



JOBURG

PROMUSICA

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ROODEPOORT CITY THEATRE
Trading as Joburg Promusica
Annual Financial Statements
for the 6 Months ended 31 December 2012

Auditor-General: Gauteng
Registered Auditors

ROODEPOORT CITY THEATRE

(Registration number 1981/005017/08)

Trading as Joburg Promusica

Annual Financial Statements for the 6 Months ended 31 December 2012

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Theatre entertainment and education in arts and culture
DIRECTORS	M Shabalala : Non-Executive N Selamolela : Independent Audit Committee Member H K Dlepu: Non-Executive Ms. T Twala : Non-Executive S Sack : Acting Chief Executive Officer N Kandan: Non-Executive Ishmael Mkhabela : Non-Executive (Chairperson) B Lombard : Non-Executive M Maseko : Non-Executive K Sithole : Non-Executive Z Samsam : Non-Executive K Froneman : Independent Audit Committee Member
REGISTERED OFFICE	Roodepoort City Theatre Christiaan de Wet Road Florida Roodepoort 1710
BUSINESS ADDRESS	Roodepoort City Theatre t/a Joburg Promusica Christiaan de Wet Road Florida 1710
POSTAL ADDRESS	P O Box 1531 Florida Roodepoort South Africa 1709
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality
BANKERS	ABSA Bank Limited
AUDITORS	Auditor-General: Gauteng Registered Auditors
SECRETARY	Ms. Tsholofelo Dibakwane
COMPANY REGISTRATION NUMBER	1981/005017/08

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Abbreviations

SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
CA	Companies Act 71 of 2008

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Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company 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 company 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 company is a going concern and that the City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the company. The City of Johannesburg is undergoing an Institutional Review process, whereby the Roodepoort City Theatre will be sold to the existing Joburg Theatre SOC and the newly established Soweto Theatre to be run under one COJ Theatre Management Company SOC. The proposed effective date of this transaction is 01 January 2013..

Although the directors are primarily responsible for the financial affairs of the company, they are supported by the company's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have not been examined by the entity's external auditors

The annual financial statements set out on pages 5 to 32, which have been prepared on the going concern basis, were approved by the directors on 31 August 2012 and were signed on its behalf by:



Ishmael Mkhabela : Non-Executive
(Chairperson)

S Sack : Acting Chief Executive Officer

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Audit Committee Report

We are pleased to present our report for the financial 6 months ended 31 December 2012 . The report is presented as recommended by the King III Report on Corporate Governance.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least four times per annum as per its approved terms of reference. During the current year 6 meetings were held.

Name of member	Number of meetings attended
K Dlepu	5
K Froneman	4
Z Samsam	4
N Selamolela	1
N Kandan (Chairman)	5

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

Auditor-General of South Africa

The audit committee has not met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

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Directors' Report

The directors submit their report for the 6 Months ended 31 December 2012.

1. INCORPORATION

The company was incorporated on 29 April 1981 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

Main business and operations

The company is a Municipal Owned Entity. Its principal activity is theatre entertainment and education in arts and culture through community development projects and operates principally in South Africa.

There were no major changes in activities of the company during the year.

The operating results and state of affairs of the company for the 6 months are fully set out in the attached annual financial statements and do not in our opinion require any further comments.

Net surplus of the company was R 3,742,030 (2012: surplus R 1,344,990).

3. GOING CONCERN

On 31 December 2012, the company had accumulated surplus of R 6,317,789 and that the company's total assets exceed its liabilities by R 8,101,838.

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 Roodepoort City Theatre to continue as a going concern is dependent on receipt of continual funding from its sole owner, The City of Johannesburg Metropolitan Municipality.

The subsidy received from The City of Johannesburg Metropolitan Municipality during the year was R20,134,000 (2011: R9,375,000).

Should the subsidy be withdrawn, it is management's firm opinion that the company would not be in a position to continue as a going concern and would be unable to fulfill its current mandate. Management is not aware of any reason that could cause The City of Johannesburg Metropolitan Municipality to withdraw its financial support and therefore have no reason to believe that the company would not be operating in the foreseeable future.

4. SUBSEQUENT EVENTS

The directors are aware that the City of Johannesburg, as a sole shareholder of the Roodepoort City Theatre, The Joburg Theatre and the Soweto Theatre had instituted an Institutional Review of some of the MOE's and the Roodepoort City Theatre will be directly affected. The Theatre's operations will be bought by the Joburg Theatre and renamed the Johannesburg Theatre Management Company, incorporating the newly built and established Soweto Theatre, of which RCT has a caretaker role as at the end of the current financial year. The operations and service offerings of the Roodepoort City Theatre will then be under the newly established entity.

5. DIRECTORS' PERSONAL FINANCIAL INTEREST IN CONTRACTS

The non-executive and executive directors had no interest in any contracts awarded during the financial year under review.

6. ACCOUNTING POLICIES

7. CONTRIBUTION OF THE OWNER

There were no changes in the authorised or issued share capital of the company during the 6 months under review.

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Directors' Report

8. BORROWING LIMITATIONS

In terms of the sale of business agreement, the Roodepoort City Theatre does not have the authority to borrow funds on its own behalf. All external funding is managed under the auspices of The City of Johannesburg Metropolitan Municipality Asset and Liability Committee.

9. NON-CURRENT ASSETS

The theatre has upgraded the Sound and Lightining infrastructure during the year under review. There were no major changes in respect of the use thereof. All immovable assets were capitalized in the accounting records of The City of Johannesburg Metropolitan Municipality and moveable assets were recorded in the accounting records of the theatre.

10. DIRECTORS

The directors of the company during the 6 months up to the date of this report are as follows:

Name	Nationality
M Shabalala : Non-Executive	RSA
N Selamolela : Independent Audit Committee Member	RSA
H K Dlepu: Non-Executive	RSA
Ms. T Twala : Non-Executive	RSA
S Sack : Acting Chief Executive Officer	RSA
N Kandan: Non-Executive	RSA
Ishmael Mkhabela : Non-Executive (Chairperson)	RSA
B Lombard : Non-Executive	RSA
M Maseko : Non-Executive	RSA
K Sithole : Non-Executive	RSA
Z Samsam : Non-Executive	RSA
K Froneman : Independent Audit Committee Member	RSA

11. SECRETARY

The secretary of the entity is Ms. Tsholofelo Dibakwane of:

Business address

401 Houghton Heights
56, 2nd Avenue
Houghton
Johannesburg
2000

Postal address

20 Postnet
Killarney
Johannesburg
2000

12. CORPORATE GOVERNANCE

General

The board of directors is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the board of directors supports the highest standards of corporate governance and the ongoing development of best practice.

Board of directors

The Board:

- retains full control over the company, its plans and strategy;

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Directors' Report

- 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 company;
- is of a unitary structure comprising:
 - 9 non-executive directors, all of whom are independent directors as defined in the Code;
 - 1 executive director.

The new Board of Directors were appointed at the annual AGM on the 24 April 2012.

Chairperson and chief executive

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

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

Remuneration

The Acting Chief Executive Officer, who is the only executive director of the company, was seconded from the Community Development Department by The City of Johannesburg Metropolitan Municipality in August 2011. He is only remunerated for his travel allowance to the Roodepoort City Theatre as per his secondment contract.

The members of the Audit Committee are Ms H K Dlepu, Ms N Selamolela (independent Audit Committee member), Mr N Kandan (Chairperson) and Mr K Froneman (independent Audit Committee member).

The members of the Human Resources Committee are Mr K Sithole, Ms B Lombard, Mr Z Samsam and Mr M Shabalala (Chairperson).

Audit and risk committee

The committee met 5 times during the financial 6 months to review matters necessary to fulfil its role.

Internal audit

The company has outsourced its internal audit function to SizweNtsalubaGobodo Chartered Accountants (SA) who have issued an internal audit report for the financial period under review. This is in compliance with the Municipal Finance Management Act, 2003.

13. CONTROLLING ENTITY

The company's parent is The City of Johannesburg Metropolitan Municipality.

14. SPECIAL RESOLUTIONS

In a special Board meeting held on the 3rd of May 2012, The Board of Directors passed a resolution to approve the Budget for the Official Opening of the Soweto Theatre on Africa Day, May 25th, 2012, in line with the SLA signed with the City's Department of Community Development. The funds received from Community Development Department amounted to R 5,000,000-00 inclusive of VAT and were accounted as Event Management Income in the Financial Statements of Roodepoort City Theatre in the current year..

15. BANKERS

Absa Bank Limited

16. AUDITORS

The Auditor-General: Gauteng will continue in office in accordance with the Public Audit Act, 2004 (Act no. 25 of 2004), section 92 of the MFMA and section 270 (2) of the Companies Act, 2008 (Act no 71 of 2008).

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Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act 91 of 2008

In terms of the relevant sections of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Ms. Tsholofelo Dibakwane

Company Secretary

Place of Signature

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Statement of Financial Position

Figures in Rand	Note(s)	31 December 2012	30 June 2012
ASSETS			
Current Assets			
Inventories	3	32,971	35,774
Receivables from exchange transactions	4	1,709,053	1,050,584
VAT receivable	5	169,964	437,658
Cash and cash equivalents	6	19,369,200	2,147,401
		21,281,188	3,671,417
Non-Current Assets			
Property, plant and equipment	7	1,837,506	2,044,802
Intangible assets	8	64,490	73,612
		1,901,996	2,118,414
Total Assets		23,183,184	5,789,831
LIABILITIES			
Current Liabilities			
Payables from exchange transactions	9	4,682,202	1,430,023
Deferred income		10,399,144	-
		15,081,346	1,430,023
Total Liabilities		15,081,346	1,430,023
Net Assets		8,101,838	4,359,808
NET ASSETS			
Contribution of the owner	10	1,784,049	1,784,049
Accumulated surplus		6,317,789	2,575,759
Total Net Assets		8,101,838	4,359,808

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Statement of Financial Performance

Figures in Rand	Note(s)	6 Months	12 Months
		31 December 2012	30 June 2012
Revenue			
Theatre rental		691,845	463,679
Donations		49,770	53,942
Bar sales		197,648	317,404
Event management		1,155,000	4,385,965
Ticket and program sales		230,586	313,587
Subsidy: City of Johannesburg Metropolitan Municipality		10,067,000	9,853,000
Interest received - investment	17	419,933	114,844
Gains on disposal of assets	17	-	536
Total Revenue		12,811,782	15,502,957
Expenditure			
Employee costs	15	(4,804,618)	(6,570,717)
Depreciation and amortisation	18	(216,416)	(409,694)
Finance costs	19	-	(35)
Repairs and maintenance		(92,354)	(210,802)
General Expenses	14	(3,956,364)	(7,010,590)
Total Expenditure		(9,069,752)	(14,201,838)
Surplus for the 6 Months		3,742,030	1,301,119

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Statement of Changes in Net Assets

Figures in Rand

	Note(s)	Share premium	Accumulated surplus	Total equity
Balance at 01 July 2011		1,784,049	1,274,640	3,058,689
Changes in net assets				
Surplus for the year		-	1,301,119	1,301,119
Total changes		-	1,301,119	1,301,119
Balance at 01 July 2012		1,784,049	2,575,759	4,359,808
Changes in net assets				
Surplus for the year		-	3,742,030	3,742,030
Total changes		-	3,742,030	3,742,030
Balance at 31 December 2012		1,784,049	6,317,789	8,101,838

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Cash Flow Statement

		6 Months	12 Months
Figures in Rand	Note(s)	31 December 2012	30 June 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from customers		5,789,671	5,789,671
Cash receipt from City of Johannesburg: Subsidy		20,134,000	9,853,000
Interest income		419,933	114,844
		<u>26,343,604</u>	<u>15,757,515</u>
Payments			
Cash paid to suppliers and employees		(9,121,805)	(14,178,014)
Finance costs		-	(35)
		<u>(9,121,805)</u>	<u>(14,178,049)</u>
Net cash flows from operating activities	21	<u>17,221,799</u>	<u>1,579,466</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	-	(389,607)
Proceeds from sale of property, plant and equipment	7	-	4,387
Purchase of other intangible assets	8	-	(55,828)
		<u>-</u>	<u>(441,048)</u>
Net increase/(decrease) in cash and cash equivalents		<u>17,221,799</u>	<u>1,138,418</u>
Cash and cash equivalents at the beginning of the year		2,147,401	1,008,985
Cash and cash equivalents at the end of the year	6	<u>19,369,200</u>	<u>2,147,403</u>

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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) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

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

Provisions

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

Useful lives of assets

The company's management determines the estimated useful lives and related depreciation charges for property plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Allowance for doubtful debts

An impairment loss on debtors is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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

Item	Average useful life
Music instruments	20 years
Furniture and fixtures	10 years
Motor vehicles	10 years
Computer equipment	5 years
Crockery and costumes	10 years

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

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

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

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Accounting Policies

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the company or from other rights and obligations.

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 company; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

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

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

1.4 Financial instruments

Initial recognition and measurement

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

The company 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 available-for-sale financial assets.

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

Loans to (from) economic entities

These include loans to and from holding company, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Receivables from exchange transactions

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 the income statement 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.

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Accounting Policies

1.4 Financial instruments (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in the income statement 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 the income statement.

Trade and other receivables are classified as loans and receivables.

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

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 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.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

1.5 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

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

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

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

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

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

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

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

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Accounting Policies

1.5 Inventories (continued)

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

1.6 Impairment of assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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 held with the primary 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 and 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:

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

1.7 Contribution of the owner

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

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1.8 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 profit 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.

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1.8 Employee benefits (continued)

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.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.9 Provisions and contingencies

Provisions are recognised when:

- the company 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.

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1.9 Provisions and contingencies (continued)

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 company settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating deficits.

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.

1.10 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

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

- the company has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the company;
- 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.

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Accounting Policies

1.10 Revenue from exchange transactions (continued)

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.

1.11 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.

Government grants

Government grants are recognised as revenue when:

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

The company 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.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

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

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

1.12 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

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Accounting Policies

1.13 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficits of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Investment income

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

1.15 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current 6 months.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the 6 months that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 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 6 months that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

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.

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Accounting Policies

1.19 Irregular expenditure (continued)

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.

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

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Figures in Rand

	2012	2012
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2. CHANGES IN ACCOUNTING POLICY

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognized Accounting Practice on a basis consistent with the prior 6 months. There was no change in accounting policy.

3. INVENTORIES

Refreshment stock	32,475	35,278
Marketing and Promotional Stock	496	496
	<u>32,971</u>	<u>35,774</u>

The cost of inventory recognized as an expense and included in cost of sales amounted to R 206,824 (2011: R126,760). No inventory was written-down during the year under review.

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	1,338,140	645,124
Prepayments	(2)	(2)
Other deposits	(11,513)	(11,513)
Other Debtors	395,244	395,244
COJ Capex Claims	(12,816)	21,731
	<u>1,709,053</u>	<u>1,050,584</u>

Amount outstanding from COJ Treasury Department in respect of CAPEX claims (R 690,133.) Ex VAT for 2012.

No provision for bad debts has been raised as the remaining debtors are considered to be fully recoverable and not impaired.

5. VAT RECEIVABLE

VAT	<u>169,964</u>	<u>437,658</u>
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The increase as compared to the previous year is mainly due to a high ratio of expenses relative to income towards the end of the financial year.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	72,612	7,100
Bank balances	19,296,588	2,140,301
	<u>19,369,200</u>	<u>2,147,401</u>

The company's bank accounts are not linked to the sweeping account of the City of Johannesburg Metropolitan Municipality and are not swept on a daily basis. The bank accounts are monitored on a daily basis in order to ensure the effective management of cashflow. Petty cash is reflected as cash on hand. The bank/cash balances are in the form of current account and a short-term call deposit account.

The increase in the cash balance as compared to the previous year, was mainly due to the Soweto Theatre Opening funds unspent at year end and favorable rental receipts for the year.

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7. PROPERTY, PLANT AND EQUIPMENT

	2012			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Music instruments	816,273	(354,548)	461,725	816,273	(334,141)	482,132
Furniture and fixtures	2,258,059	(1,357,498)	900,561	2,258,059	(1,248,363)	1,009,696
Motor vehicles	235,224	(138,339)	96,885	235,224	(126,578)	108,646
Computer equipment	698,958	(332,996)	365,962	698,958	(271,294)	427,664
Crockery and theatre costumes	45,409	(33,036)	12,373	45,409	(28,745)	16,664
Total	4,053,923	(2,216,417)	1,837,506	4,053,923	(2,009,121)	2,044,802

Reconciliation of property, plant and equipment - 2012

	Opening balance	Depreciation	Total
Music instruments	482,132	(20,407)	461,725
Furniture and fixtures	1,009,696	(109,135)	900,561
Motor vehicles	108,646	(11,761)	96,885
Computer equipment	427,664	(61,702)	365,962
Crockery and theatre costumes	16,664	(4,291)	12,373
	2,044,802	(207,296)	1,837,506

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Music instruments	522,938	24,046	-	(39,811)	(25,041)	482,132
Furniture and fixtures	1,149,964	79,551	-	(211,555)	(8,264)	1,009,696
Motor vehicles	136,019	-	(3,851)	(23,522)	-	108,646
Computer equipment	225,192	286,010	-	(78,646)	(4,892)	427,664
Crockery and theatre costumes	25,245	-	-	(8,581)	-	16,664
	2,059,358	389,607	(3,851)	(362,115)	(38,197)	2,044,802

Other assets

There are assets that belong to the City of Johannesburg's Community Development that are used by Soweto theatre. Movable assets will be transferred to Soweto theatre within 2 years after June 2013, however management of both departments and entities have indicated that the assets will be transferred for a nominal value. The total costs of the assets including the building is R 158,876,741. Soweto theatre obtained the right of use of these assets as stipulated in the service level agreement. The right to use the assets is not expected to exceed R1 per annum.

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8. INTANGIBLE ASSETS

	2012			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	105,704	(41,214)	64,490	105,704	(32,092)	73,612

Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software	73,612	(9,122)	64,490

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software	27,165	55,828	(8,939)	(442)	73,612

9. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	3,156,491	586,202
Payments received in advance	1,219,986	367,952
Accrued expenses	294,033	475,837
Sundry creditor	11,692	32
	4,682,202	1,430,023

The fair value of trade and other payables closely approximate their carrying amounts.

10. CONTRIBUTION OF THE OWNER

Issued

Share premium	1,784,049	1,784,049
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The investment by The City of Johannesburg in the Roodepoort City Theatre (incorporated under section 21), is reflected as share premium.

11. REVENUE

Theatre rental	691,845	463,679
Donations	49,770	53,942
Bar sales	197,648	317,404
Event management	1,155,000	4,385,965
Ticket and program sales	230,586	313,587
	2,324,849	5,534,577

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11. REVENUE (continued)		
The amount included in revenue arising from exchange and non exchange of goods or services are as follows:		
Rendering of services - exchange	691,845	463,679
Donations - non exchange	49,770	53,942
Sale of goods - exchange	197,648	317,404
Event management - exchange	1,155,000	4,385,965
Taxation revenue		
Property rates	-	-
Transfer revenue		
Ticket and program sales - exchange	230,586	313,587
	230,586	313,587
12. COST OF SALES		
Sale of goods		
Cost of goods sold	306,028	206,824
13. OTHER REVENUE		
Subsidy: City of Johannesburg Metropolitan Municipality	10,067,000	9,853,000
14. GENERAL EXPENSES		
Advertising	88,654	318,698
Auditors remuneration	230	208,675
Bank charges	26,102	39,347
Cleaning	317,039	129,245
Computer expenses	2,937	76,863
Consulting and professional fees	226,680	334,323
Consumables	(761)	59,187
Donations	-	1,600
Entertainment	28,199	39,857
Gifts	-	2,516
Hire of equipment	-	884
Insurance	18,479	11,584
Community development and training	239,462	535,480
IT expenses	55,455	92,210
Lease rentals on operating lease	46,734	73,874
Fuel and oil	35,976	45,737
Printing and stationery	23,842	43,396
Security (Guarding of municipal property)	438,000	166,567
Staff welfare	12,303	2,530
Subscriptions and membership fees	57,065	85,746
Telephone and fax	70,220	83,139
Travel - local	61,400	98,271
Assets expensed	7,843	43,621
Irregular, fruitless and wasteful expenditure	-	6,639
Performance fees, orchestra fees and overtime	1,666,622	4,120,707
Other expenses	227,855	183,070
Cost of sales	306,028	206,824
	3,956,364	7,010,590

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	2012	2011
15. EMPLOYEE RELATED COSTS		
Employee related costs : Salaries and wages	4,416,274	5,323,082
Overtime payments	89,244	109,701
Bonus	-	341,599
Leave pay accrual	13,300	262,802
Company contributions	285,800	507,015
Leave pay	-	26,518
	4,804,618	6,570,717
Average number of employees during the year		
- permanent	-	19
Senior management remuneration		
Marketing Manager	-	404,075
	-	312,700
	-	240,000
Corporate Officer	307,688	564,497
Community Development Officer	276,112	377,543
Chief Finance Officer	256,092	325,297
Chief Executive Officer	567,864	53,199
	-	452,841
	1,407,756	2,730,152
16. DEBT IMPAIRMENT		
2011		
City of Johannesburg - Department of Arts, Culture & Heritage	R321,134	
17. INVESTMENT REVENUE		
Interest revenue		
Bank	419,933	114,844
Interest received is comprized of interest on the ABSA Money Market Account. Excess cash is kept in this account since the interest rate for this account is higher than the one for the current account. The interest earned is higher in comparizon to the previous year due to the Call Account being linked to the COJ's negotiated rates with ABSA Bank.		
18. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	216,416	409,694
19. FINANCE COSTS		
Late payment of tax	-	35
The above charge relates to interest on late payment of SARS employee taxes as a result of the resignation of the Chief Financial Officer in October 2011.		
20. AUDITORS' REMUNERATION		
External audit fees	230	208,675

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21. CASH GENERATED FROM OPERATIONS		
Surplus	3,742,030	1,301,119
Adjustments for:		
Depreciation and amortisation	216,416	409,694
Loss on sale of assets and liabilities	-	(536)
Changes in working capital:		
Inventories	2,803	(15,052)
Receivables from exchange transactions	(658,469)	26,675
Payables from exchange transactions	3,252,181	162,386
VAT	267,694	(304,820)
Deferred income	10,399,144	-
	17,221,799	1,579,466
22. CONTINGENCIES		
Contingent assets		
Subsequent to the disciplinary hearing in respect of the Irregular expenditure referred to in Note 28, civil proceedings have commenced against the employees concerned to recover an amount of R477,035.68 -. It is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually uncertain.		
23. RELATED PARTIES		
Relationships		
Directors	Refer to directors' report	
Controlling entity	The City of Johannesburg Metropolitan Municipality	
Other members of the group	Johannesburg Social Housing Company SOC Ltd City of Johannesburg Property Company SOC Ltd City Power Johannesburg SOC Ltd Johannesburg City Parks NPC Johannesburg Development Agency SOC Ltd Johannesburg Metropolitan Bus Services SOC Ltd Johannesburg Roads Agency SOC Ltd Johannesburg Tourism Company NPC Johannesburg Water SOC Ltd Metropolitan Trading Company SOC Ltd Pikitup Johannesburg SOC Ltd Joburg Theatre SOC Ltd The Johannesburg Fresh Produce Market SOC Ltd The Johannesburg Zoo NPC	
Related party balances		
Trade and other receivables regarding related parties		
City of Johannesburg Metropolitan Municipality	-	786,751
Amounts included in Loans, Trade and other payables regarding related parties		
Treasury	3,193,551	-
Related party transactions		
Purchases from related parties		
Treasury	3,193,551	-

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23. RELATED PARTIES (continued)

Compensation of key management

Roodepoort City Theatre

- 2,730,153

Roodepoort City Theatre transacts with related parties at arm's length, with trade terms and conditions that are normal in the entertainment industry. The City of Johannesburg Metropolitan Municipality is an exception as no interest is charged on amounts due or receivable.

24. DIRECTORS' EMOLUMENTS

Executive

2012

M J Smit: Chief Executive Officer

S Sack : Acting Chief Executive Officer

Other benefits*	Total
115,792	115,792
53,199	53,199
168,991	168,991

Non-executive

2012

	Directors' fees	Committees fees	Total
JG Steeneveldt: Non-Executive	31,744	19,840	51,584
Ishmael Mkhabela : Non-Executive (Chairperson)	19,840	-	19,840
M Shabalala : Non-Executive	15,852	-	15,852
N Selamolela : Independent Audit Committee Member	8,880	-	8,880
H K Diepu: Non-Executive	67,282	19,840	87,122
Ms. T Twala : Non-Executive	9,920	-	9,920
B L Mbokazi: Non-Executive	32,740	19,840	52,580
E Renzi: Non-Executive	21,830	-	21,830
N Kandan: Non-Executive	79,360	19,840	99,200
Z A Jacobs: Non-Executive (Chairperson)	69,440	39,675	109,115
B Lombard : Non-Executive	9,920	-	9,920
M Maseko : Non-Executive	9,920	-	9,920
K Sithole : Non-Executive	8,930	-	8,930
Z Samsam : Non-Executive	38,690	19,840	58,530
K Froneman : Independent Audit Committee Member	34,720	19,840	54,560
	459,068	158,715	617,783

25. PRIOR PERIOD ERRORS

Correction of error as a result of useful lives of the assets needing to be reviewed.

During the current financial year, the useful lives of assets were reviewed resulting in the carrying value of Property Plant and Equipment and Intangible assets increasing.

Statement of Financial Position

(Increase)/Decrease in Accumulated Depreciation and Accumulated Surplus

Furniture	-	172,120
Musical Instruments	-	52,582
Vehicles	-	3,848

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Figures in Rand	2012	2012
25. PRIOR PERIOD ERRORS (continued)		
Computer Equipment	-	70,153
Crockery and Costumes	-	(11,212)
Software	-	20,385
Accumulated surplus	-	(307,876)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

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25. PRIOR PERIOD ERRORS (continued)		
Statement of financial performance		
Increase/(Decrease) in depreciation PPE	-	46,767
Increase/(Decrease) in amortisation Intangible Assets	-	(2,897)
	-	43,870

26. RISK MANAGEMENT

Capital risk management

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

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

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

The gearing ratio at 2012 and 2012 respectively were as follows

Less: Cash and cash equivalents	6	19,369,200	2,147,401
Net debt		(19,369,200)	(2,147,401)
Total equity		8,101,838	4,051,936
Total capital		(11,267,362)	1,904,535
Gearing ratio (%)		-	(54)

Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

27. GOING CONCERN

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

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27. GOING CONCERN (continued)

The ability of the Roodepoort City Theatre to continue as a going concern is dependent on receipt of continued funding from its sole owner, The City of Johannesburg Metropolitan Municipality. The City of Johannesburg is undergoing an Institutional Review process, whereby the Roodepoort City Theatre will be sold to the existing Joburg Theatre SOC and the newly established Soweto Theatre to be run under one COJ Theatre Management Company SOC. The proposed effective date of this transaction is 01 January 2013.

28. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Fruitless expenditure current year	-	6,454
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The current year's expenditure was interest paid on late payment of SARS employee taxes (R6,454) as a result of the resignation of the the Chief Financial Officer in October 2011.

29. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure

Opening balance	4,581,459	-
Payments made without board approval	2,421,720	-
Unauthorised expenditure awaiting authorisation	-	4,581,459
	<u>7,003,179</u>	<u>4,581,459</u>

Analysis of expenditure awaiting condonation per age classification

Current year	2,421,720	4,581,459
Prior years	4,581,459	-
	<u>7,003,179</u>	<u>4,581,459</u>

Details of irregular expenditure – current year

Corporate Manager & Technical Manager Allowances	Allowances paid from November 2011 to December 2012	142,212
Payroll Officer and Reception Officer Gradings	Staff gradings paid from July 2012 - December 2012	126,353
Other managers allowances	Allowances paid from July 2012 to December 2012	208,470
Payments made without board approval	Payments were made to Cut to Black and Danse Afrique	1,944,685
		<u>2,421,720</u>

30. 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 annual financial statements.

The following goods and services procured during the financial 6 months 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 and reported to the directors for their consideration.

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2012

2012

31. GENERAL EXPLANATORY NOTE

The incorrect Annual Financial Statements for 2012 were included in the prior year Annual report. The effect is the net surplus of R29,400.