# JOBURG THEATRE

Joburg Theatre (SOC) Limited

Operates as a Municipal Entity of

City of Johannesburg Metropolitan Municipality

Annual Financial Statements
for the year ended 30 June 2023

Auditor General of South Africa
Registered Auditors

# General Information

| | | |
|---|---|---|
| **Nature of business and principal activities** | Entertainment and Hospitality | |
| **Directors** | Ms. Ashley Hayden | Retired on 27 March 2023 |
| | Ms Dineo Sitole (Majavu) | Retired on 27 March 2023 |
| | Mr Sean Kreusch | Resigned on 1 August 2022 |
| | Mr Zane Meas | Retired on 27 March 2023 |
| | Ms Itumeleng Malope | Retired on 27 March 2023 |
| | Mr Jabu Goodman Hlongwane | Retired on 27 March 2023 |
| | Mr Jabu Love Mathebula | Retired on 27 March 2023 |
| | Mr Godfrey Katsana (Chairperson) | Appointed on 27 March 2023 |
| | Mr Orapeleng Ramagaga | Appointed on 27 March 2023 |
| | Ms Pamela Ndlovu (State Official) | Appointed on 27 March 2023 |
| | Ms Bonga Kweyama | Appointed on 27 March 2023 |
| | Mr Sibusiso Xaba (State Official) | Appointed on 27 March 2023 |
| | Ms Delisiwe Mabena (State Official) | Appointed on 27 March 2023 |
| | Mr Thembinkosi Mbeda | Appointed on 27 March 2023 |
| | Ms Ziyanda Mncanca | Appointed on 27 March 2023 |
| | Mr Thapelo Chokobane | Appointed on 27 March 2023 |
| | Ms Johanna Mapeko | Appointed on 27 March 2023 |
| | Mr Ben Mothupi | Appointed on 27 March 2023 |
| | Ms Xoliswa Nduneni-Ngema (CEO) | |
| | Mr. Solomon Mphakathi CA(SA) (CFO) | |
| **Registered office** | 163 Civic Boulevard<br>Braamfontein<br>Johannesburg<br>2017 | |
| **Business address** | 163 Civic Boulevard<br>Braamfontein<br>Johannesburg<br>2017 | |
| **Postal address** | PO BOX 31900<br>Braamfontein<br>Johannesburg<br>2017 | |
| **Controlling entity** | The City of Johannesburg Metropolitan Municipality incorporated in South Africa | |
| **Bankers** | Nedbank Limited<br>Investec Limited | |
| **Auditors** | Auditor General of South Africa<br>Registered Auditors | |
| **Secretary** | Philipa Maduka | |
| **Company Registration** | 2000/013032/07 | |

# Index

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

# Index

**Abbreviations and Definitions**

| | |
|---|---|
| AGM | Annual General Meeting |
| ARC | Audit and Risk Committee |
| ASB | Accounting Standards Board |
| BOARD | Board of Directors |
| CAPEX | Capital Expenditure |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CJMM | City of Johannesburg Metropolitan Municipality |
| COID | Compensation for Occupational Injuries and Diseases |
| COJ | City of Johannesburg |
| EPWP | Expanded Public Works Programme |
| GRAP | Generally Recognised Accounting Practice |
| IAC | Independent Audit Committee |
| IAS | International Accounting Standards |
| IPSAS | International Public Sector Accounting Standards |
| JCT | Joburg City Theatres |
| JT | Joburg Theatre |
| KING IV | Principals of Corporate Governance |
| ME's | Municipal Entities |
| MEC | Member of Executive Council |
| MFMA | Municipal Finance Management Act |
| NED | Non-Executive Director |
| OHASA | Operational Health and Safety |
| PAYE | Pay As You Earn |
| PSIRA | Private Security Industry Regulatory Authority |
| RT | Roodeport Theatre |
| SAMWU | South African Municipal Workers Union |
| SDL | Skills Development Levy |
| ST | Soweto Theatre |
| UIF | Unemployment Insurance Fund |

## Directors' Responsibilities and Approval

The Directors are required by the Municipal Finance Management Act (Act 56 of 2003) 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 accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipal 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 were given unrestricted access to all financial records and related data.

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

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

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the municipal entity and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Directors set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipal entity and all employees are required to maintain the highest ethical standards in ensuring the municipal entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipal entity is on identifying, assessing, managing and monitoring all known forms of risk across the municipal entity. While operating risk cannot be fully eliminated, the municipal 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 Directors 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 Directors have reviewed the municipal entity's budget for the financial year 2023/24 and, in the light of this review and the current financial position, they are satisfied that the municipal entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipal entity is substantially dependent on the City of Johannesburg Metropolitan Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipal entity is a going concern and that The City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate .

The annual financial statements set out on pages 14 to 20, which have been prepared on the going concern basis were approved by the Audit and Risk Committee.

| | |
|---|---|
| **Xoliswa Nduneni-Ngema** | **Mr Godfrey Katsana (Chairperson)** |
| **Chief Executive Officer (CEO)** | **Board of Directors** |

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| | |
|---|---|
| **Xoliswa Nduneni-Ngema**<br>**Chief Executive Officer (CEO)** | **Mr Godfrey Katsana (Chairperson)**<br>**Board of Directors** |

# Audit and Risk Committee Report

The Audit and Risk Committee Chairperson, acting on behalf of the committee, is pleased to present the committee's report on the annual financial statements for the year ended 30 June 2023 as per Companies Act 71 of 2008 Sec 94 Paragraph 2 and King IV Paragraph 51.

**Audit and Risk Committee members and attendance**

| Name of Member | Number of Meetings Attended | |
|---|---|---|
| Mr Orapeleng Ramagaga (Non-Executive Director) (Chairperson) CA(SA) | 2 | Appointed on 27 March 2023 |
| Mr Thomas Sbangwana (Independent Audit Committee Member) | 2 | Appointed on 27 March 2023 |
| Ms Ziyanda Mncanca (Non-Executive Director) | 1 | Appointed on 27 March 2023 |
| Mr Ben Mothupi (Non-Executive Director) | 2 | Appointed on 27 March 2023 |
| Ms Sarika Singh (Independent Audit Committee Member) | 2 | Appointed on 27 March 2023 |
| Mr Elfas Muhauli (Independent Audit Committee Member) | 2 | Appointed on 27 March 2023 |
| Mr Vincent Sithole (Independent Audit Committee Member) | 2 | Appointed on 27 March 2023 |
| Ms. Ashley Hayden (Non-Executive Director)(Chairperson) | 6 | Retired on 27 March 2023 |
| Mr. Sean Kreusch (Non-executive Director) | 1 | Resigned in August 2022 |
| Mr. Mnikelo Moses Mazwane (Independent Audit Committee Member) | 5 | Retired on 27 March 2023 |
| Mr. Nditsheni Tshithavhalani (Independent Audit Committee Member) | 5 | Retired on 27 March 2023 |
| Mr. Krishen Sukdev(Independent Audit Committee Member) | 5 | Retired on 27 March 2023 |

**Audit and Risk Committee responsibility**

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The objectives and functions of the committee are set out in its charter. In summary the committee:

- Aims to ensure the maintenance of adequate accounting records and effective financial reporting and internal control systems;
- Aims to ensure compliance of published financial reports with relevant legislation, reporting standards and good governance;
- Aims to ensure Joburg Theatre's assets are safeguarded;
- Has oversight of fraud and information technology risks in so far as these impact on the financial reporting process;
- Confirms the nomination and appointment of the external auditor;
- Ensuring such appointment is legislatively compliant;
- Approves the terms of engagement and fees of the external auditor as recommended by management;
- Defines and considers the non-audit services that may be rendered by the external auditor;
- Considers the external auditor's findings arising from the annual financial statement audit;
- Monitors the functioning and approves the coverage plan of the internal audit department;
- Reviews risk management and tax compliance programmes and initiatives;
- Fulfils the function of Audit and Risk Committee to the Roodepoort City Theatre NPC;
- Reviews the expertise, resources and experience of the Joburg Theatre's finance function and the expertise and experience of the Chief Financial Officer and;
- Reviews and recommends to the board the approval of the Joburg Theatre's Integrated Report.

# Audit and Risk Committee Report

### The effectiveness of internal control

The system of internal controls applied by the municipal entity over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the Audit and Risk Committee and Management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, Audit and Risk Committee can report that the system of internal control over financial reporting for the period under review was adequate and effective.

Joburg Theatre aims to maintain a high standard of internal control. The sound control environment in the Joburg Theatre is founded on: strong responsibility for controls by executives; executive commitment to integrity and ethical values; and the skills and competence of executives.

The soundness of Joburg Theatre's control environment is illustrated through: management's hands-on operating style; clear communication through staff policies; assignment of authority and responsibility to appropriate levels of management; and a control consciousness throughout the entity.

Joburg Theatre's Board of Directors is ultimately responsible for the system of internal control, which is designed to ensure: effectiveness and efficiency of operations; safeguarding, verification and accountability of assets; detection and minimisation of fraud and losses; reliability of financial and operational information and reporting; and compliance with applicable laws, regulations, policies and procedures.

Joburg Theatre's Board delegates responsibility for the implementation and maintenance of the control framework to management. The Audit and Risk Committee, the internal and external auditors, assist the board in monitoring the effectiveness and adequacy of the control environment.

The Audit and Risk Committee reports that during the period under review: internal control procedures were represented by management as having been substantially effective and appropriate; no material breach of internal controls and procedures was brought to its attention; key risks appeared to be adequately documented by management and appropriately monitored and reported on by the Audit and Risk Committee; policies and authority levels were represented by management as having been enforced and adhered to; and no material breaches of any laws affecting the entity were brought to its attention

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

### Internal audit

The internal audit function provides assurance to the Joburg Theatre Board, via the Committee, on the adequacy and effectiveness of the entity's internal control and risk management practices, and the integrity of financial reporting systems. Internal audit also assists management by making recommendations for improvements to the control and risk management environment.

The principle of independence of the internal audit (Group Risk Assurance Services) is upheld and the Internal Audit Manager reports on operational matters to the Audit and Risk Committee and on administrative matters to the Chief Audit Executive at City of Johannesburg.

The scope of the internal audit department work includes: reviewing, appraising and reporting on the adequacy and effectiveness of the system of internal control; reviewing the processes and systems which are designed to ensure integrity in reporting of financial and operational information; and reviewing the adequacy of compliance with applicable policies, plans, procedures, laws and regulations.

Specific focus is placed on the system of internal control that ensures that assets and information are protected against loss, theft or misuse, as well as on those controls that ensure key transactional information is of high integrity. Internal audit also provides consultation and other services to management such as due diligence services, forensic audit services, systems auditing services, risk management services and special reviews or audits. There were no such services by Internal Audit for the period under review.

# Audit and Risk Committee Report

**Audit and Risk Committee Report**

The Audit and Risk Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues. The Audit and Risk Committee is of the opinion, based on the information and explanation given by management with the internal audit function and discussions with the external auditors that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the annual financial statements.

The Audit and Risk Committee considered the matter set out in the Companies Act and is satisfied with the independence and objectivity of the external auditors. Nothing significant, other than reported in the Directors' report, has come to the attention of the Audit and Risk Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

**External audit**

Joburg Theatre (SOC) Ltd's external auditor is Auditor General of South Africa. Fees paid to the auditor are detailed in note 22 of Joburg Theatre (SOC) Ltd's annual financial statements.

The external auditor's annual audit strategy, which incorporates the identification of significant risks and how they are to be addressed during the audit was presented and approved at a meeting of the Committee before the commencement of audit fieldwork.

The Audit and Risk Committee is satisfied that the external auditor and the designated Audit Manager and Senior Manager are independent of Joburg Theatre and management and are therefore able to express an independent opinion on the fair presentation of Joburg Theatre's annual financial statements. The external auditor has unrestricted access to Joburg Theatre's records and management. The auditor furnishes a written report to the Audit and Risk Committee on significant findings arising from the annual audit and is able to raise matters of concern directly with the Chairperson of the Audit and Risk Committee.

**Chief Financial Officer's expertise and experience**

The Audit and Risk Committee reports in terms of the MFMA requirements that it was satisfied as to the appropriateness of the expertise and experience of Joburg Theatre's Chief Financial Officer and Acting Chief Financial Officer during the reporting period.

**Finance function expertise, resources and experience**

Based on a consideration of the qualifications, participation in continuing professional education and relevance of the experience of key managers in the finance department, as well as a review of the staff complement, functional responsibilities and information systems of the department, the Audit and Risk Committee evaluated the finance function, expertise, resources and experience in terms of the King IV Code and it is satisfied as to the appropriateness of the collective expertise and experience of Joburg Theatre's finance function and the adequacy of its human and technological resources.

**Annual Financial Statements**

The Audit and Risk Committee has reviewed the annual financial statements of Joburg Theatre (SOC) Ltd and is satisfied that these 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.

**Mr. Orapeleng Ramagaga**
**Chairperson of the Audit and Risk Committee**

**Date:** ____________________

# Director's Report

The Directors submit their report for the year ended 30 June 2023.

### 1. Incorporation

The municipal entity was incorporated on 15 June 2000 and obtained its certificate to commence business on the same day.

### 2. Review of activities

**Main business and operations**

The entity operates under four business units: Joburg Theatre, Soweto Theatre, Roodepoort Theatre and hospitality and catering. The primary business of Joburg City Theatres is to present and host productions from internally developed to externally produced shows. Hospitality and catering as a secondary business has grown substantially over the last 8(Eight) years. Joburg Theatre (SOC) Ltd trading as JCT is a wholly owned subsidiary (ME- Municipal Entity) of the City of Johannesburg Metropolitan Municipality.

Net surplus of the municipal entity was R 2 278 020 (2022: surplus R 10 881 549), after taxation of R 915 410 (2022: R3 696 908).

### 3. Going concern

We draw attention to the fact that at 30 June 2023, the municipal entity had an accumulated surplus of R 23 686 808 and that the municipal entity's total assets exceed its liabilities by R 25 470 867.

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

The ability of the municipal entity to continue as a going concern is dependent on a number of factors. The entity is substantially funded by subsidy from the shareholder and in the 2022/23 financial year. JCT also generates revenue from its operations including interest on investments.

The Board of Directors of Joburg Theatre has considered the budgets and forecasts for the 2023/24 financial year approved by Council of the City of Johannesburg, and has satisfied itself that these were sufficient for the continued existence of operations of the entity at least in the foreseeable future, and therefore has concluded that the use of a going concern basis in its preparation of financial statements was appropriate.

The entity occupies the buildings it operates based on lease agreement from Joburg Property Company as the landlord of the City of Johannesburg Properties. The contractual period of Joburg Theatre's lease agreement on the use of the building has been extended for 20 years which commenced on the 17 September 2020. The agreement for Soweto Theatre has been extended to include the management and use of the newly revamped Amphitheatre. The lease rental of R1 per annum payable to the landlord. The right of use of the building for Soweto Theatre is 20 years with a commencement date of 21 October 2020. The agreement for Roodepoort Theatre on the right of use of the building is 20 years.

### 4. Subsequent events

The Chief Financial Officer , Mr Solomon Mphakathi and Company Secretary, Ms. Philipa Maduka have resigned effective 31 July 2023 and 30 September 2023 respectively. Apart from the two resignations, the Directors are not aware of any matter or circumstance arising since the end of the financial year unless otherwise it is stated in the annual financial statements, which significantly affects the financial position of the company or the results of its operations that would require adjustments to or disclosure in the annual financial statements.

### 5. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 6. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the municipal entity during the year under review.

# Director's Report

### 7. Borrowing limitations

In terms of section 108(1) of the MFMA JCT may borrow money, but only in accordance with the entity's multi-year business plan referred to in section 87 (5)(d) , and the provision of chapter 6 of the MFMA to the extent that those provisions can be applied to JCT. (2) In applying chapter 6 to JCT, a reference in that chapter to a municipality, a municipal council or an accounting officer must be read as referring to JCT, the board of directors of JCT or the accounting officer of JCT, respectively.

### 8. Distributions to owners

Joburg City Theatres as a Municipal Entity does not declare dividends.

### 9. Directors

The Directors of the municipal entity during the year under review are as follows:

| Name | Nationality | Changes |
|---|---|---|
| Ms. Ashley Hayden | South African | Retired on 27 March 2023 |
| Ms Dineo Sitole (Majavu) | South African | Retired on 27 March 2023 |
| Mr Sean Kreusch | South African | Resigned on 1 August 2022 |
| Mr Zane Meas | South African | Retired on 27 March 2023 |
| Ms Itumeleng Malope | South African | Retired on 27 March 2023 |
| Mr Jabu Goodman Hlongwane | South African | Retired on 27 March 2023 |
| Mr Jabu Love Mathebula | South African | Retired on 27 March 2023 |
| Mr Godfrey Katsana (Chairperson) | South African | Appointed on 27 March 2023 |
| Mr Orapeleng Ramagaga | South African | Appointed on 27 March 2023 |
| Ms Pamela Ndlovu (State Official) | South African | Appointed on 27 March 2023 |
| Ms Bonga Kweyama | South African | Appointed on 27 March 2023 |
| Mr Sibusiso Xaba (State Official) | South African | Appointed on 27 March 2023 |
| Ms Delisiwe Mabena (State Official) | South African | Appointed on 27 March 2023 |
| Mr Thembinkosi Mbeda | South African | Appointed on 27 March 2023 |
| Ms Ziyanda Mncanca | South African | Appointed on 27 March 2023 |
| Mr Thapelo Chokobane | South African | Appointed on 27 March 2023 |
| Ms Johanna Mapeko | South African | Appointed on 27 March 2023 |
| Mr Ben Mothupi | South African | Appointed on 27 March 2023 |
| Ms Xoliswa Nduneni-Ngema (CEO) | South African | |
| Mr. Solomon Mphakathi CA(SA) (CFO) | South African | |

### 10. Secretary

The municipal entity had no secretary during the year.

The secretary of the municipal entity is Philipa Maduka.

Business address

Joburg Theatre Complex
163 Civic Boulevard
Braamfontein
Johannesburg
2017

Postal address

P O Box 31900
Braamfontein
Johannesburg
2017

# Director's Report

### 11. Corporate governance

#### General

All references to the Companies Act in these annual financial statements refer to the Companies Act 71 of 2008, as amended by the Companies amendment Act 3 of 2011, unless otherwise indicated. The board is committed to business integrity, transparency and professionalism in all its activities as guided by the King IV code on Corporate Governance. As part of this commitment, the board supports the highest standards of corporate governance and the ongoing development of best practice.

#### Board of Directors

The Board:

- retains full control over the municipal entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipal entity;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the King IV Code; and
  - two executive directors.

Non-Executive Directors have access to all members of management of the entity.

#### Chairperson and Chief Executive Officer

The Chairperson is a non-executive and independent Director (as defined by the King IV Code).

The roles of Chairperson and Chief Executive Officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

#### Remuneration

The remuneration of the executive directors of the entity; the Chief Executive Officer and the Chief Financial Officer, is determined by the Board of directors in consultation with the parent municipality (CJMM).

# Director's Report

### Non-Executive Director's Meetings

The Board of Directors were scheduled to meet at least 4 times per annum and in the current financial year the Board met on 12 occasions.

| **Name** | Board Meeting | Audit and Risk committee meeting | Remunerations, Social & Ethics Committee meeting | Other | Chairperson's Meetings |
|---|---|---|---|---|---|
| Total number of meetings held | 12 | 7 | 5 | 12 | 2 |
| Ms Ashley Hayden | 6 | 6 | 0 | 9 | - |
| Ms Dineo Sitole | 6 | - | 4 | 1 | - |
| Mr Zane Maes (Chairperson) | 6 | - | - | 4 | 2 |
| Mr Sean Kreusch (Resigned) | 1 | 1 | - | - | - |
| Ms Itumeleng Malope | 6 | - | 4 | - | - |
| Mr Jabu Hlongwane | 6 | - | 4 | 4 | - |
| Mr Jabu Love Mathebula | 6 | - | 3 | - | - |
| Mr Godfrey Katsama (Chairperson) | 6 | - | - | 1 | - |
| Mr Orapeleng Ramagaga | 6 | 2 | 0 | 2 | - |
| Ms Pamela Ndlovu | 5 | - | 1 | 1 | - |
| Ms Bonga Kweyama | 6 | - | - | - | - |
| Mr Sibusiso Xaba | 6 | - | - | - | - |
| Ms Delisiwe Mabena (State Official) | 5 | - | 1 | - | - |
| Mr Thembikosi Mbeda (State Official) | 6 | - | - | - | - |
| Ms Ziyanda Mcnanca | 5 | 1 | 1 | - | - |
| Mr Thapelo Chokobane | 6 | - | 1 | - | - |
| Ms Joanna Mapeko | 6 | - | 1 | - | - |
| Mr Ben Mapeko | 6 | 2 | 0 | - | - |
| Ms Xoliswa Nduneni-Ngema (CEO) | 12 | 7 | 5 | 2 | - |
| Mr Solomon Mphakathi CA(SA) (CFO) | 3 | 2 | 1 | - | - |

# Director's Report

**Audit and Risk Committee**

For the current financial year the members of the Audit and Risk Committee are Mr. Orapeleng Ramagaga (NED Member - Chairperson), Ms. Ziyanda Mncanca (NED Member), Mr. Ben Mothupi (NED Member), Ms. Sarika Singh (IAC Member), Mr. Elfas Muhauli (IAC Member), Mr. Vincent Sithole (IAC Member), Mr. Thomas Sbangwana (IAC Member) - all appointed 27 March 2023. Ms.Ashley Hayden, (NED Member - Chairperson), Mr. Mnikelo Moses Mazwane (IAC Member), Mr. Dylan Tshithavhalani (IAC Member), Mr. Krishen Sukdev (IAC member), Mr Sean Kreusch (NED Member - Resigned in August 2022) - all retired on 27 March 2023.

In terms of Section 166 of the Municipal Finance Management Act and Section 94 of the Companies Act 71 of 2008 the Audit and Risk Committee members were appointed at the Annual General Meeting held on 27 March 2023 by the City of Johannesburg Metropolitan Municipality, the City of Johannesburg, as a parent municipality, must appoint members of the Audit and Risk Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit and Risk Committees, National Treasury policy requires that parent municipalities should appoint further members of the entity's Audit and Risk Committees who are not directors of the municipal entity onto the Audit and Risk Committee.

**Internal audit**

The entity has outsourced its internal audit function to Group Risk and Assurance Services (GRAS), a department of the City of Johannesburg. This is in compliance with the Municipal Finance Management Act, 56 of 2003.

### 12. Controlling entity

The municipal entity's controlling entity is The City of Johannesburg Metropolitan Municipality incorporated in South Africa.

### 13. Bankers

Nedbank Limited

Investec Limited

### 14. Auditors

Auditor General of South Africa will continue in office for the next financial period.

# Company Secretary's Certification

**Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act**

In terms of Section 88(2) (e) of the Companies Act 71 of 2008, as amended and the Municipal Finance Management Act 56 of 2003, I certify that to the best of my knowledge and belief, the company has lodged and/or filed, for the financial year under review, all such returns and notices as are required and that all such returns and notices are true, correct and up to date.

P.P.

**Philipa Maduka**
**Company Secretary**

## Statement of Financial Position as at 30 June 2023

| Figures in Rand | Note(s) | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Inventories | 2 | 9 970 452 | 5 014 302 |
| Receivables from exchange transactions | 3 | 20 816 112 | 16 524 543 |
| VAT receivable | 4 | 1 648 225 | 3 358 420 |
| Cash and cash equivalents | 5 | 16 532 950 | 17 478 917 |
| | | **48 967 739** | **42 376 182** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 6 | 17 802 672 | 12 971 575 |
| Intangible assets | 7 | 385 204 | 333 950 |
| Heritage assets | 8 | 1 602 700 | 1 602 700 |
| | | **19 790 576** | **14 908 225** |
| **Total Assets** | | **68 758 315** | **57 284 407** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Payables from exchange transactions | 9 | 33 419 213 | 25 352 875 |
| Provisions | 10 | 3 931 848 | 3 717 707 |
| | | **37 351 061** | **29 070 582** |
| **Non-Current Liabilities** | | | |
| Deferred tax | 11 | 5 936 387 | 5 020 977 |
| **Total Liabilities** | | **43 287 448** | **34 091 559** |
| **Net Assets** | | **25 470 867** | **23 192 848** |
| Share capital | 31 | 10 | 10 |
| Investment from Shareholder | | 1 784 049 | 1 784 049 |
| Accumulated surplus | | 23 686 808 | 21 408 789 |
| **Total Net Assets** | | **25 470 867** | **23 192 848** |

## Statement of Financial Performance

| Figures in Rand | Note(s) | 2023 | 2022 |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Ticketing Services | 12 | 1 069 252 | 499 583 |
| Hospitality and Catering Services | 12 | 65 760 622 | 54 040 931 |
| Rental of facilities and equipment | 12 | 6 368 230 | 4 644 966 |
| Arts Alive | 12 | 12 803 314 | 8 611 747 |
| Sponsorship | 12 | - | 478 261 |
| In-house ticket sales | 12 | 7 371 298 | 5 380 057 |
| Other income | 13 | 8 058 058 | 8 243 624 |
| Interest received - investment | 14 | 5 776 137 | 4 015 408 |
| **Total revenue from exchange transactions** | | **107 206 911** | **85 914 577** |
| **Revenue from non-exchange transactions** | | | |
| **Transfer revenue** | | | |
| Subsidy | 15 | 179 652 003 | 166 152 000 |
| **Total revenue** | 12 | **286 858 914** | **252 066 577** |
| **Expenditure** | | | |
| Employee related costs | 16 | (115 574 610) | (104 879 510) |
| Depreciation and amortisation | 17 | (1 712 074) | (1 807 333) |
| Transfers and Subsidies | 18 | (22 551 296) | (22 884 193) |
| General Expenses | 19 | (143 827 504) | (107 917 084) |
| **Total expenditure** | | **(283 665 484)** | **(237 488 120)** |
| **Surplus before taxation** | | **3 193 430** | **14 578 457** |
| Taxation | 20 | (915 410) | (3 696 908) |
| **Surplus for the year** | | **2 278 020** | **10 881 549** |

## Statement of Changes in Net Assets

| Figures in Rand | Share Capital | Investment from Shareholder | Accumulated surplus | Total net assets |
|---|---|---|---|---|
| **Balance at 01 July 2021** | **10** | **1 784 049** | **10 527 240** | **12 311 299** |
| Changes in net assets | | | | |
| Surplus for the year | - | - | 10 881 549 | 10 881 549 |
| Total changes | - | - | 10 881 549 | 10 881 549 |
| **Balance at 01 July 2022** | **10** | **1 784 049** | **21 408 788** | **23 192 847** |
| Changes in net assets | | | | |
| Surplus for the year | - | - | 2 278 020 | 2 278 020 |
| Total changes | - | - | 2 278 020 | 2 278 020 |
| **Balance at 30 June 2023** | **10** | **1 784 049** | **23 686 808** | **25 470 867** |
| Note(s) | 31 | | | |

## Cash Flow Statement

| Figures in Rand | Note(s) | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Sale of goods and services | | 97 272 518 | 100 791 531 |
| Grants | | 179 652 003 | 166 152 000 |
| Interest income | | 5 648 760 | 4 015 408 |
| | | 282 573 281 | 270 958 939 |
| **Payments** | | | |
| Employee costs | | (115 604 051) | (104 189 164) |
| Suppliers | | (161 320 774) | (157 684 536) |
| | | (276 924 825) | (261 873 700) |
| **Net cash flows from operating activities** | 21 | **5 648 456** | **9 085 239** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 6 | (6 453 908) | (1 457 532) |
| Purchase of other intangible assets | 7 | (140 515) | (187 594) |
| **Net cash flows from investing activities** | | **(6 594 423)** | **(1 645 126)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(945 967)** | **7 440 113** |
| Cash and cash equivalents at the beginning of the year | | 17 478 917 | 10 038 804 |
| **Cash and cash equivalents at the end of the year** | 5 | **16 532 950** | **17 478 917** |

# Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Ticketing services | 1 199 794 | - | **1 199 794** | 1 069 252 | **(130 542)** | 1 |
| Hospitality and Catering Services | 29 423 650 | - | **29 423 650** | 65 760 622 | **36 336 972** | 2 |
| Rental of facilities and equipment | 4 728 001 | - | **4 728 001** | 6 368 230 | **1 640 229** | 3 |
| Arts Alive | 11 193 000 | - | **11 193 000** | 12 803 314 | **1 610 314** | 4 |
| In-house ticket sales | 8 981 356 | - | **8 981 356** | 7 371 298 | **(1 610 058)** | 5 |
| Other income | 5 819 027 | (5 000 000) | **819 027** | 8 058 058 | **7 239 031** | 6 |
| Interest received - investment | 3 810 169 | - | **3 810 169** | 5 776 137 | **1 965 968** | 7 |
| **Total revenue from exchange transactions** | **65 154 997** | **(5 000 000)** | **60 154 997** | **107 206 911** | **47 051 914** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Transfer revenue** | | | | | | |
| Subsidy | 179 652 003 | - | **179 652 003** | 179 652 003 | - | |
| **Total revenue** | **244 807 000** | **(5 000 000)** | **239 807 000** | **286 858 914** | **47 051 914** | |
| **Expenditure** | | | | | | |
| Employee related cost | (107 761 000) | - | **(107 761 000)** | (115 574 610) | **(7 813 610)** | 8 |
| Depreciation and amortisation | (2 586 000) | - | **(2 586 000)** | (1 712 074) | **873 926** | 9 |
| Transfers and Subsidies | (23 559 000) | - | **(23 559 000)** | (22 551 296) | **1 007 704** | 10 |
| General Expenses | (110 901 000) | 5 000 000 | **(105 901 000)** | (143 827 504) | **(37 926 504)** | 11 |
| **Total expenditure** | **(244 807 000)** | **5 000 000** | **(239 807 000)** | **(283 665 484)** | **(43 858 484)** | |
| **Surplus before taxation** | - | - | - | **3 193 430** | **3 193 430** | |
| Taxation | - | - | - | 915 410 | **915 410** | |
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | - | - | - | **2 278 020** | **2 278 020** | |

**Explanation of major variances between budget and actual**

1.**Ticketing Services** - The entity operates as both receiving house (rental of facilities and equipment) and producing house (In-house stage productions). The entity does not earn ticketing income on in-house stage productions hence the variance of 10.88% represent fees charged on rented production.

2.**Hospitality & Catering Services** - This revenue line item shows a favourable variance of 123.49%. This much higher than anticipated revenue on hospitality and catering was due to several service level agreements (SLA) signed and executed, most notably an SLA framework order with COJ's Community Development on arts culture and heritage programs as well as SLA's for Sports and Libraries and Office of the Speaker. Another contributor to the strong performance on this unit is the performances of the shows in this financial year where most of the performances were sold out.

3. **Rental of Facilities and Equipment** - The entity recorded a strong performance on Rental of facilities and equipment, the achievement was 31.81% (R1.5m) better than planned. This positive variance is largely attributable to the income earned from the fixed rental shows and door deals with the show producers.

4. **Arts Alive** - Joburg City theatres was appointed by COJ Community Development Department to implement Arts Alive programmes on its behalf. An SLA was entered between the two departments. COJ Community Development department made additional funding available for the implementation of additional programmes. An addendum to the original SLA was approved. This has resulted in the result in a positive variance between budget and actual.

5. **In-house Ticket Sales** - Ticket sales were slightly below the target by 17.93% however outperformed last year's performance by 37.01% (R1.9m). This performance reflects an increase in Ticket Sales compared to Pre-Covid Sales.

6. **Other Income** - The R5m budget which was allocated for Newtown Revitalisation program was rebased during the budget adjustment process by the budget steering committee at COJ metro however the entity was able to raise more funds from the special programmes that were implemented on behalf of the Arts Culture and Heritage department at COJ Metro. Hence a favourable variance was reported on this line item.

7. **Interest received from Investments** - The target of R3.8m was achieved and exceeded by 51.6% (R1.9m) due to better rates negotiated with the banks, changes in repo rate and increased revenue in the current financial year.

8. **Employee related costs** - The unfavourable variance on this line item was caused by the level of activities in the hospitality and catering department as well as in the core business of the theatre, furthermore, the City of Johannesburg metro has implemented more allowances to be paid to insourced employees and that includes amongst others night shift allowance, Sunday shift allowance and danger allowance.

9. **Depreciation and amortisation** - The entity conducted it annual physical verification, and condition assessment of its assets, this resulted in the reassessment of useful life of certain categories of assets. The useful life of these assets was increased, and that resulted in the reduction of the depreciation expense.

10. **Transfers and subsidies** - The City of Johannesburg conducted a budget rebasing exercise for all its entities, and departments, the entities were required to cut expenditure as the City was facing fiscal challenges. Joburg City theatres therefore reduced transfers and subsidies allocation for Johannesburg Philharmonic Orchestra and Joburg Ballet.

11.**General Expenditure** - The actual is above the budget which is attributable to the cost of sales and hiring expenses, which are linked to the favourable revenue variance of 123.49%. Hospitality and Catering department entered into Agreements with the City of Johannesburg which were revenue generating activities in the period hence significant increase on the revenue, cost of sales and other variable expenses.

The other line items contributing to the increase on general expenditure includes amongst others transportation - universal contracts (Afrirent) and special projects undertaken by the entity on behalf of the Community Development department, consumables (uniforms for the cleaners and security), productions and other variable expenditure linked to the volume of the revenue generating activities in the financial year. The average Nett effect is a Surplus.

## Joburg Theatre (SOC) Limited
(Registration number 2000/013032/07)
Annual Financial Statements for the year ended 30 June 2023

## Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | | | | | |
| **Financial Performance** | | | | | | | | | | | |
| Investment revenue | 3 810 169 | - | 3 810 169 | - | | 3 810 169 | 5 776 137 | | 1 965 968 | 152 % | 152 % |
| Transfers recognised - operational | 179 652 003 | - | 179 652 003 | - | | 179 652 003 | 179 652 003 | | - | 100 % | 100 % |
| Other own revenue | 61 344 828 | (5 000 000) | 56 344 828 | - | | 56 344 828 | 101 430 774 | | 45 085 946 | 180 % | 165 % |
| **Total revenue (excluding capital transfers and contributions)** | **244 807 000** | **(5 000 000)** | **239 807 000** | - | | **239 807 000** | **286 858 914** | | **47 051 914** | **120 %** | **117 %** |
| Employee related costs | (107 761 000) | - | (107 761 000) | - | - | (107 761 000) | (115 574 610) | - | (7 813 610) | 107 % | 107 % |
| Depreciation and asset impairment | (2 586 000) | - | (2 586 000) | | | (2 586 000) | (1 712 074) | - | 873 926 | 66 % | 66 % |
| Transfers and subsidies | (23 559 000) | - | (23 559 000) | - | - | (23 559 000) | (22 551 296) | - | 1 007 704 | 96 % | 96 % |
| General expenses | (110 901 000) | 5 000 000 | (105 901 000) | - | - | (105 901 000) | (143 827 504) | - | (37 926 504) | 136 % | 130 % |
| **Total expenditure** | **(244 807 000)** | **5 000 000** | **(239 807 000)** | - | - | **(239 807 000)** | **(283 665 484)** | - | **(43 858 484)** | **118 %** | **116 %** |
| Taxation | - | - | - | - | | - | 915 410 | | 915 410 | | |
| **Surplus/(Deficit) for the year** | - | - | - | - | | - | **2 278 020** | | **2 278 020** | | |

# Accounting Policies

## 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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 (ZAR).

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

### 1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipal 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.

#### Other

Management is not aware of any significant risks that will cause material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Accounting by principals and agent

Management makes assessments on whether it is the principal or agent in principal-agent relationships. There were no significant judgements applied.

#### Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipal entity measures an impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the management considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipal entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

# Accounting Policies

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

**Accounting for adjustments to revenue**

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the 2023, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the management, and the management could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipal entity, but the municipal entity could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

**Accounting for adjustments to revenue that correct an error or prior period error**

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipal entity, the municipal entity accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or

(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the municipal entity are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

**Accounting for adjustments to revenue as a change in an accounting estimate**

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipal entity, the municipal entity accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

### 1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipal 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.

### 1.3 Property, plant and equipment (continued)

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

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

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

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

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

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

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

| Item | Depreciation method | Average useful life |
| --- | --- | --- |
| Furniture and fixtures | Straight line | 12-15 years |
| Motor vehicles | Straight line | 10-15 years |
| IT equipment | Straight line | 10-13 years |
| Leasehold improvements | Straight line | 5-15 years |
| Electrical Infrastructure | Straight line | 50-60 years |
| Stage equipment | Straight line | 15-20 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 municipal 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 municipal entity assesses at each reporting date whether there is any indication that the municipal 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 municipal 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.

# Accounting Policies

### 1.3 Property, plant and equipment (continued)

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

Assets which the municipal entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipal entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the annual financial statements (see note 6).

The municipal entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

### 1.4 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipal 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 municipal entity; and
- the cost or fair value of the asset can be measured reliably.

The municipal 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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

## Accounting Policies

### 1.4 Intangible assets (continued)

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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, other | Straight line | 5-8 |

The municipal entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

### 1.5 Heritage assets

Assets are resources controlled by an municipal entity as a result of past events and from which future economic benefits or service potential are expected to flow to the municipal 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 municipal entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

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

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

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

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

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

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

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

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

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

Average useful life of Heritage assets is Indefinite

The municipal entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 8).

The municipal entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

### 1.5 Heritage assets (continued)

**Recognition**

The municipal 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 municipal 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.

**Derecognition**

The municipal 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).

The heritage assets held by JCT are artworks and other paintings of value to the entity.

### 1.6 Financial instruments

**Initial recognition and measurement**

Financial instruments are recognised initially when the municipal entity becomes a party to the contractual provisions of the instruments.

The municipal entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as financial assets at cost.

For financial instruments which are not at fair value, transaction costs are included in the initial measurement of the instrument.

**Subsequent measurement**

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

**Receivables from exchange transactions**

# Accounting Policies

### 1.6 Financial instruments (continued)

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

**Payables from exchange transactions**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

**Cash and cash equivalents**

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

The Financial instruments held by JCT are Trade receivables, Trade payables and Cash and Cash  equipments.

### 1.7 Statutory receivables

**Identification**

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

**Recognition**

The municipal entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

**Subsequent measurement**

The municipal entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);

# Accounting Policies

### 1.7 Inventories (continued)

- impairment losses; and
- amounts derecognised.

#### Other charges

Where the municipal entity is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

#### Impairment losses

The municipal entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipal entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipal entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipal entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

#### Derecognition

The municipal entity derecognises a statutory receivable, or a part thereof, when:

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

### 1.7 Inventories (continued)

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### 1.8 Tax

**Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The company accounts for VAT on accrual basis.

**Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The deferred tax asset in the current year is as a result of donated assets, for which there were no allowances claimed resulting in deferred tax asset which was immediately impaired.

**Tax expenses**

Current and deferred taxes are recognised as income or an expense and are included in the surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

### 1.9 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.

**Finance leases - lessee**

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

### 1.9 Leases (continued)

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

Any contingent rents are expensed in the period in which they are incurred.

There were no finance leases recorded for JCT in the year under review.

**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.

The operating leases relate to cash vault machines and digital printing machines.

### 1.10 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 municipal 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 municipal 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.

Inventories include consumable stores and trading stock for food and beverages operation.

### 1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

# Accounting Policies

### 1.11 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Useful life is either:
- the period of time over which an asset is expected to be used by the municipal entity; or
- the number of production or similar units expected to be obtained from the asset by the municipal entity.

**Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipal entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipal entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipal entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

**Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipal entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

There were no impairment of cash generating assets from JCT for the year under review.

**Reversal of impairment loss**

The municipal entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

# Accounting Policies

### 1.11 Impairment of cash-generating assets (continued)

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

**Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

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

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

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

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

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

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

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

Useful life is either:

# Accounting Policies

### 1.12 Impairment of non-cash-generating assets (continued)

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

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipal entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipal entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipal entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

There were no impairment of non-generating assets for JCT in the year under review.

#### Reversal of an impairment loss

The municipal entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipal entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

# Accounting Policies

### 1.13 Share capital / contributed capital

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

Net assets instruments issued by the company are classified according to the substance of the contractual arrangements entered into. Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

### 1.14 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

### 1.15 Provisions and contingencies

Provisions are recognised when:

- the municipal 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 municipal 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.

Provisions for JCT includes performance bonuses.

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.

# Accounting Policies

### 1.15 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating surplus.

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.

The provision as at end of the period under review is the performance bonuses.

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipal entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipal entity considers that an outflow of economic resources is probable, an municipal entity recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognised because either:
-It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or
-The amount of the obligation cannot be measured with sufficient reliability.

### 1.16 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Sale of goods

### 1.16 Revenue from exchange transactions (continued)

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

- the municipal municipal entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipal municipal 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 municipal municipal entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sale of goods for JCT includes banqueting sales, bar sales and restaurant sales.

#### 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 municipal municipal 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.

Revenue from rendering services include in house productions, ticket sales and rental of facilities .

#### Interest, royalties and dividends

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Interest revenue include the interest on fixed deposits and call accounts with the bankers.

### 1.17 Revenue from non-exchange transactions

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

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

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

#### Measurement

# Accounting Policies

### 1.17 Revenue from non-exchange transactions (continued)

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

**Subsidy**

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

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

**Other grants and donations**

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.18 Investment income

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

### 1.19 Comparative figures

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

### 1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance 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.

JCT had no unauthorised expenditure in the year under review.

### 1.21 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.

# Accounting Policies

### 1.22 Irregular expenditure

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 Board of Directors 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.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.23 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

### 1.24 Budget information

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

General purpose financial reporting by municipal 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 accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 Jul 2022 to 30 Jun 2023 wihile the approved opex budget covers 2022/23 financial year and indicatives for the two outer years.

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

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

### 1.25 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.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

# Accounting Policies

### 1.25 Related parties (continued)

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 municipal entity, including those charged with the governance of the municipal entity in accordance with legislation, in instances where they are required to perform such functions.

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

The municipal 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 municipal 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 municipal entity is exempt from the disclosures in accordance with the above, the municipal 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.

Related parties are detailed on note 23 together with their transactions and balances.

### 1.26 Service concession arrangements: Entity as grantor

#### Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator; or
- is provided by the grantor which:
  - is an existing asset of the grantor; or
  - is an upgrade to an existing asset of the grantor.

#### Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

# Accounting Policies

### 1.26 Service concession arrangements: Entity as grantor (continued)

**Recognition of the performance obligation and the right to receive a significant interest in a service concession asset**

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration is recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

# Accounting Policies

**1.27 GRAP Standards Approved and Not Yet Effective**

| | |
|---|---|
| GRAP 1 | Presentation on Financial Statements |
| GRAP 103 | Heritage Assets |
| GRAP 104 | Financial Instruments |

## Accounting Policies

### 1.28 GRAP Standards Approved and Effective

| | |
|---|---|
| GRAP 1 | Presentation of Financial Statements |
| GRAP 2 | Cash Flow Statements |
| GRAP 3 | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 4 | The Effects of chnges in Foreign Exchange Rate |
| GRAP 5 | Borrowing Costs |
| GRAP 6 | Consolidated and Seperate Financial Statements |
| GRAP 7 | Investments in Associate |
| GRAP 8 | Interest in Joint Ventures |
| GRAP 9 | Revenue from Exchange Transactions |
| GRAP 10 | Financial Reporting in Hyperinflationary Economies |
| GRAP 11 | Construction Contracts |
| GRAP 12 | Inventories |
| GRAP 13 | Leases |
| GRAP 14 | Events after the reporting date |
| GRAP 16 | Investment Property |
| GRAP 17 | Property Plant and Equipment |
| GRAP 18 | Segment Reporting |
| GRAP 19 | Provisions, Contingent Liabilities and Contingent Assets |
| GRAP 20 | Related Party Disclosures |
| GRAP 21 | Impairment of Non Cash Generating Assets |
| GRAP 23 | Revenue from Non Exchange Transations |
| GRAP 24 | Presentation of Budget Information in Financial Statements |
| GRAP 25 | Employee Benefits (Revised Standard) |
| GRAP 26 | Impairment of Cash Generating Assets |
| GRAP 27 | Agriculture |
| GRAP 31 | Intangible Assets |
| GRAP 32 | Service Concession Attangements: Grantor |
| GRAP 34 | Separate Financial Statements |
| GRAP 35 | Consolidated Financial Statements |
| GRAP 36 | Investments in Associates and Joint Ventures |

## Accounting Policies

### 1.28 GRAP Standards Approved and Effective (continued)

| | |
|---|---|
| GRAP 37 | Joint Arrangements |
| GRAP 38 | Disclosure of Interests in Other Entities |
| GRAP 100 | Discontinued Operations |
| GRAP 103 | Heritage Assets (Revised Standard) |
| GRAP 104 | Financial Instruments (Revised Standard) |
| GRAP 105 | Transfer of Functions Between Entities Under Common Control |
| GRAP 106 | Transfer of Functions Between Entities Not Under Common Control |
| GRAP 107 | Mergers |
| GRAP 108 | Statutory Receivables |
| GRAP 109 | Accounting by Principal and Agent |
| GRAP 110 | Living and Non-living Resources |

## Notes to the Annual Financial Statements

| Figures in Rand | 30 June 2023 | 30 June 2022 |
|---|---|---|

### 2. Inventories

| | | |
|---|---|---|
| Work in progress | 7 865 465 | 3 657 951 |
| Consumable stores | 296 567 | 331 800 |
| Trading Stock - Food and Beverage | 1 808 420 | 1 024 551 |
| | **9 970 452** | **5 014 302** |

| **Work in progress** | | |
|---|---|---|
| Opening balance | 3 657 951 | 882 096 |
| Prior year WIP transferred | (3 657 951) | (882 096) |
| Current year WIP | 7 865 465 | 3 657 951 |
| | **7 865 465** | **3 657 951** |

| **Consumables** | | |
|---|---|---|
| Opening balance | 331 800 | 457 393 |
| Stock movement for the year | (35 233) | (125 593) |
| | **296 567** | **331 800** |

| **Trading Stock - Food and Beverages** | | |
|---|---|---|
| Opening balance | 1 024 551 | 812 999 |
| Stock movement for the year | 783 869 | 211 552 |
| | **1 808 420** | **1 024 551** |

Joburg City Theatres operates as both receiving and production house.The expenditure on show productions prior to maturity is treated as Work in Progress (WIP) for example, Peter Pan, Arts Alive, etc.

Consumables stores contain amongst others, cleaning materials, grocery items, lightings,tapes, paints, and stationery.These items are consumed by the company in the daily business operations. The amount consumed is recognised as expense when the consumables are requisitioned from the stores.Inventories held for consumption at no charge are measured at the lower of cost and current replacement cost and are fairly valued.

Trading Stock - Food and Beverages contains amongst others, bar, restaurant, and hospitality stock. Trading stock is measured at the lower of cost and current replacement cost and are fairly valued.

### 3. Receivables from exchange transactions

| | | |
|---|---|---|
| Trade debtors | 831 434 | 604 849 |
| Accrued Income | 127 377 | 5 934 |
| Related Party Debtors | 19 857 301 | 15 913 760 |
| | **20 816 112** | **16 524 543** |

**Trade and other receivables**

Trade Debtors- represents rent receivable for use of facilities (hospitality and theatre rentals).

Related party debtors - represents the amounts owed to Joburg City Theatres by the City of Johannesburg and Municipal Owned Entities. Included in the related party receivables is other hospitality,rental,capex and catering services rendered to COJ and its MOE's. Joburg City Theatres does not charge interest on related party debtors.

Debtors are measured at fair value.

**Fair value of trade and other receivables**

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 3. Receivables from exchange transactions (continued)

**Receivables From Exchange Transactions by Class**

| | | |
|---|---|---|
| **Fair value of trade and other receivables** | | |
| Hospitality and Catering | 17 446 012 | 11 658 627 |
| City of Johannesburg - CAPEX | 251 700 | 3 350 069 |
| City of Johannesburg - Entities | 2 162 089 | 905 061 |
| Other | 956 311 | 610 786 |
| | **20 816 112** | **16 524 543** |

| | | |
|---|---|---|
| **Debtors Age Analysis** | | |
| 90 Days + | 1 410 604 | 1 119 969 |
| 60 Days | 105 109 | 2 548 |
| 30 Days | 465 987 | 174 115 |
| Current | 18 834 412 | 15 227 911 |
| | **20 816 112** | **16 524 543** |

Accounts receivable in 90+ days relate to City of Johannesburg's customer deposit and a collection of other small account receivables.The entity believes that these amounts are still collectable and should circumstances change they will be considered for impairment in accordance with company policy.

### 4. VAT Receivable - Non - Exchange Transactions (Statutory Receivables)

| | | |
|---|---|---|
| VAT | 1 648 225 | 3 358 420 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 5. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Cash on hand | 68 499 | 76 768 |
| Bank balances | 16 464 451 | 17 402 149 |
| | **16 532 950** | **17 478 917** |

| | | |
|---|---|---|
| Current assets | 16 532 950 | 17 478 917 |
| Current liabilities | - | - |
| | **16 532 950** | **17 478 917** |

Cash and cash equivalent comprise of cash on hand, current accounts and deposits on call accounts that are alreadily convertible into known amounts of cash. The effective interest rates of the cash equivalents investment as at end of the period was 7.75%.

**The municipal entity had the following bank accounts**

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|---|---|---|---|---|---|
| | 30 June 2023 | 30 June 2022 | 30 June 2021 | 30 June 2023 | 30 June 2022 | 30 June 2021 |
| Nedbank - current account - Joburg Theatre | 866 214 | 3 959 636 | 670 252 | 866 214 | 3 959 636 | 670 252 |
| Nedbank - current account - Roodepoort and Soweto | 175 042 | 92 142 | 53 494 | 175 042 | 92 142 | 53 494 |
| Nedbank - current account - Ticketing | 163 844 | 124 900 | 68 901 | 163 844 | 124 900 | 68 901 |
| Nedbank - current account - Hospitality and Catering | 180 850 | 296 171 | 123 374 | 180 850 | 296 171 | 123 374 |
| Nedbank - investment account - Joburg Theatre | 14 106 146 | 10 080 505 | 8 625 186 | 14 106 146 | 10 080 505 | 8 625 186 |
| Nedbank - current account - Zoo | 49 736 | 28 536 | 102 140 | 49 736 | 28 536 | 102 140 |
| Nedbank - current account - Metro | 53 255 | 25 470 | 80 407 | 53 255 | 25 470 | 80 407 |
| Nedbank - investment account - Roodepoort and Soweto | 1 636 | 59 117 | 210 240 | 1 636 | 59 117 | 210 240 |
| Nedbank - investment account - Ticketing | 442 722 | 2 091 906 | 26 884 | 442 722 | 2 091 906 | 26 884 |
| Nedbank - investment account - Hospitality and Catering | 377 046 | 643 766 | 21 327 | 377 046 | 643 766 | 21 327 |
| Investec - investment account | 47 960 | - | - | 47 960 | - | - |
| **Subtotal** | **16 464 451** | **17 402 149** | **9 982 205** | **16 464 451** | **17 402 149** | **9 982 205** |
| Cash on hand | 68 499 | 76 768 | 56 599 | 68 499 | 76 768 | 56 599 |
| **Total** | **16 532 950** | **17 478 917** | **10 038 804** | **16 532 950** | **17 478 917** | **10 038 804** |

### 6. Property, plant and equipment

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Leasehold improvements | 5 439 874 | (2 720 691) | 2 719 183 | 4 671 122 | (2 300 830) | 2 370 292 |
| Furniture and fixtures | 4 415 524 | (1 810 218) | 2 605 306 | 3 694 361 | (1 798 666) | 1 895 695 |
| Motor vehicles | 152 536 | (63 375) | 89 161 | 152 536 | (51 641) | 100 895 |
| IT equipment | 4 759 560 | (2 190 854) | 2 568 706 | 4 289 743 | (1 838 953) | 2 450 790 |
| Infrastructure | 2 566 210 | (12 662) | 2 553 548 | - | - | - |
| Stage equipment | 13 269 617 | (6 002 849) | 7 266 768 | 11 616 252 | (5 462 349) | 6 153 903 |
| **Total** | **30 603 321** | **(12 800 649)** | **17 802 672** | **24 424 014** | **(11 452 439)** | **12 971 575** |

**Reconciliation of property, plant and equipment - 2023**

| | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Leasehold improvements | 2 370 292 | 768 752 | (419 861) | 2 719 183 |
| Furniture and fixtures | 1 895 695 | 995 765 | (286 154) | 2 605 306 |
| Motor vehicles | 100 895 | - | (11 734) | 89 161 |
| IT equipment | 2 450 790 | 469 817 | (351 901) | 2 568 706 |
| Electrical Infrastructure | - | 2 566 210 | (12 662) | 2 553 548 |
| Stage equipment | 6 153 903 | 1 653 364 | (540 499) | 7 266 768 |
| | **12 971 575** | **6 453 908** | **(1 622 811)** | **17 802 672** |

### 6. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - 2022**

| | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Leasehold improvements | 2 183 298 | 601 018 | - | (414 024) | 2 370 292 |
| Furniture and fixtures | 2 170 201 | 65 710 | (377) | (339 839) | 1 895 695 |
| Motor vehicles | 112 628 | - | - | (11 733) | 100 895 |
| IT equipment | 2 066 166 | 711 804 | (230) | (326 950) | 2 450 790 |
| Stage equipment | 6 628 604 | 79 000 | (617) | (553 084) | 6 153 903 |
| | **13 160 897** | **1 457 532** | **(1 224)** | **(1 645 630)** | **12 971 575** |

The entity conducted its annual physical verification and condition assessment of its assets, this resulted in the reassessment of useful life of certain categories of assets. The useful life of these assets was increased and that resulted in the reduction of the depreciation expense. Changes from the reassessment were adjusted prospectively. No asset write offs were identified during the current year.

During the prior year the entity conducted physical verification excercise of assets and the assets below were identified for write off.

| **Assets Written Off 2022** | Cost | Accumulated Depreciation | Total |
|---|---|---|---|
| Furniture and Fixtures | 78 701 | (78 324) | 377 |
| Computer Equipment | 52 078 | (51 848) | 230 |
| Stage Equipment | 292 253 | (291 636) | 617 |
| | **423 032** | **(421 808)** | **1 224** |

**6. Property, plant and equipment (continued)**

**Maintenance of property, plant and equipment**

**Maintenance of property, plant and equipment by condition - 2023**

| | Preventative Maintenance | | Corrective Maintenance | | |
|---|---|---|---|---|---|
| | Interval Based | Total | Planned | Total | Total |
| Furniture and fixtures | - | - | 178 176 | 178 176 | 178 176 |
| Motor vehicles | - | - | 37 544 | 37 544 | 37 544 |
| IT equipment | - | - | 79 637 | 79 637 | 79 637 |
| Stage equipment | 261 572 | 261 572 | 472 002 | 472 002 | 733 574 |
| | **261 572** | **261 572** | **767 359** | **767 359** | **1 028 931** |

**Maintenance of property, plant and equipment by condition - 2022**

| | Preventative Maintenance | | Corrective Maintenance | | |
|---|---|---|---|---|---|
| | Interval Based | Total | Planned | Total | Total |
| Furniture and fixtures | - | - | 55 558 | 55 558 | 55 558 |
| Motor vehicles | - | - | 29 044 | 29 044 | 29 044 |
| IT equipment | - | - | 23 787 | 23 787 | 23 787 |
| Stage equipment | 209 178 | 209 178 | - | - | 209 178 |
| | **209 178** | **209 178** | **108 389** | **108 389** | **317 567** |

The tables above excludes repairs and maintenance expenditure incurred towards buildings and facilities that are leased from the parent Municipality (City of Johannesburg).

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 7. Intangible assets

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 1 168 627 | (783 423) | 385 204 | 1 028 112 | (694 162) | 333 950 |

**Reconciliation of intangible assets - 2023**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software, other | 333 950 | 140 515 | (89 261) | 385 204 |

**Reconciliation of intangible assets - 2022**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software, other | 308 058 | 187 594 | (161 702) | 333 950 |

## 8. Heritage assets

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Artwork and Historical Assets | 1 707 700 | - | 1 707 700 | 1 707 700 | - | 1 707 700 |
| Impairment Loss | - | (105 000) | (105 000) | - | (105 000) | (105 000) |
| **Total** | **1 707 700** | **(105 000)** | **1 602 700** | **1 707 700** | **(105 000)** | **1 602 700** |

**Reconciliation of heritage assets 2023**

| | Opening balance | Total |
|---|---|---|
| Artwork and Historical Assets | 1 602 700 | 1 602 700 |

**Reconciliation of heritage assets 2022**

| | Opening balance | Total |
|---|---|---|
| Artwork and Historical Assets | 1 602 700 | 1 602 700 |

**Additional Information**

Heritage assets includes artwork valued R957 000 and historical assets valued at R645 700. Deemed cost was determined using fair value. A class of heritage assets is carried at its cost less any accumulated impairment losses. The assessment has been perfomed to test whether any impairment indicators have been triggered and there was no indication of impairment during the current financial year.

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 9. Payables from exchange transactions

| | | |
|---|---|---|
| Trade payables | 16 480 576 | 9 392 305 |
| Deferred Income | 2 153 768 | 2 240 439 |
| Accrued Leave | 4 432 897 | 4 693 019 |
| Sundry creditors | 3 149 202 | 6 123 572 |
| Accrued 13th Cheque | 852 307 | 835 767 |
| Year end accruals | 507 715 | 13 941 |
| Related Party | 5 842 748 | 2 053 832 |
| | **33 419 213** | **25 352 875** |

Trade payables consists of trade creditors due to the suppliers/service providers.

Deferred income represents deposits for rental of facilities and ticket sales for future shows.

Related party consist of OHASA ,Insourcing, utilities and rentals due to Joburg City Parks and Zoo and City Power.

Sundry creditors is made up of third party balances i.e. PAYE, SDL, UIF, Pension Fund, Medical Aid,Samwu and Psira.

Year end accruals consist of trade creditors due to the suppliers/ service providers.

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 10. Provisions

### Reconciliation of provisions - 2023

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Performance Bonus | 3 717 707 | 3 931 848 | (3 717 707) | 3 931 848 |

### Reconciliation of provisions - 2022

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Performance Bonus | 3 753 502 | 3 717 707 | (3 753 502) | 3 717 707 |

The bonus provision relates to the performance bonuses that the entity expects to pay the qualifying employees. The amount is based on the performance of the financial year under review which is still to be determined. The provision is management's best estimate of the entity's liability at reporting date.

## 11. Deferred tax

### Deferred tax liability

| | 2023 | 2022 |
|---|---|---|
| Property, plant and equipment | 2 283 116 | 1 994 699 |
| Allowance for future expenditure section 24c | 4 599 692 | 5 140 103 |
| Accounting work in progress not constituting trading stock for tax purposes | 2 123 700 | 987 647 |
| **Total deferred tax liability** | **9 006 508** | **8 122 449** |

### Deferred tax asset

| | 2023 | 2022 |
|---|---|---|
| Provisions | (2 488 604) | (2 496 553) |
| Deferred income | (581 517) | (604 919) |
| Deferred tax balance from temporary differences other than unused tax losses | (3 070 121) | (3 101 472) |
| **Total deferred tax asset** | **(3 070 121)** | **(3 101 472)** |

| | 2023 | 2022 |
|---|---|---|
| Deferred tax liability | 9 006 508 | 8 122 449 |
| Deferred tax asset | (3 070 121) | (3 101 472) |
| **Total net deferred tax liability** | **5 936 387** | **5 020 977** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 12. Revenue

| | | |
|---|---|---|
| Ticketing services | 1 069 252 | 499 583 |
| Hospitality and Catering services | 65 760 622 | 54 040 931 |
| Rental of facilities and equipment | 6 368 230 | 4 644 966 |
| Arts Alive | 12 803 314 | 8 611 747 |
| Sponsorship | - | 478 261 |
| In-house ticket sales | 7 371 298 | 5 380 057 |
| Other income | 8 058 058 | 8 243 624 |
| Interest received - investment | 5 776 137 | 4 015 408 |
| Subsidy | 179 652 003 | 166 152 000 |
| | **286 858 914** | **252 066 577** |

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

| | | |
|---|---|---|
| Ticketing services | 1 069 252 | 499 583 |
| Hospitality and Catering services | 65 760 622 | 54 040 931 |
| Rental of facilities and equipment | 6 368 230 | 4 644 966 |
| Arts Alive | 12 803 314 | 8 611 747 |
| Sponsorship | - | 478 261 |
| In-house ticket sales | 7 371 298 | 5 380 057 |
| Other income | 8 058 058 | 8 243 624 |
| Interest received - investment | 5 776 137 | 4 015 408 |
| | **107 206 911** | **85 914 577** |

The proportion of earned income against total revenue which includes subsidy is 37% whilst subsidy accounts for 63%.

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

| | | |
|---|---|---|
| **Transfer revenue** | | |
| Subsidy from City of Joburg | 179 652 003 | 166 152 000 |

### 13. Other income

| | | |
|---|---|---|
| Other income | 8 058 058 | 8 243 624 |

Other income includes, amongst others, Insurance Claims, Ballet Mats, Backline Hire, SETA Reimbursements and special projects.

### 14. Interest received - investment

| | | |
|---|---|---|
| **Interest revenue** | | |
| Bank | 5 776 137 | 4 015 408 |

Interest income is calculated using the effective interest rate between 5.75% to 7.75%

The table below shows the interest received from two financial institutions:

| **Bank** | 2023 | 2022 |
|---|---|---|
| Investec Bank Limited | 686 433 | - |
| Nedbank Limited | 5 089 704 | 4 015 408 |
| | **5 776 137** | **4 015 408** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 15. Subsidy

**Operating Grants and Subsidies**

| | | |
|---|---|---|
| Joburg Theatre | 139 660 163 | 129 165 359 |
| Roodepoort Theatre | 13 770 387 | 12 735 607 |
| Soweto Theatre | 26 221 453 | 24 251 034 |
| | **179 652 003** | **166 152 000** |

The subsidy received from the City of Johannesburg Metropolitan Municipality is in terms of the service delivery agreement to provide services in accordance with the agreed obligations for operating Joburg Theatre, Roodepoort Theatre and Soweto Theatre.

## 16. Employee related costs

| | | |
|---|---|---|
| Salaries and Wages | 113 856 610 | 103 179 510 |
| Board Fees included in Employee cost | 1 718 000 | 1 700 000 |
| | **115 574 610** | **104 879 510** |

**Employee Costs Breakdown**

| | | |
|---|---|---|
| Net Salary | 65 418 839 | 59 049 549 |
| PAYE | 18 137 263 | 15 563 003 |
| SDL | 954 172 | 851 144 |
| UIF | 1 071 801 | 918 590 |
| Medical Aid | 6 209 908 | 5 829 065 |
| Pension Contribution | 15 885 601 | 14 494 816 |
| Third Parties | 1 040 255 | 565 806 |
| Leave accruals and bonus provisions | 4 523 090 | 5 289 214 |
| Staff accounts, CFO Savings, Gym and year end contributions | 615 681 | 618 323 |
| | **113 856 610** | **103 179 510** |

**Committee Fees Breakdown**

| | | |
|---|---|---|
| Board Fees | 1 526 000 | 1 522 000 |
| Sub-Committee Fees | 192 000 | 178 000 |
| | **1 718 000** | **1 700 000** |

Detailed breakdown of board fees is disclosed under note 26. Included in the above is fees paid to board sub-committee members who are not members of the board.

**Chief Executive Officer**

| | | |
|---|---|---|
| Annual Remuneration | 2 469 620 | 2 443 289 |
| Performance Bonus | 342 060 | 306 887 |
| Contributions to UIF, SDL, Medical Aid and Pension Funds | 27 830 | 27 996 |
| Leave Encashment, Cell & Data Allowance | 108 767 | 186 933 |
| | **2 948 277** | **2 965 105** |

**Chief Operating Officer**

| | | |
|---|---|---|
| Annual Remuneration | 1 464 893 | 1 464 893 |
| Performance Bonuses | 211 238 | 198 150 |
| Contributions to UIF, SDL, Medical Aid and Pension Funds | 444 770 | 415 639 |
| Leave Encashment, Acting, Cell & Data Allowance | 253 555 | 77 596 |
| | **2 374 456** | **2 156 278** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 16. Employee related costs (continued)

**Chief Financial Officer - Resigned 31 July 2023**

| | | |
|---|---|---|
| Annual Remuneration | 553 298 | 1 694 813 |
| Performance bonus | 237 274 | 305 667 |
| Contributions to UIF, SDL, Medical Aid and Pension Funds | 6 302 | 21 932 |
| Leave Encashment, Acting, Cell & Data Allowance | 98 268 | 93 220 |
| | **895 142** | **2 115 632** |

The Chief Financial Officer was seconded to Joburg Market for 9 months as Acting Chief Executive Officer during the current financial year.

**Company Secretary**

| | | |
|---|---|---|
| Annual Remuneration | 1 059 066 | 1 075 638 |
| Performance Bonuses | 152 717 | 158 001 |
| Contributions to UIF, SDL, Medical Aid and Pension Funds | 287 603 | 259 345 |
| Leave Encashment, Acting, Cell & Data Allowance | 87 935 | 67 991 |
| | **1 587 321** | **1 560 975** |

### 17. Depreciation and amortisation

| | | |
|---|---|---|
| Property, plant and equipment | 1 622 812 | 1 645 631 |
| Intangible assets | 89 262 | 161 702 |
| | **1 712 074** | **1 807 333** |

### 18. Grants and Subsidies Paid

| | | |
|---|---|---|
| **Other subsidies** | | |
| Grants Paid | 22 551 296 | 22 884 193 |

| | | |
|---|---|---|
| **Subsidies comprises of:** | | |
| Joburg Ballet | 10 590 000 | 11 343 962 |
| Johannesburg Philharmonic Orchestra | 11 961 296 | 11 540 231 |
| | **22 551 296** | **22 884 193** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 19. General expenses

| | | |
|---|---|---|
| Auditors remuneration | 1 017 587 | 722 282 |
| Bank charges | 681 252 | 496 216 |
| Cleaning | 401 754 | 597 854 |
| Computer expenses | 682 662 | 296 567 |
| Consulting and professional fees | 219 651 | 259 182 |
| Consumables | 6 046 492 | 3 936 048 |
| Community Development | 1 721 697 | 2 896 710 |
| Entertainment/Opening Nights | 481 376 | 353 699 |
| Building signage; framing and printing | 5 120 964 | 3 694 133 |
| Insurance | 924 642 | 604 751 |
| Employee Uniforms | 1 883 604 | 472 390 |
| Telecommunication expenses | 880 870 | 816 461 |
| Marketing and show contributions | 9 766 898 | 9 596 447 |
| Ticketing | 128 129 | 53 640 |
| Motor vehicle expenses | 6 920 973 | 3 626 090 |
| Licences | 930 289 | 188 706 |
| Productions and Special Projects | 37 693 534 | 20 452 043 |
| Printing and Stationery | 925 347 | 622 701 |
| Subscriptions and membership fees | 169 894 | 135 342 |
| Business travel and accommodation | 453 583 | 357 830 |
| Electricity | 12 184 626 | 11 829 847 |
| Gas | 381 786 | 230 613 |
| Sewerage and waste disposal | 1 268 030 | 772 438 |
| Employee Wellness & Training | 125 227 | 115 974 |
| Arts Alive | 10 511 904 | 7 513 497 |
| Write offs | - | 1 223 |
| Hospitality & catering and hiring expenses | 19 136 461 | 19 564 017 |
| Repairs and Maintenance | 3 356 908 | 4 790 785 |
| Cost of Sales | 19 811 364 | 12 919 598 |
| | **143 827 504** | **107 917 084** |

Computer Expenses - The movements on computer expenses relates to the licences for the products that the entity is using. These include amongst others antivirus (Sophos), point of sale system in the hospitality and catering unit, microsoft office, adobe creative cloud, vmware, firewall/sonic wall.

Consumables - The increase on this line item was attributable to the materials acquired inorder to internally carry out the repair work at Soweto Theatre after the Theatre was damaged by major flooding in December 2022.

Building Signage, framing and printing - The major contributor to the increase on building signage is linked to the volume of productions and other Theatre activities as this was the year that the entity celebrated its 60th birthday at Joburg Theatre and 10th anniversary birthday at Soweto Theatre.

Productions and special projects - Apart from the two events mentioned above, the entity implemented other special projects on behalf of the shareholder (City of Johannesburg Metropolitan) for Arts, Culture and Heritage in the 4th quarter.

Arts Alive - The allocation from the shareholder that was made available to the entity increased in the current year from R8m to 11m.

Employee uniforms - The entity buys staff uniforms every two years for security personnel, cleaners and hospitality and catering. The current financial year was the begining of the new two year cycle and the entity bought uniforms for all the relevant personnel as per its two year cycle policy.

Marketing and contributions to tenant productions - The increase on marketing was not significantly higher than the previous financial year and therefore should be viewed as general increase as per CPI

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 19. General expenses (continued)

Motor vehicle expenses - Transportation is a universal contract which is managed at Group level within the City of Johannesburg and the increase was caused by the increase on number of vehicles due to the increase on staff compliment especially in the hospitality and catering department. There was also an increase on other cost drivers like petrol , and rental fees.

Other hospitality and catering expenses - Overall expenses for Hospitality and Catering unit grew by 2.65% and this was attributed to the high levels of inflation.

Cost of sales - The entity was operating in a very restrictive economic environment with high levels of fuel and food inflation resulting in an increase of 53% in cost of sales line. The increase on this line item was also influenced by the level of activities in the Theatre particulaly in the hospitality and catering business unit resulting on sales growing significantly in the current financial year.

Based on the analysis above, there is evidence that the country was experiencing general increase in the cost of living, this resulted in the South African Reserve Bank (SARB), Monetary Policy Committe (MPC) hiking the repo rate a record 8 consucative times. This was was in an effort to curb the high inflation in the country. High interest rates combined with the loadsheding brough about increases in both productions and consumer goods. The operations are stabilising to the pre covid levels which influences the cost drivers to increase.

### 20. Taxation

**Major components of the tax expense**

| | 2023 | 2022 |
|---|---|---|
| **Deferred** | | |
| Movement in temporary differences | 915 410 | 3 696 908 |

**Reconciliation of the tax expense**

Reconciliation between accounting surplus and tax expense.

| | 2023 | 2022 |
|---|---|---|
| Accounting surplus | 3 193 430 | 14 578 457 |
| Tax at the applicable tax rate of 27% (2022: 28%) | 862 226 | 4 081 968 |
| **Tax effect of adjustments on taxable income** | | |
| Tax impact of non-temporary differences: Leasehold improvements | 53 670 | 55 226 |
| Overprovision prior year on deferred tax | (486) | (254 324) |
| Impact that deferred tax is raised at 27% and not at 28% | - | (185 962) |
| | **915 410** | **3 696 908** |

### 21. Cash generated from operations

| | 2023 | 2022 |
|---|---|---|
| Surplus | 2 278 020 | 10 881 549 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 1 712 074 | 1 807 333 |
| Movements in provisions | 214 141 | (35 795) |
| Annual charge for deferred tax | 915 410 | 3 696 908 |
| Loss on sale of assets | - | 1 224 |
| **Changes in working capital:** | | |
| Inventories | (4 956 150) | (2 861 814) |
| Receivables from exchange transactions | (4 291 568) | 20 134 387 |
| Payables from exchange transactions | 8 066 334 | (23 216 509) |
| VAT | 1 710 195 | (1 322 044) |
| | **5 648 456** | **9 085 239** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 22. Auditors' remuneration

| | | |
|---|---|---|
| Current year audit fees | 1 017 587 | 722 282 |
| Amount paid - Current Year | (1 017 587) | (722 282) |
| **Outstanding Invoices** | - | - |

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 23. Related parties

| Relationships | |
|---|---|
| Controlling entity | The City of Johannesburg Metropolitan Municipality |
| 100% owned by COJ | Johannesburg Civic Theatre (Pty) Ltd |
| 100% owned by COJ | City Power Johannesburg (Pty) Ltd |
| 100% owned by COJ | Johannesburg Water (Pty) Ltd |
| 100% owned by COJ | City of Johannesburg Property Company (Pty) Ltd |
| 100% owned by COJ | Johannesburg City Parks (Pty) Ltd |
| 100% owned by COJ | Johannesburg Development Agency (Pty) Ltd |
| 100% owned by COJ | Johannesburg Metropolitan Bus Services (Pty) Ltd |
| 100% owned by COJ | Johannesburg Roads Agency (Pty) Ltd |
| 100% owned by COJ | Johannesburg Social Housing Company (Pty) Ltd |
| 100% owned by COJ | Pikitup Johannesburg (Pty) Ltd |
| 100% owned by COJ | Johannesburg Fresh Produce Market (Pty) Ltd |
| 100% owned by COJ | Metropolitan Trading Company(MTC) |
| 100% owned by COJ | Johannesburg Tourism Company NPC |

**Related party balances**

| **Amounts included in Trade receivable regarding related parties** | | |
|---|---|---|
| City of Johannesburg Metropolitan Municipality | 17 695 212 | 15 008 696 |
| Johannesburg City Parks NPC and Zoo | 50 039 | 4 946 |
| Johannesburg Social Housing Company | 8 954 | - |
| City Power Johannesburg (SOC) Ltd | - | 12 811 |
| Johannesburg Road Agency | - | 15 276 |
| Johannesburg Property Company | 1 314 770 | - |
| Metropolitan Trading Company | 23 429 | - |
| Johannesburg Tourism Company NPC | 47 825 | - |
| Johannesburg Metropolitan Bus Services | 213 760 | 38 127 |
| Johannesburg Water | 343 347 | 188 221 |
| Johannesburg Fresh Produce Market | 159 965 | 645 683 |
| | **19 857 301** | **15 913 760** |

The Entity does not charge intercompanies interest on outstanding balances.

| **Amounts included in Trade payables regarding related parties** | | |
|---|---|---|
| City of Johannesburg Metropolitan Municipality | 5 667 940 | 1 236 003 |
| Johannesburg City Parks NPC and Zoo | 102 247 | 57 967 |
| Metropolitan Trading Company | 39 210 | 74 498 |
| | **5 809 397** | **1 368 468** |

Amounts in trade and other payables regarding related parties from City of Johannesburg Metropolitan Municipality comprises of OHASA services, Insoursing and utilities.

| **Spouse of a person in the service of the state** | | |
|---|---|---|
| Mothokwa ET Trading | 33 351 | 685 364 |

Mothokwa ET Trading - the supplier trading with the entity and the spouse works for Department of Cooperative Governance and Traditional Affairs.

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 23. Related parties (continued)

**Related party transactions**

| | | |
|---|---|---|
| **Sales to related parties** | | |
| City of Johannesburg Metropolitan Municipality | 241 991 102 | 225 198 886 |
| Johannesburg Water | 1 117 392 | 261 503 |
| Johannesburg City Parks NPC and Zoo | 77 639 | 39 320 |
| Metropolitan Trading Company | 76 152 | - |
| City Power Johannesburg (SOC) Ltd | - | 36 430 |
| Johannesburg Roads Agency (SOC) Ltd | 47 964 | 39 288 |
| Johannesburg Metropolitan Bus Service Ltd | 783 161 | 399 184 |
| Johannesburg Fresh Produce Market (SOC) Ltd | 900 337 | 153 585 |
| Johannesburg Property Company | 1 143 278 | - |
| Pikitup Johannesburg SOC LTD | 88 051 | - |
| Johannesburg Social Housing Company | 126 512 | - |
| Johannesburg Tourism Company NPC | 234 157 | - |
| | **246 585 745** | **226 128 196** |

| | | |
|---|---|---|
| **Rent paid to related parties** | | |
| Johannesburg City Parks NPC and Zoo | 882 279 | 900 256 |
| | **882 279** | **900 256** |

| | | |
|---|---|---|
| **Purchases from related parties** | | |
| City of Johannesburg Metropolitan Municipality | 46 304 | - |
| Pikitup Johannesburg (SOC) Ltd | 905 339 | 156 713 |
| City Power Johannesburg (SOC) Ltd | 10 760 894 | 9 877 746 |
| Johannesburg Water (SOC) Ltd | 88 704 | 527 347 |
| City of Johannesburg Property Company (SOC) Ltd | 1 | 1 |
| Metropolitan Trading Company | 409 152 | 409 152 |
| | **12 210 394** | **10 970 959** |

Buildings are leased from City of Johannesburg Property Company (Pty) Ltd at R1 and all lease and user agreements are in place.

| | | |
|---|---|---|
| **Spouse of a person in the service of the state** | | |
| Mothokwa ET Trading | 4 304 917 | 4 776 749 |
| Electrosonic SA (Pty) Ltd | - | 4 476 |
| Bokaba Consulting (Pty) Ltd | 200 000 | - |

Mothokwa ET Trading - the supplier trading with the entity and the spouse works for Department of Cooperative Governance and Traditional Affairs.

Electrosonic SA (Pty) Ltd - the supplier trading with the entity and the spouse worked for Department of Communication Digital Technology.

Bokaba Consulting (Pty) Ltd - the supplier trading with the entity and the spouse works for National Department of Science and Innovation.

## Notes to the Annual Financial Statements

### 24. PAYE, SDL and UIF

| Figures in Rand | 2023 | 2022 |
|---|---|---|
| **PAYE** | | |
| Opening balance | 1 100 010 | 880 846 |
| Current year payroll and deductions | 18 137 263 | 15 563 003 |
| Amount paid - Current year | (17 075 651) | (14 462 993) |
| Amount paid - Previous year | (1 100 010) | (880 846) |
| **Closing balance (Included in sundry creditors)** | **1 061 612** | **1 100 010** |
| **SDL** | | |
| Opening balance | 72 540 | 53 550 |
| Current year payroll and deductions | 954 172 | 851 144 |
| Amount paid - Current year | (885 526) | (778 604) |
| Amount paid - Previous year | (72 540) | (53 550) |
| **Closing balance (Included in sundry creditors)** | **68 646** | **72 540** |
| **UIF** | | |
| Opening balance | 90 390 | 67 740 |
| Current year payroll and deductions | 1 071 801 | 918 590 |
| Amount paid - Current year | (986 097) | (828 200) |
| Amount paid - Previous year | (90 390) | (67 740) |
| **Closing balance (Included in sundry creditors)** | **85 704** | **90 390** |

### 25. Pension and Medical Aid Deductions

| | | |
|---|---|---|
| Opening balance | 1 661 456 | 1 595 560 |
| Current year payroll and deductions | 22 095 510 | 20 323 881 |
| Amount paid - Current year | (20 327 173) | (18 662 425) |
| Amount paid - Previous year | (1 661 456) | (1 595 560) |
| **Closing balance (Included in sundry creditors)** | **1 768 337** | **1 661 456** |

## 26. Directors emoluments

**Non-Executive Directors**

**2023**

| | Board Fees | Committees Fees | Other Fees | Total |
|---|---|---|---|---|
| Ms Ashley Hayden | 72 000 | 110 000 | 24 000 | 206 000 |
| Ms Dineo Sitole (Majavu) | 72 000 | 32 000 | 20 000 | 124 000 |
| Mr Sean Kreusch | 12 000 | 8 000 | - | 20 000 |
| Mr Zane Meas | 96 000 | 4 000 | 24 000 | 124 000 |
| Ms Itumeleng Malope | 72 000 | 32 000 | - | 104 000 |
| Mr Jabu Goodman Hlongwane | 72 000 | 24 000 | - | 96 000 |
| Mr Jabu Love Mathebula | 72 000 | 40 000 | 24 000 | 136 000 |
| Mr Godfrey Katsana (Chairperson) | 96 000 | - | 6 000 | 102 000 |
| Mr Orapeleng Ramagaga | 72 000 | 30 000 | 6 000 | 108 000 |
| Ms Pamela Ndlovu (State Official) | 24 000 | - | 6 000 | 30 000 |
| Ms Bonga Kweyama | 72 000 | 8 000 | - | 80 000 |
| Mr Sibusiso Xaba (State Official) | - | - | - | - |
| Ms Delisiwe Mabena (State Official) | - | - | - | - |
| Mr Thembinkosi Mbeda | 72 000 | 8 000 | - | 80 000 |
| Ms Ziyanda Mncanca | 60 000 | 8 000 | - | 68 000 |
| Mr Thapelo Chokobane | 72 000 | 8 000 | - | 80 000 |
| Ms Johanna Mapeko | 72 000 | 8 000 | - | 80 000 |
| Mr Ben Mothupi | 72 000 | 16 000 | - | 88 000 |
| | **1 080 000** | **336 000** | **110 000** | **1 526 000** |

**2022**

| | Board Fees | Committees fees | Other fees | Total |
|---|---|---|---|---|
| Ms. Ashley Hayden | 84 000 | 96 000 | 22 000 | 202 000 |
| Ms Dineo Sitole (Majavu) | 96 000 | 24 000 | 22 000 | 142 000 |
| Mr Sean Kreusch | 24 000 | 8 000 | 12 000 | 44 000 |
| Mr Zane Meas | 32 000 | - | 18 000 | 50 000 |
| Ms Itumeleng Malope | 24 000 | 8 000 | 12 000 | 44 000 |
| Mr Jabu Goodman Hlongwane | 24 000 | 10 000 | 12 000 | 46 000 |
| Mr Jabu Love Mathebula | 24 000 | 10 000 | 12 000 | 46 000 |
| Ms Bonga Kweyama | 72 000 | 14 000 | - | 86 000 |
| Ms Nomveliso Mpongo | 72 000 | 20 000 | - | 92 000 |
| Mr Rabone Moripe | 72 000 | 34 000 | - | 106 000 |
| Ms Sebenzile Mkhonto | 72 000 | 20 000 | - | 92 000 |
| Mr Thembinkosi Masina | 72 000 | 14 000 | - | 86 000 |
| Ms Moipone Qhomane | 84 000 | 20 000 | 16 000 | 120 000 |
| Mr Desmond Ndzipho | 48 000 | - | 8 000 | 56 000 |
| Mr Junior Ramovha | 72 000 | 22 000 | - | 94 000 |
| Mr Mabutho Sithole | 72 000 | 22 000 | - | 94 000 |
| Mr Mande Ndema | 72 000 | 32 000 | - | 104 000 |
| Mr Johannes Collen Weapond | 12 000 | 6 000 | - | 18 000 |
| | **1 028 000** | **360 000** | **134 000** | **1 522 000** |

| | 2023 | 2022 |
|---|---|---|

## 27. Risk management

### Capital risk management

The municipal entity's objectives when managing capital are to safeguard the municipal entity's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipal entity consists of cash and cash equivalents disclosed in note 5, and equity as disclosed in the statement of financial position.

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence, and to sustain future development of the business. The Board reviews the capital structure on a quarterly basis. As part of the review, the Board considers the cost of capital and the risk associated with each class of capital.

There have been no changes to what the municipal entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

| | | |
|---|---|---|
| **Net Assets** | | |
| Share Capital | 10 | 10 |
| Investment from Shareholder | 1 784 049 | 1 784 049 |
| | **1 784 059** | **1 784 059** |

### Financial risk management

The Company does not trade in financial instruments, but in the ordinary course of business operations, the company is exposed to a variety of financial risks arising from the use of financial instruments. These include:
- Market risk (comprising interest rate risk and foreign currency risk);
- Liquidity risk;
- Credit risk; and
- Capital risk.

The Audit & Risk Committee is responsible for the establishment and oversight of a risk management framework which is applicable to the company. This framework is formally documented, and stipulates the responsibilities and processes for monitoring and managing the risk to which the company is exposed.

The company measures and monitors treasury related risks (i.e. liquidity, foreign exchange, interest rate, covenants, counterparty, etc) affecting it and reports on these risks to Audit and Risk Committee on a periodic basis. The Audit and Risk Committee provides the Company guidance with respect to managing these risks. However, the Company's management is empowered, within the relevant approvals frameworks, to make decisions regarding how to manage these risks, as well as taking ownership for the implementation of any related action. The Audit and Risk Committee reports to the Board of Directors of Joburg City Theatres on risk management strategies.

### Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its obligations as they become due. The entity manages liquidity and risk by effectively managing its working capital, capital expenditure and cash flows. The entity finances its operations through a mixture of retained income, bank funding and financing from COJ. The municipal entity manages liquidity risk through forecasting and monitoring cash flow requirements on a monthly basis.

| | | |
|---|---|---|
| **Trade and other Payables** | | |
| Trade and other payables | 33 419 213 | 25 352 875 |

| | 2023 | 2022 |
|---|---|---|

### 27. Risk management (continued)

**Interest rate risk**

The entity's interest rate risk arises from interest on the cash and cash equivalents. Exposure to interest rate risk is monitored on a continuous and proactive basis. As the municipal entity has no significant interest-bearing assets, the municipal entity's income and operating cash flows are substantially independent of changes in market interest rates.

| **Cash and Cash Equivalents** | | |
|---|---|---|
| Cash and cash equivalents | 16 532 950 | 17 478 917 |

**Credit risk**

Credit risk, or the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations, is managed by monitoring procedures in line with the accounts receivable and collection policy of Joburg City Theatres. Credit risk primarily arises from receivables, prepayments and cash and cash equivalents. The entity's maximum exposure to credit risk is represented by the carrying values of these financial assets.

| **Trade and other receivables** | | |
|---|---|---|
| Trade and other receivables | 20 816 112 | 16 524 543 |
| Vat Receivables | 1 648 225 | 3 358 420 |
| | **22 464 337** | **19 882 963** |

**Foreign exchange risk**

The entity's transactions are predominantly entered into in rands. However, the entity's operations utilise various foreign currencies in respect of expenses incurred. Consequently the entity is exposed to exchange rate fluctuations that have an impact on cash flows. These operations are exposed to foreign currency risk in connection with future commercial transactions, recognised assets and liabilities and net investments in other currencies other than rand.

Transactions are at sport rate and therefore no foreign gain/loss.

### 28. Going concern

We draw attention to the fact that at 30 June 2023, the municipal entity had an accumulated surplus of R 23 686 808 and that the municipal entity's total assets exceed its liabilities by R 25 470 867.

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.

### 29. Cost of sales

| **Sale of Goods** | | |
|---|---|---|
| Cost of goods sold | 19 811 364 | 12 919 598 |

## Notes to the Annual Financial Statements

| | 2023 | 2022 |
|---|---|---|

### 30. Operating lease

| **Operating Lease Commitments** | | |
|---|---|---|
| Up to 1 year | 2 519 851 | 611 979 |
| 2- 5 years | 9 146 348 | 7 842 |
| | **11 666 199** | **619 821** |

Joburg Theatre (SOC) Ltd leases consist of cash vaults machines from Nedbank Limited, digital copier machines from Konica Minolta and Afrirent fleet for the Leasing of Motor Vehicles. Transportation is a universal contract which is managed at Group level within the City of Johannesburg. The increase from prior year was caused by increase in the fleet as well as extension of the contract term during the current financial year.

The monthly rental fee for the leasing of digital copier machines is fixed for the duration of the lease term. No straightlining adjustments have been recognised in the current or prior years.

The rental fee for the leasing of cash vaults escalate annually based on changes in CPI. The effects of CPI has not been incorporated in the straightlining of leases as it is considered a contingent rental as per GRAP 13 requirements.

### 31. Share capital / contributed capital

| | | |
|---|---|---|
| **Authorised** | | |
| 10 Ordinary shares of R1 each | 10 | 10 |
| **Reconciliation of number of shares issued:** | | |
| Reported as at 01 July 2022 | 10 | 10 |
| **Issued** | | |
| Ordinary | 10 | 10 |

# Notes to the Annual Financial Statements

| | 2023 | 2022 |
|---|---|---|

## 32. Financial instruments disclosure

### Categories of financial instruments

### 2023

#### Financial assets

| | At fair value | Total |
|---|---|---|
| Trade and other receivables from exchange transactions | 20 816 112 | 20 816 112 |
| Cash and cash equivalents | 16 532 950 | 16 532 950 |
| VAT receivables | 1 648 225 | 1 648 225 |
| | **38 997 287** | **38 997 287** |

#### Financial liabilities

| | At fair value | Total |
|---|---|---|
| Trade and other payables from exchange transactions | 33 419 213 | 33 419 213 |

| | At cost | Total |
|---|---|---|
| Investment from Shareholder | 1 784 049 | 1 784 049 |
| Share Capital | 10 | 10 |
| | **1 784 059** | **1 784 059** |

### 2022

#### Financial assets

| | At fair value | Total |
|---|---|---|
| Trade and other receivables from exchange transactions | 16 524 543 | 16 524 543 |
| Cash and cash equivalents | 17 478 917 | 17 478 917 |
| VAT receivables | 3 358 420 | 3 358 420 |
| | **37 361 880** | **37 361 880** |

#### Financial liabilities

| | At fair value | Total |
|---|---|---|
| Trade and other payables from exchange transactions | 25 352 875 | 25 352 875 |

| | At cost | Total |
|---|---|---|
| Share Capital | 10 | 10 |
| Investment from Shareholder | 1 784 049 | 1 784 049 |
| | **1 784 059** | **1 784 059** |

## 33. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the directors and includes a note to the financial statements.

## Notes to the Annual Financial Statements

| | 2023 | 2022 |
|---|---|---|

### 33. Deviation from supply chain management regulations (continued)

The goods and services listed were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented, approved by the CEO and reported to the board of directors for noting.

**Exceptional and emergency cases**

The following deviations were as a result of service providers being sole suppliers for the required goods or services as per regulation 36 1 (b) of the supply chain management regulations

| | Amount |
|---|---|
| Licences | 545 150 |
| Repairs and maintenance | 465 987 |
| Other exceptional cases | 32 200 |
| | **1 043 337** |

**Special Work of Art**

The following deviations were due to acquisition of special works of art or historical objects where specifications are difficult to compile as per regulation 36 (1) (iii) of the supply chain management regulations.

| Name of Special Work Art | Amount |
|---|---|
| In-house stage Productions | 26 291 430 |
| Contributions to markerting partners/arrangements for productions | 4 109 810 |
| | **30 401 240** |

### 33. Deviation from supply chain management regulations (continued)

**Sole Suppliers**

The following deviations were due to the services or products availlable from the sole suppliers as per regulation 36 (1) of the supply chain management regulation.

| Name of Service Provider | Amount |
|---|---|
| Yamaha | 71 520 |
| Lexis Nexis | 56 021 |
| DWR Distributors | 239 125 |
| Fire Designs Houses | 4 924 |
| Prosound | 5 279 |
| Slojo | 132 316 |
| Ola Cool Runners | 50 855 |
| Trane | 59 101 |
| The Flavour Lab Production | 149 409 |
| Frozen Drinks | 363 288 |
| | **1 131 838** |

### 34. Irregular expenditure

| | 2023 | 2022 |
|---|---|---|
| Opening balance as previously reported | 5 932 307 | 4 153 691 |
| **Opening balance as restated** | **5 932 307** | **4 153 691** |
| Add: Irregular Expenditure - current | - | 5 593 849 |
| Less: Amount written off - current | (5 932 307) | (3 815 233) |
| **Closing balance** | **-** | **5 932 307** |

| | 2023 | 2022 |
|---|---|---|
| **Details of Irregular Expenditure - Current year** | | |
| Avis | - | 44 571 |
| DWR Distribution | - | 3 980 440 |
| Assessment Zone | - | 1 568 838 |
| | **-** | **5 593 849** |

On the 28th of June 2023, an amount of R5 932 307 irregular expenditure relating to 2021/22 Financial Year was approved by the Board of directors for write off.

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 35. Segment information

**Segment surplus or deficit, assets and liabilities**

**2023**

| | JT | RT | ST | Total |
|---|---|---|---|---|
| **Revenue** | | | | |
| Revenue from non-exchange transactions | 139 660 163 | 13 770 387 | 26 221 453 | 179 652 003 |
| Revenue from exchange transactions | 96 260 987 | 3 139 482 | 2 030 305 | 101 430 774 |
| Interest revenue | 5 776 137 | - | - | 5 776 137 |
| **Total segment revenue** | **241 697 287** | **16 909 869** | **28 251 758** | **286 858 914** |
| **Entity's revenue** | | | | **286 858 914** |
| **Expenditure** | | | | |
| Salaries and wages | 96 664 426 | 8 111 104 | 10 799 080 | 115 574 610 |
| Depreciation | 932 623 | 166 171 | 613 280 | 1 712 074 |
| Transfers and Subsidies | 22 551 296 | - | - | 22 551 296 |
| General Expenses | 126 139 195 | 6 501 763 | 11 186 546 | 143 827 504 |
| **Total segment expenditure** | **246 287 540** | **14 779 038** | **22 598 906** | **283 665 484** |
| **Total segmental surplus/(deficit)** | **(4 590 253)** | **2 130 831** | **5 652 852** | **3 193 430** |
| Income tax expense | | | | 915 410 |
| **Assets** | | | | |
| Current Assets | 48 967 739 | - | - | 48 967 739 |
| Non Current Assets | 11 115 659 | 1 760 572 | 6 914 345 | 19 790 576 |
| **Total segment assets** | **60 083 398** | **1 760 572** | **6 914 345** | **68 758 315** |
| **Total assets as per Statement of financial Position** | | | | **68 758 315** |
| **Liabilities** | | | | |
| Current liabilities | 37 351 061 | - | - | 37 351 061 |
| Non current liabilities | 5 936 387 | - | - | 5 936 387 |
| **Total segment liabilities** | **43 287 448** | **-** | **-** | **43 287 448** |
| **Total liabilities as per Statement of financial Position** | | | | **43 287 448** |

### 35. Segment information (continued)

**2022**

| | JT | RT | ST | Total |
|---|---|---|---|---|
| **Revenue** | | | | |
| Revenue from non-exchange transactions | 129 165 359 | 12 735 607 | 24 251 034 | 166 152 000 |
| Revenue from exchange transactions | 78 116 906 | 2 420 270 | 1 361 993 | 81 899 169 |
| Interest revenue | 4 015 408 | - | - | 4 015 408 |
| **Total segment revenue** | **211 297 673** | **15 155 877** | **25 613 027** | **252 066 577** |
| **Entity's revenue** | | | | **252 066 577** |
| **Expenditure** | | | | |
| Salaries and wages | 87 285 926 | 7 658 448 | 9 935 136 | 104 879 510 |
| Depreciation | 1 220 466 | 106 071 | 480 796 | 1 807 333 |
| Transfers and subsidies | 22 884 193 | - | - | 22 884 193 |
| General expenses | 94 324 595 | 6 474 722 | 7 117 767 | 107 917 084 |
| **Total segment expenditure** | **205 715 180** | **14 239 241** | **17 533 699** | **237 488 120** |
| **Total segmental surplus/(deficit)** | | | | **14 578 457** |
| Income tax expense | | | | 3 696 908 |
| **Assets** | | | | |
| Current assets | 42 376 182 | - | - | 42 376 182 |
| Non current assets | 8 220 041 | 1 357 365 | 5 330 819 | 14 908 225 |
| **Total segment assets** | **50 596 223** | **1 357 365** | **5 330 819** | **57 284 407** |
| **Total assets as per Statement of financial Position** | | | | **57 284 407** |
| **Liabilities** | | | | |
| Current liabilities | 29 070 582 | - | - | 29 070 582 |
| Non current liabilites | 5 020 977 | - | - | 5 020 977 |
| **Total segment liabilities** | **34 091 559** | **-** | **-** | **34 091 559** |
| **Total liabilities as per Statement of financial Position** | | | | **34 091 559** |

# Notes to the Annual Financial Statements



## 36. Commitments

**Commitments in respect of capital expenditure:**

| | | |
|---|---|---|
| **Authorised and contracted for** | | |
| • Property, plant and equipment | 3 799 498 | 3 810 346 |
| **Total capital commitments** | | |
| Already contracted for but not provided for | 3 799 498 | 3 810 346 |
| | **3 799 498** | **3 810 346** |
| **Authorised operational expenditure** | | |
| **Already contracted for but not provided for** | | |
| • Consultant and other contracted services | 1 348 877 | 247 534 |
| • Cash Vaults | 138 277 | 138 278 |
| • Fleet | 11 285 393 | 557 784 |
| | **12 772 547** | **943 596** |
| **Total operational commitments** | | |
| Already contracted for but not provided for | 12 772 547 | 943 596 |
| | **12 772 547** | **943 596** |
| **Total commitments** | | |
| Authorised capital expenditure | 3 799 498 | 3 810 346 |
| Authorised operational expenditure | 12 772 547 | 943 596 |
| | **16 572 045** | **4 753 942** |

This committed expenditure relates to operational and capital expenditure. These commitments will be funded by the subsidy, available bank facilities, retained surpluses, existing cash resources and funds internally generated.

## 37. Contingencies

**Litigation and Claims**

A public liability claim of R9,020,000 on 8 October 2016, from the lawyers of Sarah Elizabeth Bosch after she fell in to the orchestra pit. Bosch's attorneys claim that the incident was caused due to negligence by Joburg Theatre. JCT's lawyers are exploring with the plaintiff's attorneys the possibility of referring the litigation to mediation,while at the same time ,JCT's lawyers are under instruction to complete and finalise its investigation into the merits and quantum of the claim.

On 25 October 2022, JCT received correspondence advising that the claim has been ammended from R9,020,000 to around R18,000,000, which is double the amount that was initially claimed when the action was instituted. On 19 June 2023, Clyde & Co (COJ lawyers) provided JCT with an actual notice of amendment confirming the revised claim amount.

The amounts have not been provided for as this is considered as a potential obligation that may be incurred depending on the outcome of a future event. The matter is still ongoing and it is not readily ascertainable as to when the matter will be finalised.

## 38. Subsequent Events

The Chief Financial Officer, Mr Solomon Mphakathi and Company Secretary, Ms. Philipa Maduka have resigned effective 31 July 2023 and 30 September 2023 respectively.

### 39. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure incurred in the current or prior year.

### 40. Principal Agent Arrangement

**Arrangement**

JCT has an agreement with Webtickets to sell tickets for shows. JCT is the principal and Webtickets is an agent in the arrangement. Through this arrangement Webtickets uses its distribution plaform via Pick N Pay. All sales through Pink N Pay are deposited directly to Webtickets who in turn deducts the ticketing fee and pay the amount due to JCT.The table below provides the transactions that relates to the arrangement:

| | | |
|---|---|---|
| Revenue: | | |
| Ticketing income | 1 069 252 | 499 583 |
| Expenditure: | | |
| Ticketing fee | 128 129 | 53 640 |

There are no assets; resources and liabilities of the entity that are under the custodianship of Webtickets and that there were no resources remitted during the period under review.

In the event of termination caused by service provider's insolvency and bankrupcy, there shall be no compensation to the service provider, provided that such termination will not prejudice or affect any right of action or remedy which has accrued or will accrue thereafter to JCT.