



ANNUAL REPORT

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# 2010/2011

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ROODEPOORT CITY THEATRE

Trading as JOBURG PROMUSICA

(AN ASSOCIATION INCORPORATED UNDER SECTION 21)

REGISTRATION NO: 1981/005017/08



COMPANY INFORMATION:

Country of Incorporation and  
Domicile

South Africa

Nature of Business and  
Principal Activities

Theatre entertainment and education in arts  
and culture

Directors

Z A Jacobs: Non-Executive (Chairperson)  
CEO Position Vacant: S.J Sack Acting CEO August, 2011)  
H K Dlepu: Non-Executive  
B L Mbokazi: Non-Executive  
E Renzi: Non-Executive  
J G Steeneveldt: Non-Executive  
N Kandan: Non-Executive

Registration number:

81/05017/08

Registered Office:

Civic Centre, Region C  
100 Christiaan de Wet Road  
Florida Park  
ROODEPOORT

Postal Address:

P O Box 1531  
Florida  
1710

Telephone number

(011) 674- 1356/7/8

Fax number

(011) 674-2365

Website

[www.promusica.co.za](http://www.promusica.co.za)

Parent

The City of Johannesburg Metropolitan Municipality

Bankers

ABSA Bank of SA Limited

Auditors

Auditor-General

Registered Auditors



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# COMPANY PROFILE

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Scope of Report

Introduction

Vision, Mission and values

Strategic Objective

### SCOPE OF REPORT

This annual report has been prepared in terms of Section 121 of the Municipal Finance Management Act, 2003 and Section 46 of the Municipal Systems Act, 2000.

It covers the entity's governance, financial, social responsibility, environmental and overall sustainability performance for the year. It provides an account of the company's progress to date and offers a forward-looking perspective in terms of future strategies.

It covers comparative and performance information, as well as reports on operations and sustainability.



**R**oodepoort City Theatre was established in 1981 by the City of Roodepoort as a Section 21 company. In 2004/05 the Theatre was integrated into the City of Johannesburg as an independent municipal entity, wholly owned by the City of Johannesburg.

The Theatre is situated in Region C (Florida Park, Roodepoort), one of the fastest growing residential areas in the city, and acknowledged for the increasing levels of integration amongst population groups.

Operating out of a 320 seater auditorium, the Theatre is trading under the name Joburg Promusica, with a purpose to promote, develop and advance the lyric arts in its immediate environment and beyond. In this respect, the Roodepoort theatre has become synonymous with classical music and the lyric arts. Throughout its 28 year history many singers, musicians and artists have made their professional debuts at the Theatre – some of whom are still professionally involved in the performing arts, locally and abroad.

In order to improve the profitability of the Theatre, and become more relevant to the community it serves, the strategic positioning of the organization was reviewed during 2009/10, resulting in a stronger focus on the receiving house aspects of the Theatre, and a more concerted effort to attract independent producers to the venue. As such, the Theatre has made major progress in terms of the diversification of its production and marketing mix, which consequently had a significant impact on the diversification of audiences.

However, and to the limited capacity for revenue generation in the main auditorium, as a result of its size, the Theatre is not always in a position to attract sufficient artistic product to keep the stages occupied. As a result, the Theatre acts as a producing house, and stages work in a diverse range of genres, including music and musical theatre, comedy, and children's theatre.

In addition, the Theatre plays a significant developmental role by means of providing a venue for community theatre initiatives in the area, as well as running tuition programmes that provide instrumental, vocal, dance and introduced drama tuition for students from disadvantaged backgrounds.

During the year under review, the entity had an annual turnover of R10.7 million and a staff complement of 21 full time staff members.





## VISION



“To provide a world class centre for the development of the lyric arts”

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## MISSION



To showcase the lyric talents of the City

To become a central feature of development initiatives in the Region and the City as a whole

To continue to support, develop and offer original, innovative and relevant programming to the residents of the City of Johannesburg and beyond

To provide professional services to clients of the theatre

To ensure the future of the lyric arts in the country by actively contributing to youth and child development efforts





# VALUES



We are accountable to the community that we serve and act on behalf of the residents of the City of Johannesburg by focusing our efforts on discovering and meeting our customers's needs;

We believe in transparency and are open to scrutiny in all that we do;

Are honest and uncompromising in producing work that meets service delivery requirements of the City;

Are committed to the transformation of our society and our workplace and will ensure equity and anti-discrimination in all we do;

Show concern for people, support and respect our colleagues and customers and encourage the growth and development of everyone we work with;

Value the fair and consistent treatment of staff and customers;

Believe in transparent participation promoting fair, yet efficient, decision-making while encouraging individuals to accept responsibility for their work and contribution to the City.



# [CORPORATE PROFILE]

## Strategic Objectives

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The Strategic goals and objectives of the Theatre are underpinned by the City's transformation process, which include the priorities of good governance, economic development and job creation, bylaw enforcement and crime prevention, service delivery excellence, customer care and Batho Pele, inner city regeneration and HIV/AIDS.

In addition the strategic goals are inclusive of Community Development Sector Plan objectives and company specific objectives as outlined in the Business Plan.

In particular, the entity's strategic objectives include:

- taking advantage of the Theatre's excellent facilities, creative knowledge, skills and production brands, and to use them as a bridging device amongst South Africa's vastly diverse cultures;
- targeting areas of poverty, aiming to advance and equip disadvantaged people with income generating skills in the field of the performing arts;
- addressing the Youth-at-Risk sectors of the community with relevant age appropriate programmes, involving them in socially conscious arts projects;
- introducing, promoting and developing the performing arts within disadvantaged communities by means of community-based workshops;
- taking the various production brands outside the boundaries of Roodepoort, Johannesburg and Soweto with the aim of creating awareness for the Theatre and the City of Johannesburg; creating profitable partnerships with other production companies and educational institutions who use the venue;



# [CORPORATE PROFILE]

## Strategic Objectives

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- promoting and encouraging performing arts that will stimulate discussion on a variety of challenging issues;
- elevating the already vibrant, active and exciting cultural venue to a higher level, and actively contribute to the vision of transforming the City of Johannesburg into a “world class African city”;
- securing and building vibrant, win-win relationships with our corporate partners and sponsors, and reinforcing our reputation as an institute that is a responsible and accountable receptacle of donations.

Overall, the entity endeavours to contribute to the overall mission of the City of Johannesburg Metropolitan Municipality in becoming a “World Class African City” - a city where community development, personal growth and social mobility are enhanced so that challenges of poverty and vulnerability, inequality and social exclusion are fundamentally addressed.





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# LEADERSHIP AND OVERVIEW

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MMC for Community Development Review  
Chairperson's Review  
Board of Directors  
Chief Executive Officer's Review  
Chief Financial Officer's Review  
Senior Management

# [LEADERSHIP AND OVERVIEW]

MMC for Community Development Review



As a member new member of the Mayoral Committee for Community Development representing Roodepoort City Theatre, I am privileged to be part of a sincere and committed team, and extend my experience gained as an active role player in the emancipation of social development.

I am delighted to congratulate the Roodepoort City Theatre with a successful year of service delivery to the City of Johannesburg in 2010/11, particularly in maintaining the spirit of personal growth and social inclusion by attracting people from diverse backgrounds to the theatre's programmes.

The Roodepoort Theatre is continuously making concerted efforts in creating opportunities for various people including disability in its programming and in the execution of its community development strategy being:

- The Skills Development programme that includes the artistic component of the performing arts, and learnerships in the technical component of the performing arts;
- A tuition programme that is curriculum based;
- The Theatre provides a performance platform for artists with disabilities. Ideally, such performances are staged alongside other professional productions

The Roodepoort Theatre currently educates 347 learners through its tuition programmes for children from disadvantaged areas. The tuition programmes includes a Strings, Brass, Dance and Vocal programmes and will continue to expand the programme for the benefit of Youth in our communities.

It is a pleasure to share this report with the public and wish through the efforts of the Theatre and its Management and Board of Directors that communities may share their stories as we transform our society.

A stylized, handwritten signature in black ink, appearing to read 'CF Vondo', enclosed within a circular scribble.

Councillor CF Vondo.  
Member of the Mayoral Committee  
Community Development.



# [LEADERSHIP AND OVERVIEW]

## Chairperson's Review

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The report records the Theatre's work, its achievements and challenges over the past year, and I am proud of the Theatre's commitment to the fulfilment of its responsibilities and its continuous improvement.

Milestones have been possible in 2010/11 through partnerships, stakeholders and role players and we gratefully acknowledge their contributions and support.

We continue ensuring that the Theatre operates in line with the standards required by the King III and MFMA and our improved performance information systems. The Theatre will continue to focus on building a performance culture, people competencies, leadership development, improving business processes and systems and building brand credibility and confidence with our stakeholders.

I wish to express my sincere gratitude to the Board of Directors for all their strategic guidance and support that they have provided in the achievement of our objectives. I also wish to thank the Theatre staff for their commitment and hard work, which culminated in some significant achievements over the year. This should serve as motivation for all of us to increase and improve our service delivery performance for our community in the coming year.

A handwritten signature in dark teal ink that reads "Z. Jacobs." The signature is fluid and cursive.

Chairperson of the Board of Director  
Zeona Jacobs



# [LEADERSHIP AND OVERVIEW]

Board of Directors



Zeona Jacobs (48)  
Dipl. Bus. Mngt (Damelin)  
Mngt. Adv. Prgm. Dipl. (Wits)



Steven Sack (60)  
BA. HED PG (Wits)  
Fine Art Unisa



Nades Kandan (47)  
Dipl. Info. Tech. (Univ. Jhb)  
MDP (UNISA)  
Higher Dipl. IT Audit (Wits)  
Exec Leadership Prog. (GIBS)  
Master in Mngt (Wits)



Jerry Steeneveldt (62)  
Dipl. Prod. Mngt (Wits)



Kathleen Dlepu (53)  
B.Proc (Univ. North)  
LLB (Univ. North)  
Certificate in Commercial Law



Bongani Mbokazi (42)  
BA (Univ. Zululand)  
BA Hons (Univ. Zululand)  
MA (Univ. Jhb)



Emma Renzi (84)  
Performance Dipl. (Cape Town)  
Licentiate (UNISA)  
Dipl. London Opera Studio  
Doctorate of Music (Univ. Potch)



# [LEADERSHIP AND OVERVIEW]

## Chief Executive Officer's Report

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The Roodepoort City Theatre was without a Chief Executive Officer for the period under review. The Board of Directors had therefore become involved in many of the operational aspects of the running of the Theatre. An Acting CEO was appointed and many of the staff had to undertake additional tasks in order to see to the effective running of the theatre. The Internal Audit Committee and the Human Resources Committee took on the additional responsibility of ensuring sufficient financial controls and an effective utilisation of staff. They also saw to the filling of critical vacancies and ensured that an appropriate CEO was seconded from the City of Johannesburg. Whilst the task of fulfilling this objective was undertaken during the period covered by this report, the acting CEO, Mr Steven Sack was only seconded in August 2011.



That said, the company's turnover of R10 707 745 represents an increase of 2% on 2010/11 figures and, by managing budgets strategically, the end of the year showed a modest surplus of R 389,818. While pleasing, this result seeded only the beginnings of a modest operational cash base and the company's capacity to carry unforeseen loss in future years remains precarious.

There was on-going refinement in company operations during the year and a continued focus to strengthen governance and compliance. We continued to service our traditional audience and to grow our training programmes directed at 210 students who are serviced by 11 tutors. We also endeavoured to fulfil the objectives of the Human Development Agenda of the City of Johannesburg.

We engaged in discussions with the Department of Community Development on the development of a new theatre in Soweto. The company's focus on measuring performance, building capacity and projecting our needs and strategies was not impacted negatively due to the lack of a CEO. The system and internal controls were maintained resulting in a clean audit report, and management continues to monitor the progress going forward.

Broad public access to productions was sustained through an average ticket price of less than R100. The Theatre hosted a production of the *Crucible*, which is a schools set work which was greatly appreciated by 1370 learners. We entered into a partnership with the University of Johannesburg who also presented this play. *Peter and the Wolf* was a partnership with Arts Alive and it was shown at the Johannesburg Zoo and in our main theatre to 622 learners.

Our development initiatives are going from strength to strength, and with formal accreditation by the MAPP-SETA, now called CATT SETA, the learners on our tuition programmes are now working with structured curricula and going for regular external examinations.



# [LEADERSHIP AND OVERVIEW]

Chief Executive Officer's Report

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With the on-going assistance of the Community Development Department of the City of Johannesburg, we ran a very successful Early Childhood Development programme, which introduced teachers and children from disadvantaged areas to performing arts as a mechanism for learning.

Disadvantaged school groups had a privilege to attend productions through subsidized tickets to our auditorium and basement productions throughout the year. Each year we discover new ways to engage our student and teacher audiences, and our development programme continued to have a special focus on getting young people to experience theatre in a professional environment.

In achieving all of the above, I am grateful, as ever, to the staff who willingly took on additional roles and responsibilities in a time of institutional review and a scarcity of resources. We have an extraordinary team of staff who work with us day to day, as well as a rich diversity of talented actors, musicians, dancers and directors, tutors who work with us to ensure a great range of performances and learning experiences.

And finally, let me express my sincere gratitude to our loyal audience members who come together for every production to experience the magic of live theatre. Theatre is a communal experience and it would not be possible without you. Thank you for such a memorable year.



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Steven Sack  
Acting Chief Executive Officer



# [LEADERSHIP AND OVERVIEW]

## Chief Financial Officer's Report



### Revenue

During the year under review, the Company derived its revenue from donations, theatre rentals, refreshment sales, ticket and programme sales, event management projects, the municipal subsidy, and investments. Total revenue increased by 3.8% to R10.7 million as compared to the previous year. Theatre rental increased by 40.7% as a direct result of management's initiatives to keep the theatre operational despite the adverse trading conditions.

Ticket and programme sales increased by 41.9% mainly as a result of the successful hosting of internal productions and the adoption of a risk-sharing operational model.

The subsidy from the Shareholder, the City of Johannesburg Metropolitan Municipality, made up 87.6% of total revenue received, which is once again an improvement on the previous financial year (2010: 81.1%). The economic recession had a negative impact on donations, event management and investment income - the rest of the revenue streams show an upward trend.

### Results of Operations

Total operating costs remained relatively stable as compared to the previous year. This was as result of measures introduced by management to contain costs in line with the projected decrease in revenue.

The 6.1% increase in employee costs was mainly due to general annual salary increases. An amount of R321134 was written off as irrecoverable debt during the year under review. The debt was owed by the City's Arts, Culture & Heritage department in respect of Africa Day 2009.

The Company posted a net surplus of R0.4 million for the period under review, against a deficit of R0.004 million for the previous year, despite the tougher trading conditions.

### Cash Flow

Effective cash flow management and cost containment resulted in a favourable cash position for the company for the period under review. The municipal subsidy of R9.4 million contributed 90.9% to the financing of operational expenditure (2010: 81.0%). The rest of the expenses were funded by internally generated revenue.

Cash utilized to acquire movable and intangible assets amounted to 0.6% of the total cash receipts of R10.3 million. The Company ended the year in a favourable cash position with cash on hand of R1.0 million. This amount is more than in the previous financial year (2010: R0.7 million) due to improvement in working capital management.

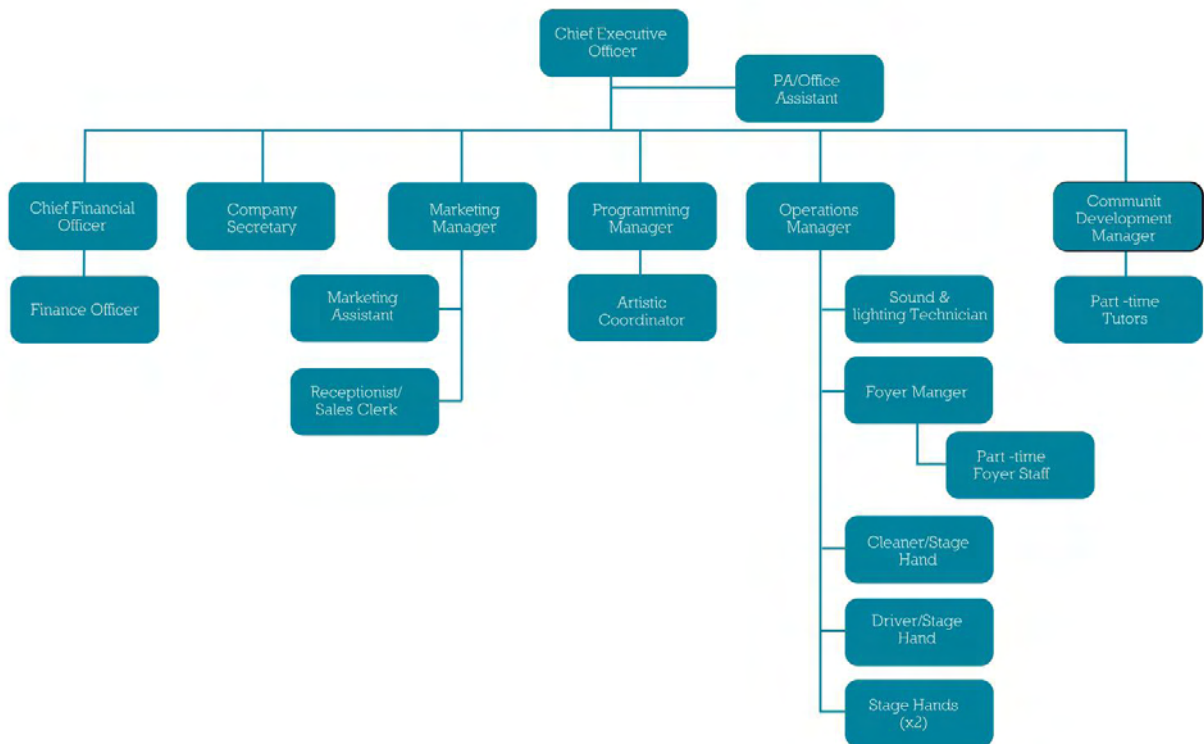
### Balance Sheet

The company remained solvent during the year under review with the total assets covering total liabilities 3.0 times (2010: 3.1 times). Despite tough economic conditions, liquidity improved by 41.7% compared to the previous year, as the current ratio improved to 1.7:1 (2010 = 1.2:1).



# [LEADERSHIP AND OVERVIEW]

Company Structure



## Company five year review

	Units	2011	2010	2009	2008	2007
Key financial figures	Rm	4.0	3.3	3.8	3.2	7.0
Total assets	Rm	2.6	2.3	2.3	2.0	3.6
Total equity	Rm	4.0	3.3	3.8	3.2	7.0
Total equity and liabilities	Rm	1.0	0.8	1.3	0.2	1.6
Bank balance	Rm	1.0	0.8	1.3	0.2	1.6
Capital expenditure	Rm	0.1	0.4	0.3	0.2	2.8
External Funding Loans	Rm				0.2	
MIG	Rm	1.3	1.9	1.4	0.8	3.2
Revenue	Rm	9.4	8.4	7.8	6.7	3.8
Grant and Subsidies	Rm					
Direct cost (If applicable)	Rm					
Employee costs	Rm	5.9	5.6	5.7	4.3	3.0
Discounting	Rm					
Finance income	Rm	0.0	0.1	0.4	0.1	0.6
Finance costs	Rm					
Surplus before tax	Rm	0.4	(0.0)	0.2	(1.6)	0.2
Income tax expensecurrent	Rm					
Income tax expense – deferred	Rm					
Surplus for the year	Rm	0.4	(0.0)	0.2	(1.6)	0.2
Cash generated from operations	Rm	0.3	(0.1)	1.1	(1.6)	0.2
Net cash from operating activities	Rm	0.3	(0.1)	1.6	(1.4)	0.7
Net cash used in investing activities	Rm	(0.1)	(0.4)	(0.3)	(0.2)	(2.8)
Net cash from/(used in) financing activities	%	0.0	0.0	(0.2)	0.2	2.8
Financial ratios	%					
Liquidity	%					
Solvency	Rm	168	115	114	65	144
Total operating expenditure/revenue	Rm	298	309	243	279	207
Interest coverage	Ratio	774	529	666	1 113	233
Other						
Employees	number	19.0	22.0	22.0		
Employment equity	%					
Gender equity	%					
People with disabilities	%					
Training cost	Rm	0.1	0.1	0.1	0.03	0.0
Black economic empowerment	Rm					
Corporate social investment	Rm					

# [LEADERSHIP AND OVERVIEW]

## Senior Management

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### [Senior Management Team]



The Chief Financial Officer, Corporate Services Manager and Administration Manager formed part of a senior management team for the period under review. The Chief Executive Officer remains vacant as of December 2009, the Marketing Manager and Programming Manager positions also were vacant. However, the positions were filled except the Chief Executive Officer as affected by the City's Institutional review.



Kibiti Lephoto  
Chief Financial Officer



Louis van Aswegen  
Administrative Manager



Tsholofelo Dibakwane  
Corporate Services Manager





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# PERFORMANCE REVIEW

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Highlights and Achievements

Performance against IDP and City Scorecard

Assessment of arrears of Service Charges

Recommendations and Plans for the Next Financial Year

# [PERFORMANCE REVIEW]

## Highlights and Achievements

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Overall performance of the Roodepoort City Theatre for the year has been good – both in terms of the service delivery targets set in the Balanced Scorecard, and in terms of financial performance of the Theatre. The Theatre managed to keep the stage occupied with educational, amateur and professional entertainment of the highest standard.

By the fourth quarter the audience had exceeded the annual target by 526 visitors, with several amateur productions and three professional productions. The production that was produced in the fourth quarter was the Senior Citizen concert.

The Theatre was furthermore very successful in managing its financial resources during the period under review. It was in the position to complete the year within the parameters of the original budget for the year, and reflecting a small surplus.

The National Lottery concerns remain unresolved, The Acting Chief Executive Officer is making follow ups on the matter for resolution in 2012.

Set out below, is an analysis of the entity's performance against its KPIs for the financial year 2010/11 as set out in its business plan or the year under review. Significant progress against the set targets has been made, which can be attributed to solid corporate governance, sound management and management systems, clearly focused objectives, and efficient and effective staff.



# [PERFORMANCE REVIEW]

## Assessment of arrears of Service Charges

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Assessment of Municipal Taxes and Service Charges owed to Roodepoort City Theatre

No arrears applicable

Amounts owed by Roodepoort City Theatre for service charges

No arrears applicable

## Assessment of Directors' and senior managers' municipal accounts

ZA Jacobs	Chairperson (non-exec)	City of Johannesburg	206768540	Current	Current
JG Steeneveldt	Non-Exec Director	City of Johannesburg	300158006	Current	Current
E Renzi	Non-Exec Director	City of Johannesburg	400039002	Current	Current
MB Mbokazi	Non-Exec Director	City of Johannesburg	900061246	Current	Current
HL Dlepu	Non-Exec Director	City of Johannesburg	504465968	Current	Current
MM Shabalala	Non-Exec Director	Ekurhuleni Municipality	1800026016	Current	Current
N Kandan	Non-Exec Director	City of Joburg	501439448	Current	Current
KA Lephoto	Senior Management	City of Joburg	403496310	Current	Current
LF Van Aswegen	Senior Management	City of Johannesburg	402294086	Current	Current
T Dibakwane	Senior Management	City of Johannesburg	207392668	Current	Current

## Recommendations and Plans for the Next Financial Year

The main focus for the next financial year is to align the theatre with the new Institutional Design as approved by Council in August 2011 and to develop the new business strategy of the organisation in line with this new Institutional model. The key components of this new model is that a new company to be known as the Johannesburg Theatre's Management Company comprising of the Joburg Theatre (previously Civic Theatre) the Roodepoort Theatre trading as Pro Musica and the newly completed Soweto Theatre will report to a single Board. It is envisaged that the new Institution should be established by March 2012. This will involve reviewing the entire operations of the Roodepoort Theatre in line with the opportunities to share resources and reduce overheads with respect to both the Roodepoort and the Soweto Theatres. These two will also need to be aligned with the Joburg Theatre. Where necessary this will involve developing policies where required; hiring staff; securing partnerships; rebranding and returning to the original name The Roodepoort Theatre and beginning to brand and market the new Soweto Theatre.

The tuition programme will be branded as the Academy and both the Roodepoort Theatre and the Soweto Theatre will be partners in expanding the music, dance and drama tuition programmes. The Theatre will develop a policy and strategy for the new Soweto Theatr and undertake a policy review of the Roodepoort Theatre. This policy area will be concerned with the community expectations of these two theatres.





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# CORPORATE GOVERNANCE

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Statement of Compliance

Code of Ethics

Breach of Governance Procedures

Conflicts of Interest

Governance Structure

Board of Directors

Board Committees

Schedule of Attendance of Meetings

# [CORPORATE GOVERNANCE]

## Statement of Compliance

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### Statement of Compliance

The Board of Directors and Executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King III Report on Corporate Governance, the MFMA and MSA. Through this process, the shareholder may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practises. Monitoring the entity's compliance with King III Code on Corporate Governance forms part of the mandate of the Audit Committee. The entity has complied with King III Report to the best of its knowledge during the year under review.

The Board of Directors has incorporated the City of Johannesburg's Corporate Governance Protocol (the Protocol) in its Board Charter, which inter alia regulates its relationship with the City of Johannesburg as its sole member and parent municipality in the interest of good corporate governance and good ethics.

The protocol is premised on the principles enunciated in the King III Report. The Company steadfastly consolidated its position in respect of adherence to the King III report on Corporate Governance. The Roodepoort City Theatre's practises are, in most material instances in line with the principles set out in the King III Report. Ongoing steps are however taken to align practices with the Report's recommendations and the Board continually reviews progress to ensure that good Corporate Governance is improved.

During the period under review the company entrenched its risk management reviews and reporting, and compliance assessments were conducted in terms of the Companies Act and the Municipal Finance Management Act (MFMA).

The annual report for the previous year was effectively completed in accordance with the terms of Section 121 of the Municipal Finance Management Act. The current financial report was guided by the same principles.



## Code of Ethics

The company has developed a Code of Conduct ('the Code') which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism.

In summary the Code requires that at all times, all company personnel act with utmost integrity and objectivity and in compliance with the letter and spirit of both the law and company policies. The Code is discussed with each new employee as part of his or her induction training and all employees are asked to sign an annual declaration confirming their compliance with the Code. Failure by employees to act in terms of the Code results in disciplinary action.

The directors believe that ethical standards are being met and fully supported by the ethics programme. A copy of the Code is available to interested parties upon request.

There was no breach of governance procedures during the year under review.

### **Conflicts of Interest**

No conflicts of interest had been declared during the year under review.



# [CORPORATE GOVERNANCE]

## Breach of Governance Procedures

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### Governance Structure

The Roodepoort City Theatre has a unitary Board, which consist of one executive and seven non-executive directors. The Board is chaired by a non-executive director, Zeona Jacobs.

#### **Board of Directors**

The Board meets regularly, at least quarterly, and retains full control over the company.. The Board remains accountable to City of Johannesburg Metropolitan Municipality (the sole member), sponsors and donors, and its stakeholders, the citizens of Johannesburg.

The Board provides Monthly, Quarterly, Bi-annually and Annual reports on its performance and service delivery to the parent municipality as prescribed in the MFMA and the MSA. The entity is in the process of concluding a Service Delivery Agreement (SDA) in accordance with the provisions of the MSA, which will govern the entity' relationship with the City of Johannesburg.

Non-executive Directors contribute an independent view to matters under consideration and add to the depth of experience of the Board. The roles of Chairperson and the Chief Executive Officer are separate, with responsibilities divided between them. The Chairperson has no executive functions.

The Corporate Officer continues to take on a role as Company Secretary for the year under review. Members have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters including compliance with Company Rules and Procedures, statutory regulations and best corporate practices. The Board or any of its members may, in appropriate circumstances and at the expense of the company, obtain the advice of independent professionals





### 3.2 Human Resources Committee

The Human Resources Committee consists of the following members:

- Mr JG Steeneveldt (Chairperson)
- Ms H Dlepu (Non Executive Member)
- Ms E Renzi (Non Executive Member)
- Mr BL Mbokazi (Non Executive Member)

The role of the Committee is to:

- Influence and approve Human Resources policies and strategies, and to monitor compliance with the Employment Equity Act , 55 of 1998;
- Make recommendations to the Board on the appointment and replacement of directors and senior management;
- Monitor the organisational culture and dynamics, as well as the ethical conduct of the Theatre, its management and employees;
- Monitor and advise on strategic direction of the Theatre's Operational performance

The Human Resource Committee was faced by challenges in the sustainability of leadership in the year under review, and kept a closer observation in the operations of the Theatre for continuity purposes. The Committee continues to deliberate and are appraised with the developments for the new Institutional review.



## Schedule of Attendance of Meetings

Directors	Board Meetings	Audit Committee Meetings	COJ Audit Committee Meetings	Human Resources	Other
No. of meetings held	4	5		3	
J. G. Steeneveldt	4	-		2	
H. K. Dlepu	4	5		-	
B. L. Mbokazi	2	-		2	
S. Dzengwa	2	-		-	
J. E. Ngobeni	3	-		-	
E. Renzi	4	-		2	
M. J. Smit	3	4		2	
N. Kandan	4	5	2	-	
Z. A. Jacobs	3	-		-	
Independent Audit Committee Members					
J. P. Froneman	4	0	-	-	
Z. Samsam	4	0	-	-	
<b>TOTAL</b>	<b>24</b>	<b>14</b>	<b>2</b>	<b>9</b>	



# [CORPORATE GOVERNANCE]

## Non Executive Directors' Remuneration

### Non Executive Directors' Remuneration

Name	Meeting fee	Retainers	Total
Z Jacobs	29760	39675	69435
HK Dlepu	39680	19840	59520
E Renzi	31750	19840	51590
JG Steeneveldt	37696	19840	57536
B Mbokazi	"12,900"		12900
N Kandan	69440	19840	89280
Total	221226	119035	340261

### Executive director's remuneration

Name	Salary	Bonus	Other	Total
M Smit	531150	129163	230649	890962
Total	531150	129163	230649	890962

### Independent Audit Committee members remuneration

Name	Meeting fee	Retainers	Total
Z Samsam (Audit Member)	24 800		24800
K Roneman (Audit Member)	24 800		24800
Total	0	0	49600

### Senior management remuneration

Name	Designation	Salary	Bonus	Total
Mr K Lephoto	Chief Financial Officer	630023	54978	685001
Ms T Dibakwane	Corporate Officer	381774		381774
Mr L Van Aswegen	Administrative Manager	311811	31941	343752
Total		1323608	86919	1410527



### Five year review

	Units	2011	2010	2009	2008	2007
Key financial figures						
Total assets	Rm	4.0	3.3	3.8	3.2	7.0
Total equity	Rm	2.6	2.3	2.3	2.0	3.6
Total equity and liabilities	Rm	4.0	3.3	3.8	3.2	7.0
Bank balance	Rm	1.0	0.8	1.3	0.2	1.6
Capital expenditure	Rm	0.1	0.4	0.3	0.2	2.8
External Funding Loans	Rm			0.2		
MIG	Rm					
Revenue	Rm	1.3	1.9	1.4	0.8	3.2
Grant and Subsidies	Rm	9.4	8.4	7.8	6.7	3.8
Direct cost (If applicable)	Rm					
Employee costs	Rm	5.9	5.6	5.7	4.3	3.0
Discounting	Rm					
Finance income	Rm	0.0	0.1	0.4	0.1	0.6
Finance costs	Rm					
Surplus before tax	Rm	0.4	(0.0)	0.2	(1.6)	0.2
Income tax expense-current	Rm					
Income tax expense deferred	Rm					
Surplus for the year	Rm	0.4	(0.0)	0.2	(1.6)	0.2
Cash generated from operations	Rm	0.3	(0.1)	1.1	(1.6)	0.2
Net cash from operating activities	Rm	0.3	(0.1)	1.6	(1.4)	0.7
Net cash used in investing activities	Rm	(0.1)	(0.4)	(0.3)	(0.2)	(2.8)
Net cash from/(used in) financing activities	Rm	0.0	0.0	(0.2)	0.2	2.8



# [CORPORATE GOVERNANCE] Non

## Executive Directors' Remuneration

### Five year review

	Units	2011	2010	2009	2008	2007
<b>Financial ratios</b>						
Liquidity	%	168	115	114	65	144
Solvency	%	298	309	243	279	207
Total operating expenditure/revenue	%	774	529	666	"1,113"	233
Interest coverage	Ratio					

### Other

Employees	number	19.0	22.0	22.0		
Employment equity	%					
Gender equity	%					
People with disabilities	%					
Training cost	Rm	0.1	0.1	0.1	0.03	0.0
Black economic empowerment	Rm					
Corporate social investment	Rm					





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# SUSTAINABILITY REPORT

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Highlights and Achievements

Performance against IDP and City Scorecard

Assessment of arrears of Service Charges

Recommendations and Plans for the Next Financial Year

Sustainability is a key requirement of King III. This report is aimed at providing a balanced, transparent and understandable view of the entity's sustainable activities during the year. It includes the entity's contribution to the economic, social and environment in which it conducts its business.

The Theatre's main revenue streams are:

- Subsidisation from the City of Johannesburg
- Private sector donations and sponsorships
- Theatre rental
- Ticket and programme sales

Despite its continued efforts in attracting external sponsors, the ability of the Theatre to continue operations as a going concern is still dependent upon continued funding from the City of Johannesburg Metropolitan Municipality.

A comprehensive Fundraising Strategy is in place, which assists with the systematic building of a funding pipeline; however, the conversion of the pipeline opportunities to actual funding is problematic in the current economic climate.

It is, however, evident that the recent revision of strategy with regards to the production mix is expected to result in a substantial increase in the revenue generated from theatre rental and ticket sales.

The City has been engaged in a cross cutting Institutional review which will be implemented in the 2011-2012 financial year and will help to address matters of sustainability.

## Stakeholder Engagement

The Board and Management of Roodepoort City Theatre are in continuous informal discussion with various stakeholder groups. As such, the production schedule and tuition programmes are shaped and updated. Under the new leadership of the Marketing Manager the stakeholder liaison policy will be reviewed and implemented in the New Year.

## Risk Management Governance and Processes

Effective risk management is integral to the company's objective of consistently adding value to the business. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks. Management reports

on the Risk Register to the Audit Committee and Board of Directors at least once every quarter. The Theatre has benefited from the close administration by JRAS.

Operating risk is the potential for loss to occur through a breakdown in control information, business processes and compliance systems. Relevant policies and procedures are in place to manage this risk on an ongoing basis.

Financial risk management is dealt with in the financial statements on page 31, onwards.

In order to meet its responsibility with respect to providing reliable financial information, the Theatre maintains financial and operational systems of internal controls. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management authority, that the assets are adequately protected against material loss or unauthorised acquisition, use or disposal and that transactions are properly authorised and recorded.

Internal auditors monitor the operation of the internal control systems and report findings and recommendations to management and the Board of Directors. Corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are defined. The Board, operating through its Audit Committee, give guidance in the financial reporting process and internal control systems.

There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets.

It was discovered during the period under review that internal controls were being breached, which had led to fraudulent activities in the organisation over a period of time. The matter was firmly addressed by management, a key member of senior management was dismissed, and an immediate review of policies and procedures to manage such risk in future was commenced. Relevant procedures, including segregation of duties, transaction authorisation, supervision, monitoring and financial and managerial reporting were in place by year-end.



# [SUSTAINABILITY REPORT]

## Overview

### Socio-economic Development

#### Transforming and Empowering Employment

The Theatre operates in an environment where all fixed term contract staff receive a total cost to company package and each individual is responsible for his/her own deductions with reference to their benefits. The technical staff, however, retained their employee benefits with their transfer from the CoJ to the theatre. These technical staff members are provided with pension benefits from the Municipal Gratuity Fund, but the Theatre does not make any contributions towards employees' medical aid, and the matter will be reviewed in 2011/12.

#### Skills Development and Training

The organisation is committed to maintain high standards of service and performance delivery by supporting and training staff through a skills development programme, which aims to develop both technical and people skills required for the company to conduct its business on an effective basis. Due to the size of the entity, we have not been registered with the Department of Labour in terms of the Skills Development Act. The Theatre did however make provision in their operational budget (2% of the salaries allocation) for skills development.

#### Employment Equity

The company has employment policies that it believes are appropriate to the business and the market in which it trades. Equal employment opportunities are offered to all employees. We firmly endorse the four key areas of employment equity identified by the Employment Equity Act:

- elimination of discrimination in decision-making;
- promotion of employee diversity;
- reduction of barriers to advancement of the disadvantaged; and
- introduction of measures and procedures for transformation.

The Theatre's employment equity programme is progressive and consistently strives to meet the required targets. Due to the size of the organisation, however, opportunities for rapid progress in this regard are limited. The conviction to ensure material participation of previously disadvantaged companies and individuals is demonstrated by the degree of procurement spent on the designated companies and individuals.

#### Supply Chain Management and Black Economic Empowerment

The Roodepoort City Theatre has adopted Supply Chain Management systems in compliance with the provisions of the MFMA and the National Treasury: Municipal Supply Chain Management Regulations, 2005. The implementation of the entity's SCM policies is in line with the regulations which seek to modernise financial governance and improve accountability and transparency in the entity's processes is monitored by the Finance section and the board.

Even though the Theatre's activities and functions are of such nature that certain requirements within the MFMA and the National Treasury regulations are not applicable to the Theatre, the entity is committed to enhance Broad-Based Black Economic Empowerment.

As such, the Board has ensured that the procurement policy embraced the objectives of Broad-Based Black Economic Empowerment and the Chief Executive Officer, as the Accounting Officer of the Company, was tasked as the custodian for effective implementation.

The Theatre has spent 74% of its procurement on SMME's and BEE companies. No unsolicited bids were made by the company.

Due to the lack of appropriate internal systems the entity cannot quantify the number and value of awards made to spouses, children or parents of persons in the service of the State, or has been in the service of the State in the previous twelve months, as required by Regulation 45 of the Local Government: Supply Chain Management Regulations, 2005





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# FINANCIAL STATEMENTS

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Auditor-General's Report  
Statement of responsibilities and approval  
Report of the audit committee  
Statement by company secretary  
Directors' report  
Annual financial statement

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Statement of Financial Performance
Statement of Changes in Net Assets
Cash Flow Statement
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Annexures to the Annual Financial Statements



## [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 directors have reviewed the company's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The company is wholly 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.

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 been examined by the entity's external auditors and their report is presented herewith.

The annual financial statements set out on pages 6 to 30, which have been prepared on the going concern basis, were approved by the directors on 18 November 2011 and were signed on its behalf by:



Z A Jacobs: Non-Executive



S Sack: Director



# [FINANCIAL STATEMENTS]

Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2011. 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 three times per annum as per its approved terms of reference. During the current year 5 meetings were held.

Number of meetings attended	Number of meetings attended
K Dlepu	5
K Froneman	5
Z Samsam	5
N Kandan (Chairman)	5

## **Audit committee responsibility**

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 38(10)(1) of the PFMA and Treasury Regulation 3.1. We further report that we have conducted our affairs in compliance with the charter, section 94(7)(f) of the Companies Act and the MFMA.

## **The effectiveness of internal control**

The system of internal controls applied by the company over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of an effective 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, the Audit Report on the annual financial statements, and the management letter of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of the management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act during the year, was acceptable.

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the auditors of the company during the year under review.



# [FINANCIAL STATEMENTS]

Annual financial statement

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## Evaluation of annual financial statements

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and internal auditors;
- Reviewed the Auditor-General of South Africa's management letter and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

We concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

## Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the company (e.g. business continuity) and its audits.

## Response to Auditor concerns

The Auditor General raised a number of concerns (emphasis of matter) in the annual report. This is in respect of:

- irregular expenditure (contravention of SCM Regulations);
- usefulness of information (measurability of kpi's);
- reliability of information (insufficient appropriate evidence).

These matters will be addressed through ensuring staff are fully apprised of the matters of emphasis raised by the Auditor general. Staff will be informed about the requirement to follow Supply Chain Management regulations and to follow proper procedures where deviations may be unavoidable. Furthermore KPI's will be well defined so that performance information, pertaining to the entity and its targets, can be usefully and clearly provided.

The Audit Committee will continue to provide its oversight role on all matters raised by the AG and regular reports will be supplied to the Board

## Auditor-General of South Africa

We have met with the Auditor-General of South Africa to ensure that there are no unresolved issues.



# [FINANCIAL STATEMENTS]

Directors' Report

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## 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 year 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 389,818 (2010: deficit R 4,432).

## 3. GOING CONCERN

On 30 June 2011, the company had accumulated surplus of R 855,995 and that the company's total assets exceed its liabilities by R 2,640,044.

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 R9,375,000 (2010: R8,383,000).

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 not aware of any matter or circumstance arising since the end of the financial year up to the date of this report, not otherwise dealt with in the annual financial statements, which significantly affect the financial position of the company or the result of its operation that would require adjustments to or disclosure.



**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. CONTRIBUTION OF THE OWNER**

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

**7. 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.

**8. NON-CURRENT ASSETS**

The theatre refurbished the auditorium airconditioning 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.

**9. DIRECTORS**

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

Name	Changes
JG Steeneveldt: Non-Executive	
M M Shabalala: Non-Executive	Resigned 24 August 2010
H K Dlepu: Non-Executive	
B L Mbokazi: Non-Executive	
E Renzi: Non-Executive	
M J Smit: Chief Executive Officer	Resigned 31 December 2010
N Kandan: Non-Executive	
Z A Jacobs: Non-Executive (Chairperson)	

**10. SECRETARY**

A Person resigned as secretary of the entity on and Tsholofelo Dibakwane was appointed in his stead on .

The secretary of the entity is Tsholofelo Dibakwane of:



# [FINANCIAL STATEMENTS]

Directors' Report

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## 11. 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; 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:

- 6 non-executive directors, all of whom are independent directors as defined in the Code; and
- 1 executive director.

### Chairperson and chief executive

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

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

The company was operating without a Chief Executive Officer from 1 January 2011 to 30 June 2011. The Chief Financial Officer was appointed as Acting Chief Executive Officer during that period.

### Remuneration

The remuneration of the Chief Executive Officer, who is the only executive director of the company, is determined by the Board of Directors and approved by The City of Johannesburg Metropolitan Municipality. The members of the Audit Committee are Ms H K Dlepu, Mr Z Samsam (independent Audit Committee member), Mr N Kandan (Chairman) and Mr K Froneman (independent Audit Committee member). The members of the Human Resources Committee are Mr B L Mbokazi, Ms H K Dlepu, Mr J G Steeneveldt and Ms E Renzi.

### Executive meetings

The board has met on 4 separate occasions during the financial year. The board is scheduled to meet at least 4 times per annum. Non-executive directors have access to all members of management of the company.



Directors	Board Meetings	Audit Committee Meetings	Human Resources
No. of meetings held	4	5	3
JG Steeneveldt: Non-Executive	4	-	3
H K Dlepu: Non-Executive	3	5	-
B L Mbokazi: Non-Executive	2	-	2
E Renzi: Non-Executive	4	-	-
M J Smit: Chief Executive Officer	3	4	3
N Kandan: Non-Executive	4	5	2
Z A Jacobs: Non-Executive (Chairperson)	3		

### Audit and risk committee

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

### Internal audit

The company has outsourced its internal audit function to Gobodo 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.

### 12. CONTROLLING ENTITY

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

### 13. SPECIAL RESOLUTIONS

The company did not pass any special resolution during the year.

### 14. BANKERS

Absa Bank Limited

### 15. 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, 1973 (Act no 61 of 1973).

Declaration by the company secretary in respect of Section 268G (d) of the Companies Act  
In terms of Section 268 G(d) of the Companies Act, Act 61 of 1973, (as amended), section 88(2)(e) of the Companies Act, Act 71 of 2008 (as amended) and the Municipal Finance Management Act , 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 ended 30 June 2011 all such returns and notices as are required and that all such returns and notices are true, correct and up to date.

  
Tsholofelo Dibakwane  
Company Secretary



# [FINANCIAL STATEMENTS]

## Cash Flow Statement

### Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Cash receipts from customers		861,337	2,178,917
Cash receipt from City of Johannesburg: Subsidy		9,375,000	8,363,000
Interest income		25,566	99,087
		<u>10,261,903</u>	<u>10,641,004</u>
<b>Payments</b>			
Cash paid to suppliers and employees		(9,954,528)	(10,779,513)
Net cash flows from operating activities	21	<u>307,375</u>	<u>(138,509)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	7	(59,093)	(405,501)
Purchase of other intangible assets	8	-	(11,246)
Net cash flows from investing activities		<u>(59,093)</u>	<u>(416,747)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>248,282</u>	<u>(555,256)</u>
Cash and cash equivalents at the beginning of the year		760,703	1,315,959
Cash and cash equivalents at the end of the year	6	<u>1,008,985</u>	<u>760,703</u>



## Accounting Policies

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective 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.

These accounting policies are consistent with the previous year.

#### 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 judgement include:

#### 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.

#### Effective interest rate

The company used the City of Johannesburg Metropolitan Municipality treasury borrowing rate of 10.0% to discount future cash flows.

#### 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

Property, plant and equipment are tangible non-current 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 company; and the cost of the item can be measured reliably.



# [FINANCIAL STATEMENTS]

## Accounting Policies

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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 company; 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 at no cost, or for a nominal cost, 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.

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.

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

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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 residual value, and the useful life and depreciation method of each asset are reviewed at the end of each financial year. If the expectations differ from previous estimates, the change is accounted for as a change in 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. 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.

Repairs and maintenance are generally charged to expenses in the financial year during which they were incurred.



## 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.



# [FINANCIAL STATEMENTS]

## Accounting Policies

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### **Trade and other receivables**

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.

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.

### **Trade and other payables**

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.

## **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. 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 company 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.



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 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, are recog

## 1.6 Impairment of 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. 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 of 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.

The company assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

## 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.



# [FINANCIAL STATEMENTS]

## Accounting Policies

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### 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.

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.

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.

## **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.

## **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 Comparative figures**

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



### 1.16 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.17 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.

### 1.18 Irregular expenditure

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

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

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

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register.



# [FINANCIAL STATEMENTS]

## Accounting Policies

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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.

### **1.19 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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## Notes to the Annual Financial Statements

## Figures in Rand

2011

2010

**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 year. There was no change in accounting policy.

**3. INVENTORIES**

Refreshment stock	20,226	10,479
Marketing and promotional stock	496	496
	<u>20,722</u>	<u>10,975</u>

The cost of inventory recognized as an expense and included in cost of sales amounted to R126,760 (2010: R91,183). No inventory was written-down during the year under review.

**4. TRADE AND OTHER RECEIVABLES**

Trade debtors	408,464	78,308
Prepayments	11,741	11,225
Other deposits	(92,074)	15,000
City of Johannesburg Metropolitan Municipality	749,127	359,317
	<u>1,077,258</u>	<u>463,850</u>

Amount outstanding from Treasury Department in respect of CAPEX claims (R297,218) and cash balance in the sweeping account (R451,909). The Treasury Department inadvertently transferred the current account balance to the sweeping account at the end of the year. The money was returned to the current account the following day.

Accounts receivable balance is net of impairments disclosed in the debt impairment note. 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

131,892

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# [FINANCIAL STATEMENTS]

Notes to the Annual Financial Statements

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. VAT payable amounted to R4,046 at the end of the previous financial year.

## 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	5,600	5,600
Bank balances	1,003,385	755,103
	<u>1,008,985</u>	<u>760,703</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 increases in accrued expenses. In the previous year, most of the invoices had been received (and paid) by the end of the year resulting in the decrease in both accruals and cash balances. In the 2010/11 financial year most of the expenses were not yet paid by the end of the year, which resulted in an increase in both accruals and cash balances.

## 7. PROPERTY, PLANT AND EQUIPMENT

	2011			2010		
Cost / Valuation						
Accumulated depreciation and accumulated impairment						
Carrying value						
Cost / Valuation						
Accumulated depreciation and accumulated impairment						
Carrying value						
Music instruments	792,227	(321,871)	470,356	792,227	(254,718)	537,509
Furniture and fixtures	2,194,807	(1,244,426)	950,381	2,124,935	(993,811)	1,131,124
Motor vehicles	277,224	(145,054)	132,170	304,946	(140,855)	164,091
Computer equipment	412,948	(272,382)	140,566	471,464	(273,267)	198,197
Crockery and theatre costumes	45,409	(13,783)	31,626	49,159	(13,783)	35,376
Total	<u>3,722,615</u>	<u>(1,997,516)</u>	<u>1,725,099</u>	<u>3,742,731</u>	<u>(1,676,434)</u>	<u>2,066,297</u>



# [FINANCIAL STATEMENTS]

Notes to the Annual Financial Statements

## Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Impairment loss	Total
Music instruments	537,509	-	(39,611)	(27,542)	470,356
Furniture and fixtures	1,131,124	53,573	(218,017)	(16,299)	950,381
Motor vehicles	164,091	-	27,722)	(4,199)	132,170
Computer equipment	198,197	5,520	(55,951)	(7,200)	140,566
Crockery and theatre costumes	35,376	-	(3,750)	-	31,626
	2,066,297	59,093	(345,051)	(55,240)	1,725,099

## Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Music instruments	457,128	119,246	(38,865)	537,509
Furniture and fixtures	1,263,920	80,068	(212,864)	1,131,124
Motor vehicles	68,610	123,203	(27,722)	164,091
Computer equipment	195,499	66,734	(64,036)	198,197
Crockery and theatre costumes	22,876	16,250	(3,750)	35,376
	2,008,033	405,501	(347,237)	2,066,297

## 8. INTANGIBLE ASSETS

		2011			2011	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value

Computer software	65,595	(55,918)	9,677	42,152	(16,757)	25,395
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### Reconciliation of intangible assets - 2011

	Opening balance	Amortisation	Impairment loss	Total
Computer software	25,395	(9,976)	(5,742)	9,677

### Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software	23,937	11,246	(9,788)	25,395



# [FINANCIAL STATEMENTS]

Notes to the Annual Financial Statements

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## 9. TRADE AND OTHER PAYABLES

	2011	2010
Trade payables	343,477	315,304
Accrued expenses	990,080	757,321
Sundry creditor	32	323
	<u>1,333,589</u>	<u>1,072,948</u>

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

### Trade payables

Trade payables	102,246	151,101
SARS: Employees tax and UIF	241,230	164,202
	<u>343,476</u>	<u>315,303</u>

## 10. VAT PAYABLE

Tax payable	<u>4,046</u>
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The reduction 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 - refer to note on VAT.

## 11. CONTRIBUTION OF THE OWNER

Issued		
Share premium	1,784,049	1,784,049

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

## 12. REVENUE

Theatre rental	526,000	373,730
Donations	135,338	767,671
Bar sales	230,398	149,661
Event management	37,253	295,073
Ticket and program sales	378,190	266,599
	<u>1,307,179</u>	<u>1,852,734</u>



# [FINANCIAL STATEMENTS]

Notes to the Annual Financial Statements

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

Rendering of services - exchange	526,000	373,730
Donations - non exchange	135,338	767,671
Sale of goods - exchange	230,398	149,661
Event management - exchange	37,253	295,073
<b>Taxation revenue</b>		
Property rates	-	
Transfer revenue		
Ticket and program sales - exchange	378,190	266,599
	<u>378,190</u>	<u>266,599</u>
<b>13. COST OF SALES</b>		
Sale of goods		
Cost of goods sold	126,760	91,183
<b>14. OTHER REVENUE</b>		
Subsidy: City of Johannesburg Metropolitan Municipality	9,375,000	8,363,000
<b>15. GENERAL EXPENSES</b>		
Advertising	427,908	345,613
Auditors remuneration	202,881	170,778
Bank charges	23,892	24,001
Commission paid	13,245	5,151
Consulting and professional fees	630,595	306,976
Consumables	62,329	78,228
Entertainment	25,072	38,480
Gifts	1,247	2,084
Hire of equipment	646	39,609
Insurance	39,409	40,949
Community development and training	425,734	416,288
Production entertainment	10,365	26,188
IT expenses	119,975	185,590



# [FINANCIAL STATEMENTS]

Notes to the Annual Financial Statements

## 15. GENERAL EXPENSES

Advertising	427,908	345,613
Auditors remuneration	202,881	170,778
Bank charges	23,892	24,001
Commission paid	13,245	5,151
Consulting and professional fees	630,595	306,976
Consumables	62,329	78,228
Entertainment	25,072	38,480
Gifts	1,247	2,084
Hire of equipment	646	39,609
Insurance	39,409	40,949
Community development and training	425,734	416,288
Production entertainment	10,365	26,188
IT expenses	119,975	185,590
Lease rentals on operating lease	21,879	24,976
Fuel and oil	39,184	43,961
Printing and stationery	19,374	39,151
Security (Guarding of municipal property)	24,832	19,446
Subscriptions and membership fees	81,812	31,875
Telephone and fax	96,269	115,353
Travel - local	18,392	47,484
Travelling expenses	18,646	60,042
Assets expensed	300	9,937
Costumes, decor' and set building	12,908	164,407
Videos, DVDs and photographs	5,093	25,589
Printing and program posters	2,984	3,216
Irregular, fruitless and wasteful expenditure	-	324
Music and music rights	61,256	29,696
Performance fees, orchestra fees and overtime	975,214	1,793,601
Cost of sales	126,760	91,183
	<u>3,488,201</u>	<u>4,180,176</u>



# [FINANCIAL STATEMENTS]

Notes to the Annual Financial Statements

## 16. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages	4,927,590	5,063,352
Leave redeemed for cash	43,854	51,576
Overtime payments	104,361	99,746
Bonus	388,391	319,492
UIF	302,747	25,235
Training and development	91,102	111,052
Leave pay accrual	(28,606)	(87,374)
Leave pay	96,156	-
	<u>5,925,595</u>	<u>5,583,079</u>

Average number of employees during the year

- permanent	19	21
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## Senior management remuneration

Chief Executive Officer	890,962	927,161
Chief Finance Officer	739,979	340,000
Chief Operations Officer	-	452,070
Administrative Manager	375,714	326,631
Marketing Manager	-	65,863
Community Development Officer	287,059	253,404
Corporate Officer	388,241	54,150
	<u>2,681,955</u>	<u>2,419,279</u>

## 17. DEBT IMPAIRMENT

Bad debts	321,134	3,361
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### 2011

Impairment was recognized for a an amount that was considered irrecoverable in respect of Africa Day 2010.

City of Johannesburg - Department of Arts, Culture & Heritage R321,134

### 2010

Impairment was recognized for a trade debtor that was considered irrecoverable.

International Star Model



# [FINANCIAL STATEMENTS]

Notes to the Annual Financial Statements

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## 18. INVESTMENT REVENUE

### Interest revenue

Bank	25,566	99,087
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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 lower in comparizon to the previous year due to impact of the global economic depression/recession that resulted in the lower interest rate and fewer deposits into the account.

## 19. DEPRECIATION AND AMORTISATION

Property, plant and equipment	416,007	357,025
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## 20. AUDITORS' REMUNERATION

External audit fees	202,881	170,778
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## 21. CASH GENERATED FROM (USED IN) OPERATIONS

Surplus (deficit)	389,818	(4,432)
Adjustments for:		
Depreciation and amortisation	416,007	357,025
Debt impairment	321,134	3,361
Changes in working capital:		
Inventories	(9,747)	(270)
Trade and other receivables	(613,408)	8,039
Consumer debtors	(321,134)	(3,361)
Trade and other payables	260,643	(408,332)
VAT	(135,938)	(90,539)
	<u>307,375</u>	<u>(138,509)</u>



# [FINANCIAL STATEMENTS]

Notes to the Annual Financial Statements

Relationships Directors Controlling  
entity Other members of the group



(Refer to directors' report)

The City of Johannesburg Metropolitan Municipality  
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

### Amounts included in Loans,

Trade and other receivables regarding related parties

City of Johannesburg Metropolitan Municipality	749,127	24,437
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### Related party transactions

Compensation of key management

Roodepoort City Theatre	2,681,955	2,419,278
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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.



# [FINANCIAL STATEMENTS]

Notes to the Annual Financial Statements

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## 24. 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 2011 and 2010 respectively were as follows:

Less: Cash and cash equivalents	6	1,008,985	760,703
Net debt		(1,008,985)	(760,703)
Total equity		2,640,044	2,342,523
Total capital		1,631,059	1,581,820
Gearing ratio (%)		(62)	(48)

### **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 counter-party. Trade receivables comprise a widespread customer base. 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.



## 25. 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.

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 has committed to issue a letter of comfort.

## 26. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Fruitless expenditure current year	324
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The previous year's expenditure was interest paid on late payment of PAYE as a result of problems with the SARS e-filing website. Penalties were waived by SARS, but the company remained liable for the interest.

## 27. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure

Unauthorised expenditure current year	599,301
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Approved by Council or condoned	(599,301)
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## 28. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Engagement of service provider to publicise the theatre, Buz Publicity, R257,500.00.

### Reason

Buz Publicity was the lowest of the three quotations received for the provision of the service. The service provider was duly appointed on a short term contract (4 months) on the basis of the price and service offering (Contract value: R114000). It was management's intention to procure the service through an open tender process at the end of the short term contract. Changes in operational requirements and delays experienced during the tender process resulted in the extension of the contract.

Engagement of service provider for internal audit services, Gobodo Incorporated, R246,596.00.

### Reason

Gobodo was appointed in the 2007/08 financial year for the provision of internal audit services. The initial contract value of R110600 was below the threshold for the issuing of a tender. The engagement is on an annual basis and at the discretion of the Audit Committee - taking into account service offering, compatibility, continuity and alignment (as stipulated in the Supply Chain Management Policy). Due to fraudulent activities that were discovered in prior years and instability at the senior management level, the audit committee extended the scope of internal audit in order to address the additional risks arising out of the weakness in the control environment. The increased scope had the unintended effect of increasing the audit fee beyond to R200k level, a level required for tendering.



# [FINANCIAL STATEMENTS]

Notes to the Annual Financial Statements

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## 28. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (CONTINUED)

Engagement of service provider to organize the Opera Gala, Johannesburg Music Initiative, R238,830.00.

### Reason

Sole supplier based on the nature of service .

Engagement of service provider to procure artist and produce Peter and the Wolf show, Tshwane Dance Theatre, R280,500.00.

### Reason

Sole supplier based on the nature of service.

Placement of an advertisement in the Sunday Times newspaper using a single quotation, Sunday Times, R20,205.00.

### Reason

Sole supplier based on the nature of service

Acquisition of set designs for The Crucibles production using a single quotation, Kosie Smit, R75000.00.

### Reason

Sole supplier based on the nature of service

Engagement of service provider for Early Childhood Development training, Dr Zenda Nel, R26,000.00.

### Reason

Sole supplier based on the nature of service

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 accounting officer and includes a note to the Annual Financial Statements

## 29. RESTATEMENT OF COMPARATIVE FIGURES

Comparative figures have been restated in order to account for expenses on Africa Day 2010 event as more information became available.

## 30. GENERAL EXPLANATORY NOTE

in terms of item 4(1)(a) of Schedule 5 (Transitional Arrangements) to the Companies Act, 2008, the company is deemed to have amended its Memorandum of Incorporation as of the general effective date to expressly state that it is a non-profit company and to have changed its name in so far as required to comply with section 11 (3). Therefore, as from 1 May 2011, the name of the company is Roodepoort City Theatre NPC.

All references to the Companies Act in these annual financial statements are to the Companies Act, 2008, unless otherwise indicated.



# [FINANCIAL STATEMENTS]

Notes to the Annual Financial Statements

## Supplementary Information

ANNEXURE A - DIRECTORS REMUNERATION			
	Directors	Total 2011 Rands	Total 2010 Rands
	JG Steeneveldt	57,536	59,530
	MM Shabalala	-	76,082
	E Renzi	51,590	63,843
	HK Dlepu	59,520	76,428
	B Mbokazi	12,900	63,500
	Z Jacobs	69,435	99,710
	N Kandan	89,280	71,250
	MJ Smit	890,962	927,161
	Z Samsam	24,800	14,880
	K Froneman	24,800	19,840
		1,280,823	1,472,224

## 2. BANK BALANCES

	2011 Rands	2010 Rands
Absa Special Savings - Salaries 9099384175	1,003,869	721,533
Absa Current 570142348	(485)	33,570

The two remaining accounts are sufficient for the company's needs as the smaller number of accounts simplify administrative tasks and reduce the risk of undetected fraud.



# [FINANCIAL STATEMENTS]

Notes to the Annual Financial Statements

## Supplementary Information

	Actual Balance	Revised Budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
	(000's)	(000's)	(000's)	Var	
Revenue					
Event management	525,438		525,438	100.0	Sponsorship received from the City of Johannesburg for Africa Day 2011 celebrations. The theatre did not expect to be involved with Africa Day 2011 celebrations this year and did not budgeted for it.
Theatre rental	526,000	295,602	230,398	77.9	Theatre performed better than expected. Additional rental from the basement theatre.
Donations	126,166	273,684	(147,518)	(53.9)	Decrease in corporate sponsorship due to the depressed economic environment.
Donations	230,398	238,422	(8,024)	(3.4)	
Other revenue	97,969	71,918	26,051	36.2	Tender documentation fees and box office commission.
Ticket and program sales	289,394	841,050	(551,656)	(65.6)	The effect of the general economic climate resulting in adverse trading conditions throughout the year.
Government grants					
Municipal Revenue UDI					
Trading and general (Filtered)					
Trading and general (Filtered)					
Royalty income					
Revenue 1					
	1,795,365	1,720,676	74,689	4.2	



# [FINANCIAL STATEMENTS]

Notes to the Annual Financial Statements

## Other income

Subsidy: City of

Johannesburg

Metropolitan Municipality	9,375,000	9,374,797	203	-
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## Interest received

- investment	25,566	42,600	(17,034)	(66.6)
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	9,400,566	9,417,397	(16,831)	(0.2)
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Cost of sale	-	-	-	-
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Total Revenue	11,195,931	11,138,073	57,858	0.5
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## Expenses

Employee related costs	(5,768,539)	(6,074,259)	305,720	5.0	Vacancies in key management positions during the year.
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Bad debts	(321,134)	(272,734)	(48,400)	(17.7)	Additional unrecoverable amount related to Africa Day 2010
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Depreciation and impairment	(416,008)	(363,560)	(52,448)	(14.4)	Impairment of assets due to wear and tear
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Repairs and maintenance	(166,990)	(192,001)	25,011	13.	
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Finance costs	-	-	-	-	
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Bulk purchases	-	-	-	-	
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Contracted Services	(21,879)	(67,801)	45,922	67.8	Effect of general cost containment initiative by management.
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General expenses	(4,111,563)	(4,067,718)	(43,845)	(1.1)	
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Surplus on disposal of property, plant, plant and equipment	-	-	-	-	
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	(10,806,113)	(11,038,073)	231,960	(2.1)	
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# [FINANCIAL STATEMENTS]

Notes to the Annual Financial Statements

<b>Finance costs</b>	-	-	-	-	
<b>Bulk purchases</b>	-	-	-	-	
Contracted Services	(21,879)	(67,801)	45,922	67.8	Effect of general cost containment initiative by management.
General expenses	(4,111,563)	(4,067,718)	(43,845)	(1.1)	
Surplus on disposal of property, plant, plant and equipment	-	-	-	-	
	(10,806,113)	(11,038,073)	231,960	(2.1)	
<b>Operating profit</b>	389,818	100,000	289,818	74.3	
<b>Other revenue and costs</b>					
<b>Net surplus/ (deficit) for the year</b>	389,818	100,000	289,818	74.3	
Taxation					
Deferred tax	-	-	-	-	
	-	-	-	-	
<b>Profit /(Loss) for the year</b>	<b>389,818</b>	<b>100,000</b>	<b>289,818</b>	<b>74.3</b>	

