

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 2021
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 2021

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Entertainment and Hospitality
DIRECTORS	<p>Ms. Ashley Hayden Mr. Junior Ramovha Mr. Desmond Ndzipho (Chairperson) Mr. Tom Mofokeng Retired on 11 February 2021 Mr. Rabone Moripe Dr. Wally Serote Retired on 14 December 2020 Mr. Mabutho Sithole Mr. Vietnam Linda Retired on 11 February 2021 Adv. Mbuso Majazi Retired on 11 February 2021 Mr. Thulani Vincent Langa Retired on 11 February 2021 Ms. Thandiwe Gladys Shezi Retired on 11 February 2021 Ms. Dineo Sitole Ms. Dingane Khesuoe Retired on 11 February 2021 Mr. Thembinkosi Masina Appointed on 11 February 2021 Mr. Mande Ndema Appointed on 11 February 2021 Ms. Mphahlele Qhomane Appointed on 11 February 2021 Mr. Bongani Kwenyama Appointed on 11 February 2021 Ms. Sibusiso Mkhondo Appointed on 11 February 2021 Ms. Nomveliso Mpongo Appointed on 11 February 2021 Mr. Johannes Collen Weapond Appointed on 11 February 2021 Ms. Xoliswa Nduneni-Ngema (CEO) Mr. Solomon Mphakathi CA(SA) (CFO)</p>
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

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Abbreviations and Definitions

AGM	Annual General Meeting
ARC	Audit and Risk Committee
ASB	Accounting Standards Boards
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
JCT	Joburg City Theatres

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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

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Joburg Theatre (SOC) Limited

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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 2021/22 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 Ndziqho (Chairperson)
Board of Directors

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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.

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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: _____

Joburg Theatre (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2021

Directors' Report

The directors submit their report for the year ended 30 June 2021.

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 surplus of the entity was R 4,848,019 (2020: deficit R 11,654,457), after taxation of R 1,324,068 (2020: R (4,311,317)).

3. Going concern

We draw attention to the fact that at 30 June 2021, the entity had an accumulated surplus of R 10,527,242 and that the entity's total assets exceed its liabilities by R 12,311,301.

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 2021/22 financial year. JCT also generates revenue from its operations including interest on investments.

The Board of Directors of Joburg Theatre has considered the budgets and forecasts for the 2021/22 financial year approved by Council of the City of Johannesburg, and has satisfied itself that these were sufficient for the continued existence of operations of the entity at least in the foreseeable future, and therefore has concluded that the use of a going concern basis in its preparation of financial statements was appropriate.

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

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 20 to page 42.

6. Share capital / contributed capital

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

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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	
Ms. Ashley Hayden	South African	
Mr. Junior Ramovha	South African	
Mr. Rabone Moripe	South African	
Mr. Desmond Ndzipho (Chairperson)	South African	
Mr. Tom Mofokeng	South African	Retired on 11 February 2021
Mr. Rabone Moripe	South African	
Dr. Wally Serote	South African	Retired on 14 December 2020
Mr. Mabutho Sithole	South African	
Mr. Vetmani Linda	South African	Retired on 11 February 2021
Adv. Mbuso Majazi	South African	Retired on 11 February 2021
Mr. Thulani Vincent Langa	South African	Retired on 11 February 2021
Ms. Thandiwe Gladys Shezi	South African	Retired on 11 February 2021
Ms. Dineo Sitole	South African	
Mr. Dingane Khesuoe	South African	Retired on 11 February 2021
Mr. Thembinkosi Masina	South African	Appointed on 11 February 2021
Mr. Mande Ndema	South African	Appointed on 11 February 2021
Ms. Moipone Qhomane	South African	Appointed on 11 February 2021
Mr. Bonga kwenyama	South African	Appointed on 11 February 2021
Ms. Sebenzile Mkondo	South African	Appointed on 11 February 2021
Ms. Nomveliso Mpongo	South African	Appointed on 11 February 2021
Mr. Johannes Collen Weapond	South African	Appointed on 11 February 2021
Ms. Xoliswa Nduneni-Ngema CEO	South African	
Mr. Solomon Mphakathi CA(SA) (CFO)	South African	

10. Secretary

The secretary of the entity is Philipa Maduka.

Business address

Joburg Theatre Complex
163 Civic Boulevard
Braamfontein
Johannesburg
2017

Postal address

P O Box 31900
Braamfontein
Johannesburg
2017

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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).

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Directors' Report

Audit and Risk Committee

For the current financial year the members of the Audit and Risk Committee are Ms. Chrystal Cape CA(SA) (IAC Member-Chairperson), Ms Nompumelelo Hlatshwayo (IAC Member), Mr.Frank Molloa Masibi (IAC Member),Ms.Ashley Hayden(NED),Mr Rebone Moripe(NED) , Mr. Vetnam Linda (NED) - retired on 11 February 2021 , Adv. Mbuso Majozi (NED) - retired on 11 February 2021,Mr. Mande Ndema - appointed 11 February 2021 and Mr. Johannes Collen Weapond - appointed 11 February 2021.

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 February 2021 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

14. Auditors

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

Joburg Theatre (SOC) Limited

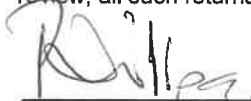
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Company Secretary's Certification

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

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020
Assets			
Current Assets			
Inventories	2	2,152,488	1,301,337
Receivables from exchange transactions	3	36,658,932	8,451,867
VAT receivable	4	2,036,376	2,817,898
Cash and cash equivalents	5	10,038,804	8,835,684
		50,886,600	21,406,786
Non-Current Assets			
Property, plant and equipment	6	13,160,897	14,255,068
Intangible assets	7	308,058	461,684
Heritage assets	8	1,602,700	1,602,700
		15,071,655	16,319,452
Total Assets		65,958,255	37,726,238
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	48,569,383	26,810,703
Provisions	10	3,753,502	3,452,257
		52,322,885	30,262,960
Non-Current Liabilities			
Deferred tax	11	1,324,069	-
Total Liabilities		53,646,954	30,262,960
Net Assets		12,311,301	7,463,278
Share capital / contributed capital	32	10	10
Reserves			
Investment from Shareholder		1,784,049	1,784,049
Accumulated surplus		10,527,242	5,679,219
Total Net Assets		12,311,301	7,463,278

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Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020
Revenue			
Revenue from exchange transactions			
Ticketing Services	12	101,561	779,770
Catering Services	12	22,947,848	27,139,664
Rental of facilities and equipment	12	1,868,678	5,563,136
Arts Alive	12	8,209,271	8,695,650
In-house ticket sales	12	796,268	7,713,028
Other income	13	5,952,277	1,156,773
Interest received - investment	14	3,132,768	4,646,967
Total revenue from exchange transactions		43,008,671	55,694,988
Revenue from non-exchange transactions			
Transfer revenue			
Subsidy	15	163,454,000	128,469,000
Total revenue	12	206,462,671	184,163,988
Expenditure			
Employee related costs	16	(95,089,417)	(91,643,431)
Depreciation and amortisation	17	(1,899,679)	(1,998,391)
Debt Impairment	18	(1,918,904)	-
Transfers and Subsidies	19	(21,512,000)	(21,086,811)
General Expenses	20	(79,870,584)	(85,401,129)
Total expenditure		(200,290,584)	(200,129,762)
Surplus (deficit) before taxation		6,172,087	(15,965,774)
Taxation	21	(1,324,068)	4,311,317
Surplus (deficit) for the year		4,848,019	(11,654,457)

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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 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 01 July 2020	10	1,784,049	5,679,223	7,463,282
Changes in net assets				
Surplus for the year	-	-	4,848,019	4,848,019
Total changes	-	-	4,848,019	4,848,019
Balance at 30 June 2021	10	1,784,049	10,527,242	12,311,301

Note(s)

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Annual Financial Statements for the year ended 30 June 2021

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	1,097,120	-	1,097,120	101,561	(995,559)	1
Catering services	29,864,443	-	29,864,443	22,947,848	(6,916,595)	1
Rental of facilities and equipment	4,341,000	-	4,341,000	1,868,678	(2,472,322)	1
Arts Alive Revenue	-	8,668,000	8,668,000	8,209,271	(458,729)	
Sponsorship	967,000	-	967,000	-	(967,000)	
In-house ticket sales	9,653,808	-	9,653,808	796,268	(8,857,540)	1
Other income	1,424,182	-	1,424,182	5,952,277	4,528,095	1
Interest received - investment	2,034,459	-	2,034,459	3,132,768	1,098,309	2
Total revenue from exchange transactions	49,382,012	8,668,000	58,050,012	43,008,671	(15,041,341)	
Revenue from non-exchange transactions						
Transfer revenue						
Subsidy	160,454,000	3,000,000	163,454,000	163,454,000	-	
Total revenue	209,836,012	11,668,000	221,504,012	206,462,671	(15,041,341)	
Expenditure						
Employee cost	(98,987,000)	-	(98,987,000)	(95,089,417)	3,897,583	
Depreciation and amortisation	(1,744,000)	(630,000)	(2,374,000)	(1,899,679)	474,321	
Debt Impairment	-	-	-	(1,918,904)	(1,918,904)	
Transfers and Subsidies	(21,512,000)	-	(21,512,000)	(21,512,000)	-	
General Expenses	(87,593,012)	(11,038,000)	(98,631,012)	(79,870,584)	18,760,428	3
Total expenditure	(209,836,012)	(11,668,000)	(221,504,012)	(200,290,584)	21,213,428	
Surplus before taxation	-	-	-	6,172,087	6,172,087	
Taxation	-	-	-	1,324,068	1,324,068	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	4,848,019	4,848,019	

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Explanation of major variances between budget and actual

1. **Ticketing Services(-91%), Catering services(-23%), Rental of facilities and equipment(-57%), In-house ticket sale (-92%)** - the line items stated shows a negative variances .The shortfall is attributable to the fact that JCT has not been fully operating due to regulations imposed by the government to curb Covid-19 .This has been a challenging year for the Theatre as covid-19 had a significant impact on the operations of the entity. There are number of shows which were cancelled including panto which is the biggest revenue generator.

2. **Interest received- investments** - shows favourable variance of 57%. Short term investments are sufficient enough to earn interest in excess of the budgeted amount despite the economic challenges.

3. **General expenditure** is below the by 20%. The variance is as a result of lockdown restrictions which were not favourable to the Theatre and consequently led to savings on almost all the expenditure items.

Draft

Joburg Theatre (SOC) Limited

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Investment revenue	2,034,459	-	2,034,459	-	-	2,034,459	3,132,768		1,098,309	154 %	154 %
Transfers recognised - operational	160,454,000	3,000,000	163,454,000	-	-	163,454,000	163,454,000		-	100 %	102 %
Other own revenue	47,347,553	8,668,000	56,015,553	-	-	56,015,553	39,875,903		(16,139,650)	71 %	84 %
Total revenue (excluding capital transfers and contributions)	209,836,012	11,668,000	221,504,012	-	-	221,504,012	206,462,671		(15,041,341)	93 %	98 %
Employee costs	(98,987,000)	-	(98,987,000)	-	-	(98,987,000)	(95,089,417)		3,897,583	96 %	96 %
Debt impairment	-	-	-	-	-	-	(1,918,904)		(1,918,904)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(2,374,308)	-	(2,374,308)	-	-	(2,374,308)	(1,899,679)		474,629	80 %	80 %
Transfers and grants	(21,512,000)	-	(21,512,000)	-	-	(21,512,000)	(21,512,000)		-	100 %	100 %
Other expenditure	(86,962,704)	(11,668,000)	(98,630,704)	-	-	(98,630,704)	(79,870,584)		18,760,120	81 %	92 %
Total expenditure	(209,836,012)	(11,668,000)	(221,504,012)	-	-	(221,504,012)	(200,290,584)		21,213,428	90 %	95 %
Taxation	-	-	-	-	-	-	1,324,068		1,324,068		
Surplus/(Deficit) for the year	-	-	-	-	-	-	4,848,019		4,848,019		

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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.

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 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.

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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 2021, 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.

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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.

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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).

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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

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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);

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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.

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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.

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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, by change 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.

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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.

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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.

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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.

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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.

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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

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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.

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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 163,454000.

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.

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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 change 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 year 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.

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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 2020/21 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.

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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.

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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

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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

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
2. INVENTORIES		
Work in progress	882,096	408,581
Consumable stores	457,393	294,344
Trading Stock - Food and Beverage	812,999	598,412
	2,152,488	1,301,337
Work in progress		
Opening Balance	408,581	1,039,833
Prior year WIP transferred	(408,581)	(1,039,833)
Current year WIP	882,096	408,581
	882,096	408,581
Consumables		
Opening Balance	294,344	528,241
Stock movement for the year	163,049	(233,897)
	457,393	294,344
Trading Stock - Food and Beverages		
Opening Balance	598,412	1,514,264
Stock movement for the year	214,587	(915,852)
	812,999	598,412

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

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

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

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	700,172	2,141,397
Accrued Income	1,994	2,713
Related Party Debtors	35,956,766	6,307,757
	36,658,932	8,451,867

Trade and other receivables

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

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

Debtors are measured at fair value.

Fair value of trade and other receivables

Joburg Theatre (SOC) Limited

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
Receivables From Exchange Transactions by Class		
Rental of Facilities and Equipment	-	244,318
Hospitality and Catering	4,505,066	1,366,237
City of Joburg -CAPEX	29,066,623	3,522,107
City of Joburg Entities	111,795	961,417
Other	2,975,448	2,357,788
	36,658,932	8,451,867
Debtors Age Analysis		
90 Days +	1,453,487	4,097,159
60 Days	344,066	-
30 Days	570,187	139,537
Current	34,291,192	4,215,171
	36,658,932	8,451,867
<p>Accounts receivable in 90+ days relate to City of Johannesburg's customer deposit and a collection of other small account receivables. The entity believes that these amounts are still collectable and should circumstances change they will be considered for impairment in accordance with company policy.</p>		
4. VAT RECEIVABLE - NON - EXCHANGE		
VAT	2,036,376	2,817,898

Joburg Theatre (SOC) Limited

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5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	56,599	59,496
Bank balances	9,982,205	8,776,188
	10,038,804	8,835,684
Current assets	10,038,804	8,835,684
Current liabilities	-	-
	10,038,804	8,835,684

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 5%.

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Nedbank-current account-Joburg Theatre	670,252	514,755	331,479	670,252	514,755	331,479
Nedbank-current account-Roodepoort and Soweto	53,494	271,795	193,016	53,494	271,795	193,016
Nedbank-current account-Ticketing	68,901	41,746	92,199	68,901	41,746	92,199
Nedbank-current account-Hospitality and Catering	123,374	306,483	218,243	123,374	306,483	218,243
Nedbank-call account-Joburg Theatre	8,625,186	1,459,759	1,032,152	8,625,186	1,459,759	1,032,152
Nedbank-current account-Zoo	102,140	43,640	227,462	102,140	43,640	227,462
Nedbank-current account-Metro	80,407	89,180	121,685	80,407	89,180	121,685
Nedbank-call account-Roodepoort and Soweto	210,240	2,286,760	3,686	210,240	2,286,760	3,686
Nedbank-call account-Ticketing	26,884	3,754,264	566,557	26,884	3,754,264	566,557
Nedbank-call account-Hospitality and Catering	21,327	7,806	453,614	21,327	7,806	453,614
Investec-call account	-	-	7,691,854	-	-	7,691,854
Subtotal	9,982,205	8,776,188	10,931,947	9,982,205	8,776,188	10,931,947
Cash on hand	56,599	59,496	120,727	56,599	59,496	120,727
Total	10,038,804	8,835,684	11,052,674	10,038,804	8,835,684	11,052,674

Joburg Theatre (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2021

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6. Property, plant and equipment

	2021		2020			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold property	4,070,105	(1,886,807)	2,183,298	4,070,105	(1,205,532)	2,864,573
Furniture and fixtures	3,707,352	(1,537,151)	2,170,201	4,988,565	(2,679,118)	2,309,447
Motor vehicles	1,152,536	(39,908)	1,112,628	675,960	(460,584)	215,376
IT equipment	3,830,017	(1,563,851)	2,066,166	3,090,196	(1,525,936)	1,564,260
Stage equipment	1,829,505	(5,200,901)	6,628,604	14,842,857	(7,541,445)	7,301,412
Total	23,389,515	(10,228,618)	13,160,897	27,667,683	(13,412,615)	14,255,068

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold property	2,864,573	-	-	(681,275)	2,183,298
Furniture and fixtures	2,309,447	115,373	(8,251)	(246,368)	2,170,201
Motor vehicles	215,376	-	(61,209)	(41,539)	112,628
IT equipment	1,564,260	800,317	(30,538)	(267,873)	2,066,166
Stage equipment	7,301,412	-	(163,811)	(508,997)	6,628,604
	14,255,068	915,690	(263,809)	(1,746,052)	13,160,897

Joburg Theatre (SOC) Limited

(Registration number 2000/013032/07)
Annual Financial Statements for the year ended 30 June 2021

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6. Property, plant and equipment (continued)

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

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

Assets Written Off 2021

	Cost	Accumulated Depreciation	Total
Furniture and Fixtures	1,396,587	(1,388,336)	8,251
Motor Vehicle	523,424	(462,215)	61,209
Computer Equipment	260,495	(229,957)	30,538
Stage Equipment	3,013,354	(2,849,543)	163,811
	5,193,860	(4,930,051)	263,809

Joburg Theatre (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2021

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6. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2021

	Preventative Maintenance		Corrective Maintenance		Total
	Interval Based	Total	Planned	Total	
Furniture and fixtures	-	-	45,272	45,272	45,272
Motor vehicles	-	-	10,428	10,428	10,428
IT equipment	-	-	20,811	20,811	20,811
Stage equipment	266,412	266,412	-	-	266,412
	266,412	266,412	76,511	76,511	342,923

Maintenance of property, plant and equipment by condition - 2020

	Preventative Maintenance		Corrective Maintenance		Total
	Interval Based	Total	Planned	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

Buildings are capitalised by the City of Johannesburg.

Joburg Theatre (SOC) Limited

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7. INTANGIBLE ASSETS

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	853,474	(545,416)	308,058	853,474	(391,790)	461,684

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	461,684	(153,626)	308,058

Reconciliation of intangible assets - 2020

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

Intangible Assets Written Off 2020

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

8. HERITAGE ASSETS

	2021			2020		
	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 2021

	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 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

Joburg Theatre (SOC) Limited

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8. HERITAGE ASSETS (continued)

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	7,383,259	7,032,104
Deferred Income	5,586,770	2,068,610
Accrued Leave	3,957,099	3,646,123
Sundry creditors	23,308,575	2,605,760
Accrued 13th Cheque	845,546	847,642
Year end accruals	1,366,171	1,182,760
Related Party	6,121,963	9,427,704
	48,569,383	26,810,703

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. PAME, SDL, UIF, Pension Fund, Medical Aid, Samwu, Psira and CAPEX.

Year end accruals consist of utilities, insourcing and others.

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10. PROVISIONS

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
Performance Bonus	3,452,257	3,995,151	(3,693,906)	3,753,502

Reconciliation of provisions - 2020

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

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	1,865,426	(92,620)
Allowance for future expenditure section 24c	3,918,583	(1,200,647)
Payments to date	-	463,623
Total deferred tax liability	5,784,009	(829,644)

Deferred tax asset

Accumulated impairment loss	-	(1,974,453)
Provisions	(2,933,015)	2,224,886
Deferred income	(1,526,926)	579,211
Total deferred tax asset	(4,459,941)	829,644

Deferred tax liability	5,784,009	(829,644)
Deferred tax asset	(4,459,941)	829,644
Total net deferred tax liability	1,324,068	-

Joburg Theatre (SOC) Limited

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12. REVENUE		
Ticketing services	101,561	779,770
Catering services	22,947,848	27,139,664
Rental of facilities and equipment	1,868,678	5,563,136
Arts Alive	8,209,271	8,695,650
In-house ticket sales	796,268	7,713,028
Other income	5,952,277	1,156,773
Interest received - investment	3,132,768	4,646,967
Subsidy	163,454,000	128,469,000
	206,462,671	184,163,988

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

Ticketing services	101,561	779,770
Catering services	22,947,848	27,139,664
Rental of facilities and equipment	1,868,678	5,563,136
Arts Alive	8,209,271	8,695,650
In-house ticket sales	796,268	7,713,028
Other income	5,952,277	1,156,773
Interest received - investment	3,132,768	4,646,967
	43,008,671	55,694,988

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

Transfer revenue

Subsidy from City of Joburg	163,454,000	128,469,000
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13. OTHER INCOME

Other income	5,952,277	1,156,773
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Other income includes, amongst others, collaborations with Arts & Culture within the community development department amounting to R4.9m

14. INTEREST RECEIVED - INVESTMENT

Interest revenue

Bank	3,132,768	4,646,967
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Interest income is calculated using the effective interest rate between 3% to 4.25%

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

Bank	2021	2020
Investec Bank Limited	-	29,472
Nedbank Limited	3,132,768	4,617,495
	3,132,768	4,646,967

Joburg Theatre (SOC) Limited

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15. SUBSIDY

Operating Grants and Subsidies

Joburg Theatre	131,856,680	99,870,868
Roodepoort Theatre	10,879,902	9,847,192
Soweto Theatre	20,717,417	18,750,940
	163,453,999	128,469,000

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

16. EMPLOYEE RELATED COSTS

Salaries and Wages	93,399,417	90,523,431
Employee costs included in other expenses	1,690,000	1,120,000
	95,089,417	91,643,431

Employee Costs Breakdown

Net Salary	53,103,741	52,548,602
PAYE	13,252,521	13,417,945
SDL	699,379	785,113
UIF	893,034	904,181
Medical Aid	5,611,980	5,234,307
Pension Contribution	13,998,014	13,055,980
Third Parties	370,823	239,744
13th cheque leave accraul and performance bonus	5,136,524	4,337,559
Other	333,401	-
	93,399,417	90,523,431

Committee Fees Breakdown

Fees	1,500,000	1,066,000
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Chief Executive Officer

Annual Remuneration	2,360,666	2,221,803
Performance Bonus	311,052	194,712
Contributions to UIF, SDL, Medical Aid and Pension Funds	25,282	22,450
Other	25,200	-
	2,722,200	2,438,965

Chief Operating Officer

Annual Remuneration	1,415,356	1,309,232
Discretionary Bonuses	111,008	175,111
Contributions to UIF, SDL, Medical Aid and Pension Funds	401,683	406,827
Other	67,243	79,622
	1,995,290	1,970,792

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
16. EMPLOYEE RELATED COSTS (continued)		
Chief Financial Officer		
Annual Remuneration	2,240,642	1,607,195
Performance bonus	229,232	212,566
Contributions to UIF, SDL, Medical Aid and Pension Funds	25,704	439,370
Other	269,269	91,594
	2,764,847	2,350,725
Company Secretary		
Annual Remuneration	1,215,392	1,143,898
Performance Bonuses	148,706	150,372
Contributions to UIF, SDL, Medical Aid and Pension Funds	13,877	12,788
Other	61,090	12,000
	1,439,065	1,319,058
17. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	1,899,679	1,998,391
18. DEBT IMPAIRMENT		
Bad debts written off	1,918,904	-
Debt Impairment comprises of :		
Department of Arts and Culture	1,600,000	-
Other	318,904	-
	1,918,904	-
19. GRANTS AND SUBSIDIES PAID		
Other subsidies		
Grants Paid	21,512,000	21,086,811
Subsidies comprises of:		
Joburg Ballet	10,590,000	9,741,155
Johannesburg Philharmonic Orchestra	10,922,000	11,345,656
	21,512,000	21,086,811

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20. GENERAL EXPENSES		
Auditors remuneration	994,153	720,401
Bank charges	194,371	382,675
Cleaning	584,902	842,089
Computer expenses	374,544	347,914
Consulting and professional fees	258,064	110,277
Consumables	3,107,087	2,883,022
Community Development	1,619,335	1,553,282
Entertainment	106,970	202,083
Building signage; framing and printing	2,785,360	4,089,665
Gifts	-	(17)
Insurance	714,954	589,689
Employee Uniforms	129,639	109,309
IT expenses	777,674	668,909
Marketing and show contributions	4,459,734	5,068,895
Ticketing	-	1,169,436
Motor vehicle expenses	2,498,068	2,385,317
Licences	159,307	80,593
Productions	21,650,193	18,774,867
Printing and Stationery	391,962	358,605
Security	-	711,666
Subscriptions and membership fees	411,665	184,049
Business travel	113,584	167,373
Electricity	9,667,506	9,621,539
Gas	250,749	333,814
Sewerage and waste disposal	1,546,683	1,503,822
Employee Wellness & Training	148,239	139,499
Arts Alive and Special Projects	7,719,062	8,517,426
Write offs	263,808	2,320
Accomodation	54,206	15,867
Impairment Loss	-	1,974,453
Other hospitality and catering expenses	9,663,303	7,171,965
Repairs and Maintenance	2,970,264	2,975,009
Cost of Sales	6,255,198	11,745,316
	79,870,584	85,401,129
21. TAXATION		
Major components of the tax expense (income)		
Deferred		
Movement in temporary differences	1,324,068	(4,311,317)
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting surplus (deficit)	6,172,087	(15,965,774)
Tax at the applicable tax rate of 28% (2020: 28%)	1,728,184	(4,502,074)
Tax effect of adjustments on taxable income		
Leasehold improvements at 28%	(404,116)	190,756
	1,324,068	(4,311,318)

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22. CASH GENERATED FROM (USED IN) OPERATIONS		
Surplus (deficit)	4,848,019	(11,654,457)
Adjustments for:		
Depreciation and amortisation	1,899,679	1,998,391
Debt impairment	1,918,904	-
Movements in provisions	301,245	666,214
Loss on sale of assets	263,808	2,320
Impairment Loss	-	1,974,453
Changes in working capital:		
Inventories	(851,151)	1,537,540
Receivables from exchange transactions	(30,125,969)	(3,118,029)
Tax	1,324,068	(4,311,317)
Payables from exchange transactions	21,758,685	12,522,131
VAT	781,522	(516,065)
	2,118,810	(898,819)
23. AUDITORS' REMUNERATION		
Current year audit fees	994,153	720,401
Amount paid -current year	(994,153)	(720,401)
Closing balance	-	-

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Joburg Theatre (SOC) Limited

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24. 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 (Trade Payable) regarding related parties

City of Johannesburg Metropolitan Municipality	35,073,486	5,360,275
Johannesburg City Parks NPC and Zoo	10,652	19,449
City Power Johannesburg (SOC) Ltd	771,485	771,485
Johannesburg Roads Agency (SOC) Ltd	48,605	74,136
Johannesburg Water (SOC) Ltd	-	16,455
Metropolitan Trading Company	-	26,833
Johannesburg Development Agency (SOC) Ltd	7,378	12,125
Johannesburg Metropolitan Bus services (SOC) Ltd	45,160	26,999
	35,956,766	6,307,757

The Entity does not charge intercompanies any interest.

Commitments with related parties

City of Johannesburg Metropolitan Municipality	6,054,291	9,384,937
Johannesburg City Parks NPC and Zoo	28,462	42,767
Metropolitan Trading Company	39,210	-
	6,121,963	9,427,704

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

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24. RELATED PARTIES (continued)

Related party transactions

Purchases from (sales to) related parties

City of Johannesburg Metropolitan Municipality	198,303,193	150,986,172
Johannesburg Water (SOC) Ltd	115,488	365,665
Metropolitan Trading Company	42,605	67,952
Johannesburg City Parks NPC and Zoo	7,040	96,425
Johannesburg Development Agency (SOC) Ltd	10,306	15,431
City Power Johannesburg (SOC) Ltd	51,529	168,648
Johannesburg Roads Agency (SOC) Ltd	116,816	98,858
Pikitup Johannesburg (SOC) Ltd	-	29,140
Johannesburg Metropolitan Bus services (SOC) Ltd	225,274	97,377
Joburg Market (SOC) Ltd	36,511	30,748
	198,908,762	151,956,416

Rent paid to (received from) related parties

Johannesburg City Parks NPC and Zoo	145,601	224,851
	145,601	224,851

Purchases from related parties

City of Johannesburg Metropolitan Municipality	11,513,290	7,152,925
Pikitup Johannesburg (SOC) Ltd	146,362	224,009
City Power Johannesburg (SOC) Ltd	8,827,807	8,603,123
Johannesburg Water (SOC) Ltd	1,218,962	1,058,460
City of Johannesburg Property Company (SOC) Ltd	1	2
Johannesburg Roads Agency (SOC) Ltd	-	234,639
Johannesburg Metropolitan Bus services (SOC) Ltd	612,586	126,208
	22,319,008	17,399,366

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

25. PAYE AND UIF

Opening Balance	890,587	909,987
Current year payroll and deductions	14,145,556	14,322,127
Amount paid	(13,196,970)	(13,431,540)
Amount - previous year	(890,587)	(909,987)
Closing balance (Included in sundry creditors)	948,586	890,587

26. PENSION AND MEDICAL AID DEDUCTIONS

Opening Balance	1,548,123	1,423,890
Current year payroll and council contribution	19,609,994	18,290,287
Amount paid-current year	(18,014,434)	(16,742,164)
Amount paid- previous year	(1,548,123)	(1,423,890)
Closing balance (Included in sundry creditors)	1,595,560	1,548,123

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27. DIRECTORS' EMOLUMENTS

Non-Executive

2021

	Directors' fees	Committees fees	Chairperson's Meetings	Other fees	Total
Ms. Ashley Hayden	96,000	42,000	-	-	138,000
Mr. Johannes Collen Weapond	48,000	12,000	-	-	60,000
Ms. Bonga Kweyama	48,000	6,000	-	-	54,000
Ms. Nomveliso Mpongo	48,000	6,000	-	-	54,000
Mr. Rabone Moripe	96,000	42,000	-	-	138,000
Ms. Sebenzile Mkhonto	48,000	6,000	-	-	54,000
Mr. Thembinkosi Masina	48,000	6,000	-	-	54,000
Ms. Moipone Qhomane	48,000	6,000	-	-	54,000
Mr. Desmond Ndzipho (Chairperson)	128,000	-	8,000	50,000	186,000
Mr. Tom Mofokeng	36,000	18,000	-	-	54,000
Mr. Junior Ramovha	96,000	24,000	-	-	120,000
Mr. Mabutho Sithole	72,000	18,000	-	-	90,000
Mr. Vetnami Linda	48,000	18,000	-	-	66,000
Mr. Mbuso Majozi	24,000	12,000	-	-	36,000
Ms. Thandiwe Gladys Shezi	48,000	18,000	-	-	66,000
Ms. Dineo Sithole	96,000	32,000	-	28,000	156,000
Mr. Dingane Khesoue	48,000	12,000	-	-	60,000
Mr. Mande Ndema	48,000	12,000	-	-	60,000
	1,124,000	290,000	8,000	78,000	1,500,000

2020

	Directors' fees	Committees fees	Directors' fees for services as directors' of subsidiaries	Other fees (Consultancy fees to subsidiary)	Total
Mr. Grandeur Tofara Hove	24,000	-	-	-	24,000
Mr. Dingane Kheusoe	24,000	-	-	-	24,000
Ms. Dineo Sithole	24,000	-	-	18,000	42,000
Ms. Thandiwe Gladys Shezi	12,000	-	-	-	12,000
Mr. Mbuso Majozi	24,000	-	-	-	24,000
Mr. Vetnami Linda	24,000	-	-	-	24,000
Mr. Nkopane Maphiri (Chairperson)	80,000	-	16,000	-	96,000
Ms. Ashley Hayden	84,000	-	-	-	84,000
Mr. Junior Ramovha	60,000	24,000	8,000	-	92,000
Ms. Stella Baloyi	60,000	18,000	-	-	78,000
Mr. Tom Mofokeng	36,000	-	-	-	36,000
Mr. Rabone Moripe	84,000	18,000	-	-	102,000
Mr. Masixole Mrwebi	60,000	40,000	8,000	76,000	184,000
Mr. Mabutho Sithole	60,000	-	-	-	60,000
Mr. Vetnam Linda	60,000	-	-	-	60,000
Ms. Desmond Ndzipho (Chairperson)	32,000	-	2,000	18,000	52,000
Mr. Rabone Moripe	24,000	-	-	-	24,000
Mr. Tom Mofokeng	24,000	-	-	-	24,000
Mr. Mabutho Sithole	24,000	-	-	-	24,000
	820,000	100,000	34,000	112,000	1,066,000

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28. 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	10	10
Investment from Shareholder	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	<u>48,569,383</u>	<u>26,810,703</u>
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28. 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	10,038,804	8,835,684
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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	36,658,923	8,451,867
VAT	2,036,376	2,817,898
	38,695,299	11,269,765

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.

29. GOING CONCERN

We draw attention to the fact that at 30 June 2021, the entity had an accumulated surplus (deficit) of R 10,527,242 and that the entity's total assets exceed its liabilities by R 12,311,301.

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.

30. COST OF SALES

Sale of goods

Cost of goods sold	6,255,198	11,745,316
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31. OPERATING LEASE

Operating Lease Commitments

Up to 1 year	1,591,617	1,239,073
2- 5 years	58,535	69,967
	1,650,152	1,309,040

Joburg Theatre (SOC) Ltd leases consist of cash vaults machines from Nedbank Limited and digital copier machines from Konica Minolta.

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32. SHARE CAPITAL / CONTRIBUTED CAPITAL		
Authorised		
10 Ordinary shares of R1 each	10	10
Reconciliation of number of shares issued:		
Reported as at 01 July 2020	10	10
Issued		
Ordinary	10	10
33. FINANCIAL INSTRUMENTS DISCLOSURE		
Categories of financial instruments		
2021		
Financial assets		
Trade and other receivables from exchange transactions	At fair value	Total
Cash and cash equivalents	36,658,932	36,658,932
VAT receivables	10,038,804	10,038,804
	2,036,376	2,036,376
	48,734,112	48,734,112
Financial liabilities		
Trade and other payables from exchange transactions	At fair value	Total
	48,569,383	48,569,383
Residual interest		
Investment fom Shareholder	At cost	Total
	1,784,049	1,784,049
2020		
Financial assets		
Trade and other receivables from exchange transactions	At fair value	Total
Cash and cash equivalents	8,451,867	8,451,867
VAT Receivables	8,835,684	8,835,684
	2,871,898	2,871,898
	20,159,449	20,159,449
Financial liabilities		
Trade and other payables from exchange transactions	At fair value	Total
	26,810,703	26,810,703

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	2021	2020
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FINANCIAL INSTRUMENTS DISCLOSURE (continued)

Residual interest

Investment fro Shareholder	At cost 1,784,049	Total 1,784,049
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34. 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.

Emergency

Triple SL Tech CC	Plumbing Repairs	153,467.50
		<u>153,467.50</u>

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	13,582,728
Contributions to marketing partners/arrangements for productions	2,166,397
Acquisition of Artists for arts alive festival	8,829,565
	<u>24,578,690</u>

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

	Amount
Slojo	-
Cool Runner	21,746
DWR Distributors	23,007
Frozen Drinks	287,340
The Flavor Lab	105,173
Electronics	27,152
	27,719
	<u>492,137</u>

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34. 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	340,107
J Brooks Spector	History of the theatre write up	200,000
Various Service Provider	Annual License Renewal	236,810
		<u>776,917</u>

Regulation 32 & Ratification of minor breaches

Name of Service Provider	Description of minor breach	
Metropolitan Trading Company	Connectivity to City's Infrastructure and data centre	313,683
Various Supplier	Minor breaches of supply chain management processes	41,868
		<u>355,551</u>

35. IRREGULAR EXPENDITURE

Opening balance as previously reported	1,997,113	1,252,343
Opening balance as restated	1,997,113	1,252,343
Add: Irregular Expenditure - current	3,620,417	744,770
Less: Amount written off - current	(1,463,839)	-
Closing balance	4,153,691	1,997,113
Details of Irregular Expenditure -Current year		
Fleet cost	232,658	211,496
Local Content	3,387,759	533,274
	<u>3,620,417</u>	<u>744,770</u>

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. The current year movement relates to Avis Fleet contract and local content requirement. The entity has identified transactions whose bids did not stipulate the local content requirement on the advert in the current year under review

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36. SEGMENT INFORMATION

Segment surplus or deficit, assets and liabilities

2021

	JHB	RCT	SWT	Total
Revenue				
Revenue from non-exchange transactions	131,895,875	10,879,903	20,717,417	163,493,195
Revenue from exchange transactions	37,960,258	1,162,611	713,838	39,836,707
Interest revenue	3,132,768	-	-	3,132,768
Total segment revenue	172,988,901	12,042,514	21,431,255	206,462,670
Entity's revenue				206,462,670
Expenditure				
Salaries and wages	78,908,121	6,570,320	9,610,976	95,089,417
Depreciation	1,110,034	231,294	558,351	1,899,679
Debt Impairment	1,918,904	-	-	1,918,904
Transfers and Subsidies	21,512,000	-	-	21,512,000
General Expenses	69,806,627	4,292,020	5,771,937	79,870,584
Total segment expenditure	173,255,686	11,093,634	15,941,264	200,290,584
Total segmental surplus/(deficit)				6,172,086
Assets				
Current Assets	50,886,600	-	-	50,886,600
Non Current Assets	8,441,392	912,162	5,718,101	15,071,655
Total segment assets	59,327,992	912,162	5,718,101	65,958,255
Total assets as per Statement of financial Position				65,958,255
Liabilities				
Current liabilities	52,322,885	-	-	52,322,885
Non current liabilities	1,324,068	-	-	1,324,068
Total segment liabilities	53,646,953	-	-	53,646,953
Total liabilities as per Statement of financial Position				53,646,953

Our revenue streams come from several different sources like hospitality and catering services, producing shows and renting shows, there is not much in terms of rental activities due to lockdown restrictions imposed by government to curb the spread of the corona virus. For most theatres, operating at a heavily reduced capacity makes productions financially unviable, the shows resuming their runs at auditoriums aren't opening to make a profit but to provide opportunities to the workforce and bring audiences back into the Theatre, boosting the local economy. The strong performance on the Hospitality and Catering services is attributable to the partnerships with the City of Johannesburg that the entity has undertaken to run their programmes, events and other activities

2020

	JHB	RCT	SWT	Total
Revenue				
Revenue from non-exchange transactions	99,870,868	9,847,192	18,750,940	128,469,000
Revenue from exchange transactions	48,913,133	3,689,053	3,092,803	55,694,989
Total segment revenue	148,784,001	13,536,245	21,843,743	184,163,989
Entity's revenue				184,163,989

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36. SEGMENT INFORMATION (continued)

Expenditure				
Salaries and wages	75,457,871	6,853,086	9,343,694	91,654,651
Depreciation	1,227,242	234,319	536,830	1,998,391
Transfers and subsidies	21,086,811	-	-	21,086,811
General expenses	67,816,236	4,543,046	8,719,311	81,078,593
Total segment expenditure	165,588,160	11,630,451	18,599,835	195,818,446
Total segmental surplus/(deficit)				(11,654,457)
Assets				
Current assets	21,406,786	-	-	21,406,786
Non current assets	16,319,452	-	-	16,319,452
Total segment assets	37,726,238	-	-	37,726,238
Total assets as per Statement of financial Position				37,726,238
Liabilities				
Current liabilities	30,262,960	-	-	30,262,960
Total liabilities as per Statement of financial Position				30,262,960

37. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and contracted for

• Property, plant and equipment	30,700,660	6,363,259
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Total capital commitments

Already contracted for but not provided for	30,700,660	6,363,259
	30,700,660	6,363,259

Authorised operational expenditure

Already contracted for but not provided for

• Consultant and other contracted services	1,047,558	288,761
• Cash Vaults	93,187	310,571
• Fleet	2,015,219	821,115
	3,155,964	1,420,447

Total operational commitments

Already contracted for but not provided for	3,155,964	1,420,447
	3,155,964	1,420,447

Total commitments

Total commitments

Authorised capital expenditure	30,700,660	6,363,259
Authorised operational expenditure	3,155,964	1,420,447
	33,856,624	7,783,706

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.

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38. 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.

39. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Opening balance	48,859	48,859
Approved by Council or condoned	(48,859)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-
	<u>-</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 and the amount was written off as per board of director's approval.

40. COVID-19

Covid-19 expenditure incurred

Expenditure incurred	<u>231,169</u>	<u>35,912</u>
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Debtors written off

Debtors written off	<u>1,918,904</u>	<u>-</u>
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Covid 19 pandemic has created significant impact in the operational activities of Joburg City Theatres and as a result there are expenses incurred in ensuring compliance and safety of the employees and patrons. Some of the clients's business were affected by Covid-19 that led to non operations in their business and that affected JCT as clients were not able to pay the debts hence there are debtors that were approved by council for write off.

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41. 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	407,383	1,743,890
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Expenditure :

Ticketing Fees	20,960	92,509
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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.

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