurred to keep the assets operating at their present condition.

23. Auditors' remuneration

External auditors	1,627,476	1,131,836
Internal audit	383,543	179,400
	2,011,019	**1,311,236**

Figures in Rand	2016	2015

24. Cash generated from operations

Deficit	(1,859,657)	(2,812,270)
Adjustments for:		
Depreciation and amortisation	3,125,553	3,177,886
Loss (Gain) on sale of assets and liabilities	224,463	193,961
Movements in retirement benefit assets and liabilities	86,000	229,000
Changes in working capital:		
Inventories	(337,949)	(68,848)
Receivables from exchange transactions	(1,517,199)	(112,273)
Payables from exchange transactions	556,695	5,339,510
Unspent conditional grants and receipts	876,020	(622,642)
	1,153,926	**5,324,324**

25. Commitments

Authorised capital expenditure

Authorised operational expenditure

Already contracted for but not provided for		
• Other financial assets	2,321,929	3,527,775

Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	59,508	76,858
- in second to fifth year inclusive	24,795	91,532
	84,303	**168,390**

Operating lease payments represent rentals payable by the entity for the use of digital copiers/printers. Leases are negotiated for a term of three years starting on the 1 August 2014 - 31 July 2017. The monthly installments remain fixed over the contract term with 0% escalation.

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

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

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

Rental of 15 Oil Mops - Expiry Date: 31 August 2016

No sublease contracts existed for the reporting period.

No contingent rental agreements exist for the reporting period.

The future minimum lease payments payable under non-cancellable operating leases are set out as above.

26. Contingencies

2016:

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

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

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

2015:

An arbitration award had been made by the CCMA against PACOFS in 1 individual case. PACOFS approached the Labour Court to set aside the award and this was unopposed. The arbitration award amounts to R169 548. A final outcome has not been finalised.

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

An arbitration award had been made by the CCMA against PACOFS in 1 individual case. PACOFS approached the Labour Court to set aside the award. The arbitration award amounts to R31,872.46. The matter has subsequently been settled and the appplication to the Labour Court has been withdrawn.

Legal action has been instituted against the entity by one of its service providers. The outcome of the legal action is uncertain at year end but the entity estimates the potential loss to amount to R138 473.

27. Related parties

Relationships

Members	Refer to members' report note 28
Ultimate controling entity	Department of Arts and Culture (DAC)
Government department	Department of Public Works
Members of key management	Macholo, TJ
	Salimani, NS
	Ndiwa, KJ
	Tlhogo, LE
	Geyer, AH
	Zondi, MF
	Moeketsane, PP
	Leeuw, JS

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

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

Figures in Rand	2016	2015

27. Related parties (continued)

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties		
DAC	-	132,494
Department of Public Works - Government Garage	(68,359)	(146,164)
Government grants and subsisidies		
DAC (Operational grant)	39,423,999	37,690,000
DAC (Capital Works)	-	-
DAC Sponsorships	1,600,000	1,135,107

Related party transactions

General expenses		
Department of Public Works (Utilities)	(3,698,580)	(2,856,096)
Department of Public Works (Motor vehicle rentals)	(853,668)	(527,637)
Study fees paid on behalf of key management	-	(24,750)

28. Members' emoluments

Non-Executive

2016

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

2015	Emoluments	Other benefits*	Total
Mr.T. Segopolo	2,028	20	2,048
Mr. Z. Mkiva	1,024	10	1,034
Mr. C.J.T.Wing	2,048	20	2,068
Mrs. M.A.D. Mnumzana	2,048	20	2,068
Mrs. S.F.S. Makhathini	2,040	20	2,060
	1,136	11	1,147
	2,160	22	2,182
	2,048	20	2,068
	2,160	-	2,160

* Other benefits comprise only of UIF contributions.

29. Prior period errors

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

29.1 Prior period error - Heritage asset not included in the FAR:

During the period under review, it was noted that the entity had ommitted a heritage asset from the FAR at 31 March 2015. The comparative statements for 2014/15 financial year have been restated. The effect of the correction of error is summarised below:

Statement of Financial Position

Increase in heritage assets	4,000
Increase in accumulated surplus	(4,000)

29.2 Prior period error - Misstatements FAR prior year :

During the period under review, after the completion of the year end asset verification various errors were detected such as assets not included in previous registers and depreciation calculation error. The comperative statements for 2014/15 financial year have been restated. The effect of the corrections of errors is summarised below:

Statement of Financial Position

Increase Property, plant and equipment	-	1,390,763
Increase in accumulated surplus	-	(1,032,182)
Increase Intangible assets	-	35,026

Statement of Financial Performance

Decrease in depreciation and amortisation	-	(393,604)

29.3 Prior period error - Reclassification of WIP:

During the period under review the entity decided that in the interest of fairer presentation it would reclassify Capital WIP from Property, plant and equipment to a separate line item on the face of the Statement of Financial Position. The comparative statements for 2014/2015 financial year have been restated. The effect of the correction of the is summarised below:

Statement of financial position

Decrease in Property, plant and equipment	-	23,257,617
Increase in Capital work in progress	-	(23,257,617)

30. Risk management

Financial risk management

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

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

Liquidity risk

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

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

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

At 31 March, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Deferred revenue	46,858,262	-	-	-
Trade and other payables	9,351,336	-	-	-
Unspent conditional grants	8,574,425	-	-	-

At 31 March, 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Deferred revenue	46,858,262	-	-	-
Trade and other payables	8,794,645	-	-	-
Unspent conditional grants	7,698,405	-	-	-

Credit risk

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

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

1,387,570

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Short-term deposits	10,098,931	5,823,479 9,480,486
Bank balances	8,328,016	7,352,764 1,792,204
Cash on hand	17,200	17,200 9,003,253
Other cash and cash equivalents	134,239	133,099
Receivables from exhange transactions	1,793,701	277,912

No significant concentrations of credit risks were identified on 31 March 2016. The maximum exposure to credit risk is represented by the carrying amount of each class of financial asset in the statement of financial position.

30. Risk management(continued)

Market risk

Fair values risk

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

Interest rate risk

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

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

31. Going concern

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

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

The following analysis supports the going concern assumption:

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

- The entity's current liabilities exceed its current assets by R42 595 426. It should be noted that non-current assets amounting to R46 858 262 (2015 - R46 858 262) will be offset against these balances upon transfer to the relevant custodian.
- The current economic enviroment is challenging and the entity has reported significant operating loss for the year. - Management considers that the outlook present significant challenges in terms of enhancing the quality earnings, increaseing revenue volumes and well controlling input costs.
- The entity's operational grants funding does not cover the entity's operating costs and without increasing the quality of revenue from operations continued deficits are likely.
- Potential decrease in the total net asset value upon transfer of capital works projects to the Department of Public Works via Gijama Act.

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

- Applied zero based budgeting for the 2015/2016 - 2016/2017 financial years.
- Outlined various initiatives as contained in the entity's Strategic and Turnaround Plans to boost revenue and the quality of revenue.
- Initiate discutions for the ring fencing of additional operational funding to support its developmental mandate and seeking additional operational funding from DAC.

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

- Total Assets R 85 670 502 (2015: R 85 394 112) exceeds total liabilities R 73 510 867 (2015: R 72 078 314) - The entity has accummulated reserves of R 9 992 712 (2015: R 11 766 211).

32. Events after the reporting date

Subsequent to year end, a fire occurred on 11 May 2016 and theft of cash from the drop safe was discovered on 9 May 2016.

Two council members were appointed after year end:

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

Ms. M Malapane- Appointed 17 May 2016

33. Fruitless and wasteful expenditure

	2016	2015
Opening balance	2,420,958	2,408,661
Fruitless and wasteful - current year	43,045	12,297
	2,464,003	2,420,958
Analysis of expenditure awaiting condonation:		
Current Year	43,045	12,297
Prior Years	2,420,958	2,408,661
	2,464,003	2,420,958

Details of fruitless and wasteful expenditure - 2015

Disciplinary steps taken/criminal proceedings

Expenses incurred in vain	The incidents disclosed are under investigation. No disciplinary steps instituted.	12 297

34. Irregular expenditure

	2016	2015
Opening balance	41,824,334	34,158,730
Add: Irregular Expenditure - current year	9,003,253	7,665,604
	50,827,587	41,824,334

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

Analysis of expenditure awaiting condonation per age classification

	2016	2015
Current year	9,003,253	7,665,604
Prior years	41,824,334	34,158,730
	50,827,587	41,824,334

Details of irregular expenditure – 2016

Disciplinary steps taken/criminal proceedings

Three quotations not obtained as required	The incidents are still under investigation / awaiting possible condonation.
No competitive bidding process was followed as	The incidents are still under investigation / awaiting required in TR16A6.4. possible condonation.
Contravention of Treasury Circular 1 of 2013/14	The incidents are still under investigation / awaitingpossible condonation.

Details of irregular expenditure – 2015

	Condoned by (condoning authority)	
Three quotations not obtained as required	The incidents are still under investigation / awaiting possible condonation.	5,756,473
No competitive bidding process was followed as required in TR16A6.4.	The incidents are still under investigation / awaiting possible condonation.	1,779,125
Contravention of Treasury Circular 1 of 2013/14	The incidents are still under investigation / awaiting possible condonation.	130,006
		7,665,604

35. Actual operating expenditure versus budgeted operating expenditure

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

X1 - Variance due to unrealistic projections of revenue.

X2 - Conservative budget estimate exceeded by the actual. X 3 -Variance due to unrealistic budgted revenue.

X4 - Under realised interest earned is attributable to the reduction in operational bank balances.

X5 - Variance as a result of increase in sponsorships / operational grants received in the current year.

X6 - Savings realised due to resigantions, retirements and general staff turnover.

X7 - Variance due to additions during the year..

X8 - Savings realised due to less maintennace and repairs required, proper oversight over assets.

X9 - Variance due to increase in general operations.

X10 - Varinace realised on sale of scrap material.