ANNUAL REPORT 2017/2018

P·A·C·O·F·S

PERFORMING ARTS CENTRE OF THE FREE STATE

an agency of the Department of Arts and Culture

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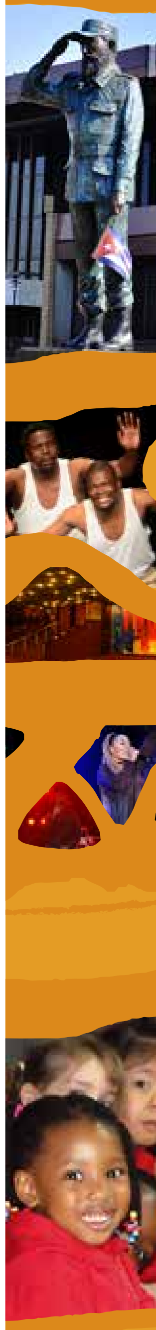


ANNUAL REPORT
2017/2018

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

Part A
General Information

ENTITY INFORMATION

Registered name	Performing Arts Centre of the Free State
Physical address	12 First Avenue, Westdene, Bloemfontein
Postal address	PO Box 1292 Bloemfontein, 9301
Telephone numbers	(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
Company Secretary	None

LIST OF ABBREVIATIONS

AD	Artistic Director
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	Free State Department of Sport, Arts, Culture and Recreation
GRAP	Generally Recognised Accounting Practice
MACUFE	Mangaung African Cultural Festival
PACOFS	Performing Arts Centre of the Free State
PFMA	Public Finance Management Act

FOREWORD BY THE CHAIRPERSON OF THE COUNCIL

It is my pleasure to present the Annual Report of the Performing Arts Centre of the Free State (PACOFS) for the financial year 2017/2018 as an account of programmes and resources utilised. This report is submitted against the backdrop of the qualified and adverse audit opinions of 2015/16 and 2016/2017 respectively. Due to the latter, the institution had to triple its efforts in all aspects to ensure that it starts to take careful steps to turn around the downward spiral of the audit outcomes.

I am happy to report that the institution has managed to turn the tide and a qualified audit outcome has been achieved for the year under review. The Council is thus encouraged and optimistic that the ship is being steered in the right direction. It is important to note that during the year under review, PACOFS saw a new Council being appointed by the Minister of Arts and Culture at the beginning of December 2017. Amongst some of the key activities taken over by the new Council was to ensure full implementation of the audit action plan.

Other matters of importance included the implementation of the new Strategic Plan, which was initiated by the previous Council as well as the finalisation of the new Annual Performance Plan. The Council also ensured that internal controls were strengthened and to this end, the Chief Financial Officer (CFO) was appointed mid-January 2018 to replace the incumbent who resigned in November 2017. The Council also ensured that the newly appointed Internal Audit service provider, under the supervision of the Audit Committee, was given room to do its work to assess and, therefore, assist in strengthening the effectiveness of the internal control system as well as other matters of compliance.

Still outstanding is the appointment of the Chief Executive Officer (CEO), an exercise that the Council hopes to complete by the end of 2018. Though the new Council had only existed for four months prior to financial year end, we are satisfied that all the interventions have so far yielded positive results. The Council has also re-constituted its committees and key amongst those is the Core Business Committee whose aim is to provide strategic leadership that will ensure a viable artistic programme as well as optimum use of facilities guided by the strategic goals that are encapsulated in the Strategic Plan as well as the Annual Performance Plan.

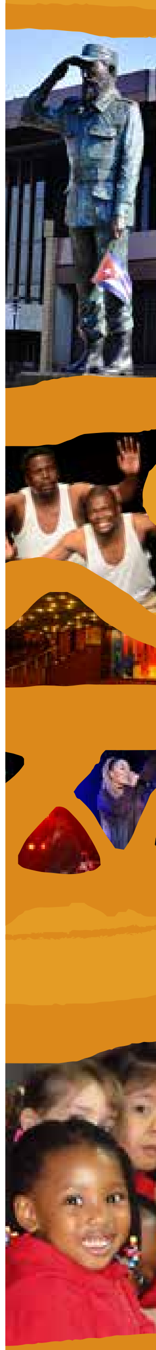
To this end, the Council has already had a strategic session that focused only on the enhancement of the core business. Due to limited financial resources to sustain the artistic programmes, the management has been encouraged to put more focus on the creation of partnerships with the relevant stakeholders in order to leverage their resources and activities to deliver the institution's mandate. Moving forward, one of the key focal areas is to ensure the implementation of the long overdue organisational restructuring project. The project, which will begin in July, is envisaged to be concluded before year end.

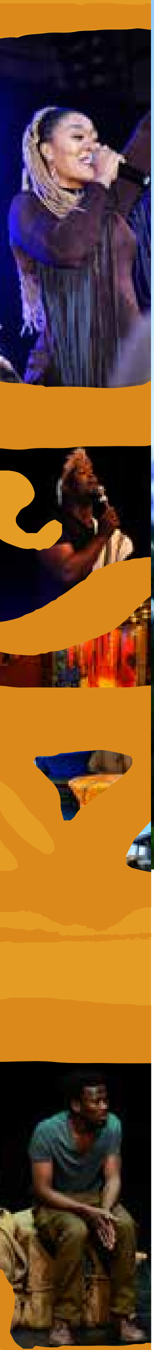
Upon completion, this process should have addressed amongst others, the issue of the organisational structure, skills gap within the institution, non-existent job descriptions and ungraded jobs as well as the proper placement of personnel. The Council is hopeful that this exercise will help the institution to rise up from the current situation and regain its former glory. This will, however, only be achieved through passion, commitment and cooperation between the Council, management and the entire staff, including partners and stakeholders.

In conclusion, and on behalf of the Council, we would like to extend our gratitude to the previous Council for their efforts over the past three years, it has not been an easy road. We would also like to thank the Department of Arts and Culture, particularly the Minister for his continued support to ensure that PACOFS once again rises to the occasion to become one of the best performing arts institutions in the country.

I thank you

Mr Nkosana Sifumba
Chairperson of the Council





CHIEF EXECUTIVE OFFICER'S OVERVIEW

This annual report faithfully captures the outcomes of programmes and activities performed during the year under review in a quest to achieve the strategic objectives and performance targets as encapsulated in our annual performance plan. It is management's belief that every ounce of effort was expended in the delivery of the set targets and we believe that the outcome of the external audit confirms this.

In the previous financial year, PACOFS received an adverse audit outcome from the Auditor General. Following this outcome, the institution developed an audit action plan, which management - under trying conditions - implemented to the best of its ability with a view to improve the audit outcome. Indeed, this and other internal control systems that were put in place have paid off, and this resulted in the institution improving from adverse to a qualified audit outcome for the year under review, a move that brings hope that PACOFS is moving in the right direction.

Another significant move worthy of a special mention is the strategic review process undertaken by the entity. Given the dire state of affairs, the institution could not wait for the next strategic planning cycle after the 2019 general elections. A radically new strategic plan has therefore been developed for 2018/2019 and 2019/2020.

Radical transformation of PACOFS to ensure a future for the performing arts and arts in general in the Free State Province required *un nouveau* strategic plan, which is radically different from anything else presented in the past-uncomplicated, to the point, realistic and focused on an inspiring vision. The intent was to radically reduce the narrative of the plan and to get straight to the point of what must be done to turn PACOFS around.

In order to achieve the intended turn around, the following strategic goals were developed:

- Organisation transformation to high performance;
- Artistic programming;
- Talent development and promotion of the Arts;
- Marketing of PACOFS;
- Partnering, funding and sponsorship;
- Optimise PACOFS facilities.

The above mentioned strategic objectives are therefore the guiding pillars of the new annual performance plan which was developed to ensure that the institution functions optimally to meet its constitutional mandate.

On the core business front, minimal financial resources continued to pose a challenge in as far as creating a vibrant artistic programme of excellence is concerned. Due to budget constraints, the institution had to make sure that it met the set targets, however, only small local productions were mounted with a view to providing platform and access to the Free State artists. Secondly, the artistic programme was sustained through partnership productions where the institution only provided venues and other resources except for money, the intention being to ensure that the lights are on.

The internal audit service provider was appointed during the third quarter of the year under review. Subsequent to this was the appointment of the Chief Financial Officer (CFO) in the fourth quarter, following the resignation of the incumbent CFO towards the end of the third quarter. Though these appointments came at a late stage, the results thereof are evident in the improvement of the internal control and compliance systems that have contributed to the improvement in the audit outcome.

As we strive towards achieving the unqualified audit outcome, we shall continue to capacitate and strengthen our internal controls through the Finance, Supply Chain as well as the Human Resources units. We will further ensure that the core business departments continue to present a vibrant artistic programme with the limited financial resources, and that this is done within the confines of the required procurement processes. One of the Council's strategic objectives for the next financial year is to ensure the implementation and finalisation of the Organisational Restructuring project. The purpose of this project is to ensure that all departments in PACOFS are well capacitated, that staff members are properly placed according to their skills, experience and qualifications. The process will also progressively address the issue of performance management as well as the salary disparities that exist within the entity.

In conclusion, management would like to thank the Council of PACOFS for their continued guidance and support in the process of turning the institution around. Management and staff are re-energised with one common vision, that of ensuring that the entity reclaims its former glory as one of the icons of the Performing Arts industry in South Africa.

I thank you.

Mr Moeketsi Xaba
Acting Chief Executive Officer (CEO)

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PERFORMING ARTS CENTRE OF THE FREE STATE
an agency of the Department of Arts and Culture

ARTISTIC PROGRAMME HIGHLIGHTS

It is quite imperative for us as an arts and culture agency, under the auspices of the Department of Arts and Culture, to ensure that we continue an everlasting healthy working relationship with different stakeholders.

During the year under review, our partnership with various production companies yielded positive results. The focus was on both the big names in the arts and culture industry, but over and above, to create a platform for the local artists to showcase their performing arts talents.

On the national front, PACOFS hosted Afro Fest, which was a crowd-pulling co-production with a local promoter. The highly trumpeted sold out event featured our very own celebrated musician, Serame, who shared the stage with national and internationally acclaimed artists such as Afro Soul Band, Andy T, Vusi Nova, Jaziel Brothers and Ntando.

A healthy partnership exists between us and different stakeholders that share our vision. As the adage says, 'dynamites come in small packages' we witnessed this during the celebration of Heritage month. A sold out show featuring strictly local artists 100% Sesotho Comedy was hosted at the Downstage theatre. The show was a ruwaway success.

Another tongue wagging show of this ilk is, This Is For Keeps, which was presented at the Andre Huguenet Theatre.

Another aspect that we always take into cognisance is maintaining shows that are in popular demand. One of them, Russian Moscow Ballet has never failed to pull crowds in the past five consecutive years.

We have hosted a plethora of productions that included Sesotho, Afrikaans and English works such as Judas, Miss Free State, Free State Fashion Week, Money Maker the Return, Lollipops and Pangas, Schools against Gangsterism, Cry the Beloved Country, Free State Arts Festival, Poetic Blues, Youth Chamber, Two Hearts of Fanyane, Detention Without Trial and New Song. This was in compliance with the promotion of multi-lingualism.

Throughout the years, PACOFS has been able to attract and sustain budding and established artists who enjoy utilising our various theatres through rentals. These emerging and big names in the industry have been able to turn themselves into household names.

One of these artists is a revered comedian, Nataniël, who is a familiar face at PACOFS as he has been hosting his shows here for the past few years. During this year under review, he brought his 30th anniversary show, '30 years, 90 minutes: Comedian Nataniël' to Sand du Plessis Theatre. As always, the theatre was full to the rafters.

Three national artists came to perform at PACOFS during the Nedbank Grey College Music festival which is organised by Grey College on an annual basis. PACOFS has also hosted the Tourism Conference, that has attracted hordes of tourists into the province for three years. It was organised by the Department of Tourism in conjunction with the Free State Premier's Office.

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General of South Africa. The annual report is complete, accurate and free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by the National Treasury. The Annual Financial Statements in Part E have been prepared in accordance with the GRAP standards applicable to PACOFS.

The Council is responsible for the preparation of the annual financial statements and for the judgements made in the statements.

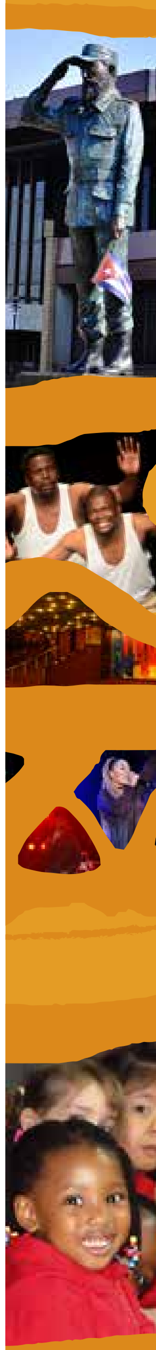
The Council is responsible for establishing, and implementing a system of internal control, which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resource information and the annual financial statements.

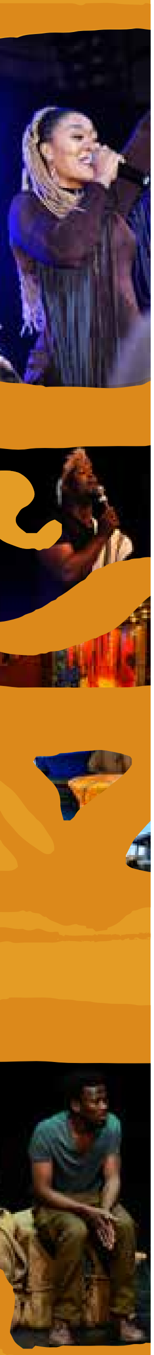
The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resource information and the financial affairs of PACOFS for the financial year ended 31 March 2018.

Mr Nkosana Sifumba
Chairperson of the Council
31 July 2018

Mr Moeketsi Xaba
Acting Chief Executive Officer (CEO)
31 July 2018





STRATEGIC THRUST

Vision

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

Mission

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

Values

The institution subscribes to the following values:

- Accountability;
- Fairness;
- Commitment;
- Communication;
- Responsiveness.

LEGISLATIVE AND OTHER MANDATES

PACOFS stages performances, community arts activities, training programmes, as well as audience development initiatives to sustain all forms of performing arts.

Key mandate

PACOFS is a declared cultural institution in terms of Section 3 of the Cultural Institutions Act, 1998 (Act No. 119 of 1998) and it is listed as a Schedule 3A (National Entity) under the Public Finance Management Act, 1999 (Act No. 1 of 1999).

PACOFS operates in terms of various legal mandates, including amongst others:

- The Constitution of the Republic of South Africa;
- The Treasury Regulations;
- The Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997);
- The Labour Relations Act, 1995 (Act No. 66 of 1995);
- The Occupational Health and Safety Act, 1993 (Act No. 59 of 1993).

ORGANISATIONAL STRUCTURE

Below is the organisational structure that the Council approved in October 2016.

- CEO
  - Artistic Director
    - Audience & Development Manager
    - Theatre Manager
    - Stage Services Manager
  - CFO
    - Finance Manager
    - SCM Manager
  - Executive Corp Services
    - ICT Manager
    - HR Manager
    - Marketing & Communications Manager
    - Facilities Manager

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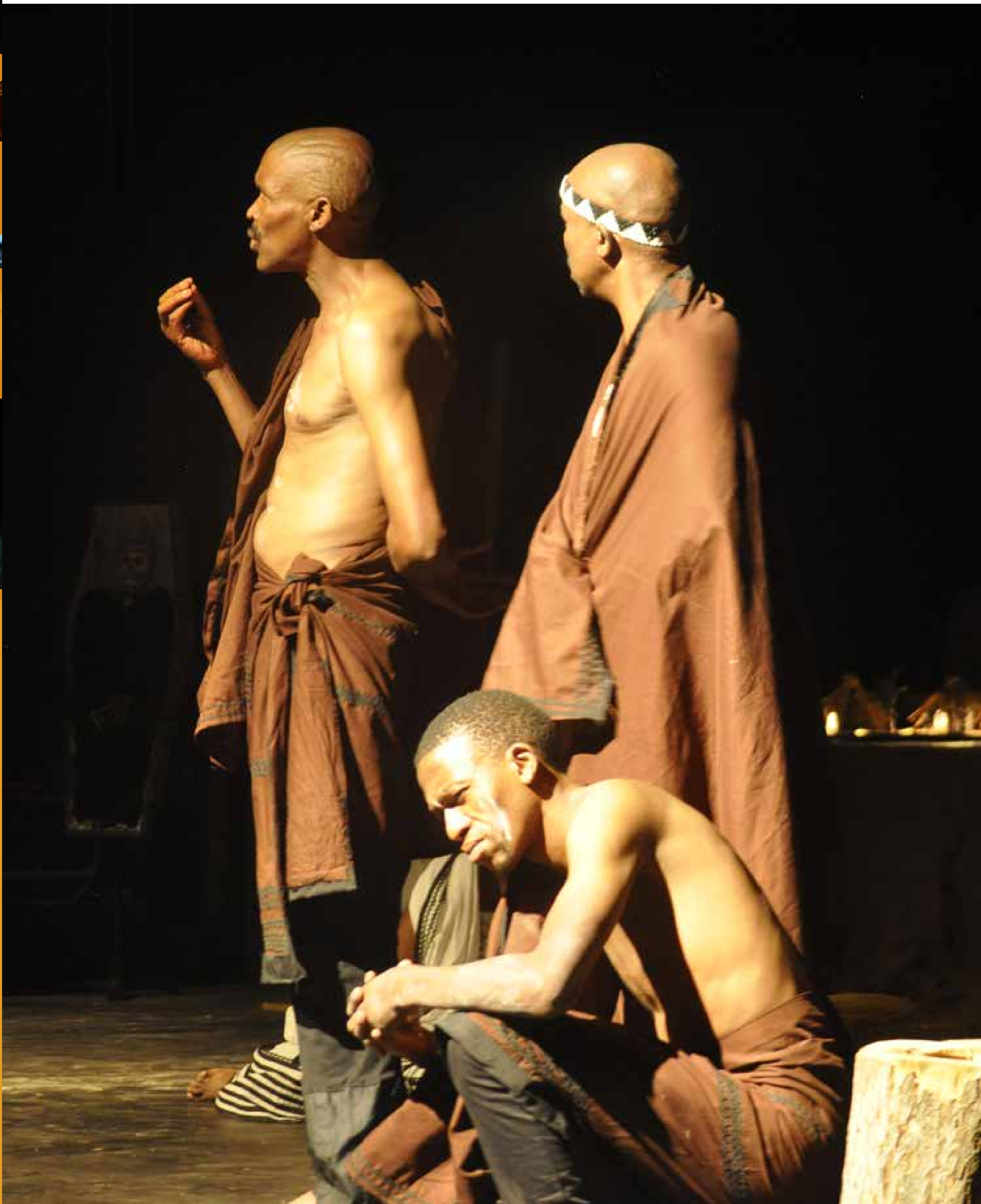
Part B
Performance Information

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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

Refer to page 48 to 49 of the Report of the Auditors, published as Part E: Financial Information.



SITUATIONAL ANALYSIS

Service Delivery Environment

The institution operates under the control and guidance of a Council appointed by the Minister of Arts and Culture.

The artistic programme's primary focus was to provide a platform for local artists and celebrate National calendar events. Secondarily to host events on behalf of clients and the promotion of PACOFS' facilities to prospective new clients. It also focused on establishing strategic partnerships with community festivals throughout the province.

The Incubator programme, a partnership between PACOFS and DAC successfully mentored over 120 individual local artists and created touring opportunities for four productions. During the Incubator Trade Fair hosted at the Market theatre, both PACOFS Incubator Productions received awards. The programme ended with the hosting of the "Incubator all Stars", a dance and drama production that provided platform for 98 local artists that had participated in the programme over the last three years.

Due to a significant reduction in the budget allocated to the artistic programme, the number of performances achieved has decreased dramatically. The recent budget cuts have further caused a negative impact on PACOFS' ability to host and produce quality, professional productions of excellence. As a result, the institution could only stage small developmental productions and this also lead to a decrease in a number of audiences that attend the shows.

Special attention will be given to the promotion of PACOFS' facilities to encourage partnership and rental contracts for the 2018/2019 programme.

Organisational environment

During the year under review, both the CEO and the CFO resigned. Therefore, the institution was left rudderless at administration level. This happened against the backdrop of an adverse audit opinion for the 2016/17 financial year. It is for these reasons that it has been a very difficult year for the institution and its Council.

A new Council was appointed in December 2017 and immediately started a review of the Strategic Plan to set the stage for the re-organisation and re-structuring of the institution, which will be implemented in the next reporting period.

The key challenges facing PACOFS include:

- Under maintained equipment and facilities;
- Decreasing funding for the artistic programmes;
- Dearth in theatre technical skills;
- Competition - the number of alternative theatre venues and entertainment options in the province has increased.

In the face of these challenges, PACOFS is exploring new ways of remaining relevant and afloat through partnerships and alliances.

Key policy developments and legislative changes

The institution revised its Strategic Plan, which will affect the Annual Performance Plans in the future financial periods starting from 2018/19. Other than this, there were no changes which affected or will affect its operations during the period under review or future financial periods.

SITUATIONAL ANALYSIS

Strategic Outcome Oriented Goals

As a Public Entity of the Department of Arts and Culture, PACOFS aligns itself with the below mentioned strategic outcomes of the shareholder department.

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

PERFORMANCE INFORMATION BY PROGRAMME

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.

Strategic Objectives

- Promote an environment of efficient and effective governance and reporting;
- Ensure sound financial management of all PACOFS revenue sources and safeguard its assets;
- Maintain a culture and practice of compliance with legislation and policies.

Strategic outcome: **Strategic Outcome : 2 Improve skills level**
Strategic Outcome: 5 Create a financially viable and efficient organisation

Strategic objective	Key performance indicator	Actual achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target	Comment on deviations
To ensure sound financial management of all PACOFS revenue sources and safeguard the assets of the Project	% of external AG audit findings resolved (division specific)	100%	100%	93%	7%	Factual findings remaining. Corrective measures now in place
	Nature of Audit Opinion	Adverse	Unqualified	Qualified	100%	Incorrect treatment of assets held for transfer to Public Works
	Number of quarterly reports submitted	4	4	4	0	N/A
	Annual report tabled	1	1	1	0	N/A
	Reduce current deficit by 10%	N/A	100%	100%	0	N/A
To maintain a culture and practice of compliance with legislation and policies	Nature of asset register and clean reports per quarter and annum	100%	100%	100%	0	N/A
	% of total value of procurement awarded to BBBEE compliant service providers	N/A	75%	90.8%	(21.1%)	N/A
To develop technical skills for both PACOFS and non PACOFs employees to generally improve technical skills levels	Number of staff enrolled in short courses (1 day to 6 months) in arts management, computer skills, etc.	1	18	8	10	Budget constraints
	Number of staff enrolled in long courses (1 year to 4 years) in arts management, computer skills, etc.	3	6	5	1	The staff member could not proceed with the enrollment
	Number of mentorship/ internship programmes in place	0	9	2	7	Budget constraints
	Number of alliances/ partnerships with higher learning institutions	1	3	1	2	Meetings planned did not materialise
	Continuous updates of ICT systems uptime	100%	100%	100%	0	N/A
	Submit offsite ICT back-ups to ABSA	12	12	12	0	N/A
	Monthly ICT Steering Committee meetings held	N/A	12	2	83%	Only one junior staff member within IT department resulted in failed coordination

Strategy to overcome areas of under performance

Areas of under performance	Strategy to overcome areas of under performance
AG findings	Monthly monitoring of the audit action plan Zero tolerance on SCM processes non-compliance
Audit outcome	Quarterly financial statements fully reviewed by the internal audit Quarterly performance information reports fully reviewed by the internal audit
Staff enrolment for studies	Target discontinued as it is outside management's control
Internship programmes	Target discontinued due to budgetary constraints
Partnerships with institutions of higher learning	A meeting is already scheduled for the 31st May 2018 with the Central University of Technology
ICT meetings	Council will establish an ICT committee in the first quarter of 2018/19, which will have regular meetings

Changes to planned targets

There were no in-year changes to targets.

Linking performance to the budget

Programme	2017/18			2016/17		
	Budget R'000	Actual R'000	(Over)/Under R'000	Budget R'000	Actual R'000	(Over)/Under R'000
Administration	30 162	32 677	(2 515)	27 727	29 229	(1 502)

Programme 2: Business Development

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

Strategic Objectives

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

Strategic outcome	Strategic Outcome 1: Improve Social Interaction Strategic Outcome 3: Stimulate the local economy					
Strategic objective	**Key performance indicator**	**Actual achievement 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target**	**Comment on deviations**
To create platforms for artistic expression in music, dance, theatre, poetry, opera and comedy	Total number of productions staged (Dance, music, opera, drama, comedy)	54	38	40	(2)	More partnership proposals than planned were received during the year
	Number of community based productions	8	10	2	8	Only two proposals that meet the criteria to be classified as community based production were received.
To create platforms for local artists to perform and become known	Number of festivals staged	3	2	3	(1)	Only Miss Free State and Moqhaka Winter Arts Festival were planned. However PACOFS subsequently entered into a partnership to host the annual MACUFE Festival with the DSACR
	Percentage of production that is local content	N/A	70%	55%	15%	Only 22 of productions met the local content criteria
	Total number of audiences attending productions	24 104	27 500	31 787	(4287)	Productions hosted on behalf of Schools in Bloemfontein attracted large number of audiences
To promote PACOFS and its internal and external productions to the public through effective marketing and communications campaigns	Total number of patrons for internal productions	11 228	17 600	13 235	4365	Due to budget constraints, only small Local productions were presented and therefore did not attract large number of audience members.
	Number of paying audience for internal productions	8 832	11 220	9 251	1 969	Due to budget constraints, only small Local productions were presented and therefore did not attract large number of audience members
	Total revenue generated through staged productions	1 141 288	1 375 000	920 229	454 771	Revenue collection was affected by a low turn-out of audiences.
	Total revenue generated through staged internal productions	406 870	561 000	85 797	475 203	Revenue collection was affected by a low turn-out of audiences.

Strategic outcome	Strategic Outcome 1: Improve Social Interaction Strategic Outcome 3: Stimulate the local economy					
Strategic objective	**Key performance indicator**	**Actual achievement 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target**	**Comment on deviations**
To promote, educate and develop audiences & young artists by educating audiences & young artists in way of presentation outside and inside PACOFS	Number of outreach projects in place targeting various groups - children, people with disabilities, women and rural communities	7	2	5	(3)	Management identified additional projects that were in line with the target for wider coverage.

Strategy to overcome areas of under performance

Areas of under performance	Strategy to overcome areas of under performance
Attendance of internally staged productions	Capacitate the marketing department and intensify the marketing strategies and campaigns; Create strategic partnerships that would assist the institution to stage professional and quality productions of excellence.
Revenue generation from productions	

Changes to planned targets

There were no changes to planned targets.

Linking performance to the budget

Programme	2017/18			2016/17		
	Budget R'000	**Actual R'000**	**(Over)/Under R'000**	**Budget R'000**	**Actual R'000**	**(Over)/Under R'000**
Business Development	11 130	12 207	(1 077)	12 100	10 367	1 733

Programme 3: Public Engagement

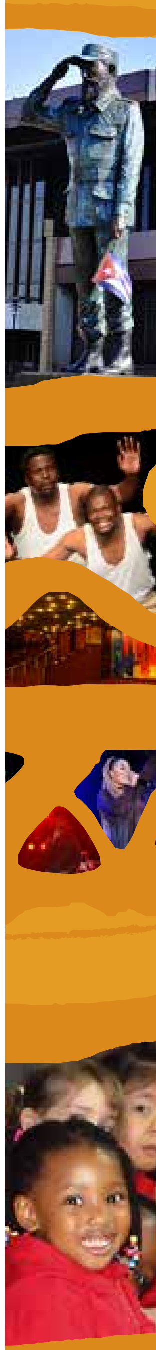
The programme aims to engage the public and ensure that they are well informed about all PACOFS' programmes. To create awareness, strengthen and enrich the institutional brand and identity to the public. To build trust and mutual understanding.

Strategic Objectives

- Promote, educate and develop audience and young artists by educating audience & young artists in way of presentation outside and inside PACOFS;
- Develop love and interest for, and sound understanding of Arts and Culture within rural communities;
- Promote PACOFS and its internal and external productions to the public through effective marketing and communications campaigns.

Service delivery environment

For the year under review, the programme had five targets which were all achieved. The target relating to community consultations was exceeded by 100% due to the partnerships that we had with the Mangaung Metropolitan Municipality, and Cultural and Creative Industries Federation of South Africa (CCIFSA), we were therefore able to cover four areas instead of the planned two.



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Organisational environment

The instability of the organisation has affected PACOFS' reputation to a point that some institutions did not want to be associated with PACOFS. The public broadcaster could not agree to a post payment arrangement for advertisement due to the current status of the institution. This has left the institution being unable to reach the masses in the communities.

The website could also not be regularly updated with upcoming shows and activities due to the shoestring budget allocation. This challenge also contributed to low ticket sales.

Strategic outcome	**Strategic Outcome 4: Create an enabling and vibrant creative arts environment**					
Strategic objective	**Key performance indicator**	**Actual achievement 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target**	**Comment on deviations**
To promote PACOFS and Its internal and external productions to the public through effective marketing and communications campaigns	Number of public awareness (media campaigns) activities conducted through various media platforms	17	2	2	0	N/A
	Number of formal media partnerships secured	1	2	2	0	N/A
	Number of marketing plans implemented for each production as per the annual artistic calendar	0	28	28	0	N/A
	Number of customer perception surveys conducted	4	4	4	0	N/A
	Number of community consultations held	0	2	6	(4)	Partnerships resulted in wider coverage

Strategy to overcome areas of under performance

All the set targets were achieved.

Changes to planned targets

There were no changes made to planned targets.

Linking performance to the budget

Programme	**2017/18**			**2016/17**		
	Budget R'000	**Actual R'000**	**(Over)/Under R'000**	**Budget R'000**	**Actual R'000**	**(Over)/Under R'000**
Public Engagement	8 797	9 183	(386)	8 954	6 750	2 204

The allocated financial resources were prudently utilised to deliver the planned outputs. Furthermore, through partnerships, some reportable and non-reportable targets were exceeded.

4. SUMMARY OF FINANCIAL INFORMATION

The revenue reported below only relates to internally generated revenue and the grant received from the Department of Arts and Culture. Excluded from the figures below is the revenue of R5.8 million (2017: R6. 8 million) realised from meeting the conditions of grants and the revenue in kind of R0.9 million (2017: R0.8 million) as a result of free occupation and usage of Public Works owned buildings.

Sources of revenue	2017/18			2016/17		
	Estimate	Actual Amount Collected	(Over) Under Collection	Estimate	Actual Amount Collected	(Over) Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Government Grant	43 589	43 589	0	41 513	41 513	0
Sale of goods	250	252	(2)	1 019	232	787
Interest income	250	879	(629)	897	663	234
Rendering of services	1 000	2 114	(1 114)	7 323	2 397	4 926
Other income	1 000	74	926	2 165	200	1 965
Total	**46 089**	**46 908**	**(819)**	**52 917**	**45 005**	**7 912**

Collections from the services rendered decreased to R2. 1 million (2017: R2.3 million) due to lower theatre rental income.

4.2 PROGRAMME EXPENDITURE

Programme	2017/18			2016/17		
	Estimate R'000	Actual Amount R'000	(Over) Under R'000	Estimate R'000	Actual Amount R'000	(Over) Under R'000
Administration	30 162	32 677	(2 515)	27 727	29 229	(1 502)
Business Development	11 130	12 207	(1 077)	12 100	10 367	1 733
Public Engagement	8 797	9 183	(386)	8 954	6 750	2 204
Total	**50 089**	**54 067**	**(3 978)**	**48 781**	**46 346**	**2 435**

The budget was overspent due to the under provision of R4 million for depreciation of assets. There was also an under budgeting for the compensation of employees, which resulted in overspending.

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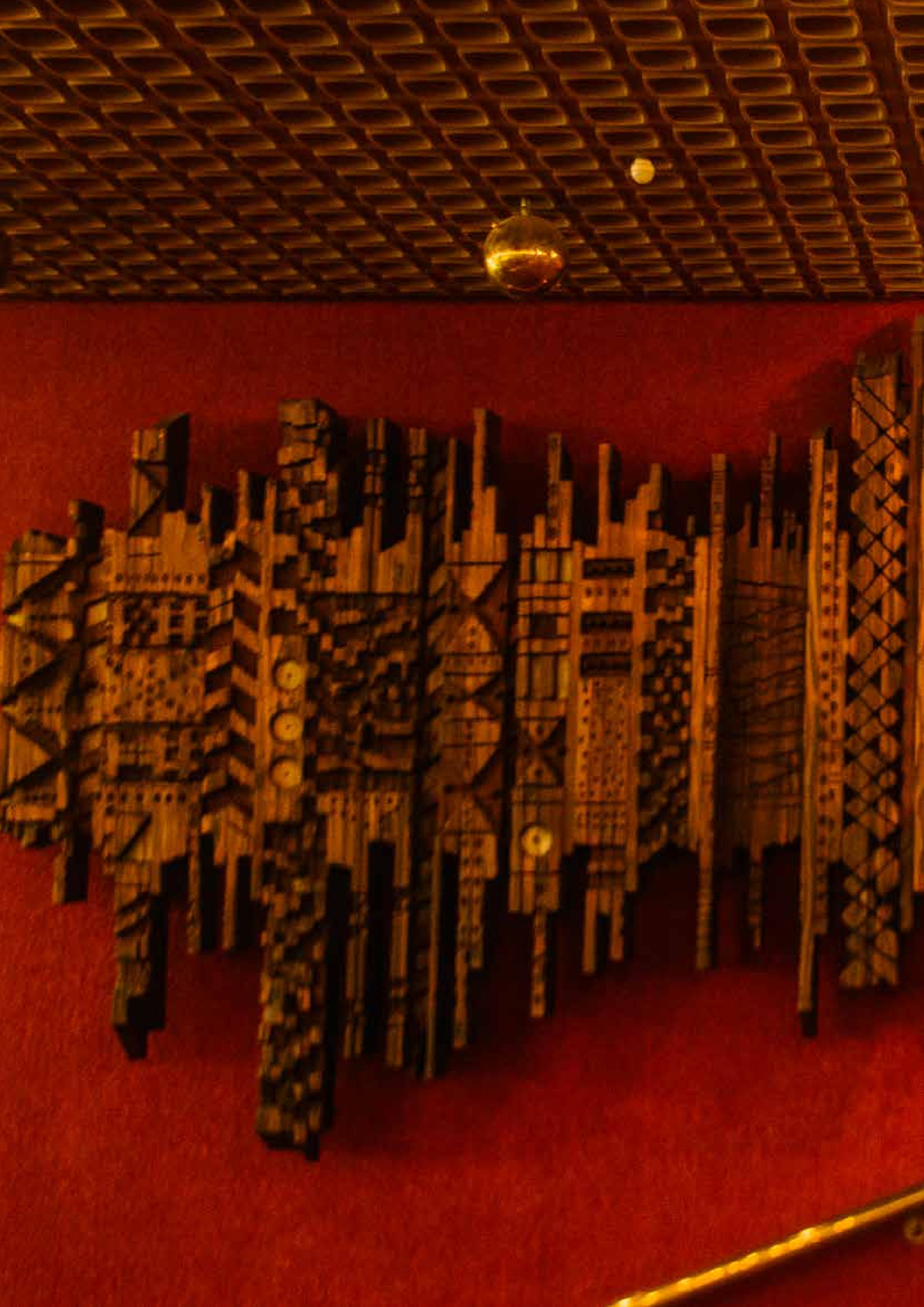

ANNUAL REPORT 2017/2018

PACOFS
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Part C
Governance

INTRODUCTION

Corporate governance embodies processes and systems by which PACOFS is directed, controlled and held to account. In addition to legislative requirements based on PACOFS' enabling legislation, and corporate governance with regard to public entities is applied through the precepts of the PFMA that run in line with the principles contained in the King's Report on Corporate Governance. The Council of PACOFS is responsible for corporate governance.

PORTFOLIO COMMITTEE

PACOFS appeared before the Portfolio Committee on Arts and Culture to present its 2016/2017 Annual Report on the 10th October 2017 and subsequent to year end, also on the 17th April 2018 to present the 2018/2019 Annual Performance Plan.

EXECUTIVE AUTHORITY

The Minister of Arts and Culture is the Executive Authority. During the period under review, the following reports were submitted to the Executive Authority:

Report description	Submission date
Procurement plan	31 March 2018
1st quarter report	28 August 2017
2nd quarter report	30 October 2017
3rd quarter report	31 January 2018
4th quarter report	30 April 2018
2015/16 Annual Report	31 August 3017
2018/19 Annual Performance Plan	28 February 2018

ACCOUNTING AUTHORITY

The Council, appointed by the Minister of Arts and Culture, is the accounting authority in terms of the PFMA and it recognises that transparency, disclosure, financial controls and accountability remain the pillars of a good system of corporate governance. The Council ensures that management is responsible for implementing controls as required by the PFMA.

Functions of the Council

- Formulate policy;
- Hold, preserve and safeguard all movable and immovable property of whatever kind placed in their care or loaned or belonging to PACOFS;
- Receive, hold, preserve and safeguard all movable property placed under its care and management under Section 10 of the Cultural Institutions Act 10(1);
- Raise funds for PACOFS;
- Manage and control the monies received by PACOFS and to utilise the monies for defraying expenses in connection with the performance of its functions;
- Keep a proper record of the property of PACOFS, and to submit to the Director- General any returns required by him or her in regard thereto and to cause proper books of account to be kept;
- Determine, subject to the Cultural Institutions Act and with the approval of the Minister, the objects of PACOFS and;
- Generally carry out the objectives of PACOFS.

Council charter

The Council had adopted a Council charter which guided its operations during the year under review. The charter was complied with fully.

Composition of the Council

From the 1st April until the 30th November 2017, the Council comprised of eight members who were reported in the 2016/2017 Annual Report. The Minister appointed the new Council effective from the 1st December 2017. The Council members bring to the Council a wide range of experience and skills.

Composition of the Council whose term ended on 30 November 2017

For the period 01 April 2017 to 30 November 2017, Council held 5 meetings.

Name	Qualifications	Date appointed	Area of expertise	Number of meetings attended
Ms. Afrika Msimang (Chairperson)	BA in Political Science; Masters in Public Admin.	13/05/2016	Governance	5
Adv. Khayelihle Thango	B.Proc.; LLB (postgraduate); In pursuit of LLM.	01/12/2014	Law	4
Mr. Nkosana Sifumba	BCom; MBL, CISA, CGEIT, CRISC	08/08/2016	ICT	3
Ms. Tinah Mnumzana	Diploma in Speech and Drama	01/12/2014	Performing Arts	3
Mr. Zolani Mkiva		01/12/2014	Performing Arts	2
Ms. Malekgoloane Malapane	BAcc.; MBA	01/12/2014	Accounting	3
Mr. Fezile Wetes	BCom(Hons)	12/06/2015	Human Resources	3
Mr. Thuso Segopolo	BTech	01/12/2014	IT	2

Council committees for the term ended 30 November 2017

Committee	Number of meetings held	Number of members	Name of members
HR Committee	2	2	Mr. F Wetes Adv. K. Thango
Artistic Committee	2	3	Ms. T. Mnumzana Mr. Z. Mkiva Mr. N Sifumba
ICT Steering Committee	2	1	Mr. N Sifumba
Audit and Risk Committee	4	5	Mr. K. Nkoe Ms. A Msimang Ms. L. Ralikonyana Ms. Z Chonco Mr. M. Mothapo

Composition of Council appointed on 01 December 2017

For the period 01 December 2017 to 31 March 2018, Council held five meetings.

Name	Qualifications	Area of expertise	Number of ordinary meetings attended
Mr. Nkosana Sifumba	BCom; MBL, CISA, CGEIT, CRISC	ICT Governance	5
Mr. Abia Litheko	BA in Education; BA in Dramatic Arts; Honours in Dramatic Arts	Performing Arts	3
Ms. Thoko Nogabe	Teacher; Choreographer; Actor; Musician	Performing Arts	2
Adv. Khayelihle Thango	BProc; LLB (postgraduate)	Law	3
Mr. Hubert Matlou	BA in Communication; BA. Honours in Communication; MA in International Communication; Executive Management Programme	Communication and Broadcasting	3
Ms. Tinah Mnumzana	Diploma in Speech and Drama; Teacher's Diploma in Dance and Drama-in-Education	Performing Arts	4
Mr. Dharamraj Brijlal	BA; BA (Hons.)(Ind. Psy); PGDip (BusMgt); MBA; MHRP (SABPP); Member (IPM).	Human Resources & Law	2
Ms. Maleshini Naidoo	BCom Acc; BCom Acc (Hons)	Accounting	2
Ms. Afrika Msimang (Chairperson)	BA in Political Science; Masters in Public Administration	Governance	5

Council committees appointed after 01 December 2017

Committee	Number of meetings held	Number of members	Name of members
Governance, HR and Legal	3	4	Mr. D. Brijlal Adv. K. Thango Mr. A Litheko Mr. N Sifumba
Core Business	2	4	Mr. A Litheko Ms. T Nogabe Ms. T. Mnumzana Mr. H. Matlou
Audit and Risk	6	5	Mr. K. Nkoe Ms. M. Naidoo Ms. L. Ralikonyana Ms. Z. Chonco Mr. M. Mothapo

RISK MANAGEMENT

PACOFS has adopted a risk management framework. It was developed to give effect to section 51(1)(a)(i) of the PFMA, which requires the institution to maintain effective, efficient and transparent risk management system.

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.

Therefore, a risk management policy is in place to guide in the identification, mitigation and management of risks facing the institution. Risk assessments are conducted annually to review the risk profile and the risk register for management to determine the effectiveness of the adopted risk mitigation plans.

The audit and risk committee monitors the effectiveness of the system of risk management within PACOFS and mainly focuses on the extent to which management mitigates unacceptable levels of risks. The committee reports regularly to Council on risk matters.

5.1 BENEFITS OF UPDATED RISK REGISTER

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

- Provide an effective check that the activities of the organisation help it meet objectives, which means that: Measurable outcomes are achieved by ensuring that every objective links directly to the activities; and a strategic plan is grounded in the real world of the business' day-to-day activities.
- Improve the quality of strategic planning by ensuring that: the planned objectives entirely respond to the organisation's mandate and the planned objectives are sensible and achievable.

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The risk assessment workshop was conducted in December 2017 and the risk register was reviewed and updated in March 2018. Also, the role of Chief Risk Officer was incorporated into the functions of the CEO as there is no risk unit in the institution.

INTERNAL AUDIT AND AUDIT COMMITTEE

Morar Inc. was appointed as PACOFS's internal auditors in November 2017.

PACOFS has in place an Internal Audit Charter that is reviewed regularly. It defines the status, objectives and the responsibility of the outsourced internal audit function. The internal audit function underpins governance within the institution. Its primary objective is to provide independent assurance and advice on the internal control systems, risk management, as well as operations and performance against set targets.

The following engagements were concluded in line with the approved internal audit plan:

- SCM review;
- Prior year audit findings review;
- Performance Information reviews.

The Audit and Risk Committee is established by Council to provide oversight for sound and effective risk management and internal control systems. For the year under review, the committee held six (6) meetings.

Composition of the audit and risk committee

Name	Qualifications	Date appointed	Internal / External	No. of Meetings attended
Mr. K Nkoe	BCom; Advanced Diploma in Accounting	01/03/2016	External (Chairperson)	6
Ms. Z.Chonco	BCom Accounting (Hons); CA(SA)	01/03/2016	External	3
Ms.L. Ralikonyana	BCom; Diploma in Internal Auditing	01/03/2016	External	2
Mr. M. Mothapo	B.Compt	01/05/2017	External	6
Ms. A. Msimang	BA in Political Science; Masters in Public Admin	13/05/2016	Council member	5
Ms. M. Malapane*	BAcc; MBA	17/05/2016	Council member	4
Ms. M. Naidoo	BCom Acc; BCom Acc (Hons).	19/01/2018	Council member	1

NOTE: Ms. Malapane served on the committee until 30 November 2017.

COMPLIANCE WITH LAWS AND REGULATIONS

PACOFS reports on compliance with laws and regulations on a quarterly basis to the shareholder and these include the National Treasury's PFMA checklist.

FRAUD AND CORRUPTION

PACOFS has an approved Fraud Prevention Plan. The mechanisms are in place to report fraud and corruption includes using the Free State province fraud and corruption reporting hotline (0800 21 21 78) and the national anti-fraud and corruption hotline (0800 701 701).

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 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 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 there are as of responsibility.

MINIMISING CONFLICT OF INTEREST

To minimise conflict of interest in supply chain management, bid committee members are required to complete a declaration of interest form. Where a member has interest in a service provider or a bid under consideration, that member must declare it and recuse himself or herself from the process.

CODE OF CONDUCT

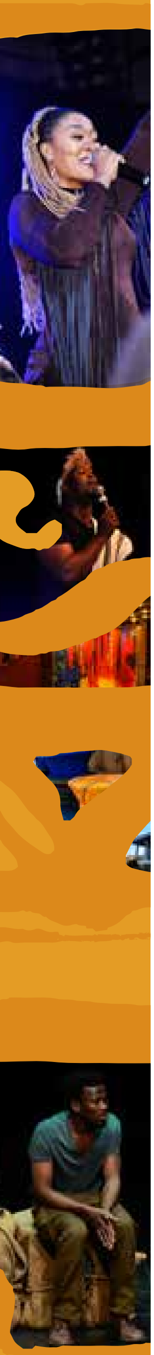
PACOFS has adopted both a code of conduct and a code of ethics to regulate various unbecoming and unacceptable behaviours. Failure to adhere to the codes by any PACOFS employee constitutes misconduct and can result in disciplinary action being taken. In serious cases, such disciplinary action may result in dismissal.

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

PACOFS is continuously striving to improve in complying with the Occupational Health and Safety Regulations. The aim is to ensure that there are no incidents of harm in the workplace. For the year under review, there were no injuries reported.

COUNCIL SECRETARY

A Council Secretary was appointed in January 2018.



AUDIT AND RISK COMMITTEE REPORT

Legislative Mandate

The Audit and Risk Committee presents its report for the financial year ended 31 March 2018 as required by the section 77 of the Public Finance Management Act, 1999 and Treasury Regulation 27.1.8.

Audit and Risk Committee Responsibilities

The Audit and Risk Committee reports that it has complied with its responsibilities arising from the 51(1)(a)(ii) of the PFMA and Treasury Regulation 27.1.8. The Committee has adopted the terms and reference as its Audit and Risk Committee charter and has carried out its affairs in compliance with this charter and has discharged its responsibilities contained therein.

The Effectiveness of the Internal Controls

The Audit and Risk Committee is of the opinion, based on the information and explanations given by management, that the internal auditors and discussions with the independent external auditors on the result of their audits and the status in addressing the matters raised in the prior years, that the internal accounting controls need strengthening and improvement to ensure that the financial records are relied upon for preparing the annual financial statements and for the accountability for assets and liabilities.

Nothing significant has come to the attention of the Audit and Risk Committee, other than the matters referred to in the acting Chief Executive Officer's and the Auditor-General's reports, to indicate that any material breakdown in the functioning of the controls, procedures and systems have occurred during the year under review.

Risk Management Function

The Audit and Risk Committee is responsible for the oversight of the Risk Management of the organisation. PACOFS has performed a strategic and operational risk assessment review and has developed a risk register. Management has developed mitigation plans for all risks that were identified. The entity needs to improve on the implementation of risk management.

Internal Audit Function

In terms of the PFMA, the Accounting Authority needs to ensure that the organisation has a system of internal audit under the control and direction of the Audit Committee. This has been ensured even if the internal audit function for the entity has been outsourced.

The Committee is satisfied that the Internal audit function is operating effectively and that it has addressed the risks pertinent to the organisation. The Committee is satisfied that the internal function maintains an effective internal quality assurance and programmes that cover all aspects of the internal audit activities.

The Audit and Risk Committee notes with satisfaction the independence and objectivity of the Internal Audit function.

The Quarterly Reports

The Audit and Risk Committee is satisfied with the content and quality of management and quarterly reports prepared and issued during the year under review.

The Committee has reviewed and commented on the organisational annual financial statements report on performance information and their timely submission to the external auditors on 31 May 2018.

Financial Statements

The Audit and Risk Committee has evaluated the annual financial statements of PACOFS for the year ended 31 March 2018 and, based on the information provided to the Audit and Risk Committee, considers that they comply, in all material respects, with the requirements of the Public Finance Management Act, 1 of 1999, as amended, and the Generally Recognised Accounting Practice. The Committee has performed a limited assurance review on the annual financial statements.

External Auditor's Report

The Audit and Risk Committee noted the Auditor General's conclusion on the Annual Financial Statements. The Committee is of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor General. The Committee confirms that it has been actively involved throughout the audit process and has been thoroughly appraised of the issues giving rise the audit opinion. The Committee has met with the Auditor General to ensure that there are no unresolved issues, and acknowledges the diligence and co-operation of the external audit team.

Mr Khotso Nkoe
Chairperson of the Audit and Risk Committee

31 July 2018

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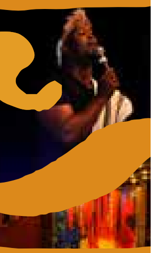
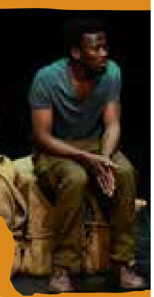
Part D
Human Resource Management





INTRODUCTION

PACOFS has a staff complement of 75 employees, of which 52 are in the core business. The majority of the employees are semi-skilled. Focus, therefore, should be on education and training in order to build better capacity.

Labour peace is still a mirage. However, progress is being made for there is now one dominant labour union at PACOFS where issues affecting the workers will be the focus rather than a continuous struggle between two unions trying to upstage each other.

HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme

Programme	Total Expenditure (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	26 123	11 499	44.0	23	500
Business Development	11 771	5 330	45.3	12	444
Public Engagement	8 612	6 548	76.0	40	164
Total	**46 506**	**23 377**	**50.3**	**75**	**312**

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	2 683	11.5	2	1 342
Middle Management	4 814	20.6	8	602
Professional qualified	981	4.2	2	491
Skilled	6 014	25.7	18	334
Semi-skilled	7 375	31.5	37	199
Unskilled	1 510	6.5	8	189
TOTAL	**23 377**	**100**	**75**	**312**

There were no performance rewards during the year under review.

Training Cost

Programme	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No of employees trained	Avg training cost per employee)
Administration	11 499	55	0.48	8	7
Business Development	5 330	32	0.60	1	32
Public Engagement	6 548	22	0.34	3	7
TOTAL	**23 377**	**109**	**0.47**	**12**	**9**

Employment and vacancies

Programme	2017/2018 No. of Employees	2017/2018 Approved Posts	2017/2018 Vacancies	% of vacancies
Administration	23	32	9	28.1%
Business Development	12	13	1	7.7%
Public Engagement	40	44	4	9.1%
TOTAL	**75**	**89**	**14**	**15.7%**

Programme	2017/2018 No. of Employees	2017/2018 Approved Posts	2017/2018 Vacancies	% of vacancies
Top Management	2	4	2	50.0%
Middle Management	8	9	1	11.1%
Professional qualified	2	4	2	50.0%
Skilled	18	20	2	10.0%
Semi-skilled	37	42	5	11.9%
Unskilled	8	10	2	20.0%
Total	**75**	**89**	**14**	**15.7%**

The post of Chief Executive Officer was advertised twice and in both instances, no suitable candidates were found. Due to budgetary pressures, the post of Director for Corporate Services was canned. However, the post of Finance Manager has been filled by an internal candidate.

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	3	1	2	2
Middle Management	7	1	0	8
Professional qualified	3	0	1	2
Skilled	19	1	1	18
Semi-skilled	39	1	3	37
Unskilled	11	0	3	8
Total	**82**	**4**	**10**	**75**

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	0
Resignation	4	40%
Dismissal	0	0
Retirement	6	60%
Ill-health	0	0
Expiry of contract	0	0
Other	0	0
Total	**10**	**100%**

Labour Relations: Misconduct and disciplinary action

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

Equity Target and Employment Equity Status

The recruitment and selection process has not been concluded, our target and priority are to attract female or people with disability as there is a shortfall.

EE/AA Male

Levels	MALE			
	African	Coloured	Indian	White
Top Management	2	0	0	0
Middle Management	4	0	0	1
Professional qualified	2	0	0	0
Skilled	8	2	0	0
Semi-skilled	25	0	0	0
Unskilled	2	0	0	0
TOTAL	**43**	**2**	**0**	**1**

EE/AA Female

Levels	FEMALE			
	AFRICAN	COLOURED	INDIAN	WHITE
Top Management	0	0	0	0
Middle Management	2	1	0	0
Professional qualified	0	0	0	0
Skilled	4	0	0	4
Semi-skilled	11	0	0	1
Unskilled	6	0	0	0
TOTAL	**23**	**1**	**0**	**5**

Recruitment of people with disabilities is a concern for the institution as it battles to attract this group of people. Facilities have been upgraded to cater for people with disabilities; therefore, the institution is ready to accommodate them.

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Part E
Financial Information

REPORT OF THE AUDITOR-GENERAL
PERFORMING ARTS CENTRE OF THE FREE STATE
31 MARCH 2018

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE PERFORMING ARTS CENTRE OF THE FREE STATE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified opinion

I have audited the financial statements of the Performing Arts Centre of the Free State set out on pages 52 to 96, which comprises of the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matters described in basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the entity as at 31 March 2018, and the entities financial performance and cash flows for the year ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA)

Basis for qualified opinion

Property, plant and equipment

The entity did not recognise all items of property, plant and equipment in accordance with GRAP 17, Property, plant and equipment, as some assets were not recorded in the assets register. Consequently, property, plant and equipment and depreciation was understated by R1 515 072. Additionally, there was a resultant impact on the surplus for the period and on the accumulated surplus.

Receivables from exchange transactions

I was unable to obtain sufficient and appropriate audit evidence for receivables from exchange transactions, as the entity did not maintain accurate and complete records of the information used to determine receivables from exchange transactions. I could not confirm the receivables by alternative means. Consequently, I was unable to determine whether or not any adjustment was necessary to receivables from exchange transactions stated at R1 232 902 (2017: R738 436) in note 4 to the financial statements.

General expenses

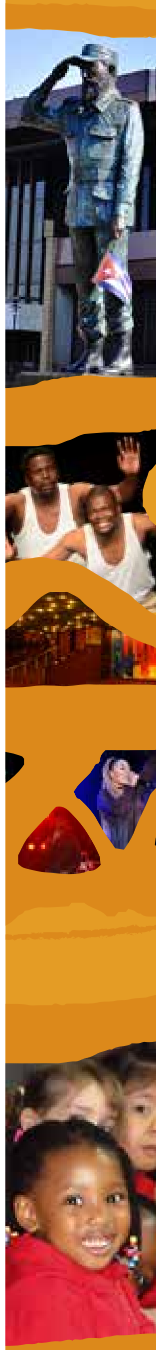
The entity did not record expenditure in accordance with GRAP 1, *Presentation of financial statements*. The entity did not correctly classify the different types of general expenditure transactions according to their nature within the sub-categories in note 17 to the financial statements, resulting in general expenses being misstated by R2 705 909 within the various line items in note 17. General expenses and payables from exchange were also understated by R413 669. In addition, I was unable to obtain sufficient and appropriate audit evidence for general expenses due to the unavailability of supporting documentation. I was unable to confirm the general expenses by alternative means. Consequently, I was unable to determine whether or not any adjustment was necessary to general expenses stated at R20 265 238 in note 17 to the financial statements. There was also a resultant impact on the deficit for the period and on the accumulated surplus.

Cash flow statement

The entity did not present the cash flow statement in accordance with GRAP 2, *Cash flow statements*, as differences were identified in the cash flow statement presented. The cash flows from operating activities relating to the current year figures were misstated due to incorrect cash flow calculations, resulting in the cash flow statement being misstated by R878 740 (2017: R33 727 189)

Context for the opinion

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.



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

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

Emphasis of matters

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

Restatement of corresponding figures

As disclosed in note 25 to the financial statements, the corresponding figures for 31 March 2017 have been restated as a result of errors in the financial statements of the entity at, and for the year ended, 31 March 2018.

Material under spending on conditional grants

As disclosed in note 30 to the financial statements, the entity has materially under-spent on conditional grants to the amount of R48 829 733. This was as a result projects being placed on hold due to an investigation that was only finalised during the year.

Irregular expenditure

As disclosed in note 30 to the financial statements, irregular expenditure of R9 591 543 (2017: R3 955 324) was incurred mainly due to non-compliance with supply chain management (SCM) requirements and overspending of the budget. In addition, the full extent of irregular expenditure is still in the process of being determined.

Contingent liabilities

With reference to note 22 to the financial statements, the entity is the defendant in two arbitration awards. The entity opposes the awards and referred the matters to the labour court for review. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

Other matters

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

Unaudited disclosure note

The entity disclosed deviations from SCM requirements in note 31 to the financial statements, which is not a requirement of the PFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Monitoring of funded productions

The entity made losses of R2 768782 on the production shows for the year ended 31 March 2018. Revenue from the shows amounted to R1 981 153, whereas the cost to stage the shows amounted to R4 749 935 on approved productions. These productions are operating in poor market conditions. The entity's monitoring and control processes in respect of funded productions were not always effective to ensure that the productions are profitable, while the entity utilised grant income to subsidise these productions.

Responsibilities of the accounting authority for the financial statements

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

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

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

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

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

Report on the audit of the annual performance report

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

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

Programmes	Pages in the annual performance report
Programme 2-Business development	21 - 23
Programme 3- Public engagement	23 - 24

I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether or not the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

Programme 2- Business development

Various indicators

The source information and evidence for achieving the planned indicators was not specific in clearly identifying the nature and required level of performance for the indicators below:

- Percentage of production that is local content
- Number of community based productions

Other matters

I draw attention to the matters below:

Achievement of planned targets

Refer to the annual performance report on pages 19 to 25 for information on the achievement of planned targets for the year and explanations provided for the under and over achievement of a number of targets. This information should be considered in the context of the material findings on the usefulness of the reported performance information in paragraph 27 of this report.

Adjustment of material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 2 - business development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

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. Material misstatements of non-current liabilities and disclosure items identified by the auditors in the submitted financial statements were corrected and supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

Effective steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA, the value as disclosed in note 30 to the financial statements is not complete as management was still in the process of quantifying the full extent of the irregular expenditure.

Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R12 515, as disclosed in note 29 in the annual financial statements, in contravention of section 51(1) (b) (ii) of the PFMA.

Expenditure was incurred in excess of the approved budget, in contravention of section 53(4) of the PFMA.

Revenue management

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

Consequence management

Disciplinary steps were not taken against officials who had incurred irregular expenditure amounting to R60 965 314, as required by Section 51(1) (e) (iii) of the PFMA. This was due to management not investigating irregular expenditure incurred in the prior years.

Disciplinary steps were not taken against officials who had incurred fruitless and wasteful expenditure amounting to R2 550 111, as required by section 51(1) (e) (iii) of the PFMA. This was due to management not investigating fruitless and wasteful expenditure incurred in the prior years.

Other information

The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the director's report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

My opinion on the financial statements and finding on the reported performance information and compliance with the legislation does not cover the other information and does not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

The Council did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities as the entity did not have an approved asset management policy to guide the asset management processes due to instability in the finance unit.

Management did not ensure that there is accurate and complete recording of financial information to support financial and performance reporting.

The Council did not ensure that there is stability in key management positions as there was instability in the chief executive officer and the chief financial officer positions during the past two years. This had a negative impact on the quality of financial and performance reporting.

Leadership did not establish effective mechanisms to hold individuals accountable where internal controls were not adhered to as disciplinary steps were not taken against officials who incurred irregular and fruitless and wasteful expenditure.

Other reports

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

An investigation by the Department of Arts and Culture on the capital expenditure incurred in previous years was finalised during the financial year, however the information was not considered for the audit as the report was only finalised late during the audit process.

Auditor General

Bloemfontein

31 July 2018

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

Annexure-Auditor-General's responsibility for the audit

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

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

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

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also confirm to the accounting authority that I have compiled with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2018

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Playhouse
Members	Ms. A. Msimang
	Mr. J. A. Litheko
	Ms. T. Mnumzana
	Adv. K. Thango
	Ms. M. Naidoo
	Mr. D. Brijal
	Mr. H. Matlou
	Ms. T. Nogabe
	Mr. N. Sifumba
Registered office	12 First Avenue
	Westdene
	Bloemfontein
	9300
Bankers	ABSA Bank
Auditors	Auditor-General of South Africa

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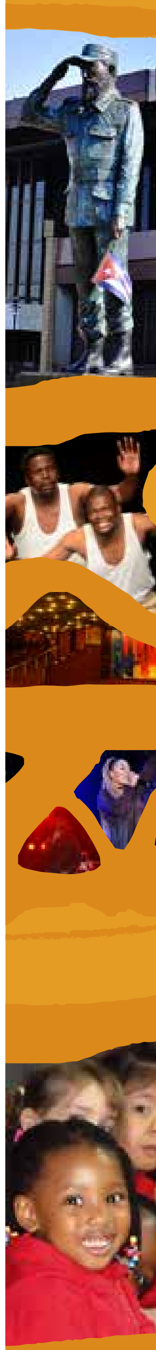
The reports and statements set out below comprise the annual financial statements presented to Parliament:

PACOFS	Performance Arts Centre of Free State
NDR	Non Distributable Reserve
FAR	Fixed Asset Register
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
PFMA	Public Finance Management Act



Council's Responsibilities and Approval

The Council members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Council 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 Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The Council 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 Council members to meet these responsibilities, the Council sets standards for internal control aimed at reducing the risk of error 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. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. 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 Council 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 annual financial statements set out on pages 54 to 97, which have been prepared on the going concern basis, were approved by the on 31 May 2018 and were signed on its behalf by:

Mr Nkosana Sifumba
Chairperson of the Council
31 July 2018

Mr Moeketsi Xaba
Acting Chief Executive Officer (CEO)
31 July 2018

Council's Report

The Council members submit their report for the year ended 31 March 2018

1. Review of activities

The entity's main operations are the running of 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 on a public platform. There has been no major change in the nature of the business during the year under review. PACOFS is a Cultural institution in terms of section 3 of the Cultural Institutions Act, 1998. The legislation governing the entity's operations are the PFMA, Treasury Regulations and any other related prescripts as published from time to time by the Minister of Finance.

2. 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 entity is fully funded and dependent on the Department of Arts and Culture (DAC).

3. Subsequent events

The new Council chairperson, Mr Nkosana Sifumba was appointed after year end. The appointment does not have any financial impact on the current year financial statements. The revaluation of Heritage Assets was performed after year end. The effective date of the revaluation was 20/04/2018. Revaluations were performed by independent valuer Synergy Valuations. There were material non-adjusting events identified which could influence the financial statements.

- Council approval was received to write off bad debts, duplicated assets and expenses incorrectly capitalised as assets;
- The estimated write off of the bad debts amounts to R 1 471 242.32 and the estimated write off of assets amounts to R 391 540.45;
- The entity has subsequently reinstated one of the dismissed employees referred to in the Contingent Liabilities note, with a back pay of R2.9 million payable over three years. The reinstatement took effect on the 13th June 2018 and this has been determined as a non-adjusting event.

4. Council

The Council members of the entity during the year under review and to the date of this report were as follows:

Ms. A. Msimang	Appointed 01 December 2017
Mr. J. A. Litheko	Appointed 01 December 2017
Ms. T. Mnumzana	Appointed 01 December 2017
Adv. K. Thango	Appointed 01 December 2017
Ms. M. Naidoo	Appointed 01 December 2017
Mr. D. Brijlal	Appointed 01 December 2017
Mr. H. Matlou	Appointed 01 December 2017
Ms. T. Nogabe	Appointed 01 December 2017
Mr. N. Sifumba	Appointed 01 December 2017
Mr. T. Segopolo	Resigned 30 November 2017
Mr. Z. Mkiva	Resigned 30 November 2017
Mr. F. Wetes	Resigned 30 November 2017
Ms. M. Malapane	Resigned 30 November 2017

Statement of Financial Position as at 31 March 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	3	1,821,921	1,759,456
Receivables from exchange transactions	4	1,232,902	738,436
Receivables from non-exchange transactions		1,936,000	-
Cash and cash equivalents	5	59,727,692	53,364,288
		64,718,515	**55,862,180**
Non-Current Assets			
Property, plant and equipment	6	36,637,788	42,832,910
Intangible assets	7	14,233	85,395
Heritage assets	8	4,100,000	3,872,500
Capital Work in Progress		7,834,251	9,484,251
		48,586,272	**56,275,056**
Total Assets		**113,304,787**	**112,137,236**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	6,330,783	8,956,151
Unspent conditional grants and receipts	10	48,829,733	40,237,388
		55,160,516	**49,193,539**
Non-Current Liabilities			
Deferred Revenue		31,025,777	36,359,326
Employee benefit obligation	11	6,794,000	6,238,000
Leave Accrual		1,469,689	1,231,213
		39,289,466	**43,828,539**
Total Liabilities		**94,449,982**	**93,022,078**
Net Assets		**18,854,805**	**19,115,158**
Reserves			
Revaluation reserve		1,181,266	953,766
Accumulated surplus		17,673,539	18,161,381
Total Net Assets		**18,854,805**	**19,115,147**

** See Note 25*

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2018

Statement of Financial Performance

Figures in Rand	Notes	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	12	251,847	232,357
Rendering of services	13	2,113,703	2,397,059
Other income		74,228	200,116
Interest received – investment		879,588	663,187
Total revenue from exchange transactions		**3,319,366**	**3,492,719**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies		43,589,000	41,513,000
Revenue in kind		909,609	834,504
Revenue realised on conditional grants		5,853,519	6,816,920
Total revenue from non-exchange transactions		**50,352,128**	**49,164,424**
Total revenue	**14**	**53,671,494**	**52,657,143**
Expenditure			
Employee related costs	15	(26,597,552)	(22,280,813)
Depreciation and amortization	16	(6,459,411)	(6,224,288)
Finance costs		-	(6,091)
Debt impairment		(284,302)	(907,373)
Repairs and Maintenance	7	(460,126)	(543,602)
General Expenses	17	(20,265,238)	(18,980,970)
Total expenditure		**(54,066,629)**	**(48,943,137)**
Operating (deficit) surplus		**(395,135)**	**3,714,006**
(Deficit) surplus for the year		**(395,135)**	**3,714,006**

** See Note 25*

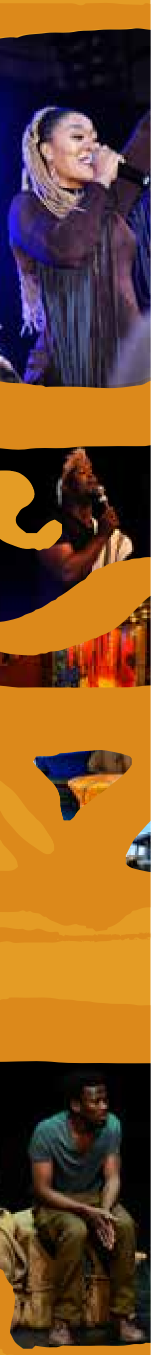
Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2018

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated Surplus	Total net assets
Opening balance as previously reported	953,766	10,207,713	11,161,479
Adjustments			
Prior year adjustments	-	4,239,662	4,239,662
Balance at 01 April 2016 as restated*	**953,766**	**14,447,375**	**15,401,141**
Changes in net assets			
Surplus or (deficit) for the year	-	3,714,006	3,714,006
Total changes	-	3,714,006	3,714,006
Restated* Balance at 01 April 2017	**953,766**	**18,161,382**	**19,115,148**
Changes in net assets			
Revaluation of Heritage Assets	227,500	-	227,500
Net income (losses) recognised directly in net assets	227,500	-	227,500
Surplus or (deficit) for the year	-	(395,135)	(395,135)
Total recognised income and expenses for the year	227,500	(395,135)	(167,635)
Other movements	-	(92,708)	(92,708)
Total changes	227,500	(487,843)	(260,343)
Balance at 31 March 2018	**1,181,266**	**17,673,539**	**18,854,805**

** See Note 25*



Cash Flow Statement

Figures in Rand	Notes	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Grant interest received		3,176,315	1,823,239
Sale of goods and services		1,661,010	2,634,078
Grants		47,589,000	73,038,358
Interest income		879,588	663,187
		53,305,913	78,158,862
Payments			
Employee costs		(25,813,437)	(24,647,484)
Suppliers		(20,903,073)	(17,307,065)
Finance costs		-	(6,091)
		(46,716,510)	(41,960,640)
Net cash flows from operating activities	**19**	**6,589,403**	**36,198,222**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(226,000)	(1,326,925)
Purchase of other intangible assets	7	-	(85,395)
Net cash flows from investing activities		**(226,000)**	**(1,412,320)**
Net increase/(decrease) in cash and cash equivalents		**6,363,403**	**34,785,902**
Cash and cash equivalents at the beginning of the year		53,364,288	18,578,386
Cash and cash equivalents at the end of the year	**5**	**59,727,691**	**53,364,288**

** See Note 25*

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
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Sale of goods	250,000	-	**250,000**	251,847	**1,847**
Rendering of services	1,000,000	-	**1,000,000**	2,113,703	**1,113,703**
Other income - (rollup)	1,000,000	-	**1,000,000**	74,228	**(925,772)**
Interest received – investment	250,000	-	**250,000**	879,588	**629,588**
Total revenue from exchange transactions	**2,500,000**	**-**	**2,500,000**	**3,319,366**	**819,366**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	43,589,000	-	**43,589,000**	43,589,000	**-**
Revenue in Kind	-	-	**-**	909,609	**909,609**
Heritage assets grant	4,000,000	-	**4,000,000**	2,000,000	**(2,000,000)**
Total revenue from non-exchange transactions	**47,589,000**	**-**	**47,589,000**	**46,498,609**	**(1,090,391)**
Total revenue	**50,089,000**	**-**	**50,089,000**	**49,817,975**	**(271,025)**
Expenditure					
Personnel	(24,085,000)	239,000	**(23,846,000)**	(26,597,552)	**(2,751,552)**
Depreciation and amortisation	(2,100,000)	(273,000)	**(2,373,000)**	(6,459,411)	**(4,086,411)**
Debt Impairment	-	-	**-**	(284,302)	**(284,302)**
Repairs and Maintenance	-	-	**-**	(460,126)	**(460,126)**
General Expenses	(23,904,000)	34,000	**(23,870,000)**	(20,265,238)	**3,604,762**
Total expenditure	**(50,089,000)**	**-**	**(50,089,000)**	**(54,066,629)**	**(3,977,629)**
Deficit before taxation	**-**	**-**	**-**	**(4,248,654)**	**(4,248,654)**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**(4,248,654)**	**(4,248,654)**

Notes to the Annual Financial Statements

Accounting Policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

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

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

These accounting policies are consistent with the previous period.

1.1. Going concern assumption

These Annual Financial Statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

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:

Trade receivables

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 judgments as to whether or not there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for trade receivables 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.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of and tangible assets. The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities.

Provisions

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

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. Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 11.

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. The accounting policy requires the entity to provide for debtors which are more than 12 months. Discounting of unimpaired debt is levied at 10.00 % on the balance outstanding, which is the effective interest. The nominal interest rate of 10.00% is used to compute the effective interest rate on an annual compounding basis. Management expects to collect the unimpaired debtors within the next financial year hence they are only discounted one year.

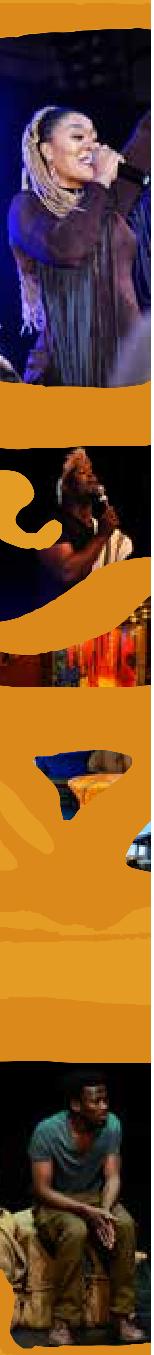
1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized. 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. Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The useful lives of items of property, plant and equipment have been assessed as follows:



Item	Depreciation method	Average useful life
Computer equipment	Straight line	3 - 5 years
Musical Instruments	Straight line	5 - 15 years
Permanent Advertising Structures	Straight line	5 - 15 years
Photographic Equipment	Straight line	5 - 12 years
Furniture and fixtures	Straight line	8 - 15 years
Motor vehicles	Straight line	5 - 15 years
Sound Equipment	Straight line	5 - 25 years
Theatre Equipment	Straight line	5 - 25 years
Wadrobe Equipment	Straight line	5 - 12 years
Workshop Machinery	Straight line	5 - 25 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life. 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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate. The entity assesses at each reporting date whether or not there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate. 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. The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

1.4 Intangible assets

An asset is identifiable if it is either separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract. An intangible asset is recognised when: it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and the cost or fair value of the asset can be measured reliably. The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date. Intangible assets are carried at cost less than any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	1 year
Computer software, internally generated	Straight line	Indefinite

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.

An inalienable item is an asset that an entity is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

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.

The entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note). The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

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 is carried at its cost less any accumulated impairment losses. 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.

Impairment

The entity assesses at each reporting date whether or not 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 included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

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.

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

Trade and other receivables

Trade and other receivables are stated at cost less provision for doubtful debts. Receivables are written off when considered irrecoverable. Trade and other receivables and provision for doubtful debts are discounted using the effective interest rate where considered applicable.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Trade and other payables

Trade and other payables are stated at cost. Trade and other payables are discounted using the effective interest rate where considered applicable.

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.

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.

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; ora 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 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.

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
Receivables from exchange transactions	Financial asset measured at amortised cost

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

CLASS: Payables from exchange transactions

Category: Financial liability measured at amortised cost

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.

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; Oran investment in a residual interest that meets the requirements for reclassification. 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 assesses at the end of each reporting period whether or not 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:
- derecognises the asset; and
- recognises 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 recognises 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 recognises 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 continues to recognise the transferred asset in its entirety and recognises 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). Trade and other payables are stated at cost. Trade and other payables are discounted using the effective interest rate where considered applicable.

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 are recognised as revenue or expense in surplus or deficit. 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 Leases

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

Operating leases – lessee

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

1.8 Inventories

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

Subsequently, inventories are measured at the lower of cost and net realisable value. Inventories are measured at the lower of cost and current replacement cost where they are held for;
• distribution at no charge or for a nominal charge; or
• consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

1.9 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; Oran 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 12 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. 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 12 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 12 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 cell-phones) for current employees.

When an employee has rendered the service to the entity during a reporting period, the entity recognises 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 recognises 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 the service that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures 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 recognises 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 services to the entity during a reporting period, the entity recognises 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 recognises 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 12 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 are consistent with the currency and estimated term of the obligation.

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 recognises 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 recognises past service cost as an expense in the reporting period in which the plan is amended. 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 accounts 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 measures 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 determines 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-measures 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.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.10 Provisions and contingencies

Provisions are recognised when: the entity has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and a reliable estimate can be made of the obligation. The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense. A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit). 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 an 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.

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement. After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of: the amount that would be recognised as a provision; and the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 22. 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.

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. When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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. Ticket Sales 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.

Deferred revenue

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

1.11 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; 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.

1.12 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.

1.13 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 arises 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. 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. 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

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

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

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

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

Deferred Revenue consists of expenditure incurred for DAC projects which are still work in progress. The deferred revenue is recognised to the extent that an expense is incurred towards these projects. The deferred revenue is derecognised when there are no further obligations arising from the receipt of the grant.

Services in-kind

The entity recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity discloses the nature and type of services in-kind received during the reporting period.

1.14 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 surplus (deficit) 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.

1.15 Investment income

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

1.16 Comparative figures

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

1.17 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

1.18 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 - this Act; or the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or 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.

1.19 Budget information

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

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 is prepared on a cash basis and presented by economic classification linked to performance outcome objectives. The approved budget covers the fiscal period from 01/04/2017 to 31/03/2018. The budget for the economic entity includes all the entity's 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 Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.20 Related Parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party or vice versa, or an entity that is subject to common control or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control over those policies.

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 who may be expected to influence, or be influenced by that management in their dealings with the entity.The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

An entity shall disclose the remuneration of management per person and in aggregate, for each class of management, in the following categories: fees for services as a member of management; basic salary; bonuses and performance related payments; other short-term employee benefits; post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care; termination benefits; other long-term benefits; any commission, gain or surplus sharing arrangements; and any other benefits received.

1.21 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified: those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

1.22 Change in accounting policy

An entity changes its accounting policy only if the change: is required by a Standard of GRAP; or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. The change in accounting policy will be accounted for re prospectively to the earliest period applicable.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2018 or later periods:

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2018. The entity expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment. It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in: identifying related party relationships and transactions; identifying outstanding balances, including commitments, between an entity and its related parties; identifying the circumstances in which disclosure of the items in (a) and (b) is required; and determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements. Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

A person or a close member of that person's family is related to the reporting entity if that person:

- Has control or joint control over the reporting entity;
- Has significant influence over the reporting entity;
- Is a member of the management of the entity or its controlling entity.

An entity is related to the reporting entity if any of the following conditions apply:

- The entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of

which the other entity is a member);

- Both entities are joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- The entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- The entity is controlled or jointly controlled by a person identified in (a); and
- A person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence
- The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management
- The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are: IASB amendments:
To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period
The effective date of the amendment is for years beginning on or after 01 April 2018.
The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.
It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

GRAP 108: Statutory Receivables
The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 109: Accounting by Principals and Agents
The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does, however, provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date. The effective date of the standard is not yet set by the Minister of Finance. The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 12 (as amended 2016): Inventories
Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

General improvements:
To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)

IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.
The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.
It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

Directive 12: The Selection of an Appropriate Report Framework by Public Entities New standards and interpretations
Historically, public entities have prepared financial statements in accordance with generally recognised accounting practices, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practices" have been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future. The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework. The effective date of the directive is for years beginning on or after 01 April 2018. The entity expects to adopt the directive for the first time in the 2019 annual financial statements. It is unlikely that the directive will have a material impact on the entity's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rands (R)	2018	2017
3. Inventories		
Stock	891,249	879,925
Maintenance and consumable stores	930,672	900,435
	1,821,921	1,780,360
Inventories (write-downs)	-	(20,904)
	1,821,921	**1,759,456**
Inventories recognised as an expense during the year	1,106,240	1,012,570

In the prior year, inventories that relate to liquor totalling R20 904, were written off as they had expired. In the current year, no write offs were done as we did not have expired liquor

Inventory pledged as security

Inventory has not been pledged as security or as collateral for any liabilities or contingent liabilities

4. Receivables from exchange transactions		
Trade receivables	1,416,186	1,319,108
Other receivables	654,261	195,159
Medical Pension debtors	92,666	35,547
Prepaid expenses	160,266	159,408
Sundry debtors	77,387	24,614
Third party receivables	115,869	4,031
Provision for debt impairment	(1,283,733)	(999,431)
	1,232,902	**738,436**

Trade and other receivables pledged as security

The debtors have not been pledged as security or as collateral for any liabilities or contingent liabilities.

Trade and other receivables past due but not impaired.

Trade and other receivables which are less than 12 months past due are not considered to be impaired. At 31 March 2018, R 240,210 (2017: R 68 832) were past due but not impaired.

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

1 month past due	3,426	50,716
2 months past due	233,435	6,338
3 months past due	-	9,597
6 to 12 months past due	3,349	2,181

Trade and other receivables impaired

The amount of the provision was R 1,283,733 as of 31 March 2018 (2017: R 999,431).

The ageing is as follows:

Over 12 months	1,248,800	999,431

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Figures in Rands (R)	2018	2017
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	999,431	141,447
Provision for impairment	249,369	857,984
	1,248,800	**999,431**

5. Cash and cash equivalents

	2018	2017
Cash and cash equivalents consist of:		
Cash on hand	16,288	14,309
Bank balances	5,575,213	5,034,045
Short-term deposits	53,997,965	48,179,595
Trusts	138,226	136,339
	59,727,692	**53,364,288**
	138,226	136,339

Trusts held by the entity that are not available for use by the economic entity.
The cash and cash equivalents not available for use consist of funds held to ensure that the actors/actresses are awarded by the entity every year. The funds are restricted and not available for use.

The short term deposits comprise of investments held with ABSA and the South African Reserve Bank	2018	2017
32 day notice – ABSA	8,918,014	6,275,958
Investments – SARB	45,079,951	41,904,036

The 32 days' notice held with ABSA is earning an interest of 4.25% per annum while the investments held with SARB are earning an average interest of 7.33%per annum.
The investment in SARB is ring fenced only to the completion of the capital projects. Should there be amounts remaining when the projects are done, these will be surrendered to DAC.

6. Property, plant and equipment

	2018 Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	2017 Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	7,223,917	(4,538,620)	2,685,297	7,223,917	(4,020,972)	3,202,945
Motor vehicles	652,673	(476,750)	175,923	652,673	(428,948)	223,725
Computer equipment	2,745,064	(1,755,909)	989,155	2,602,853	(1,429,996)	1,172,857
Assets held for transfers	36,835,502	(13,643,976)	23,191,526	36,835,502	(9,960,427)	26,875,075
Wardrobe equipment	251,989	(205,436)	46,553	251,989	(192,192)	59,797
Permanent advertising structures	471,761	(427,310)	44,451	471,761	(418,420)	53,341
Lighting equipment	10,190,382	(6,350,803)	3,839,579	10,190,382	(5,666,964)	4,523,418
Sound equipment	11,401,593	(8,434,812)	2,966,781	11,401,593	(7,857,414)	3,544,179
Musical Instruments	3,934,369	(1,466,174)	2,468,195	3,934,369	(998,145)	2,936,224
Workshop machinery	894,076	(663,748)	230,328	848,076	(606,727)	241,349
Total	**74,601,326**	**(37,963,538)**	**36,637,788**	**74,413,115**	**(31,580,205)**	**42,832,910**

Reconciliation of property, plant and equipment – 2018

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	3,202,945	-	-	(517,648)	2,685,297
Motor vehicles	223,725	-	-	(47,802)	175,923
Computer equipment	1,172,857	180,000	(32,871)	(330,831)	989,155
Assets held for transfer	26,875,075	-	-	(3,683,549)	23,191,526
Wardrobe equipment	59,797	-	-	(13,244)	46,553
Permanent advertising structures	53,341	-	-	(8,890)	44,451
Lighting equipment	4,523,418	-	-	(683,839)	3,839,579
Sound equipment	3,544,179	-	-	(577,398)	2,966,781
Musical Instruments	2,936,224	-	-	(468,029)	2,468,195
Workshop machinery	241,349	46,000	-	(57,021)	230,328
	42,832,910	**226,000**	**(32,871)**	**(6,388,251)**	**36,637,788**

Reconciliation of property, plant and equipment - 2017

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	3,694,507	24,000	(130)	(515,432)	3,202,945
Motor vehicles	271,525	-	-	(47,800)	223,725
Computer equipment	753,273	678,066	(30,700)	(227,782)	1,172,857
Assets held for transfer	30,558,624	-	-	(3,683,549)	26,875,075
Wadrobe equipment	73,041	-	-	(13,244)	59,797
Permanent advertising structures	62,231	-	-	(8,890)	53,341
Lighting equipment	4,783,850	386,915	-	(647,347)	4,523,418
Sound equipment	4,119,938	1,499	-	(577,258)	3,544,179
Musical instruments	3,147,597	236,445	-	(447,818)	2,936,224
Workshop machinery	294,533	-	(1,170)	(52,014)	241,349
	47,759,119	**1,326,925**	**(32,000)**	**(6,221,134)**	**42,832,910**

Pledged as security

No assets were pledged as security during the current year.

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 at no rental charge.

Rights

PACOFS received capital grants for improvement of the infrastructure assets that are the property of the Free State Department of Public Works .The projects have since been done and both the assets and the corresponding deferred revenue are reflected in the books of PACOFS whilst waiting for the transfer to the department to be done. These assets are disclosed as Assets held for transfer of R23 191 526 (2017: R26 875 075) and work in progress R 7 834 251 (2017: R 7 834 251).

Other information

The assets are currently being depreciated in the books of PACOFS .The entity also recognised part of the deferred revenue equal to the depreciation as income.

Impairment

PACOFS has implemented the Standards of GRAP 21 and GRAP 26 on impairment of assets. Based on the position paper all assets tested during this financial year were treated according to GRAP 21: Impairment of non-cash generating assets. GRAP 21.10 states that cash-generating assets are assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-orientated entity where the entity intends to generate positive cash inflows from the asset (or from the cash generating unit of which the asset is a part) and earn a return that reflects the risk involved in holding the asset.

Impairment indicators

Assets were impaired according to specific indicators including: vandalism, physical damage, is continued asset, assets with condition being very poor and assets that became idle.

Useful lives

According to GRAP 17: Property, plant and equipment, all useful lives of property, plant and equipment are reviewed annually on an indicator basis. Since reviewing the useful life of an asset on an annual basis does not require amending the previous estimate unless expectations differ from the previous estimate, the useful life of assets have only been amended in the case where expectations differed from previous estimates. The useful lives of assets were reviewed according to the requirements of GRAP 17. Treatment of all useful lives to be adjusted: All remaining useful lives that were adjusted for the 2016/17 financial year are disclosed in the financial statements as a prior period error in accordance with GRAP 3 since there was no indication that the useful life was assessed in prior year for all assets. The following were the reasons for the review of useful life adjustments:

Reconciliation of Work-In-Progress 2018

Included within Capital Work-In-Progress	
Opening balance	7,834,251

Reconciliation of Work-In-Progress 2017

Included within Capital Work-In-Progress	
Opening balance	7,834,251

The Capital Work-In-Progress had been put on hold pending the conclusion of the forensic investigations around the projects. The investigations have been completed, therefore the work on the projects will resume in the next financial year.

Expenditure incurred to repair and maintain property, plant and equipment

Employee related costs	3,102,164	1,863,595
Contracted services	159,119	-
Material costs	301,007	543,602
	3,562,290	**2,407,197**

Maintenance of property, plant and equipment is done in-house. The employee costs of the in-house employees are disclosed under employee costs.

7. Intangible assets

	2018 Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	2017 Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer Software	890,641	(876,408)	14,233	890,641	(805,246)	85,395

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer Software	85,395	(71,162)	14,233

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer Software	3,152	85,395	(3,152)	85,395

Pledged as security

The intangible assets have not been pledged as security or as collateral for any liabilities or contingent liabilities.

8.Heritage assets

	2018 Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	2017 Cost/ Losses	Accumulated depreciation and accumulated impairment	Carrying Losses
Art Collections	4,100,000	-	4,100,000	3,872,500	-	3,872,500

Reconciliation of heritage assets 2018

Opening Balance	Revaluation Increase /Decrease	Total
3,872,500	227,500	4,100,000

Opening Revaluation Total Balance

Opening Balance	Revaluation Increase /Decrease	Total
3,872,500	-	3,872,500

Restrictions on heritage assets

There were no restrictions on the heritage assets during the current year

Pledged as security

There were no heritage assets pledged as security during the current year

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2018

Figures in Rands (R)	2018	2017

Revaluations

Art Collections

The effective date of the revaluation was 20/04/2018. Revaluations were performed by independent valuer, Synergy Valuations. The method used to determine fair value is the current replacement cost. The revaluation surplus relating to the heritage asset is as follows:

Opening balance	953,766	953,766
Change/movement	227,500	-
Closing balance	**1,181,266**	**953,766**

Expenditure incurred to repair and maintain heritage assets

Currently no expenditure has been incurred to repair and maintain heritage assets.

9. Payables from exchange transactions

Trade payables	5,500,316	7,872,361
Sundry creditors	268,248	315,148
Deposits received	119,526	315,588
Bonus accrual	442,693	453,054
	6,330,783	**8,956,151**

10. Unspent conditional grants and receipts

Capital Grant - Sand du Plessis - Air conditioning	31,239,071	31,239,071
Capital Grant - Revamp Andre Huguenet	413,466	413,466
Capital Grant - Motorised Lighting Batten	1,766,265	116,265
Capital Grant - PACOFS Main Entrance	557,849	557,849
Capital Grant - Sand Plumbing	80,000	80,000
Capital Grant - Upgrade Sand Video Monitor	116,141	116,141
Revaluation Grant	4,000,000	-
Capital Grant - Branding Theatre	175,613	175,613
Capital Grant - Incubator Project	4,268,678	4,268,678
Incubator Subsidy	-	233,970
Unspent interest on conditional grants	6,212,650	3,036,335
	48,829,733	**40,237,388**

Movement during the year

Balance at the beginning of the year	41,887,388	9,787,582
Additions during the year	7,176,315	33,583,178
Income recognition during the year	(233,970)	(3,133,372)
	48,829,733	**40,237,388**

Figures in Rands (R)	2018	2017

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

Unspent conditional grants and receipts (continued)

See note for reconciliation of grants.

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

11. Employee benefit obligations

Defined benefit plan

The plan is a post-employment medical benefit plan.

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

	2018	2017
Opening balance	6,238,000	8,813,000
Prior year error	-	(124,000)
Net expense recognised in the statement of financial performance	556,000	(2,451,000)
	6,794,000	**6,238,000**

Net expense recognised in the statement of financial performance

	2018	2017
Current service cost	83,000	781,000
Interest cost	584,000	149,000
Actuarial (gains) losses	298,000	(561,000)
Settlement	(409,000)	(2,820,000)
	556,000	**(2,451,000)**

Key assumptions used

Assumptions used at the reporting date:

	2018	2017
Continuation at retirement	100.00 %	100.00 %
Discount rates used	8.77 %	9.70 %
Expected increase in healthcare costs	7.47 %	8.35 %
Proportion married at retirement	80.00 %	80.00 %
Normal retirement age	60.00 %	60.00 %
Spouse age gap	3.00 %	3.00 %
Expected average retirement age	60.00 %	60.00 %

The post-employment medical benefit is actuarially valued every year by an independent valuator. The most recent valuation was performed by QDI Consult (Pty) Ltd on 31 March 2018 and reflects a liability of R 6 794 000 (2017: R 6 238 000). The valuation as at 31 March 2018 reflects the reasonable value of the post-employment medical aid liability as at 31 March 2018.

In accordance with GRAP 25 the actuarial adjustment was recognised in full during the year under review.

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 Rands (R)	2018	2017
12. Sale of goods		
Liquor sales	231,375	224,994
Snacks and other beverages	16,506	7,363
	247,881	**232,357**

13. Rendering of services		
Production proceeds	888,170	672,479
Theatre parking	26,560	33,590
Theatre rental Income	912,400	1,427,876
Commission received	286,873	263,114
	2,114,003	**2,397,059**

14. Revenue		
Sale of goods	251,847	232,357
Rendering of services	2,113,703	2,397,059
Other income	74,228	200,116
Interest received – investment	879,588	663,187
Government grants & subsidies	43,589,000	41,513,000
Revenue in kind	909,609	834,504
Revenue recognised from conditional grants	5,853,519	6,816,920
	53,671,494	**52,657,143**

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

Sale of goods	251,847	232,357
Income from productions	2,113,703	2,397,059
Other income	74,228	200,116
Interest received – investment	879,588	663,187
	3,319,366	**3,492,719**

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

Non-exchange revenue

Transfer revenue

Government grants & subsidies	43,589,000	41,513,000
Revenue in kind	909,609	834,504
Revenue recognised from conditional grants	5,853,519	6,816,920
	50,352,128	**49,164,424**

Figures in Rands (R)	2018	2017
15. Employee related costs		
Basic	18,105,508	16,415,428
Settlements	-	670,000
Bonus	1,272,660	1,211,096
Medical aid - company contributions	233,822	231,013
UIF	144,374	151,224
Night Allowance	-	45,730
Production costs – Casuals	440,150	358,784
Post employment medical benefit (income)/ expense	556,000	(2,451,000)
Overtime payments	580,800	641,537
Housing benefits and allowances	576,800	663,710
Medical aid allowances	426,146	467,828
Contract personnel	959,596	831,333
PACOFS pension contributions	2,707,650	2,558,804
Leave payouts	460,624	485,326
Relocation costs	133,422	-
	26,597,552	**22,280,813**
16. Depreciation and Amortisation		
Furniture and fixtures	517,648	515,432
Motor vehicles	47,801	47,801
Computer equipment	330,831	227,782
Assets held for transfer	3,683,548	3,683,548
Wadrobe equipment	13,244	13,244
Permanent Advertising structures	8,891	8,890
Lighting equipment	683,839	647,348
Sound equipment	577,398	577,258
Musical Instruments	468,029	447,818
Workshop machinery	57,020	52,015
Intangible asset amortisation	71,162	3,152
Depreciation and amortisation	**6,459,411**	**6,224,288**
Debt impairment	284,302	907,373

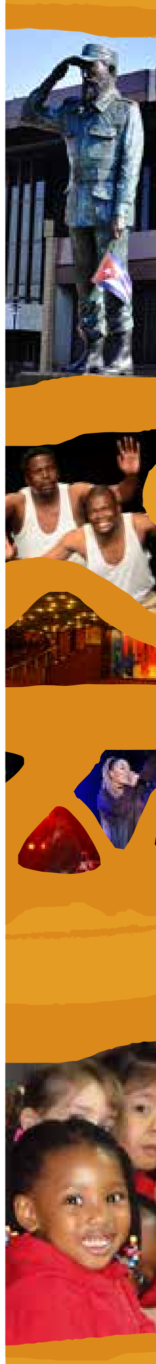
Figures in Rands (R)	2018	2017
17. General expenses		
Accounting fees	63,916	79,084
Advertising	110,185	373,217
Artistic costs	17,682	72,143
Artist fees	2,694,880	2,273,075
Audit committee fees	38,201	50,080
Auditors remuneration	1,451,723	1,771,874
Bank charges	136,300	126,063
Board fees	490,407	247,089
Cost of goods sold	227,740	232,286
Cleaning	295,275	292,690
Computer expenses	189,767	159,002
Consulting and professional fees	1,233,336	589,797
Cost of box office tickets	-	58,664
Commission paid	832	11,986
Stock adjustments	55,535	35,000
Donations	35,228	20,848
Electricity	3,452,061	3,553,962
Entertainment	170,242	117,555
Flowers and gifts	884	1,142
Fuel and oil	27,466	37,728
Health test costs	300	1,300
Insurance	295,112	269,000
Loss on disposal of assets	40,137	32,001
Legal and Professional fees	1,091,856	1,018,103
Marketing	135,871	114,993
Motor vehicle expenses	58,715	62,094
Other operating expenses	186,474	163,150
Operating lease rentals	715,960	788,186
Pest control	19,684	29,137
Compensation commissioner	270,349	-
Production stipends	1,098,650	1,379,435
Production costs – stock	676,941	357,576
Promotions and sponsorships	-	7,581
Production costs - catering	7,006	11,878
Production expenses - travel and accommodation	251,458	153,736
Stage inspection	9,409	21,838
Printing and stationery	282,238	289,062
Postage and courier	1,328	596
Protective clothing	323,111	1,943
Subsistence and Travelling	26,320	96,619
Samro costs	-	2,443
Security	1,275,899	1,227,179

Figures in Rands (R)	2018	2017
17. General expenses Continued		
Subscriptions and membership fees	2,662	29,837
Telephone and fax	527,714	511,358
Training	111,428	99,532
Travel – local	1,255,347	1,374,604
Expenses in kind	909,609	834,504
	20,265,238	**18,980,970**

18. Auditors' remuneration		
Fees	1,451,723	1,771,874

19. Cash generated from operations

(Deficit) surplus	(395,135)	3,714,006
Adjustments for:		
Depreciation and amortisation	6,459,411	6,224,288
Debt impairment	284,302	907,373
Movements in retirement benefit assets and liabilities	556,000	(2,451,000)
Movements in provisions	238,476	215,162
Non cash revenue	(3,683,540)	(3,683,540)
Other movement	(59,845)	50,471
Loss on disposal of assets	-	32,001
Changes in working capital:		
Inventories	(62,465)	(30,512)
Receivables from exchange transactions	(494,466)	1,030,782
Consumer debtors	(284,302)	(907,373)
Other receivables from non-exchange transactions	(1,936,000)	22,542
Payables from exchange transactions	(2,625,378)	624,216
Unspent conditional grants and receipts	8,592,345	30,449,806
	6,589,403	**36,198,222**



Figures in Rands (R)		**2018**	**2017**

20. Financial instruments disclosure

Categories of financial instruments

2018 Financial assets	**At fair value**	**At amortised cost**	**Total**
Trade and other receivables from exchange transactions	-	1,232,892	1,232,892
Cash and cash equivalents	59,727,692	-	59,727,692
	59,727,692	**1,232,892**	**60,960,584**

Financial liabilities	**At amortised cost**	**Total**
Trade and other payables from exchange transactions	6,330,773	6,330,773

2017 Financial assets	**At fair value**	**At amortised cost**	**Total**
Trade and other receivables from exchange transactions	-	738,426	738,426
Cash and cash equivalents	53,364,288	-	53,364,288
	53,364,288	**738,426**	**54,102,714**

Financial liabilities	**At amortised cost**	**Total**
Trade and other payables from exchange transactions	7,306,151	7,306,151

21. Commitments

	2018	2017
Authorised capital expenditure		
Already contracted for but not provided for		
Other financial assets	-	352,305
Total capital commitments		
Already contracted for but not provided for	-	352,305
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	527,262	608,869
- in second to fifth year inclusive	152,281	523,195
	679,543	**1,132,064**

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

Copier/ printer leases are negotiated for a term of three years. The monthly installments remain fixed over the contract term with 0% escalation. The leases are not cancellable.

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

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

Figures in Rands (R)	2018	2017

22. Contingent Liabilities

An arbitration award has been made by CCMA against PACOFS for R 1 791 667. The matter has been referred to the labour court for review. A further abitration award has been made by the CCMA for R 1 800 000 plus tax. The matter has also been referred to the labour court for review.

23. Related parties

Ultimate controlling entity	Department of Arts & Culture
Members of the Council and Key Management	Ms. A. Msimang (Chairperson)
	Mr. J. A. Litheko
	Ms. T. Mnumzana
	Adv. K. Thango
	Ms. M. Naidoo
	Mr. D. Brijlal
	Mr. H. Matlou
	Ms. T. Nogabe
	Mr. N. Sifumba
	Mr. G. Segoneco (former CEO)
	Ms. N. Makhari (former CFO)
	Mr. M. Xaba (Artistic Director)
	Mr. S. Sanyane (Current CFO)

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

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

Related party balances

	2018	2017
Government grants		
DAC Operational Grant	43,589,000	41,513,000
DAC Conditional Grant	4,000,000	1,760,000
DAC Capital Works	-	30,000,000
Amounts included in Trade receivable regarding related parties		
Ms. Thoko Nogabe	7,610	7,610

Figures in Rands (R)

24. Members' emoluments

2018	Sitting fees	Other Allowances	Travel costs	Total
Ms. A. Msimang	21,536	72,147	26,161	119,844
Mr. J. A. Litheko	7,202	58,715	3,761	69,678
Ms. T. Mnumzana	13,060	23,523	8,105	44,688
Adv. K. Thango	10,244	24,512	276	35,032
Ms. M. Naidoo	1,228	1,228	336	2,792
Mr. D. Brijlal	6,514	7,309	260	14,083
Mr. H. Matlou	4,848	9,267	15,386	29,501
Ms. T. Nogabe	1,228	1,998	181	3,407
Mr. N. Sifumba	15,580	11,527	952	28,059
Mr Z. Mkiva	3,492	2,365	730	6,587
Mr. F. Wetes	-	-	20,261	20,261
Ms. M. Malapane	6,984	4,818	-	11,802
Mr. T. Segopolo	2,328	4,084	-	6,412
	94,244	**221,493**	**76,409**	**392,146**

2017	Emoluments	Other benefits	Total
Ms. A. Msimang	52,625	420	53,045
Ms. T. Mnumzana	30,833	285	31,118
Adv. K. Thango	41,361	-	41,361
Mr. N. Sifumba	32,554	253	32,807
Mr. T. Segopolo	33,721	336	34,057
Mr. Z. Mkiva	28,461	233	28,694
	219,555	**1,527**	**221,082**

25. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of Financial Position
2017

	Balance as previously reported	Correction of error	Balance Restated
Property, Plant and Equipment	35,565,199	7,267,711	42,832,910
Trade receivables	1,158,364	(419,938)	738,426
Capital Work in Progress	23,257,617	(13,773,366)	9,484,251
Unspent grants	(40,237,388)	-	(40,237,388)
Payables from exchange transactions	(10,189,767)	1,233,613	(8,956,154)
Employee benefit obligation	(8,012,000)	1,774,000	(6,238,000)
Intangible assets	109,394	(23,999)	85,395
Deferred revenue	(46,858,262)	10,498,936	(36,359,326)
Leave provision	-	(1,231,213)	(1,231,213)
	(45,206,843)	**5,325,744**	**36,715,615**

Figures in Rands (R)

Statement of Financial Performance
2017

	Balance as previously reported	Correction of error	Balance Restated
Impairment	69,908	(69,908)	-
General expenditure	18,983,373	(2,403)	18,980,970
Depreciation	2,324,439	3,899,849	6,224,288
Employee related costs	23,510,884	(1,230,071)	22,280,813
Revenue from conditional grant	(3,133,372)	(3,683,548)	(6,816,920)
Surplus for the year	**41,755,232**	**(1,086,081)**	**40,669,151**

Errors

The following prior period errors adjustments occurred:

Capital Work-In-Progress

The error was as a result of property plant and equipment which were classified as Capital Work-In-Progress even though the assets were ready for use. These assets have been transferred from Capital Work-In-Progress to property plant and equipment. This has resulted in a decrease in the Capital Work-In-Progress of R15 423 366 and a subsequent increase in the property plant and equipment.

Depreciation

Property, plant and equipment which were ready for use were not depreciated in the years that they were ready for use. There was also a review of the useful lives of the movable assets. This has resulted in an increase in depreciation of R3 899 849.

Employee Benefit Obligation

Two members, were incorrectly included in the 2017 valuation. This resulted in the actuarial gain in 2017 being understated, and consequently the accrued liability being overstated. These members' contribution to the projected 31 March 2018 liability was R1 774 000.

Property, plant and equipment

During the 2016/17 financial year, the assessment of useful lives and residual value were not performed for all the assets. This has now been done in the current resulting in a prior period error for the assets that were not assessed in the prior year. This has been done in accordance with GRAP 3. The property, plant and equipment have also been affected by the transfer of Work in progress which were ready for use but were not capitalised. The net effect of all these movements is an increase in Property, plant and equipment of R7 267 711.

Intangible Assets

Intangible assets have decreased as a result of a reclassification of assets. Computer equipment was incorrectly recognised as Intangible assets. The effect has resulted in a decrease of R23 999 in the intangible assets balance.

Payables from exchange transactions

The payables have been reduced by an amount of R 2 883 613 due to credit not received from a supplier who had overcharged the entity and also due to reclassifications.

Reclassifications

The following reclassifications adjustment occurred:

Relocation costs

The relocation costs have been reclassified from general expenses to employee costs.
This has been done in order to accurately disclose the expenditure as per the requirements of GRAP

Leave accrual

This has been reclassified from trade payables to non-current liabilities.
This has been done in order to accurately disclose the accrual as per the requirements of GRAP.

26. Risk management

Financial risk management 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 its creditors.

27. 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.

28. Events after the reporting date

The new Chairperson of Council, Mr. Nkosana Sifumba was appointed after year end. This event will not have a financial effect on the financial statements. Secondly, there was a revaluation of Heritage Assets that was performed after year end. The effective date of the revaluation was 20/04/2018. The Revaluation was performed by independent valuer, Synergy Valuations. The revaluation will result in an increase in Heritage assets by R 227 500. There were material non-adjusting events identified which could influence the financial statements. Council approval was received to write off bad debts, duplicated assets and expenses incorrectly capitalised as assets.

The estimated write off of the bad debts amounts to R 1 471 242.32 and the estimated write off of assets amounts to R 391 540.45.

The entity has subsequently reinstated one of the dismissed employees referred to in the Contingent Liabilities note, with a back pay of R2.9 million payable over three years. The reinstatement took effect on the 13th June 2018 and this has been determined as a non-adjusting event.

Figures in Rands (R)	2018	2017

29. Fruitless and wasteful expenditure

	2018	2017
Opening Balance	2,550,111	2,464,003
Fruitless and wasteful expenditure	12,515	86,108
	2,562,626	**2,550,111**

There were no disciplinary steps taken as a consequence of above expenditure in the current year.

30. Irregular expenditure

	2018	2017
Opening balance	60,965,314	57,009,990
Add: Irregular Expenditure - current year	9,591,543	3,955,324
	70,556,857	**60,965,314**

Analysis of expenditure awaiting condonation per age classification

	2018	2017
Current year	-	2,255,846
Prior years	53,083,433	50,827,587
	53,083,433	**53,083,433**

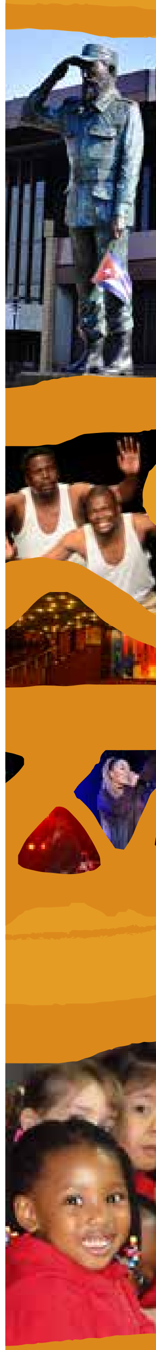
Details of irregular expenditure – current year	**Disciplinary steps taken/ criminal proceedings**	
Irregular expenditure due to non-compliance with Supply Chain Processes - Highest scoring bidder not selected	None Taken	594,502
Irregular expenditure due to non-compliance with Supply Chain Processes -3 quotations not obtained	None Taken	2,072,498
Irregular expenditure due to overspending on budget		3,211,678
Irregular expenditure due to not using the grant for its purpose		2,000,000
Irregular expenditure due to insufficient supporting evidence for artistic productions		1,712,865
		9,591,543

The full extent of the irregular expenditure has not been determined. Investigation of the irregular expenditure was not complete at the time of finalisation of the annual financial statements.

31. UNAUDITED DISCLOSURE

Deviation from tender and quotation processes

	2018	2017
Emergency	49,266	-
Sole providers	13,432	-
Other exceptional cases	1,993,936	585,848
	2,056,634	**585,848**



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