

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 2022
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 2022

General Information

Nature of business and principal activities

Entertainment and Hospitality

Accounting Officers

Ms. Ashley Hayden	
Mr. Junior Ramovha	Retired on 15 February 2022
Mr. Desmond Ndzipho	Retired on 23 November 2021
Mr. Rabone Moripe	Retired on 15 February 2022
Mr. Mabutho Sithole	Retired on 15 February 2022
Ms. Dineo Sitole (Majavu)	
Mr. Thembinkosi Masina	Retired on 15 February 2022
Mr. Mande Ndema	Retired on 15 February 2022
Ms. Moipone Qhomane	Retired on 15 February 2022
Mr. Bonga Kwenyama	Retired on 15 February 2022
Ms. Sebenzile Mkondo	Retired on 15 February 2022
Ms. Nomveliso Mpongo	Retired on 15 February 2022
Mr. Johannes Collen Weapond	Retired on 15 February 2022
Mr. Zane Meas (Chairperson)	Appointed on 15 February 2022
Mr. Sean Kreusch	Appointed on 15 February 2022
Ms. Itumeleng Malope	Appointed on 15 February 2022
Mr. Jabu Goodman Hlongwane	Appointed on 15 February 2022
Mr. Jabu Love Mathebula	Appointed on 15 February 2022
Ms. Xoliswa Nduneni-Ngema (CEO)	
Mr. Solomon Mphakathi CA(SA) (CFO)	

Registered office

163 Civic Boulevard
Braamfontein
Johannesburg
2017

Business address

163 Civic Boulevard
Braamfontein
Johannesburg
2017

Postal address

PO BOX 31900
Braamfontein
Johannesburg
2017

Controlling entity

The City of Johannesburg Metropolitan Municipality
incorporated in South Africa

Bankers

Nedbank Limited

Auditors

Auditor General of South Africa
Registered Auditors

Secretary

Philipa Maduka

Company Registration

2000/013032/07

Joburg Theatre (SOC) Limited

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

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Abbreviations and Definitions

AGM	Annual General Meeting
ARC	Audit and Risk Committee
ASB	Accounting Standards Board
BOARD	Board of Directors
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CJMM	City of Johannesburg Metropolitan Municipality
COID	Compensation for Occupational Injuries and Diseases
COJ	City of Johannesburg
COVID-19	Corona Virus
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
IAC	Independent Audit Committee
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
JCT	Joburg City Theatres
JT	Joburg Theatre
KING IV	Principals of Corporate Governance
ME's	Municipal Entities
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
NED	Non-Executive Director
OHASA	Oral Hygienist Association of South Africa
PAYE	Pay As You Earn
PSIRA	Private Security Industry Regulatory Authority
RT	Roodeport Theatre
SAMWU	South African Municipal Workers Union
SDL	Skills Development Levy
ST	Soweto Theatre

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STC	Secondary Tax on Companies
UIF	Unemployment Insurance Fund

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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 accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality 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 municipality 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 municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Directors have reviewed the municipal entity's budget for the financial year 2022/23 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 15 to 21, which have been prepared on the going concern basis were approved by the Audit and Risk Committee.



Xoliswa Nduneni-Ngema
Chief Executive Officer



Mr. Zane Meas (Chairperson)
Board of Directors

Joburg Theatre (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2022

Audit and Risk Committee Report

The Audit and Risk Committee Chairperson, acting on behalf of the committee, is pleased to present the committee's report on the annual financial statements for the year ended 30 June 2022 as per Companies Act 71 of 2008 Sec 94 Paragraph 2 and King IV Paragraph 51.

Audit and Risk Committee members and attendance

Name of Member	Number of Meetings Attended	
Ms Chrystal Cape (Independent Audit Committee Member) CA(SA)	5	Retired on 15 February 2022
Ms. Nompumelelo Hlatswayo (Independent Audit Committee Member)	5	Retired on 15 February 2022
Mr. Frank Moliwa Masibi (Independent Audit Committee Member)	4	Retired on 15 February 2022
Ms. Ashley Hayden (Non-Executive Director)(Chairperson)	6	
Mr. Rabone Moripe (Non Executive Director)	5	Retired on 15 February 2022
Mr. Mande Ndema	5	Retired on 15 February 2022
Mr. J.C. Weapond	5	Retired on 15 February 2022
Mr. Sean Kreusch	1	Retired on 15 February 2022
Mr. Mnikelo Moses Mazwane (Independent Audit Committee Member)	1	Appointed on 15 February 2022
Mr. Nditsheni Tshithavhalani (Independent Audit Committee Member)	1	Appointed on 15 February 2022
Mr. Krishen Sukdev(Independent Audit Committee Member)	1	Appointed on 15 February 2022

Audit and Risk Committee responsibility

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

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

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

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Audit and Risk Committee Report

The effectiveness of internal control

The system of internal controls applied by the municipality 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 municipality 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 23 of Joburg Theatre (SOC) Ltd's annual financial statements.

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

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

Chief Financial Officer's expertise and experience

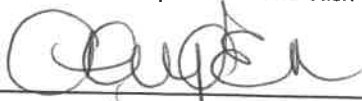
The Audit and Risk Committee reports in terms of the MFMA requirements that it was satisfied as to the appropriateness of the expertise and experience of Joburg Theatre's Chief Financial Officer during the reporting period.

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. Ashley Hayden
Chairperson of the Audit and Risk Committee

Date: 30-11-22

Joburg Theatre (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2022

Director's Report

The accounting officers submit their report for the year ended 30 June 2022.

1. Incorporation

The municipality 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 7(Seven) 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 municipality was R 10 881 549 (2021: surplus R 4 848 019), after taxation of R 3,696,908 (2021: R1,324,068 -).

3. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 21 408 789 and that the municipality's total assets exceed its liabilities by R 23 192 848.

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

The Board of Directors of Joburg Theatre has considered the budgets and forecasts for the 2022/23 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 is 20 years.

4. Subsequent events

The accounting officers 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 22 to page 44.

6. Share capital / contributed capital

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

Joburg Theatre (SOC) Limited

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Director's Report

7. Borrowing limitations

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

8. Distributions to owners

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

9.

The accounting officers of the municipality during the year under review are as follows:

Name	Nationality	Changes
Ms. Ashley Hayden	South African	
Mr. Junior Ramovha	South African	
Mr. Desmond Ndzipho	South African	Retired on 15 February 2022
Mr. Rabone Moripe	South African	Retired on 23 November 2021
Mr. Mabutho Sithole	South African	Retired on 15 February 2022
Ms. Dineo Sitole (Majavu)	South African	Retired on 15 February 2022
Mr. Thembinkosi Masina	South African	
Mr. Mande Ndema	South African	Retired on 15 February 2022
Ms. Moipone Qhomane	South African	Retired on 15 February 2022
Mr. Bonga Kwenyama	South African	Retired on 15 February 2022
Ms. Sebenzile Mkondo	South African	Retired on 15 February 2022
Ms. Nomveliso Mpongo	South African	Retired on 15 February 2022
Mr. Johannes Collen Weapond	South African	Retired on 15 February 2022
Mr. Zane Meas (Chairperson)	South African	Retired on 15 February 2022
Mr. Sean Kreusch	South African	Appointed on 15 February 2022
Ms. Itumeleng Malope	South African	Appointed on 15 February 2022
Mr. Jabu Goodman Hlongwane	South African	Appointed on 15 February 2022
Mr. Jabu Love Mathebula	South African	Appointed on 15 February 2022
Ms. Xoliswa Nduneni-Ngema (CEO)	South African	Appointed on 15 February 2022
Mr. Solomon Mphakathi CA(SA) (CFO)	South African	

10. Secretary

The secretary of the municipality is Philipa Maduka.

Business address

Joburg Theatre Complex
163 Civic Boulevard
Braamfontein
Johannesburg
2017

Postal address

P O Box 31900
Braamfontein
Johannesburg
2017

Joburg Theatre (SOC) Limited

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Director's Report

11. Corporate governance

General

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

Board of Directors

The Board:

- retains full control over the municipality, 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 municipality;
- 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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Director's Report

Non-Executive Director's Meetings

The Board of Directors were scheduled to meet at least 9 times per annum and in the current financial year the Board met on 9 occasions.

Name	Board Meeting	Audit and Risk committee meeting	Remunerations, Social & Ethics Committee meeting	Other	Chairperson's Meetings
Total number of meetings held	9	6	4	13	1
Ms Ashley Hayden	8	6	0	8	-
Mr Junior Ramovha	7	-	3	-	-
Mr. Desmond Ndzipho	3	-	1	-	-
Mr. Rabone Moripe	7	5	-	-	-
Mr. Mabutho Sithole	7	-	3	-	-
Ms. Dineo Sitole	9	-	3	1	-
Mr. Thembinkosi Masina	7	-	2	-	-
Ms. Bonga Kwenyama	7	-	2	-	-
Ms. Nomveliso Mpongo	7	-	3	-	-
Ms. Sebenzile Mkondo	7	-	3	-	-
Ms. Moipone Qhomane	7	-	3	1	-
Mr. Mande Ndema	7	5	-	-	-
Mr. Johannes Collen Weapond	7	5	-	-	-
Mr. Zane Maes (Chairperson)	2	-	-	-	1
Mr. Sean Kreuzsch	2	1	-	-	-
Ms. Itumeleng Malope	2	-	1	-	-
Mr. Jabu Hlogwane	2	-	1	-	-
Mr. Jabu Love Mathebula	2	-	1	-	-
Ms Xoliswa Nduneni-Ngema (CEO)	9	5	4	-	-
Mr Solomon Mphakathi CA(SA) (CFO)	8	4	4	-	-

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Director's Report

Audit and Risk Committee

For the current financial year the members of the Audit and Risk Committee are Ms. Ashley Hayden, (NED Member-Chairperson), Mr. Mnikelo Moses Mazwane (IAC Member), Mr. Dylan Tshithavhalani (IAC Member), Mr. Krishen Sukdev (IAC member), Mr. Sean Kreusch (NED Member) - all appointed on 15 February 2022. Ms. Chrystal Cape (IAC member), Mr. Frank Mnisi (IAC member) and Ms. Nompumelelo Hlatswayo (IAC member) - all retired on 15 February 2022.

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 15 February 2022 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 municipality's controlling body 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

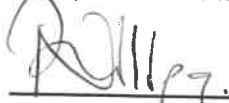
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Annual Financial Statements for the year ended 30 June 2022

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

Joburg Theatre (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Current Assets			
Inventories	2	5 014 302	2 152 488
Receivables from exchange transactions	3	16 524 543	36 658 932
VAT receivable	4	3 358 420	2 036 376
Cash and cash equivalents	5	17 478 917	10 038 804
		42 376 182	50 886 600
Non-Current Assets			
Property, plant and equipment	6	12 971 575	13 160 897
Intangible assets	7	333 950	308 058
Heritage assets	8	1 602 700	1 602 700
		14 908 225	15 071 655
Total Assets		57 284 407	65 958 255
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	25 352 875	48 569 383
Provisions	10	3 717 707	3 753 502
		29 070 582	52 322 885
Non-Current Liabilities			
Deferred tax	11	5 020 977	1 324 069
Total Liabilities		34 091 559	53 646 954
Net Assets			
Share capital / contributed capital	32	10	10
Reserves			
Investment from Shareholder		1 784 049	1 784 049
Accumulated surplus		21 408 789	10 527 242
Total Net Assets		23 192 848	12 311 301

Joburg Theatre (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
Revenue			
Revenue from exchange transactions			
Ticketing Services	12	499 583	101 561
Hospitality and Catering Services	12	54 040 931	22 947 848
Rental of facilities and equipment	12	4 644 966	1 868 678
Arts Alive	12	8 611 747	8 209 271
Sponsorship	12	478 261	-
In-house ticket sales	12	5 380 057	796 268
Other income	13	8 243 624	5 952 277
Interest received - investment	14	4 015 408	3 132 768
Total revenue from exchange transactions		85 914 577	43 008 671
Revenue from non-exchange transactions			
Transfer revenue			
Subsidy	15	166 152 000	163 454 000
Total revenue	12	252 066 577	206 462 671
Expenditure			
Employee related costs	16	(104 879 510)	(95 089 417)
Depreciation and amortisation	17	(1 807 333)	(1 899 679)
Debt Impairment	18	-	(1 918 904)
Transfers and Subsidies	19	(22 884 193)	(21 512 000)
General Expenses	20	(107 917 084)	(79 870 584)
Total expenditure		(237 488 120)	(200 290 584)
Surplus before taxation		14 578 457	6 172 087
Taxation	21	(3 696 908)	(1 324 068)
Surplus for the year		10 881 549	4 848 019

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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 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 01 July 2021	10	1 784 049	10 527 240	12 311 299
Changes in net assets				
Surplus for the year	-	-	10 881 549	10 881 549
Total changes	-	-	10 881 549	10 881 549
Balance at 30 June 2022	10	1 784 049	21 408 789	23 192 848
Note(s)				

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Cash Flow Statement

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Sale of goods and services		100 791 531	10 531 455
Grants		166 152 000	163 454 000
Interest income		4 015 408	3 132 768
		<u>270 958 939</u>	<u>177 118 223</u>
Payments			
Employee costs		(104 189 164)	(94 479 292)
Suppliers		(157 684 536)	(80 520 121)
		<u>(261 873 700)</u>	<u>(174 999 413)</u>
Net cash flows from operating activities	22	<u>9 085 239</u>	<u>2 118 810</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1 457 532)	(915 690)
Purchase of other intangible assets	7	(187 594)	-
Net cash flows from investing activities		<u>(1 645 126)</u>	<u>(915 690)</u>
Net increase/(decrease) in cash and cash equivalents		7 440 113	1 203 120
Cash and cash equivalents at the beginning of the year		10 038 804	8 835 684
Cash and cash equivalents at the end of the year	5	<u>17 478 917</u>	<u>10 038 804</u>

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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	1 144 296	-	1 144 296	499 583	(644 713)	1
Catering services	32 802 801	-	32 802 801	54 040 931	21 238 130	3
Rental of facilities and equipment	4 527 640	-	4 527 640	4 644 966	117 326	
Arts Alive Revenue	-	-	-	8 611 747	8 611 747	
Sponsorship	-	-	-	478 261	478 261	
In-house ticket sales	8 572 937	-	8 572 937	5 380 057	(3 192 880)	1
Other income	2 518 326	(1 508 581)	1 009 745	8 243 624	7 233 879	4
Interest received - investment	2 121 000	1 508 581	3 629 581	4 015 408	385 827	2
Total revenue from exchange transactions	51 687 000	-	51 687 000	85 914 577	34 227 577	
Revenue from non-exchange transactions						
Transfer revenue						
Subsidy	166 152 000	-	166 152 000	166 152 000	-	
Total revenue	217 839 000	-	217 839 000	252 066 577	34 227 577	
Expenditure						
Employee cost	(102 727 000)	-	(102 727 000)	(104 879 510)	(2 152 510)	
Depreciation and amortisation	(2 476 404)	-	(2 476 404)	(1 807 333)	669 071	
Transfers and Subsidies	(22 437 016)	-	(22 437 016)	(22 884 193)	(447 177)	
General Expenses	(90 198 580)	-	(90 198 580)	(107 917 084)	(17 718 504)	5
Total expenditure	(217 839 000)	-	(217 839 000)	(237 488 120)	(19 649 120)	
Surplus before taxation	-	-	-	14 578 457	14 578 457	
Taxation	-	-	-	3 696 908	3 696 908	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	10 881 549	10 881 549	

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Explanation of major variances between budget and actual

1. **Ticketing Services(-56%), In-house Stage Productions(-37%)** - 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 the spread of Covid-19 which has since been scrapped on the 23th of June, the last quarter of the financial year .This has been a challenging for the Theatre as covid-19 had a significant impact on the operations of the entity.

2. **Interest received from investments** - shows favourable variance of 11%. Short term investments are sufficient enough to earn interest in excess of the budgeted amount despite the economic challenges.

3. **Catering Services** shows a favourable variance of 66%, This much higher than anticipated Revenue on Hospitality and Catering was due to a number of service level agreements (SLA) signed and executed, most notably an SLA framework order with COJ's community development.

4. **Other Income** shows a favourable variance of 716%, this is due to number of ACH programmes from COJ.

5. **General expenditure** is above the budget by 15% which is attributable to the cost of sales and hiring expenses, which are linked to the favourable revenue variance of 66%. Hospitality and catering during the year entered into a few high value SLA agreements with the City of Johannesburg that led to an increase on the revenue and cost of sales above the budgeted amounts. Management is hopeful that it will maintain the collaborations and partnership with the City of Johannesburg to ensure that the entity generates more revenue in the long run.

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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 municipality 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 municipality 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 municipality 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 2022, 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 municipality, but the municipality 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 municipality, the municipality 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 municipality 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 municipality, the municipality 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 municipality; 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 municipality. 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 municipality assesses at each reporting date whether there is any indication that the municipality 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 municipality 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

1.3 Property, plant and equipment (continued)

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

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

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

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

1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

The municipality 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 municipality 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 municipality, 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 municipality 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 municipality becomes a party to the contractual provisions of the instruments.

The municipality 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 municipality 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 municipality 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 municipality 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 municipality 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 municipality 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 municipality 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 municipality 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 municipality 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 municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, 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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1.9 Leases (continued)

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

Operating leases - lessee

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

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

1.10 Inventories

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

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

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

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

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

Current replacement cost is the cost the municipality 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 municipality.

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality 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 municipality 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 municipality 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 municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

The municipality 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 municipality 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 municipality 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 municipality 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 municipality 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 municipality 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 municipality 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 municipality 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 municipality 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 municipality 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 municipality considers that an outflow of economic resources is probable, an municipality 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 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 municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipal municipality 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 municipality; 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 municipality;
- 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 municipality, 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

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1.17 Revenue from non-exchange transactions (continued)

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

Subsidy

Subsidy is recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- 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 municipality 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 166,152,000.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- 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 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.

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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.

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 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.

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1.24 Segment information (continued)

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

1.25 Budget information

Municipality 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 municipality 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 2021/06/01 to 2022/06/30 while the approved opex budget covers 2021/22 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 municipality, including those charged with the governance of the municipality 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 municipality.

The municipality 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 municipality 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 municipality is exempt from the disclosures in accordance with the above, the municipality 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 24 together with their transactions and balances.

Joburg Theatre (SOC) Limited

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Accounting Policies

1.27 Service concession arrangements: Entity as grantor

Identification

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

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

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

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

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

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

Measurement of asset and liability

The entity initially measures the service concession asset as follows:

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.28 GRAP Standards Approved and Not Yet Effective

GRAP 25	Employee Benefits
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

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Accounting Policies

1.29 GRAP Standards Approved and Effective

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

Joburg Theatre (SOC) Limited

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Accounting Policies

1.29 GRAP Standards Approved and Effective (continued)

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

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Notes to the Annual Financial Statements

Figures in Rand	30 June 2022	30 June 2021
2. Inventories		
Work in progress		
Consumable stores	3 657 951	882 096
Trading Stock - Food and Beverage	331 800	457 393
	1 024 551	812 999
	5 014 302	2 152 488
Work in progress		
Opening Balance	882 096	408 581
Prior year WIP transferred	(882 096)	(408 581)
Current year WIP	3 657 951	882 096
	3 657 951	882 096
Consumables		
Opening Balance	457 393	294 344
Stock Movement for the year	(125 593)	163 049
	331 800	457 393
Trading Stock - Food and Beverages		
Opening Balance	812 999	598 412
Stock Movement for the year	211 552	214 587
	1 024 551	812 999

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, Pantoland, 60th Anniversary, Don Giovanni etc.

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

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

3. Receivables from exchange transactions

Trade debtors	604 849	700 172
Accrued Income	5 934	1 994
Related Party Debtors	15 913 760	35 956 766
	16 524 543	36 658 932

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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Annual Financial Statements for the year ended 30 June 2022

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Figures in Rand

	2022	2021
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3. Receivables from exchange transactions (continued)

Receivables From Exchange Transactions by Class

Fair value of trade and other receivables

Hospitality and Catering	11 658 627	4 505 066
City of Johannesburg - CAPEX	3 350 069	29 066 623
City of Johannesburg - Entities	905 061	111 795
Other	610 786	2 975 448
	16 524 543	36 658 932

Debtors Age Analysis

90 Days +	1 119 969	1 453 487
60 Days	2 548	344 066
30 Days	174 115	570 187
Current	15 227 911	34 291 192
	16 524 543	36 658 932

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

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

VAT	3 358 420	2 036 376
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The increase in VAT Receivables is a result in number of supplier's invoices raised.

Joburg Theatre (SOC) Limited

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	76 768	56 599
Bank balances	17 402 149	9 982 205
	17 478 917	10 038 804
Current assets	17 478 917	10 038 804
Current liabilities	-	-
	17 478 917	10 038 804

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 3.75% and 5.3%.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Nedbank - current account-Joburg Theatre	3 959 636	670 252	514 755	3 959 636	670 252	514 755
Nedbank - current account-Roodepoort and Soweto	92 142	53 494	271 795	92 142	53 494	271 795
Nedbank -current account-Ticketing	124 900	68 901	41 746	124 900	68 901	41 746
Nedbank - current account-Hospitality and Catering	296 171	123 374	306 483	296 171	123 374	306 483
Nedbank call account-Joburg Thearte	10 080 505	8 625 186	1 459 759	10 080 505	8 625 186	1 459 759
Nedbank -current account-Zoo	28 536	102 140	43 640	28 536	102 140	43 640
Nedbank -current account-Metro	25 470	80 407	89 180	25 470	80 407	89 180
Nedbank -call account-Roodepoort and Soweto	59 117	210 240	2 286 760	59 117	210 240	2 286 760
Nedbank -call account-Ticketing	2 091 906	26 884	3 754 264	2 091 906	26 884	3 754 264
Nedbank - call account-Hospitality and Catering	643 766	21 327	7 806	643 766	21 327	7 806
Subtotal	17 402 149	9 982 205	8 776 188	17 402 149	9 982 205	8 776 188
Cash on hand	76 768	56 599	59 496	76 768	56 599	59 496
Total	17 478 917	10 038 804	8 835 684	17 478 917	10 038 804	8 835 684

Joburg Theatre (SOC) Limited

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Notes to the Annual Financial Statements

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6. Property, plant and equipment

	2022		2021			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold property	4 671 122	(2 300 830)	2 370 292	4 070 105	(1 886 807)	2 183 298
Furniture and fixtures	3 694 361	(1 798 666)	1 895 695	3 707 352	(1 537 151)	2 170 201
Motor vehicles	152 536	(51 641)	100 895	152 536	(39 908)	112 628
IT equipment	4 289 743	(1 838 953)	2 450 790	3 630 017	(1 563 851)	2 066 166
Stage equipment	11 616 252	(5 462 349)	6 153 903	11 829 505	(5 200 901)	6 628 604
Total	24 424 014	(11 452 439)	12 971 575	23 389 515	(10 228 618)	13 160 897

Reconciliation of property, plant and equipment - 2022

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

Joburg Theatre (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued) 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

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

Assets Written Off 2022

Furniture and Fixtures
Computer Equipment
Stage Equipment

Cost	Accumulated Depreciation	Total
78 701	(78 324)	377
52 078	(51 848)	230
292 253	(291 636)	617
423 032	(421 808)	1 224

Assets Written Off 2021

Furniture and Fixtures
Motor Vehicle
Computer Equipment
Stage Equipment

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

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6. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2022

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

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

Buildings are capitalised by the City of Johannesburg.

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7. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 028 112	(694 162)	333 950	853 474	(545 416)	308 058

Reconciliation of intangible assets - 2022

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

Reconciliation of intangible assets - 2021

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

8. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Artwork and Historical Assets Impairment Loss	1 707 700	-	1 707 700	1 707 700	-	1 707 700
	-	(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 2022

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

Reconciliation of heritage assets 2021

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

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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	9 392 305	7 383 259
Deferred Income	2 240 439	5 586 770
Accrued Leave	4 693 019	3 957 099
Sundry creditors	6 123 572	23 308 575
Accrued 13th Cheque	835 767	845 546
Year end accruals	13 941	1 366 171
Related Party	2 053 832	6 121 963
	25 352 875	48 569 383

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

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

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

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

Year end accruals consist of utilities, insourcing and others.

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10. Provisions

Reconciliation of provisions - 2022

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

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

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	1 994 699	1 865 426
Allowance for future expenditure section 24c	5 140 103	3 918 583
Accounting work in progress not constituting Trading Stock for tax purposes	987 647	-
Total deferred tax liability	8 122 449	5 784 009

Deferred tax asset

Provisions	(2 496 553)	(2 933 015)
Deferred income	(604 919)	(1 526 926)
Deferred tax balance from temporary differences other than unused tax losses	(3 101 472)	(4 459 941)
Total deferred tax asset	(3 101 472)	(4 459 941)

Deferred tax liability	8 122 449	5 784 009
Deferred tax asset	(3 101 472)	(4 459 941)
Total net deferred tax liability	5 020 977	1 324 068

Joburg Theatre (SOC) Limited

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12. Revenue

Ticketing services	499 583	101 561
Hospitality and Catering services	54 040 931	22 947 848
Rental of facilities and equipment	4 644 966	1 868 678
Arts Alive	8 611 747	8 209 271
Sponsorship	478 261	-
In-house ticket sales	5 380 057	796 268
Other income	8 243 624	5 952 277
Interest received - investment	4 015 408	3 132 768
Subsidy	166 152 000	163 454 000
	252 066 577	206 462 671

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

Ticketing services	499 583	101 561
Hospitality and Catering services	54 040 931	22 947 848
Rental of facilities and equipment	4 644 966	1 868 678
Arts Alive	8 611 747	8 209 271
Sponsorship	478 261	-
In-house ticket sales	5 380 057	796 268
Other income	8 243 624	5 952 277
Interest received - investment	4 015 408	3 132 768
	85 914 577	43 008 671

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

Transfer revenue

Subsidy from City of Joburg	166 152 000	163 454 000
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13. Other income

Other income	8 243 624	5 952 277
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Other income includes, amongst others, Insurance Claims, Ballet Mats and Backline Hire & SETA Reimbursements.

14. Interest received - investment

Interest revenue

Bank	4 015 408	3 132 768
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Interest income is calculated using the effective interest rate between 3% to 5.3%

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

Bank	2022	2021
Nedbank Limited	4 015 408	3 132 768

15. Subsidy

Operating Grants and Subsidies

Joburg Theatre	129 165 359	131 856 080
Roodepoort Theatre	12 735 607	10 879 902
Soweto Theatre	24 251 034	20 717 417
	166 152 000	163 453 399

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
15. Subsidy (continued)		
The subsidy received from the City of Johannesburg Metropolitan Municipality is in terms of the service delivery agreement to provide services in accordance with the agreed obligations for operating Joburg Theatre, Roodepoort Theatre and Soweto Theatre.		
16. Employee related costs		
Salaries and Wages	103 179 510	93 399 417
Employee costs included in other expenses	1 700 000	1 690 000
	104 879 510	95 089 417
Employee Costs Breakdown		
Net Salary	59 049 549	53 103 741
PAYE	15 563 003	13 252 521
SDL	851 144	699 379
UIF	918 590	893 034
Medical Aid	5 829 065	5 611 980
Pension Contribution	14 494 816	13 998 014
Third Parties	565 806	370 823
Accruals & Provisions	5 289 214	5 136 524
COJ Staff Accounts, CFO 13th Cheque, Gym & Year End Contributions	618 323	333 401
	103 179 510	93 399 417
Committee Fees Breakdown		
Fees	1 700 000	1 676 500
Chief Executive Officer		
Annual Remuneration	2 443 289	2 360 666
Performance Bonus	306 887	311 052
Contributions to UIF, SDL, Medical Aid and Pension Funds	27 996	25 282
Leave Encashment, Acting, Cell & Data Allowance	186 933	25 200
	2 965 105	2 722 200
Chief Operating Officer		
Annual Remuneration	1 464 893	1 415 356
Discretionary Bonuses	198 150	111 008
Contributions to UIF, SDL, Medical Aid and Pension Funds	415 639	401 683
Leave Encashment, Acting, Cell & Data Allowance	77 596	67 243
	2 156 278	1 995 290

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Figures in Rand

2022 2021

16. Employee related costs (continued)

Chief Financial Officer

Annual Remuneration	1 694 813	2 240 642
Performance bonus	305 667	229 232
Contributions to UIF, SDL, Medical Aid and Pension Funds	21 932	25 704
Leave Encashment, Acting, Cell & Data Allowance	93 220	269 269
	2 115 632	2 764 847

Company Secretary

Annual Remuneration	1 075 638	1 215 392
Performance Bonuses	158 001	148 706
Contributions to UIF, SDL, Medical Aid and Pension Funds	259 345	13 877
Leave Encashment, Acting, Cell & Data Allowance	67 991	61 090
	1 560 975	1 439 065

17. Depreciation and amortisation

Property, plant and equipment	1 807 333	1 899 679
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18. Debt impairment

Bad debts written off	-	1 918 904
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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	22 884 193	21 512 000
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Subsidies comprises of:

Joburg Ballet	11 343 962	10 590 000
Johannesburg Philharmonic Orchestra	11 540 231	10 922 000
	22 884 193	21 512 000

Joburg Theatre (SOC) Limited

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20. General expenses		
Auditors remuneration	722 282	994 153
Bank charges	496 216	194 371
Cleaning	597 854	584 902
Computer expenses	296 567	374 544
Consulting and professional fees	259 182	258 064
Consumables	3 936 048	3 107 087
Community Development	2 896 710	1 619 335
Entertainment	353 699	106 970
Building signage; framing and printing	3 694 133	2 785 360
Insurance	604 751	714 954
Employee Uniforms	472 390	129 639
IT expenses	816 461	777 674
Marketing and show contributions	9 596 447	4 459 734
Ticketing	53 640	-
Motor vehicle expenses	3 626 090	2 498 068
Licences	188 706	159 307
Productions	20 452 043	21 650 193
Printing and Stationery	622 701	391 962
Subscriptions and membership fees	135 342	411 665
Business travel	231 969	113 584
Electricity	11 829 847	9 667 506
Gas	230 613	250 749
Sewerage and waste disposal	772 438	1 546 683
Employee Wellness & Training	115 974	148 239
Arts Alive and Special Projects	7 513 497	7 719 062
Write offs	1 223	263 808
Accommodation	125 861	54 206
Other hospitality and catering expenses	19 564 017	9 663 303
Repairs and Maintenance	4 790 785	2 970 264
Cost of Sales	12 919 598	6 255 198
	107 917 084	79 870 584
21. Taxation		
Major components of the tax expense		
Deferred		
Movement in temporary differences	3 696 908	1 324 068
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting surplus	14 578 457	6 172 087
Tax at the applicable tax rate of 28% (2021: 28%)	4 081 968	1 728 184
Tax effect of adjustments on taxable income		
Charitable donations made	-	(404 116)
Leasehold Improvement	55 226	-
Overprovision prior year on deferred tax	(254 324)	-
Impact that deferred tax is raised at 27% and not 28%	(185 962)	-
	3 696 908	1 324 068

Joburg Theatre (SOC) Limited

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22. Cash generated from operations		
Surplus	10 881 549	4 848 019
Adjustments for:		
Depreciation and amortisation	1 807 333	1 899 679
Debt impairment	-	1 918 904
Movements in provisions	(35 795)	301 245
Loss on sale of assets	1 224	263 808
Changes in working capital:		
Inventories	(2 861 814)	(851 151)
Receivables from exchange transactions	20 134 387	(30 125 969)
Tax	3 696 908	1 324 068
Payables from exchange transactions	(23 216 509)	21 758 685
VAT	(1 322 044)	781 522
	9 085 239	2 118 810
23. Auditors' remuneration		
Current year audit fees	722 282	994 153
Amount paid - Current Year	(722 282)	(994 153)
Closing balance	-	-

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24. Related parties

Relationships

100% Controlling entity	The City of Johannesburg Metropolitan Municipality
100% owned by COJ	Joburg City Theatres (SOC) Ltd
100% owned by COJ	City Power Johannesburg (SOC) Ltd
100% owned by COJ	Johannesburg Water (SOC) Ltd
100% owned by COJ	City of Johannesburg Property Company (SOC) Ltd
100% owned by COJ	Johannesburg City Parks NPC and Zoo
100% owned by COJ	Johannesburg Development Agency (SOC) Ltd
100% owned by COJ	Johannesburg Metropolitan Bus Services (SOC)Ltd
100% owned by COJ	Johannesburg Roads Agency(SOC)Ltd
100% owned by COJ	Johannesburg Social Housing Company (SOC)Ltd
100% owned by COJ	Pikitup Johannesburg (SOC) Ltd
100% owned by COJ	Joburg Market (SOC)Ltd

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

City of Johannesburg Metropolitan Municipality	15 008 696	35 073 486
Johannesburg City Parks NPC and Zoo	4 946	10 652
City Power Johannesburg (SOC) Ltd	12 811	771 485
Johannesburg Road Agency	15 276	48 605
Johannesburg Development Agency	-	7 378
Johannesburg Metropolitan Bus Services	38 127	45 160
Johannesburg Water	188 221	-
Johannesburg Fresh Produce Market	645 683	-
	15 913 760	35 956 766

The Entity does not charge intercompanies any interest.

Commitments with related parties

City of Johannesburg Metropolitan Municipality	1 236 003	6 054 291
Johannesburg City Parks NPC and Zoo	57 967	28 462
Metropolitan Trading Company	74 498	39 210
	1 368 468	6 121 963

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

Spouse of a person in the service of the state

Mothokwa ET Trading	685 364	-
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Mothokwa ET Trading - the supplier trading with the entity and the spouse works for Department of Cooperative Governance and Traditional Affairs.

Joburg Theatre (SOC) Limited

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24. Related parties (continued)

Related party transactions

Sales to related parties

City of Johannesburg Metropolitan Municipality	225 198 886	198 303 193
Johannesburg Water	261 503	115 488
Metropolitan Trading Company	-	42 605
Johannesburg City Parks NPC and Zoo	39 320	7 040
Johannesburg Development Agency (SOC) Ltd	-	10 306
City Power Johannesburg (SOC) Ltd	36 430	51 529
Johannesburg Roads Agency (SOC) Ltd	39 288	116 816
Johannesburg Metropolitan Bus Service Ltd	399 184	225 274
Johannesburg Fresh Produce Market (SOC) Ltd	153 585	36 511
	226 128 196	198 908 762

Rent paid to (received from) related parties

Johannesburg City Parks NPC and Zoo	900 256	145 601
	900 256	145 601

Purchases from Related Parties

City of Johannesburg Metropolitan Municipality	-	11 513 290
Pikitup Johannesburg (SOC) Ltd	156 713	146 362
City Power Johannesburg (SOC) Ltd	9 877 746	8 827 807
Johannesburg Water (SOC) Ltd	527 347	1 218 962
City of Johannesburg Property Company (SOC) Ltd	1	1
Metropolitan Trading Company	409 152	612 586
	10 970 959	22 319 008

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

Spouse of a person in the service of the state

Mothokwa ET Trading	4 776 749	537 916
Electrosonic SA (Pty) Ltd	4 476	9 550

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

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

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25. PAYE AND UIF		
PAYE		
Opening Balance		
Current year payroll and deductions	880 846	828 174
Amount paid	15 563 003	13 454 134
Amount paid-previous year	(14 462 993)	(12 573 288)
	(880 846)	(828 174)
Closing balance (Included in sundry creditors)	1 100 010	880 846
UIF		
Opening Balance		
Current year payroll and deductions	67 740	62 413
Amount paid	918 590	834 454
Amount paid-previous year	(828 200)	(766 714)
	(67 740)	(62 413)
Closing balance (Included in sundry creditors)	90 390	67 740
26. PENSION and MEDICAL AID DEDUCTIONS		
Opening Balance		
Current year payroll and deductions	1 595 560	1 548 123
Amount paid-current year	20 323 881	19 609 994
Amount paid-current year	(18 662 425)	(18 014 434)
	(1 595 560)	(1 548 123)
Closing balance (Included in sundry creditors)	1 661 456	1 595 560

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27. Accounting Officers' emoluments

Non-Executive

2022

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

2021

	Accounting Officers' fees	Committees fees	Chairperson's Meetings	Other fees	Total
Ms. Ashley Hayden	96 000	42 000	-	-	138 000
Mr. Junior Ramovha	96 000	24 000	-	-	120 000
Ms. Nomvesilo Mpongo	48 000	6 000	-	-	54 000
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. Mbuso Majozi	24 000	12 000	-	-	36 000
Mr. Johannes Weapond	48 000	12 000	-	-	60 000
Mr. Vetnami Linda	48 000	18 000	-	-	66 000
Ms. Thandiwe Gladys Shezi	48 000	18 000	-	-	66 000
Ms. Dineo Sitole (Majavu)	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
Ms. Bonga Kweyama	48 000	6 000	-	-	54 000
Ms. Desmond Ndzipho(Chairperson)	128 000	-	8 000	50 000	186 000
Mr. Rabone Moripe	96 000	42 000	-	-	138 000
Mr. Tom Mofokeng	36 000	18 000	-	-	54 000
Mr. Mabutho Sithole	72 000	18 000	-	-	90 000
	1 124 000	290 000	8 000	78 000	1 500 000

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28. Risk management

Capital risk management

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

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

Net Assets

Share Capital

Investment from Shareholder

	10	10
	1 784 049	1 784 049
	1 784 059	1 784 059

Financial risk management

The Company does not trade in financial instruments, but in the ordinary course of business operations, the company is exposed to a variety of financial risks arising from the use of financial instruments. These include:

- Market risk (comprising interest rate risk and foreign currency risk);
- Liquidity risk;
- Credit risk; and
- Capital risk.

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

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

Liquidity risk

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

Trade and other Payables

Trade and other payables

	25 352 875	48 569 383
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Joburg Theatre (SOC) Limited

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

Cash and Cash Equivalents

Cash and cash equivalent	17 478 917	10 038 804
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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	16 524 543	36 658 923
VAT Receivable	3 358 420	2 036 376
	<u>19 882 963</u>	<u>38 695 299</u>

Foreign exchange risk

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

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

29. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R 21 408 789 and that the municipality's total assets exceed its liabilities by R 23 192 848.

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	12 919 598	6 255 198
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31. Operating lease

Operating Lease Commitments

Up to 1 year	611 979	1 591 617
2- 5 years	7 842	58 535
	<u>619 821</u>	<u>1 650 152</u>

Joburg Theatre (SOC) Ltd leases consist of cash vaults machines from Nedbank Limited, digital copier machines from Konica Minolta and Afrirent for the Leasing of Motor Vehicles.

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	2022	2021
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 2021	10	10
Issued		
Ordinary	10	10
33. Financial instruments disclosure		
Categories of financial instruments		
2022		
Financial assets		
Trade and other receivables from exchange transactions	At fair value	Total
Cash and cash equivalents	16 524 543	16 524 543
VAT Receivables	17 478 917	17 478 917
	3 358 420	3 358 420
	37 361 880	37 361 880
Financial liabilities		
Trade and other payables from exchange transactions	At fair value	Total
	25 352 875	25 352 875
Residual interest		
Share capital / contributed capital	At cost	Total
	1 784 049	1 784 049
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

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	2022	2021
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Financial instruments disclosure (continued)

Residual interest

Share capital / contributed capital	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.

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	17 432 775
Contributions to marketing partners/arrangements for productions	1 847 850
Acquisition of Artists for arts alive festival	8 640 523
	<hr/> 27 921 148 <hr/>

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	-
DWR Distributors	57 765
Frozen Drinks	243 274
The Flavor Lab	232 599
Electrosonic SA (Pty) Ltd	146 697
	4 476
	<hr/> 684 811 <hr/>

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	2022	2021
35. Irregular expenditure		
Opening balance as previously reported	4 153 691	1 997 113
Opening balance as restated	4 153 691	1 997 113
Add: Irregular Expenditure - current	5 593 849	3 620 417
Less: Amount written off - current	(3 815 233)	(1 463 839)
Closing balance	5 932 307	4 153 691
Details of Irregular Expenditure -Current year		
Avis	44 571	232 658
Local Content	-	3 387 759
DWR Distribution	3 980 440	-
Assessment Zone	1 568 838	-
	5 593 849	3 620 417

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, appointment of DWR Distribution and Assessment Zone (1st Aid training).

- Avis Fleet contract, 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 the centralised fleet contract that the city had secured with Avis Fleet services. An SLA was entered into between the entities and city of Johannesburg. The contract for the leased vehicles was declared irregular in the 2017/18 financial year at group level due to non-compliance with sec 116 of the MFMA and the vehicles leased by JCT is still ongoing until advised by the City of Johannesburg. The expenditure incurred on this contract for the year under review is R44,571.

During the 2020/21 audit year, Auditor General noted that the appointment of DWR distribution was awarded based on the 2011 preferential procurement regulations instead of 2017 regulations and that a different service provider could have been awarded because points calculations differs between the two regulations. Nothing was disclosed in the 2020/21 financial year as there was no expenditure incurred then. However in the current year, an amount of R3,980,440 was incurred.

- The expense of R1,568,838 was also incurred during the current year for training of employees on 1st aid. Transactions of the 1st Aid training (level 1 to level 3) happened in trivial parts and a procurement process of request for quotations was followed. However when management reviewed these transactions, SCM regulation 12 should have been applied as follows: "when determining transactions values, a requirement for goods, works or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction". Based on this requirement, a competitive bidding process should have been followed in procuring the 1st aid training. Management has resolved that all transactions which in aggregate amounts to R1,568,838 for the 1st Aid training be classified as irregular expenditure.

On the 31 August 2022, An amount of R3,815,233 irregular expenditure relating to 2020/21 Financial Year was approved by the council for write off.

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36. Segment information

Segment surplus or deficit, assets and liabilities

2022

	JHB	RCT	SWT	Total
Revenue				
Revenue from non-exchange transactions	129 165 359	12 735 607	24 251 034	166 152 000
Revenue from exchange transactions	78 116 906	2 420 270	1 361 993	81 899 169
Interest revenue	4 015 408	-	-	4 015 408
Total segment revenue	211 297 673	15 155 877	25 613 027	252 066 577
Entity's revenue				252 066 577
Expenditure				
Salaries and wages	87 285 926	7 658 448	9 935 136	104 879 510
Depreciation	1 220 466	586 867	-	1 807 333
Transfers and Subsidies	22 884 193	-	-	22 884 193
General Expenses	98 021 503	6 474 722	7 117 767	111 613 992
Total segment expenditure	209 412 088	14 720 037	17 052 903	241 185 028
Total segmental surplus/(deficit)				10 881 549
Assets				
Current Assets	42 296 165	-	-	42 296 165
Non Current Assets	8 523 789	1 357 365	5 330 819	15 211 973
Total segment assets	50 819 954	1 357 365	5 330 819	57 508 138
Total assets as per Statement of financial Position				57 508 138
Liabilities				
Current liabilities	28 990 565	-	-	28 990 565
Non current liabilities	5 071 369	-	-	5 071 369
Total segment liabilities	34 061 934	-	-	34 061 934
Total liabilities as per Statement of financial Position				34 061 934

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

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36. Segment information (continued)

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

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	JHB	RCT	SWT	Total
36. Segment information (continued)				
Total liabilities as per Statement of financial Position				53 646 953

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37. Commitments

Commitments in respect of capital expenditure:

Authorised and contracted for

• Property, plant and equipment	3 810 346	30 700 660
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Total capital commitments

Already contracted for but not provided for	3 810 346	30 700 660
	3 810 346	30 700 660

Authorised operational expenditure

Already contracted for but not provided for

• Consultant and other contracted services	247 534	1 047 558
• Cash Vaults	138 278	93 187
• Fleet	557 784	2 015 219
	943 596	3 155 964

Total operational commitments

Already contracted for but not provided for	943 596	3 155 964
	943 596	3 155 964

Total commitments

Total commitments

Authorised capital expenditure	3 810 346	30 700 660
Authorised operational expenditure	943 596	3 155 964
	4 753 942	33 856 624

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.

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 order to dismiss the claim was granted by court therefore the matter is no longer a contingent liability.

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. JCT's lawyers are exploring with the plaintiff's attorneys the possibility of referring the litigation to mediation, while at the same time, JCT's lawyers are under instruction to complete and finalise its investigation into the merits and quantum of the claim.

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. Subsequent Events

On the 31 August 2022, an amount of R3,815,233 irregular expenditure relating to 2020/21 Financial Year was approved by the council for write off. This event resulted into an adjusting post balance sheet event to the Annual Financial Statements. And the Irregular Expenditure Note was adjusted accordingly.

Joburg Theatre (SOC) Limited

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40. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	-	48 859
Approved by Council or condoned	-	(48 859)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-
		<hr/>
		-
		<hr/>
		-

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.

41. COVID-19

Covid-19 expenditure incurred

Expenditure incurred	-	231 169
		<hr/>

Debtors written off

Debtors written off	-	1 918 904
		<hr/>

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42. 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 Pick N Pay. All sales through Pick N Pay are deposited directly to Webtickets who in turn deducts the ticketing fee and pay the amount due to JCT. The table below provides the transactions that relates to the arrangement:

Revenue:

Ticketing Income	1 059 586	407 383
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Expenditure:

Ticketing Fee	52 021	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.