

THE CAPE TOWN OPERA COMPANY NPC
(REGISTRATION NUMBER 1999/017712/08)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

The Cape Town Opera Company NPC
(Registration number: 1999/017712/08)
Annual Financial Statements for the year ended 31 December 2019

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	The main business of the Company is to promote and/or present opera and musical theatre, including performances by and training of singers and choirs; to provide training and learning programmes for educational institutions; and to provide outreach programmes and educational enrichment for the poor and needy; in South Africa and elsewhere.
DIRECTORS	SM Smith A Melane E Brunelle CA Cupido M Dingaam WRE Duminy DG Goosen N Khan FJ Malan CM Ras
REGISTERED OFFICE	The Artscape Theatre Centre 1-10 DF Malan Street Foreshore Cape Town 8001
POSTAL ADDRESS	P O Box 4107 Cape Town 8000
AUDITORS	Meredith Harington Incorporated Chartered Accountants (S.A.) Registered Auditors 39 Tokai Road Tokai 7945
LEVEL OF ASSURANCE	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
PREPARER	The annual financial statements were independently compiled under the supervision of: I Brits Chartered Accountant (S.A.)

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act 71 of 2008, 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 their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

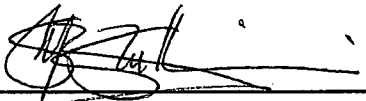
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss 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 loss.

The directors have reviewed the company's cash flow forecast for the year to 31 December 2020 and, in 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 external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 7 to 8.

The annual financial statements set out on pages 9 to 23, which have been prepared on the going concern basis, were approved by the board on 30 April 2020 and were signed on its behalf by:



SM Smith



A Melane

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DIRECTORS' REPORT

The directors have pleasure in submitting their report on the annual financial statements of The Cape Town Opera Company NPC for the year ended 31 December 2019.

1. REVIEW OF ACTIVITIES

Main business and operations: the company continued to promote and develop opera, with 84 full and concert performances taking place in Cape Town, its surrounds and around the world. The company toured internationally with productions and concerts to seven countries around the world and South Africa. The directors are pleased with the company's performance standard overall, the investment in new, local productions and the diversity and geographic reach of overseas tours that took place during the period under review.

2019 marks the second of a four-year restructuring period and new strategic plan, after significant loss of income from cancelled tours in 2017, and the company's overall financial position has stabilized. The directors favourably note a significant increase in grants, specifically the introduction of the City of Cape Town as a major funder, and an increase of less than 3% in general operating costs from the prior year. A generous additional loan from the Ackerman Family Educational Trust was granted based on confirmation of income generating tours and grants in 2020 as part of the company's strategic plan, and the Cape Town Endowment Trust trustees agreed to a R1 million reduction in loan liabilities.

Widespread outreach and educational initiatives were launched and completed in Western Cape and other communities nationwide, attended by over 3 050 learners. The company's educational work in community schools provides music training at no cost to beneficiaries at rural and government schools.

Altogether, grants and contributions from local and international patrons, trusts, foundations, corporate and government entities provided 83% of the company's income for the year under review. The remaining income was derived from local box office income, programme sales and production sponsorships and international touring fees (17%). Grants from the City of Cape Town, National Lotteries Commission and the Western Cape Government Department of Cultural Affairs and Sport remain the principal sources of government funding.

A major portion of revenue is utilized to fund the cost of opera productions, which include in their casts singers of the Vocal Ensemble chorus and the Young Artists program. Participation in these productions form an indispensable part of the training, development and education of the singers.

Cost of sales (productions) remained static from 2018 to 2019, reflecting a balance between more international touring productions (6 in 2019 vs 2 in 2018) and fewer mainstage productions in South Africa (3 in 2019 vs 4 in 2018). This resulted in a 16% increase in touring fee income and a 26% decrease in local box office sales and local production sponsorship. Historically, international touring fees are the primary financial underwriters of the company's local productions. While the 2019 touring did not generate profit, it created a much needed re-establishment of the company's international presence and was balanced overall by significantly increased government grants and charitable contributions which supported local productions. There was no notable change in the benefit-cost ratio of local and international productions from the prior year.

The company developed new international relationships with music organisations in England, Germany, Austria, Luxembourg and Hungary, re-established touring with its Dutch partners GPAG/Senf and German partners BB Promotions and performed in London with its registered charity the UK Friends of Cape Town Opera. In conjunction with local operations, these relationships and performances contributed to the development and growth of the staff and provided international exposure for the company in seven countries around the world.

The operating results and state of affairs of the company are fully set out in the annual financial statements and do not required any further comment. Net loss of the company in the 12 months ending 31 December 2019 was R804,924 (compared to a loss of R2,266,265 from the prior year).

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DIRECTORS' REPORT

2. DIRECTORS

The directors in office at the date of this report are as follows:

Directors	Changes
SM Smith, Chairperson	
A Melane, Vice Chairperson	
E Brunelle	
CA Cupido	
VC Davids	Resigned 19 November 2019
M Dingaen	Appointed 08 November 2019
WRE Duminy	
DG Goosen	
N Khan	Appointed 28 October 2019
FJ Malan	
CM Ras	

3. BORROWING POWERS

In terms of the Articles of Association of the company, the directors may exercise all powers of the company to borrow money as they consider appropriate.

4. EVENTS AFTER THE REPORTING PERIOD

COVID-19 had an impact on the company's operations after the 2019 financial year: six local opera performances from March through May were cancelled as well as 15 international performances scheduled in Germany, Switzerland and Liechtenstein. The company has been able to postpone an additional three local performances to later in 2020, and to reallocate two of the cancelled performances to another project. The overall cancellations resulted in approximately R2.6 million in lost income, which is mitigated by a number of factors: a R1.2 million reduction in costs related to cancelled events, company salaries and general operational expenses; an increase in donations of R300,000 from local government and foreign trusts; and an increase of R750,000 over budgeted amounts from touring income due to favourable exchange rates and payment of unanticipated cancellation fees. The remaining income will be sourced through successful applications to COVID-19 relief funds and a mutually agreed reduction in loan liability repayments.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

5. GOING CONCERN

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

6. AUDITOR

Meredith Harington Incorporated have audited these annual financial statements for the period under review in terms of a resolution passed by the directors.

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DIRECTORS' REPORT

7. SECRETARY

The company had no secretary during the year under review.

8. LIQUIDITY AND SOLVENCY

The directors have performed the required liquidity and solvency tests required by the Companies Act 71 of 2008.

9. APPROVAL

The annual financial statements were approved by the board of directors and are signed on their behalf by the following two directors on 30 April 2020:

- SM Smith and A Melane

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE CAPE TOWN OPERA COMPANY NPC

Opinion

We have audited the annual financial statements of The Cape Town Opera Company NPC set out on pages 9 to 21, which comprise the Statement of Financial Position as at 31 December 2019, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of The Cape Town Opera Company NPC as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note 17 to the annual financial statements, which describes the effect on the company of national and international travel restrictions as well as national lockdowns ordered in South Africa and various other countries to prevent the spread of the COVID-19 virus. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report and the Detailed Income Statement as required by the Companies Act 71 of 2008, which we obtained prior to the date of this report. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the annual financial statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



MEREDITH HARINGTON INCORPORATED

Per: Glen Ivan Bresler
Registered Auditor
Chartered Accountant (S.A.)
Director
30 April 2020

The Cape Town Opera Company NPC

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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 R	2018 R
ASSETS			
Non-Current Assets			
Property, plant and equipment	2	7 003 985	7 276 379
Current Assets			
Trade and other receivables	3	632 637	147 056
Cash and cash equivalents	4	2 005 840	1 598 837
		2 638 477	1 745 893
Total Assets		9 642 462	9 022 272
EQUITY AND LIABILITIES			
EQUITY			
Retained income		1 427 031	2 231 955
LIABILITIES			
Non-Current Liabilities			
Other financial liabilities	5	5 368 800	4 768 800
Current Liabilities			
Trade and other payables	6	1 596 631	571 517
Other financial liabilities	5	1 250 000	1 450 000
		2 846 631	2 021 517
Total Liabilities		8 215 431	6 790 317
Total Equity and Liabilities		9 642 462	9 022 272

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STATEMENT OF COMPREHENSIVE INCOME

	Note	2019 R	2018 R
Revenue	7	22 383 919	20 846 737
Cost of sales	8	(9 693 836)	(9 999 060)
Gross profit		12 690 083	10 847 677
Operating expenses		(13 613 013)	(13 235 486)
Operating loss	9	(922 930)	(2 387 809)
Investment revenue	10	118 006	121 544
Loss for the year		(804 924)	(2 266 265)

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STATEMENT OF CHANGES IN EQUITY

	Retained income R	Total equity R
Balance at 01 January 2018	4 498 220	4 498 220
Loss for the year	(2 266 265)	(2 266 265)
Balance at 01 January 2019	2 231 955	2 231 955
Loss for the year	(804 924)	(804 924)
Balance at 31 December 2019	1 427 031	1 427 031

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STATEMENT OF CASH FLOWS

	Note	2019 R	2018 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from (used in) operations	13	900 883	(1 678 251)
Interest income		118 006	121 544
Net cash from / (used in) operating activities		1 018 889	(1 556 707)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	2	(2 011 886)	(1 713 034)
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement of other financial liabilities		1 400 000	300 000
Net cash from financing activities		1 400 000	300 000
Total cash movement for the year		407 003	(2 969 741)
Cash at the beginning of the year		1 598 837	4 568 578
Total cash at end of the year	4	2 005 840	1 598 837

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ACCOUNTING POLICIES

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 71 of 2008. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

Critical judgements in applying accounting policies

Management are required to make critical judgements in applying accounting policies from time to time. The judgements, apart from those involving estimations, that have the most significant effect on the amounts recognised in the annual financial statements, are outlined as follows:

Property, plant and equipment

Management make judgements in allocating costs of scenery, props and costumes to the assets on initial recognition and subsequently on use in new productions.

Management make judgements annually in determining the probability of recurring future productions and, on that basis, estimate the average useful lives of scenery, props and costumes as well as whether impairment is necessary.

Key sources of estimation uncertainty

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of economic and other factors.

1.2 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, or for rental to others or for administrative purposes; and are expected to be used during more than one period.

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

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of 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.

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ACCOUNTING POLICIES

1.2 Property, plant and equipment (continued)

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3 years
Costumes	Straight line	3 productions
Furniture and fixtures	Straight line	5 years
IT equipment	Straight line	3 years
Motor vehicles	Straight line	5 years
Scenery and props	Straight line	5 productions

The residual value, depreciation method and useful life of each asset are reviewed only where there is an indication that there has been a significant change from the previous estimate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit and loss

1.3 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Financial instruments at cost

Commitments to receive a loan are measured at cost less impairment.

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort are measured at cost less impairment.

All financial assets whose fair value cannot otherwise be measured reliably, and which do not meet the criteria to be designated as instruments measured at amortised cost, are measured at cost less impairment.

Financial instruments at fair value

All other financial instruments are measured at fair value through profit or loss.

ACCOUNTING POLICIES

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the payments are not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

1.5 Impairment of assets

The company assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets or goodwill may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.6 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 leave pay 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.

1.7 Provisions and contingencies

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event; it is probable that the company will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

1.8 Government grants and other funding

Grants that do not impose specified future performance conditions are recognised in income when the grant proceeds are receivable.

Grants that impose specified future performance conditions are recognised in income only when the performance conditions are met.

Grants and other funding received before the revenue recognition criteria are satisfied are recognised as a liability.

Grants are measured at the fair value of the asset received or receivable.

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ACCOUNTING POLICIES

1.9 Revenue

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 end of the reporting period. 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 associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.10 Borrowing costs

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

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2019		2018		
		R		R		
2. PROPERTY, PLANT AND EQUIPMENT						
		2019		2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Computer software	36 395	(36 395)	-	36 395	(25 272)	11 123
Costumes	5 955 545	(4 135 244)	1 820 301	5 605 884	(4 018 690)	1 587 194
Furniture and fixtures	213 180	(185 775)	27 405	182 730	(182 730)	-
IT equipment	359 527	(328 385)	31 142	323 442	(314 584)	8 858
Motor vehicles	561 860	(327 752)	234 108	561 860	(215 380)	346 480
Scenery and props	10 342 507	(5 451 478)	4 891 029	11 460 590	(6 137 866)	5 322 724
Total	17 469 014	(10 465 029)	7 003 985	18 170 901	(10 894 522)	7 276 379

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Impairment loss	Closing balance
Computer software	11 123	-	(11 123)	-	-
Costumes	1 587 194	353 550	(117 850)	(2 593)	1 820 301
Furniture and fixtures	-	30 450	(3 045)	-	27 405
IT equipment	8 858	36 085	(13 801)	-	31 142
Motor vehicles	346 480	-	(112 372)	-	234 108
Scenery and props	5 322 724	1 591 801	(324 216)	(1 699 280)	4 891 029
	7 276 379	2 011 886	(582 407)	(1 701 873)	7 003 985

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Impairment loss	Closing balance
Computer software	23 254	-	(12 131)	-	11 123
Costumes	1 922 348	417 012	(311 546)	(440 620)	1 587 194
Furniture and fixtures	6 698	-	(6 698)	-	-
IT equipment	25 305	11 247	(27 694)	-	8 858
Motor vehicles	458 852	-	(112 372)	-	346 480
Scenery and props	5 538 456	1 284 775	(764 282)	(736 225)	5 322 724
	7 974 913	1 713 034	(1 234 723)	(1 176 845)	7 276 379

3. TRADE AND OTHER RECEIVABLES

Other receivables	-	6 592
Prepaid expenses	356 064	99 619
Trade receivables	207 364	3 937
VAT	69 209	36 908
	632 637	147 056

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
4. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Bank balances	1 974 144	1 597 009
Cash on hand	31 696	1 828
	2 005 840	1 598 837
5. OTHER FINANCIAL LIABILITIES		
At amortised cost		
The Ackerman Family Educational Trust	5 400 000	4 000 000
<p>The loan is unsecured, has no fixed terms of repayment and interest is charged as determined between the parties from the time to time. In accordance with a repayment agreement it is the intention to repay R 1 250 000 by July 2020, an additional repayment of R 1 750 000 by December 2021 and an additional R 800 000 by 2022. No specific payment arrangement has been made for the remaining R 1 600 000.</p>		
Cape Town Opera Trust	118 800	118 800
<p>The loan is unsecured, interest free and not subject to any fixed terms of repayment. It is anticipated that the loan will be converted into a donation to the company by The Cape Town Opera Trust on dissolution of the trust.</p>		
Cape Town Opera Endowment Trust	1 100 000	2 100 000
<p>The loan is unsecured, has no fixed terms of repayment and interest is charged as determined between the parties from time to time.</p>		
	6 618 800	6 218 800
Non-current liabilities		
At amortised cost	5 368 800	4 768 800
Current liabilities		
At amortised cost	1 250 000	1 450 000
	6 618 800	6 218 800
6. TRADE AND OTHER PAYABLES		
Accrued audit fees	127 841	114 000
Amounts received in advance	1 199 372	409 879
Employee cost payable	239 942	19 233
Trade payables	29 476	28 405
	1 596 631	571 517

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
7. REVENUE		
Bequests and estate gifts	-	72 864
Box office and related income	563 564	1 459 691
City of Cape Town	5 300 000	-
Individual and patrons	726 900	473 215
International touring fees	3 294 070	2 779 335
Local production sponsorship	1 620 090	1 494 608
National Lotteries Commission	2 476 509	2 667 053
Non-government funding and grants	6 406 291	9 848 862
Sundry Income	108 147	68 747
Western Cape Government DCAS	1 800 000	1 800 000
Western Cape Government DCAS (Expanded Public Works Programme)	88 348	182 362
	22 238 919	20 846 737
8. COST OF SALES		
Local opera and other productions	6 233 098	8 771 891
International touring costs	3 460 738	1 227 169
	9 693 836	9 999 060
9. OPERATING LOSS		
Operating loss for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts	170 400	243 780
Impairment on property, plant and equipment	1 701 873	1 176 845
Depreciation on property, plant and equipment	582 407	1 234 722
Employee costs	10 425 842	10 522 115
10. INVESTMENT REVENUE		
Interest revenue		
Interest received from bank accounts	118 006	121 544
11. TAXATION		

In terms of section 10(1)(cN) of the Income tax Act 1962 as amended, the company has been approved by the Commissioner of the South African Revenue services as a Public Benefit Organisation. Accordingly, it is exempt from taxation.

The Public Benefit Organisation has also been approved for purposes of section 18A(1)(a) of the Act and donations to the organisation will be tax deductible in the hands of the donors in terms of and subject to the limitations prescribed in section 18A of the Act.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
12. AUDITOR'S REMUNERATION		
Fees	127 841	127 982
Fees paid on behalf of Cape Town Opera Endowment Trust	24 499	-
Fees paid on behalf of Cape Town Opera Trust	7 912	-
Fees paid on behalf of Opera Training Trust	13 141	-
Tax, secretarial and other services	27 118	28 971
	200 511	156 953
13. CASH GENERATED FROM (USED IN) OPERATIONS		
Loss before taxation	(804 924)	(2 266 265)
Adjustments for:		
Depreciation	582 407	1 234 722
Interest received	(118 006)	(121 544)
Impairment loss	1 701 873	1 176 845
Non-cash donation received	(1 000 000)	
Changes in working capital:	(485 581)	87 050
Trade and other receivables	1 025 114	(1 789 059)
Trade and other payables	900 883	(1 678 251)
14. RELATED PARTIES		
Relationships		
Members of the Company		The Cape Town Opera Trust The Cape Town Opera Endowment Trust Opera Training Trust E Brunelle
Director		
Related party balances		
Loan accounts - Owing by related parties		
The Cape Town Opera Trust	118 800	118 800
The Cape Town Opera Endowment Trust	1 100 000	2 100 000
Related party transactions		
Audit/Accounting fees incurred on behalf of related parties		
Cape Town Opera Endowment Trust	24 499	-
Cape Town Opera Trust	7 912	-
Opera Training Trust	13 141	-
Non-cash donations received from related parties		
Cape Town Opera Endowment Trust	1 000 000	-

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
15. COMMITMENTS		
Operating leases		
Minimum lease payments due		
- within one year	357 066	317 964
- in second to fifth year inclusive	1 710 530	1 263 364
- later than five years	964 057	272 133
	3 031 653	1 853 461

Operating lease payments represent rentals payable by the company for certain of its office properties and office equipment. The property lease has been negotiated for an average term of ten years and an annual increase of 7% is applicable. The lease for office equipment is negotiated for an average term of five years with an annual increase of 10%. No contingent rent is payable. The operating leases are presented exclusive of VAT.

16. DIRECTORS' REMUNERATION

Executive 2019

	Emoluments	Total
Salaries (E Brunelle - full year)	664 672	664 672

2018

	Emoluments	Total
Salaries (MR Williams & E Brunelle - both for portions of the year)	714 133	714 133

17. EVENTS AFTER THE REPORTING PERIOD

National and international travel restrictions as well as national lockdowns ordered in South Africa and various other countries in an effort to stop the spreading of the COVID-19 virus have resulted in the postponement or cancellation of some productions and tours. It is currently not possible to estimate the full financial impact on the company.

Management have revised their cash flow forecast for the year and have made arrangements to ensure sufficient cash balances will be available throughout. The options include the postponement of a major future production, or the reduction of certain administrative overheads in conjunction with the postponement of a significant loan repayment. The directors are satisfied that both options will provide the company with sufficient cash flow to continue in operation for the foreseeable future.

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DETAILED INCOME STATEMENT

	Note	2019 R	2018 R
REVENUE			
Bequests and estate gifts		-	72 864
Box office and related income		563 564	1 459 691
City of Cape Town		5 300 000	-
Individuals and patrons		726 900	473 215
International touring fees		3 294 070	2 779 335
Local production sponsorship		1 620 090	1 494 608
National Lotteries Commission		2 476 509	2 667 053
Non-government funding and grants		6 406 291	9 848 862
Sundry Income		108 147	68 747
Western Cape Government DCAS		1 800 000	1 800 000
Western Cape Government DCAS (Expanded Public Works Programme)		88 348	182 362
	7	22 383 919	20 846 737
COST OF SALES			
Local opera and other productions		(6 233 098)	(8 771 891)
International touring costs		(3 460 738)	(1 227 169)
	8	(9 693 836)	(9 999 060)
Gross profit		12 690 083	10 847 677
OTHER INCOME			
Interest received	10	118 006	121 544
Expenses (Refer to page 23)		(13 613 013)	(13 235 486)
Loss for the year		(804 924)	(2 266 265)

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DETAILED INCOME STATEMENT

	Note	2019 R	2018 R
OPERATING EXPENSES			
Adjustment to other receivable		-	63 637
Auditor's remuneration	12	200 511	156 953
Bank charges		15 208	18 692
Board expenses		39 425	-
Computer expenses		327 253	240 144
Depreciation and impairments		2 284 280	2 411 567
Employee costs		8 702 551	8 184 739
Fundraising and golf day expenses		258 336	248 912
Institutional marketing		471 218	170 280
Insurance		101 909	81 884
Loss on exchange difference		7 303	-
Office expenses		103 743	159 252
Payroll administration fees		57 397	48 355
Printing and stationery		220 493	232 964
Rent and related operating expenses		170 400	243 780
Repairs and maintenance		41 292	8 721
Royalties paid		-	144 788
Staff welfare		29 907	28 088
Telephone and fax		133 017	124 006
Travel - local and foreign grant expenses		404 016	611 737
Wardrobe and design consumables		44 754	56 987
		13 613 013	13 235 486