

JOBURG THEATRE

Joburg Theatre (SOC) Limited
Operates as a Municipal Entity of



Joburg Theatre (SOC) Limited
Annual Financial statements
for the year ended 30 June 2020
Auditor General of South Africa
Registered Auditors

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Entertainment and Hospitality
DIRECTORS	
	Mr. Nkopane Maphiri Retired on 11 March 2020
	Ms. Ashley Hayden Retired on 11 March 2020
	Ms. Mpho Lecoge Retired on 11 March 2020
	Ms. Stella Baloyi Retired on 11 March 2020
	Ms. Amanda Forsythe Retired on 11 March 2020
	Mr. Junior Ramovha Retired on 11 March 2020
	Mr. Masixole Mrwebi CA(SA) Retired on 11 March 2020
	Ms. Khwathelani Tshikovhi Retired on 11 March 2020
	Ms. Hazel Thembelihle Nyewula CA(SA) Retired on 11 March 2020
	Mr. Desmond Ndzipho(Chairperson) Appointed on 11 March 2020
	Mr. Tom Mofokeng Appointed on 11 March 2020
	Mr Rabone Moripe Appointed on 11 March 2020
	Dr. Wally Serote Appointed on 11 March 2020
	Mr. Mabutho Sithole Appointed on 11 March 2020
	Mr. Vetman Linda Appointed on 11 March 2020
	Adv. Mbuso Majosi Appointed on 11 March 2020
	Mr. Thulani Vincent Langa Appointed on 11 March 2020
	Ms. Thandiwe Gladys Shezi Appointed on 11 March 2020
	Ms. Dineo Sitole Appointed on 11 March 2020
	Ms. Dingane Khesuoe Appointed on 11 March 2020
	Ms. Xoliswa Nduneni-Ngema (CEO)
	Mr. Solomon Mphakathi CA(SA) (CFO)
REGISTERED OFFICE	163 Civic Boulevard Braamfontein Johannesburg 2017
BUSINESS ADDRESS	163 Civic Boulevard Braamfontein Johannesburg 2017
POSTAL ADDRESS	PO BOX 31900 Braamfontein Johannesburg 2017
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
AUDITORS	Auditor General of South Africa Registered Auditors
SECRETARY	Philipa Maduka
COMPANY REGISTRATION NUMBER	2000/013032/07

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Index

The reports and statements set out below comprise the Annual Financial Statements presented to the provincial legislature:

	Page
Directors' Responsibilities and Approval	4
Audit and Risk Committee Report	5 - 7
Directors' Report	8 - 12
Company Secretary's Certification	13
Statement of Financial Position	14
Statement of Financial Performance	15
Statement of Changes in Net Assets	16
Cash Flow Statement	17
Statement of Comparison of Budget and Actual Amounts	18 - 19
Appropriation Statement	20
Accounting Policies	21 - 43
Notes to the Annual Financial Statements	44 - 66

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
COVID-19	Corona Virus
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
IAC	Independent Audit Committee
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Index

JCT	Joburg City Theatres
JT	Joburg Theatre
KING IV	Principles on Corporate Governance
ME's	Municipal Entities
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
NED	Non-Executive Director
OHASA	Oral Hygienist Association of South Africa
PAYE	Pay As You Earn
PSIRA	Private Security Industry Regulatory Authority
RT	Roodepoort Theatre
SAMWU	South African Municipal Workers Union
SDL	Skills Development Levy
ST	Soweto Theatre
STC	Secondary Tax on Companies
UIF	Unemployment Insurance Funds

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

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 directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and 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 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 entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The 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 entity's budget for the financial year 2020/21 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The 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 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 page 8, which have been prepared on the going concern basis were approved by the Audit and Risk Committee.



Xoliswa Nduneni-Ngema
Chief Executive Officer



Mr. Desmond Ndzipho (Chairperson)
Board of Directors

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

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 2020 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	Changes
Mr Masixole Mrwebi (Non-Executive Director)	5	Retired on 11 March 2020
Ms Chrystal Cape (Independent Audit Committee Member) CA(SA) (Chairperson)	5	
Mr Grandeur Tofara Hove (Independent Audit Committee Member)	5	Retired on 11 March 2020
Ms. Nompumelelo Hlatswayo (Independent Audit Committee Member)		Appointed on 11 March 2020
Mr. Frank Moilwa Masibi (Independent Audit Committee Member)		Appointed on 11 March 2020
Ms. Ashley Hayden (Non-Executive Director)		Appointed on 11 March 2020
Mr. Vetmani Linda (Non-Executive Director)		Appointed on 11 March 2020
Adv. Mbuso Majazi (Non-Executive Director)		Appointed on 11 March 2020
Mr. Rabone Moripe (Non Executive Director)		Appointed on 11 March 2020

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.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Audit and Risk Committee Report

The effectiveness of internal control

The system of internal controls applied by the 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 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.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

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 plan, 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 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.



Ms. Chrystal Cape
Chairperson of the Audit and Risk Committee

Date: 30 October 2020

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Directors' Report

The directors submit their report for the year ended 30 June 2020.

1. Incorporation

The 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 6(Six) years .Joburg Theatre (SOC) Ltd trading as JCT is a wholly owned subsidiary (ME- Municipal Entity) of the City of Johannesburg Metropolitan Municipality.

Net deficit of the entity was R 11,654,457 (2019: deficit R 5,193,476), after taxation of R 4,311,317 (2019: R (1,896,448)).

3. Going concern

We draw attention to the fact that at 30 June 2020, the entity had an accumulated surplus (deficit) of R 5,679,219 and that the entity's total assets exceed its liabilities by R 7,463,278.

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The entity is substantially funded by subsidy from the shareholder and in the 20/21 financial year, this funding has been increased due to challenges posed by Covid-19. 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 2020/21 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 on 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 is 20 years and the remaining period of this agreement is 06 months. New lease agreements have been signed by Joburg City Theatres authorised representatives and in the process of being signed by Joburg Property Company representatives. The agreement for Soweto Theatre has been extended to include the management and use of the newly revamped Amphitheatre. These are leased at lease rental of R1 per annum payable to the landlord. The use and maintenance agreement for Soweto Theatre building is in place - effective date is 01 January 2013. The operation of Roodepoort Theatre is covered by the transfer agreement signed on the 27th of November 2013.

4. Subsequent events

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. The accounting policies used by JCT are detailed from page 21 to page 39.

6. Share capital / contributed capital

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

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Directors' 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. Dividends

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

9. Directors

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

Name	Nationality	Changes
Mr. Nkopane Maphiri	South African	Retired on 11 March 2020
Ms. Ashley Hayden	South African	
Ms. Mpho Lecoge	South African	Retired on 11 March 2020
Ms. Stella Baloyi	South African	Retired on 11 March 2020
Ms. Amanda Forsythe	South African	Retired on 11 March 2020
Mr. Junior Ramovha	South African	
Mr. Masixole Mrwebi CA(SA)	South African	Retired on 11 March 2020
Ms. Khwathelani Tshikovhi	South African	Retired on 11 March 2020
Ms. Hazel Thembelihle Nyewula CA(SA)	South African	Retired on 11 March 2020
Mr. Desmond Ndzipho (Chairperson)	South African	Appointed on 11 March 2020
Mr. Tom Mofokeng	South African	Appointed on 11 March 2020
Mr. Rabone Moripe	South African	Appointed on 11 March 2020
Dr. Wally Serote	South African	Appointed on 11 March 2020
Mr. Mabutho Sithole	South African	Appointed on 11 March 2020
Mr. Vetmani Linda	South African	Appointed on 11 March 2020
Adv. Mbuso Majози	South African	Appointed on 11 March 2020
Mr. Thulani Vincent Langa	South African	Appointed on 11 March 2020
Ms. Thandiwe Gladys Shezi	South African	Appointed on 11 March 2020
Ms. Dineo Sitole	South African	Appointed on 11 March 2020
Mr. Dingane Khesuoe	South African	Appointed on 11 March 2020
Ms. Xoliswa Nduneni-Ngema CEO	South African	Appointed on 11 March 2020
Mr. Solomon Mphakathi CA(SA) (CFO)	South African	

10. Secretary

The secretary of the entity is Ms. Philipa Maduka.

Business address

Joburg Theatre Complex
163 Civic Boulevard
Braamfontein
Johannesburg
2017

Postal address

P O Box 31900
Braamfontein
Johannesburg
2017

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Directors' 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 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 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).

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Directors' Report

Non-Executive Director's Meetings

The Board of Directors were scheduled to meet at least 7 times per annum and in the current financial year the Board met on 7 occasions.

Name	Board Meeting	Audit and Risk committee meeting	Remunerations, Social & Ethics Committee meeting	Other	Chairperson's Meetings
Total number of meetings held	7	5	3	11	2
Mr Nkopane Maphiri	5	-	-	-	1
Ms. Hazel Thembelihle Nyweula CA(SA)	5	-	-	-	-
Ms Ashley Hayden	7	-	-	-	-
Ms Mpho Lecoge	5	-	3	-	-
Ms Stella Baloyi	5	-	3	-	1
Ms Amanda Forsythe	2	-	-	-	-
Mr Masixole Mrwebi CA(SA)	5	5	-	11	-
Ms. Khwathelani Tshikovi	5	-	-	-	-
Mr Junior Ramovha	7	-	3	-	-
Mr. Desmond Ndzapho (Chairperson)	2	-	-	3	1
Mr. Tom Mofokeng	2	-	-	-	-
Mr. Rabone Moripe	2	-	-	-	-
Dr Wally Mongane Serote	-	-	-	-	-
Mr. Mabutho Sithole	2	-	-	-	-
Mr. Vetman Linda	1	-	-	-	-
Adv. Mbuso Majazi	1	-	-	-	-
Mr. Thulani Vincent Langa	-	-	-	-	-
Ms. Thandiwe Gladys Shezi	1	-	-	-	-
Ms. Dineo Sitole	2	-	-	3	-
Mr. Dingane Khesuoe	2	-	-	-	-
Ms Xoliswa Nduneni-Ngema (CEO)	4	2	3	-	-
Mr Solomon Mphakathi CA(SA) (CFO)	7	5	3	-	-

Draft

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Directors' Report

Audit and Risk Committee

For the current financial year the members of the Audit and Risk Committee are Mr Masixole Mrwebi CA(SA), (NED - Chairperson) - retired on 11 March 2020; Mr. Graneur Tofara Hove (IAC Member) - retired on 11 March 2020; Ms. Chrystal Cape CA(SA) (IAC Member- Chairperson) - reappointed on 11 March 2020; Ms Nompumelelo Hlatshwayo (IAC Member) - appointed 11 March 2020, Mr. Frank Molloa Masibi (IAC Member) - appointed 11 March 2020, Mr. Vietnam Linda (NED) - appointed on 11 March 2020, Adv. Mbuso Majozi (NED) - appointed on 11 March 2020, Ms. Ashley Hayden (NED) and Mr. Rabone Moripe (NED)- appointed on 11 March 2020.

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 11 March 2020 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, which is the entity's previous internal auditors. This is in compliance with the Municipal Finance Management Act, 56 of 2003.

12. Controlling entity

The 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.

Draft

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

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.



Philipa Maduka
Company Secretary

Draft

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019
Assets			
Current Assets			
Inventories	2	1,301,337	2,838,877
Receivables from exchange transactions	3	8,451,867	5,333,834
VAT receivable	4	2,817,898	2,301,833
Cash and cash equivalents	5	8,835,684	11,052,694
		21,406,786	21,527,238
Non-Current Assets			
Property, plant and equipment	6	14,255,068	14,779,470
Intangible assets	7	461,684	619,802
Heritage assets	8	1,602,700	1,602,700
		16,319,452	17,001,972
Total Assets		37,726,238	38,529,210
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	26,810,703	14,288,568
Provisions	10	3,452,257	2,786,043
		30,262,960	17,074,611
Non-Current Liabilities			
Deferred tax	11	-	2,336,864
Total Liabilities		30,262,960	19,411,475
Net Assets		7,463,278	19,117,735
Share capital / contributed capital	31	10	10
Reserves			
Investment from Shareholder		1,784,049	1,784,049
Accumulated surplus		5,679,219	17,333,676
Total Net Assets		7,463,278	19,117,735

Draft

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019
Revenue			
Revenue from exchange transactions			
Ticketing Services	12	779,770	1,322,786
Catering Services	12	27,139,664	31,926,069
Rental of facilities and equipment	12	5,563,136	6,611,879
Arts Alive	12	8,695,650	8,700,000
In-house ticket sales	12	7,713,028	9,282,552
Other income	13	1,156,773	966,188
Interest received - investment	14	4,646,967	5,033,894
Total revenue from exchange transactions		55,694,988	63,843,368
Revenue from non-exchange transactions			
Transfer revenue			
Subsidy	15	128,469,000	116,447,000
Total revenue	12	184,163,988	180,290,368
Expenditure			
Employee related costs	16	(91,643,431)	(77,525,627)
Depreciation and amortisation	17	(1,998,391)	(1,641,029)
Debt Impairment		-	(46,266)
Transfers and Subsidies	18	(21,086,811)	(20,466,500)
General Expenses	19	(85,401,129)	(87,700,870)
Total expenditure		(200,129,762)	(187,380,292)
Deficit before taxation		(15,965,774)	(7,089,924)
Taxation	20	4,311,317	1,896,448
Deficit for the year		(11,654,457)	(5,193,476)

Draft

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Investment from Shareholder	Accumulated surplus	Total net assets
Balance at 01 July 2018	10	1,784,049	22,527,152	24,311,211
Changes in net assets				
Surplus for the year	-	-	(5,193,476)	(5,193,476)
Total changes	-	-	(5,193,476)	(5,193,476)
Balance at 01 July 2019	10	1,784,049	17,333,676	19,117,735
Changes in net assets				
Surplus for the year	-	-	(11,654,457)	(11,654,457)
Total changes	-	-	(11,654,457)	(11,654,457)
Balance at 30 June 2020	10	1,784,049	5,679,219	7,463,278
Note(s)				31

Draft

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019
Cash flows from operating activities			
Receipts			
Sale of goods and services		47,413,920	65,100,743
Grants		128,469,000	116,447,000
Interest income		4,646,967	5,033,894
		<u>180,529,887</u>	<u>186,581,637</u>
Payments			
Employee costs		(90,033,504)	(77,181,146)
Suppliers		(91,395,202)	(110,451,486)
Taxes		-	(463,622)
		<u>(181,428,706)</u>	<u>(188,096,254)</u>
Net cash flows from operating activities	21	(898,819)	(1,514,617)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1,318,191)	(3,003,252)
Purchase of other intangible assets	7	-	(43,823)
Purchases of heritage assets	8	-	(115,000)
Net cash flows from investing activities		(1,318,191)	(3,162,075)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		(2,217,010)	(4,676,692)
Cash and cash equivalents at the beginning of the year		11,052,694	15,729,386
Cash and cash equivalents at the end of the year	5	8,835,684	11,052,694

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Ticketing services	4,020,000	(3,381,852)	638,148	779,770	141,622	
Catering services	44,813,842	(6,936,003)	37,877,839	27,139,664	(10,738,175)	1
Rental of facilities and equipment	8,266,137	(3,409,810)	4,856,327	5,563,136	706,809	2
Arts Alive Revenue	-	8,697,000	8,697,000	8,695,650	(1,350)	
In-house ticket sales	16,511,058	(6,797,972)	9,713,086	7,713,028	(2,000,058)	3
Other income	6,683,000	(2,618,586)	4,064,414	1,156,773	(2,907,641)	4
Interest received - investment	5,725,000	(656,943)	5,068,057	4,646,967	(421,090)	
Total revenue from exchange transactions	86,019,037	(15,104,166)	70,914,871	55,694,988	(15,219,883)	
Revenue from non-exchange transactions						
Transfer revenue						
Subsidy	118,779,000	9,690,000	128,469,000	128,469,000	-	
Total revenue	204,798,037	(5,414,166)	199,383,871	184,163,988	(15,219,883)	
Expenditure						
Employee cost	(87,379,000)	(5,317,000)	(92,696,000)	(91,643,431)	1,052,569	
Depreciation and amortisation	(2,876,190)	1,300,004	(1,576,186)	(1,998,391)	(422,205)	5
Transfers and Subsidies	(20,645,000)	-	(20,645,000)	(21,086,811)	(441,811)	
General Expenses	(93,897,847)	9,431,162	(84,466,685)	(85,401,129)	(934,444)	6
Total expenditure	(204,798,037)	5,414,166	(199,383,871)	(200,129,762)	(745,891)	
Deficit before taxation	-	-	-	(15,965,774)	(15,965,774)	
Taxation	-	-	-	4,311,317	4,311,317	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	(11,654,457)	(11,654,457)	

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Explanation of major variances between budget and actual

1. **Catering services** shows a negative variance of 28% .The shortfall is attributable to the new regulation (Cost Containment) that was implemented from the 01st of July 2019 which reduced government spending, that impacted the JCT as majority of our clients being City departments and entities. The other factor being the regulations due to Covid-19 which had an effect closing the operations of the entity as well as difficult economic conditions.

2. **Rental of facilities and equipment** - the favourable variance of 15% is as a result of the good performance in the 1st - 3rd quarter of the financial year however there was lockdown in the 4th quarter which resulted in the lower revenue in the 4th quarter

3. **In-house ticket sales** - the unfavourable variance of 21% is as a result of panto which is the biggest revenue generator has not performed as great as expected due to economic challenges. The other factor is the regulations due to Covid-19 which had an effect closing the operations of the entity.

4. **Other income** shows unfavourable variance of 72% attributable to sponsorship and management fees lines items which were budgeted for but did not generate any income as anticipated.

5. **Depreciation** is above budget by 27% as a result of assets base increasing as unanticipated

6. **General expenditure** is below the by 13%. This is due to savings on youth development, consumables and utilities as the entity strictly implemented cost reduction plans in fourth quarter where no operations were taking place

Draft

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

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. MFMA)	Virement (i.t.o. council approved policy)	Final budget outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020										
Financial Performance										
Interest Received - Investment	5,725,000	(656,943)	5,068,057	-	-	5,068,057	4,646,967	(421,090)	92 %	81 %
Transfers recognised - operational	118,779,000	9,690,000	128,469,000	-	-	128,469,000	128,469,000	-	100 %	108 %
Other own revenue	80,294,037	(14,447,223)	65,846,814	-	-	65,846,814	51,048,021	(14,798,793)	78 %	64 %
Total revenue (excluding capital transfers and contributions)	204,798,037	(5,414,166)	199,383,871	-	-	199,383,871	184,163,988	(15,219,883)	92 %	90 %
Employee costs	(87,379,000)	(5,317,000)	(92,696,000)	-	-	(92,696,000)	(91,643,431)	1,052,569	99 %	105 %
Depreciation and asset impairment	(2,876,190)	1,300,004	(1,576,186)	-	-	(1,576,186)	(1,998,391)	(422,205)	127 %	69 %
Transfers and grants	(20,645,000)	-	(20,645,000)	-	-	(20,645,000)	(21,086,811)	(441,811)	102 %	102 %
Other expenditure	(93,897,847)	9,431,162	(84,466,685)	-	-	(84,466,685)	(85,401,129)	(934,444)	101 %	91 %
Total expenditure	(204,798,037)	5,414,166	(199,383,871)	-	-	(199,383,871)	(200,129,762)	(745,891)	100 %	98 %
Taxation	-	-	-	-	-	-	4,311,317	4,311,317	-	-
Surplus/(Deficit) for the year	-	-	-	-	-	-	(11,654,457)	(11,654,457)	-	-

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

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.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Other

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

Accounting by principals and agent

The inventories 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 entity measures and 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 inventories 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 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.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

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 2020, 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 inventories, and the inventories 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 entity, but the 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 entity, the 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 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 entity, the 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 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.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

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 equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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

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

Item	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
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 entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

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

The 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 entity or from other rights and obligations.

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

An intangible asset is recognised when:

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

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

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

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.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

Average useful life of Heritage assets is Indefinite

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

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

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.5 Heritage assets (continued)

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

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 entity becomes a party to the contractual provisions of the instruments.

The 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

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

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 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 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);

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.7 Inventories (continued)

- impairment losses; and
- amounts derecognised.

Other charges

Where the 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 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 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 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 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 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 entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the 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.

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.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

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.

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.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Leases (continued)

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 entity incurs to acquire the asset on the reporting date.

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

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

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

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

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.

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.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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 entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Identification

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

The 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 entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the 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 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 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.

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.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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:

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

Identification

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

The 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 entity estimates the recoverable service amount of the asset.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

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

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 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 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 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.

1.13 Share capital / contributed capital

Net assets instrument is any contract that evidences a residual interest in the assets of an 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.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

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

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

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

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

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

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

Provisions for JCT includes performance bonuses and Coida..

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

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

Provisions are not recognised for future operating surplus (deficit).

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

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

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.15 Provisions and contingencies (continued)

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

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

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

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

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

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

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.

Contingent liabilities include pending litigations brought by organisers of Soweto Jazz Festival (amount - R 24, 505,130) on alleged breach of contract and by Sarah Elizabeth Bosch (amount - R 9,020,000) for alleged negligence by JT.

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

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

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

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

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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 entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

Revenue from non-exchange transactions represent the subsidy allocation from the City of Johannesburg amounting to R 128,469,000.

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 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 Borrowing costs

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

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

1.20 Comparative figures

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

1.21 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 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.

JCT had no unauthorised expenditure in the year under review.

1.22 Fruitless and wasteful expenditure

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

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.22 Fruitless and wasteful expenditure (continued)

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.

Fruitless and wasteful expenditure relate to the interest and penalty levied by SARS on understatement of revenue to chagne in accounting policy error made in the income tax return.

1.23 Irregular expenditure

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

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

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

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

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

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

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

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.

Irregular expenditure relates to the Avis contract for vehicle fleet that was declared invalid by the Auditor General.

1.24 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.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.25 Budget information

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

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

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2022/06/30 while the approved opex budget covers 2019/20 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.

1.26 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).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

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

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

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

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

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

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

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.27 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.

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.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.28 GRAP Standards Approved and Not Yet Effective

GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 110	Living and Non-living Resources

Draft

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.29 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 changes in Foreign Exchange Rate
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate 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 (not yet applicable to municipal entities as per Directive 5)
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 Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash Generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements: Grantor
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.29 GRAP Standards Approved and Effective (continued)

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

Draft

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
2. INVENTORIES		
Work in progress	408,581	1,039,833
Consumable stores	294,344	284,780
Trading Stock - Food and Beverage	598,412	1,514,264
	1,301,337	2,838,877

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	2,141,397	1,988,017
Accrued Income	2,713	12,974
Related Party Debtors	6,307,757	3,332,843
	8,451,867	5,333,834

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 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

Receivables From Exchange Transactions by Class

Rental of Facilities and Equipment	244,318	90,713
Hospitality and Catering	1,366,237	2,636,848
City of Joburg - CAPEX	3,522,107	-
City of Joburg Entities	961,417	9,082
other	2,357,788	2,597,191
	8,451,867	5,333,834

Debtors Age Analysis

90 Days +	4,097,159	2,476,352
60 Days	-	70,653
30 Days	139,537	80,097
Current	-	2,706,732
	4,215,171	-
	8,451,867	5,333,834

Accounts receivable in 90+ days relate to Department of Arts and Culture funding of R 1,600,000 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

VAT	2,817,898	2,301,833
-----	-----------	-----------

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	59,496	120,747
Bank balances	8,776,188	3,240,093
Investec investment accounts	-	7,691,854
	8,835,684	11,052,694
Current assets	8,835,684	11,052,694
Current liabilities	-	-
	8,835,684	11,052,694

Cash and cash equivalent comprise of cash on hand, current accounts and deposits on call accounts that are already convertible into known amounts of cash. The effective interest rates of the cash equivalents investment as at end of the period were between 3.25% and 8,12%.

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Nedbank - current account-Joburg Theatre	514,755	331,479	296,781	514,755	331,479	296,781
Nedbank - current account-Roodepoort and Soweto	271,795	193,016	79,808	271,795	193,016	79,808
Nedbank - current account-Ticketing	41,746	92,199	77,301	41,746	92,199	77,301
Nedbank - current account-Hospitality and Catering	306,483	218,243	180,259	306,483	218,243	180,259
Nedbank - call account-Joburg Theatre	1,459,759	1,032,152	9,997,811	1,459,759	1,032,152	9,997,811
Nedbank - current account-Zoo	43,640	227,462	-	43,640	227,462	-
Nedbank - current account-Metro	89,180	121,685	-	89,180	121,685	-
Nedbank - call account-Roodepoort and Soweto	2,286,760	3,686	3,467	2,286,760	3,686	3,467
Nedbank - call account-Ticketing	3,754,264	566,557	628,174	3,754,264	566,557	628,174
Nedbank - call account-Hospitality and Catering	7,806	453,614	450,845	7,806	453,614	450,845
Investec-call account	-	7,691,854	-	-	7,691,854	-
Subtotal	8,776,188	10,931,947	11,714,446	8,776,188	10,931,947	11,714,446
Cash on hand	59,496	120,747	100,321	59,496	120,747	100,321
Total	8,835,684	11,052,694	11,814,767	8,835,684	11,052,694	11,814,767

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)
Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment

	2020		2019			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold property	4,070,105	(1,205,532)	2,864,573	3,420,775	(524,258)	2,896,517
Furniture and fixtures	4,988,565	(2,679,118)	2,309,447	4,826,517	(2,418,227)	2,408,290
Motor vehicles	1,675,960	(460,584)	215,376	675,960	(419,044)	256,916
IT equipment	13,190,196	(1,525,936)	1,564,260	3,076,895	(1,283,007)	1,793,888
Stage equipment	14,842,857	(7,541,445)	7,301,412	14,456,307	(7,032,448)	7,423,859
Total	27,667,683	(13,412,615)	14,255,068	26,456,454	(11,676,984)	14,779,470

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Total
Leasehold property	2,896,517	649,330	(681,274)	2,864,573
Furniture and fixtures	2,408,290	257,591	(356,434)	2,309,447
Motor vehicles	256,916	-	(41,540)	215,376
IT equipment	1,793,888	24,720	(254,348)	1,564,260
Stage equipment	7,423,859	386,550	(508,997)	7,301,412
	14,779,470	1,318,191	(1,842,593)	14,255,068

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)
Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued) Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Acquisition of assets at no value	Depreciation	Total
Leasehold property	1,426,433	1,806,809	-	(336,725)	2,896,517
Furniture and fixtures	1,913,540	632,806	215,889	(353,945)	2,408,290
Motor vehicles	298,410	-	-	(41,494)	256,916
IT equipment	1,789,967	201,738	54,964	(252,781)	1,793,888
Stage equipment	6,473,751	361,899	1,088,278	(500,069)	7,423,859
	11,902,101	3,003,252	1,359,131	(1,485,014)	14,779,470

During the previous year the entity conducted physical verification exercise of assets and it was discovered there were assets on the floor which were not on the asset register. These assets were brought into the assets register at a deemed cost determined in terms of directive 7.

Other information

Property, Plant and Equipment written off 2020

	Cost	Accumulated Depreciation	Carrying Value
Furniture and Fixture	95,543	(95,543)	-
Computer Equipment	11,419	(11,419)	-
	106,962	(106,962)	-

Property, Plant and Equipment

	Cost	Accumulated Depreciation	Carrying Value
Furniture and Fixtures	162,449	(162,449)	-
Computer Equipment	9,805	(9,805)	-
	172,254	(172,254)	-

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)
Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2020

	Preventative Maintenance		Corrective Maintenance		
	Interval Based	Total	Planned	Total	Total
Furniture and fixtures	-	-	82,300	82,300	82,300
Motor vehicles	-	-	1,808	1,808	1,808
IT equipment	-	-	45,440	45,440	45,440
Stage Equipment	701,271	701,271	-	-	701,271
	701,271	701,271	129,548	129,548	830,819

Maintenance of property, plant and equipment by condition - 2019

	Preventative Maintenance		Corrective Maintenance		
	Interval Based	Total	Planned	Total	Total
Furniture and fixtures	-	-	203,952	203,952	203,952
Motor vehicles	-	-	112,209	112,209	112,209
IT equipment	-	-	86,981	86,981	86,981
Stage Equipment	743,161	743,161	-	-	743,161
	743,161	743,161	403,142	403,142	1,146,303

Buildings are capitalised by the City of Johannesburg.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

7. INTANGIBLE ASSETS

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	853,474	(391,790)	461,684	872,681	(252,879)	619,802

Reconciliation of intangible assets - 2020

	Opening balance	Disposal	Amortisation	Total
Computer software, other	619,802	(2,320)	(155,798)	461,684

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	731,994	43,823	(156,015)	619,802

Intangible Assets Written Off 2020

	Cost	Accumulated Amortisation	Total
Computer Software	19,207	(16,887)	2,320

8. HERITAGE ASSETS

	2020			2019		
	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 2020

	Opening balance	Total
Artwork and Historical Assets	1,707,700	1,707,700
Impairment Loss	(105,000)	(105,000)
	1,602,700	1,602,700

Reconciliation of heritage assets 2019

	Opening balance	Additions	Impairment losses (recognised)/reversed directly in Net assets	Total
Artwork and Historical Assets	1,592,700	115,000	-	1,707,700
Impairment Loss	-	-	(105,000)	(105,000)

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

8. HERITAGE ASSETS (continued)

1,592,700	115,000	(105,000)	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 performed to test whether any impairment indicators have been triggered and there was no indication of impairment during the current financial year.

9. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	7,032,104	5,870,108
Deferred Income	2,068,610	1,786,293
Accrued Leave	3,646,123	2,753,636
Sundry creditors	2,605,760	544,761
Accrued 13th Cheque	847,642	796,416
Year end accruals	1,182,760	1,598,467
Related Party	9,427,704	938,887
	26,810,703	14,288,568

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 COJ AGM consumables, COJ conferences, staff uniforms, City Press and others.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

10. PROVISIONS

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Total
Performance Bonus and COIDA	2,786,043	4,368,759	(3,702,545)	3,452,257

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Performance Bonus	3,016,333	3,469,746	(3,700,036)	2,786,043

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

Property, plant and equipment	(92,620)	(248,633)
Allowance for future expenditure section 24c	(1,200,647)	(4,826,122)
Payments to date	463,623	463,623
Total deferred tax liability	(829,644)	(4,611,132)

Deferred tax asset

Accumulated impairment loss	(1,974,453)	-
Provisions	2,224,886	1,774,106
Deferred income	579,211	500,162
Total deferred tax asset	829,644	2,274,268

Deferred tax liability	(829,644)	(4,611,132)
Deferred tax asset	829,644	2,274,268
Total net deferred tax liability	-	(2,336,864)

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

	2020	2019
--	------	------

12. REVENUE

Ticketing services	779,770	1,322,786
Catering services	27,139,664	31,926,069
Rental of facilities and equipment	5,563,136	6,611,879
Arts Alive	8,695,650	8,700,000
In-house ticket sales	7,713,028	9,282,552
Other income	1,156,773	966,188
Interest received - investment	4,646,967	5,033,894
Subsidy	128,469,000	116,447,000
	184,163,988	180,290,368

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

Ticketing services	779,770	1,322,786
Catering services	27,139,664	31,926,069
Rental of facilities and equipment	5,563,136	6,611,879
Arts Alive	8,695,650	8,700,000
In-house ticket sales	7,713,028	9,282,552
Other income	1,156,773	966,188
Interest received - investment	4,646,967	5,033,894
	55,694,988	63,843,368

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

Transfer revenue

Subsidy from City of Joburg	128,469,000	116,447,000
-----------------------------	-------------	-------------

13. OTHER INCOME

Other income	1,156,773	966,188
--------------	-----------	---------

The table below provides the breakdown of other income:

14. INTEREST RECEIVED - INVESTMENT

Interest revenue

Bank	4,646,967	5,033,894
------	-----------	-----------

Interest income is calculated using the effective interest rate between 6% to 8%

The table below shows the interest received from two bank accounts :

Bank	2020	2019
Investec Bank Limited	29,472	3,237,675
Nedbank Limited	4,617,495	1,796,219
	4,646,967	5,033,894

15. SUBSIDY

Operating Grants and Subsidies

Joburg Theatre	99,870,868	89,537,245
Roodepoort Theatre	9,847,192	8,828,305
Soweto Theatre	18,750,940	18,081,450
	128,469,000	116,447,000

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
15. SUBSIDY (continued)		
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	90,523,431	76,413,254
Employee costs included in other expenses	1,120,000	1,112,373
	91,643,431	77,525,627
Employee Costs Breakdown		
Net Salary	52,548,602	41,865,964
PAYE	13,417,945	12,472,308
SDL	785,113	700,139
UIF	904,181	782,507
Medical Aid	5,234,307	4,749,508
Pension Contribution	13,055,980	11,735,896
Third Parties	239,744	228,536
13th cheque leave accrual and performance bonus	4,337,559	3,621,783
Other	-	256,613
	90,523,431	76,413,254
Committee Fees Breakdown		
Fees	1,066,000	1,090,373
Chief Executive Officer		
Annual Remuneration	2,221,803	1,390,800
Performance Bonuses	194,712	234,207
Contributions to UIF, SDL, Medical Aid and Pension Funds	22,450	15,122
	2,438,965	1,640,129
Chief Operating Officer		
Annual Remuneration	1,309,232	1,250,798
Discretionary Bonuses	175,111	163,656
Contributions to UIF, SDL, Medical Aid and Pension Funds	406,827	381,659
Other	79,622	198,058
	1,970,792	1,994,171
Chief Financial Officer		
Annual Remuneration	1,607,195	1,535,092
Performance bonus	212,566	201,160
Contributions to UIF, SDL, Medical Aid and Pension Funds	439,370	412,585
Other	91,594	100,103
	2,350,725	2,248,940

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
16. EMPLOYEE RELATED COSTS (continued)		
Company Secretary		
Annual Remuneration	1,143,898	1,074,083
Performance Bonuses	150,372	140,534
Contributions to UIF, SDL, Medical Aid and Pension Funds	12,788	14,238
Other	12,000	12,000
	1,319,058	1,240,855
17. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	1,998,391	1,641,029
18. GRANTS AND SUBSIDIES PAID		
Other subsidies		
Grants Paid	21,086,811	20,466,500
Subsidies comprises of:		
Joburg Ballet	9,741,155	9,331,146
Joburg Philharmonic Orchestra	11,345,656	11,135,354
	21,086,811	20,466,500

Draft

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
19. GENERAL EXPENSES		
Auditors remuneration	720,401	1,185,311
Bank charges	382,675	552,497
Cleaning	842,089	2,539,031
Computer expenses	347,914	198,554
Consulting and professional fees	110,277	151,328
Consumables	2,883,022	3,080,044
Community Development	1,553,282	1,083,868
Entertainment	202,083	655,534
Building signage; framing and printing	4,089,665	2,891,795
Gifts	(17)	-
Insurance	589,689	638,001
Employee Uniforms	109,309	69,945
IT expenses	668,909	677,059
Marketing and show contributions	5,068,895	7,085,305
Ticketing	1,169,436	1,154,624
Motor vehicle expenses	2,385,317	2,123,479
Licences	80,593	447,181
Productions	18,774,867	19,102,138
Printing and Stationery	358,605	848,662
Security	711,666	2,163,548
Subscriptions and membership fees	184,049	155,515
Business travel	167,373	475,108
Electricity	9,621,539	8,586,323
Gas	333,814	479,484
Sewerage and waste disposal	1,503,822	2,104,632
Employee Wellness & Training	139,499	82,750
Arts Alive and Special Projects	8,517,426	7,227,830
Write offs	2,320	-
Accommodation	15,867	285,563
Impairment Loss	1,974,453	105,000
Other hospitality and catering expenses	7,171,965	6,309,263
Repairs and Maintenance	2,975,009	2,379,244
Cost of Sales	11,745,316	12,862,254
	85,401,129	87,700,870
20. TAXATION		
Major components of the tax income		
Deferred		
Movement in temporary differences	(4,311,317)	(1,896,448)
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting deficit	(15,965,774)	(7,089,924)
Tax at the applicable tax rate of 28% (2018: 28%)	(4,502,074)	(1,983,345)
Tax effect of non-deductible/non-taxable items		
Leasehold improvements 2020 (R 681 274) at 28%	190,756	94,283
Under/(Over) Provision for prior year	-	(7,386)
	(4,311,318)	(1,896,448)

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

21. CASH USED IN OPERATIONS

Deficit	(11,654,457)	(5,193,476)
Adjustments for:		
Depreciation and amortisation	1,998,391	1,641,029
Debt impairment	-	46,266
Movements in provisions	666,214	(230,290)
Loss on sale of intangible assets	2,320	-
Impairment Loss	1,974,453	105,000
Changes in working capital:		
Inventories	1,537,540	3,013,724
Receivables from exchange transactions	(3,118,029)	5,564,266
Debt Impairment	-	(53,210)
Tax	(4,311,317)	(1,896,449)
Deferred Tax	-	(463,619)
Payables from exchange transactions	12,522,131	(4,828,071)
VAT	(516,065)	780,213
	(898,819)	(1,514,617)

22. AUDITORS' REMUNERATION

Current year audit fees	720,401	1,185,311
Amount paid - Current year	(720,401)	(1,185,311)
Closing balance	-	-

Draft

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

23. RELATED PARTIES

Relationships

Directors

100% controlling entity

100% owned by COJ

100% owned by COJ

100% owned by COJ

100% owned by COJ

100% owned by COJ

100% owned by COJ

100% owned by COJ

100% owned by COJ

100% owned by COJ

100% owned by COJ

100% owned by COJ

Refer to directors' report note

The City of Johannesburg Metropolitan Municipality

Joburg Theatre (SOC) Ltd

City Power Johannesburg (SOC) Ltd

Johannesburg Water (SOC) Ltd

City of Johannesburg Property Company (SOC) Ltd

Johannesburg City Parks NPC and Zoo

Johannesburg Development Agency (SOC) Ltd

Johannesburg Metropolitan Bus Services (SOC) Ltd

Johannesburg Roads Agency (SOC) Ltd

Johannesburg Social Housing Company (SOC) Ltd

Pikitup Johannesburg (SOC) Ltd

Joburg Market (SOC) Ltd

Related party balances

Amounts included in Trade receivable regarding related parties

City Of Johannesburg Metropolitan Municipality	5,360,275	2,470,305
Johannesburg City Parks and Zoo NPC and Zoo	19,449	9,083
Pikitup Johannesburg (SOC) Ltd	-	55,690
City Power Johannesburg (SOC) Ltd	771,485	771,485
Johannesburg Road Agency (SOC) Ltd	74,136	26,280
Johannesburg Water (SOC) Ltd	16,455	-
Metropolitan Trading Company (SOC) Ltd	26,833	-
Johannesburg Development Agency (SOC) Ltd	12,125	-
Johannesburg Metropolitan Bus Services (SOC) Ltd	26,999	-
	6,307,757	3,332,843

The Entity does not charge intercompanies any interest.

Amount included in Trade payables regarding related parties

City of Johannesburg Metropolitan Municipality	9,384,937	805,711
City Parks	42,767	133,175
	9,427,704	938,886

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

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

23. RELATED PARTIES (continued)

Related party transactions

Sales to related parties

City of Johannesburg Metropolitan Municipality	150,986,172	142,342,758
Johannesburg Water (SOC) Ltd	365,665	154,355
Metropolitan Trading Company (SOC) Ltd	67,952	15,887
Johannesburg City Parks NPC and Zoo	96,425	72,483
Johannesburg Development Agency (SOC) Ltd	15,431	-
City of Johannesburg Property Company (SOC) Ltd	-	4,232
Johannesburg Social Housing Company (SOC) Ltd	-	8,019
City Power Johannesburg (SOC) Ltd	168,648	177,019
Johannesburg Road Agency (SOC) Ltd	98,858	65,943
Pikitup Johannesburg (SOC) Ltd	29,140	3,235
Johannesburg Metropolitan Bus Services (SOC) Ltd	97,377	8,703
Joburg Market (SOC) Ltd	30,748	-
	151,956,416	142,852,634

Rent paid to related parties

Johannesburg City Parks NPC and ZOO	224,851	325,004
	224,851	325,004

Purchases from related parties

City of Johannesburg Metropolitan Municipality	7,152,925	998,251
Pikitup Johannesburg (SOC) Ltd	224,009	250,681
City Power Johannesburg (SOC) Ltd	8,603,123	8,186,193
Johannesburg Water (SOC) Ltd	1,058,460	1,678,718
City of Johannesburg Property Company (SOC) Ltd	2	1
Johannesburg Roads Agency (SOC) Ltd	234,639	214,004
Johannesburg Metropolitan Bus Services (SOC) Ltd	126,208	-
	17,399,366	11,327,848

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

24. PAYE AND UIF

Opening balance	909,987	886,441
Current year payroll and deductions	14,322,127	13,254,815
Amount paid - Current Year	(13,431,540)	(12,344,828)
Amount - Previous Year	(909,987)	(886,441)
Closing balance (Included in sundry creditors)	890,587	909,987

25. PENSION AND MEDICAL AID DEDUCTIONS

Opening Balance	1,423,890	1,259,395
Current year payroll and council contribution	18,290,287	16,485,404
Amount paid - Current year	(16,742,164)	(15,061,514)
Amount paid - Previous year	(1,423,890)	(1,259,395)
Closing balance (Included in sundry creditors)	1,548,123	1,423,890

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

26. DIRECTORS' EMOLUMENTS

Non-Executive Directors

Non-Executive

2020

	Directors' fees	Committees fees	Chairperson's Meetings	Other Fees	Total
Mr. Nkopane Maphiri	80,000	-	16,000	-	96,000
Ms. Ashley Hayden	84,000	-	-	-	84,000
Ms. Mpho Lecoge	60,000	24,000	8,000	-	92,000
Ms. Stella Baloyi	60,000	18,000	-	-	78,000
Ms. Amanda Forsythe	36,000	-	-	-	36,000
Mr. Junior Ramovha	84,000	18,000	-	-	102,000
Mr. Masixole Mrwebi CA(SA)	60,000	40,000	8,000	76,000	184,000
Ms. Khwathelani Tshikovhi	60,000	-	-	-	60,000
Ms. Hazel Thembelihle Nyewula CA(SA)	60,000	-	-	-	60,000
Mr. Grandeur Tofara Hove	24,000	-	-	-	24,000
Mr. Desmond Ndzipho(Chairperson)	32,000	-	2,000	18,000	52,000
Mr. Tom Mofokeng	24,000	-	-	-	24,000
Mr. Rabone Moripe	24,000	-	-	-	24,000
Mr. Mabutho Sithole	24,000	-	-	-	24,000
Mr. Vetnami Linda	24,000	-	-	-	24,000
Mr. Mbuso Majoji	24,000	-	-	-	24,000
Ms. Thandiwe Gladys Shezi	12,000	-	-	-	12,000
Ms. Dineo Sithole	24,000	-	-	-	24,000
Mr Dingane Khesoue	24,000	-	-	18,000	42,000
Dr. Wally Serote	-	-	-	-	24,000
Mr. Thulani Vincent Langa	-	-	-	-	-
	820,000	100,000	34,000	112,000	1,066,000

2019

	Directors' fees	Committees fees	Directors' fees for services as directors' of subsidiaries	Other fees (Consultancy fees to subsidiary)	Total
Mr. Nkopane Maphiri (Chairperson)	140,000	14,000	16,000	23,000	193,000
Ms. Ashley Hayden	96,000	40,000	-	23,000	159,000
Ms. Mpho Lecoge	96,000	38,000	-	23,000	157,000
Ms. Stella Baloyi	84,000	30,000	-	5,000	119,000
Ms. Amanda Forsythe	96,000	30,000	-	12,000	138,000
Mr. Junior Ramovha	84,000	52,000	-	5,000	141,000
Mr. Masixole Mrwebi CA(SA)	100,000	20,000	-	12,000	132,000
Ms. Khwathelani Tshikovhi	48,000	5,000	-	-	53,000
	744,000	229,000	16,000	103,000	1,092,000

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

2020 2019

27. RISK MANAGEMENT

Capital risk management

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

The capital structure of the 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 entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Net Assets

Share Capital

Investment from Shareholder

	10	10
	1,784,049	1,784,049
	<u>1,784,059</u>	<u>1,784,059</u>

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 entity manages liquidity risk through forecasting and monitoring cash flow requirements on a monthly basis.

Trade and other Payables

Trade and Other Payables from Exchange Transactions

	26,810,703	14,288,568
--	------------	------------

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

2020

2019

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

Cash and Cash Equivalents

Bank Balances from current, call and fixed account	8,835,684	11,052,694
--	-----------	------------

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	8,451,867	5,333,834
VAT	2,817,898	2,301,833
	<u>11,269,765</u>	<u>7,635,667</u>

Foreign exchange risk

The entity's transactions are predominantly entered into in rand. 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 spot rate and therefore no foreign gain/loss.

28. GOING CONCERN

We draw attention to the fact that at 30 June 2020, the entity had an accumulated surplus (deficit) of R 5,679,219 and that the entity's total liabilities exceed its assets by R 7,463,278.

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	11,745,316	12,862,254
--------------------	------------	------------

30. OPERATING LEASE

Operating Lease Commitments

Up to 1 year	1,239,073	1,656,943
2- 5 years	69,967	1,470,038
	<u>1,309,040</u>	<u>3,126,981</u>

Joburg Theatre (SOC) Ltd leases consist of cash vaults machines from Nedbank Limited and digital copier machines from Konica Minolta. The operating lease increased from the prior year by 649% due to the fleet lease agreement between Joburg Theatre (SOC) Ltd and Afrirent.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020	2019
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 2019	10	10
Issued		
Ordinary	10	10
32. FINANCIAL INSTRUMENTS DISCLOSURE		
Categories of financial instruments		
2020		
Financial assets		
	At fair value	Total
Trade and other receivables from exchange transactions	8,451,867	8,451,867
Cash and cash equivalents	8,835,684	8,835,684
VAT Receivables	2,871,898	2,871,898
	20,159,449	20,159,449
Financial liabilities		
	At fair value	Total
Trade and other payables from exchange transactions	26,810,703	26,810,703
Residual interest		
	At cost	Total
Investment from Shareholder	1,784,049	1,784,049
2019		
Financial assets		
	At fair value	Total
Trade and other receivables from exchange transactions	5,333,834	5,333,834
Cash and cash equivalents	11,052,694	11,052,694
VAT Receivable	2,301,833	2,301,833
	18,688,361	18,688,361
Financial liabilities		
	At fair value	Total
Trade and other payables from exchange transactions	14,288,568	14,288,568

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

2020 2019

FINANCIAL INSTRUMENTS DISCLOSURE (continued)

Residual interest

Investment from Shareholder	At cost 1,784,049	Total 1,784,049
-----------------------------	----------------------	--------------------

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.

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.

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

In-house stage Productions	15,318,518
Contributions to marketing partners/arrangements for productions	2,039,682
Acquisition of Artists for arts alive festival	9,559,515
	26,917,715

Sole Suppliers

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

Name of Service Provider

Licences	Amount
Slojo	-
Cool Runner	83,552
DWR Distributors	59,773
Frozen Drinks	370,499
The Flavor Lab	357,585
Electronics	86,097
	58,046
	1,015,552

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

2020 2019

33. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

Any exceptional case where it is impractical or impossible to follow the official procurement processes

Any exceptional case where it is impractical or impossible to follow the official procurement processes in terms of regulation 36 1(a)(v)

Name of Service Provider	Description of minor breach	
Various Supplier	Repairs & Maintenance	555,591
Various Service Provider	Annual License Renewal	352,543
		<u>908,134</u>

34. IRREGULAR EXPENDITURE

Opening balance at Joburg City Theatres	1,252,343	349,401
Opening balance as restated	1,252,343	349,401
Current year movement	211,496	902,942
Closing balance	1,463,839	1,252,343

The City of Johannesburg resolved that the contract for the provision of fleet services be centralised at Group level, entities were therefore directed to use centralised fleet contract that the City of Johannesburg had secured with Avis Fleet Services, an SLA was entered into between entities and City of Johannesburg. The contract has been declared irregular at Group level due to non-compliance with section 116 of MFMA. The entity incurred expenditure on this contract and is therefore required to disclose irregular expenditure.

35. PRIOR PERIOD ERRORS

1. Correction of error on deferred tax note

The error was as result of figures extracted from the deferred tax model for the purpose of deferred tax disclosure being incorrect however the amount reflected on the face of the statement of financial position is correct.

2. Correction of error on risk management and financial instrument notes

During the 2018/19 financial year audit, a finding was raised and corrected on the face of the statement of financial position and not corrected on the notes.

The effect of the correction of error has the following changes on the disclosure note:

Deferred tax note - decrease in deferred tax liability	-	844,180
Risk Management note - decrease in trade and other payables	-	20,188
Financial Instrument note -decrease in trade and other payables	-	20,188
	-	<u>884,556</u>

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

36. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and contracted for

- Property, plant and equipment

6,363,259	12,976,334
-----------	------------

Total capital commitments

Already contracted for but not provided for

6,363,259	12,976,334
-----------	------------

6,363,259	12,976,334
------------------	-------------------

Authorised operational expenditure

Already contracted for but not provided for

- Consultant and other contracted services
- Cash Vaults
- Fleet

288,761	2,508,654
---------	-----------

310,571	467,557
---------	---------

821,115	1,806,454
---------	-----------

1,420,447	4,782,665
------------------	------------------

Total operational commitments

Already contracted for but not provided for

1,420,447	4,782,665
-----------	-----------

1,420,447	4,782,665
------------------	------------------

Total commitments

Total commitments

Authorised capital expenditure

Authorised operational expenditure

6,363,259	12,976,334
-----------	------------

1,420,447	4,782,665
-----------	-----------

7,783,706	17,758,999
------------------	-------------------

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

During 2018, Joburg Theatre was served with summons for an alleged breach of contract regarding the Soweto Jazz Festival. The Plaintiff in the matter sought an amount of R24 505 130 in damages based on the alleged breach of contract. The matter is sub judice.

The matter is being disclosed as a potential liability that may be incurred depending on the outcome of the pending court determination.

A public liability claim of R9,020,000, 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. The matter has gone to court and JCT is awaiting an outcome.

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.

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

38. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Opening balance		
Fruitless and Wasteful expenditure current year	48,859	28,399
Approved by Council or condoned	-	53,918
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	(33,458)
	-	-
	<u>48,859</u>	<u>48,859</u>

An amount of R48 859 relates to the interest on underpayment of the provisional tax. The entity lodged dispute for the amount to be reversed as the difference on provision was caused by the change in accounting policy in prior year, however it was unsuccessful. Condonation report for is being drafted for the board of director's approval.

39. 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 platform via Pik N Pay. All sales through Pik 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	1,743,890	2,148,300
------------------	-----------	-----------

Expenditure :

Ticketing Fees	92,509	116,003
----------------	--------	---------

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 bankruptcy, 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.