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Johannesburg Roads Agency
(Registration number 2000/028993/07)
Annual Financial Statements
for the year ended 30 June, 2016

Johannesburg Roads Agency

(Registration number 2000/028993/07)

Annual Financial Statements for the year ended 30 June, 2016

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Construction and maintenance of roads, traffic signals and stormwater infrastructure
DIRECTORS	J Manche - Chairperson Dr. S Phillips - Managing Director (appointed 1 May 2016) GP Mbatha CA(SA) - Chief Financial Officer (CFO) L Nxumalo H Mashele E Ngomane L Mashamaite A Torres N Msezane J Maina (resigned 29 June 2016) M Ramasia (resigned 15 March 2016) P Govender (appointed 15 March 2016)
REGISTERED OFFICE	66 Pixley Ka Isaka Seme Street Corner Rahima Moosa Street Johannesburg Gauteng 2001
BUSINESS ADDRESS	66 Pixley Ka Isaka Seme Street Corner Rahima Moosa Street Johannesburg Gauteng 2001
POSTAL ADDRESS	Private Bag X70 Braamfontein Johannesburg 2017
SHAREHOLDER	The City of Johannesburg Metropolitan Municipality
BANKERS	Standard Bank Limited
AUDITORS	The Auditor-General of South Africa
SECRETARY	Karen Mills
COMPANY REGISTRATION NUMBER	2000/028993/07

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ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
JRA	Johannesburg Roads Agency
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
EFF	External Finance Fund
ME's	Municipal Entities
MMC	Member of the Mayoral Committee
MFMA	Municipal Finance Management Act
USDG	Urban Settlement Development Grant
SOC	State Owned Company (SOC)
CoJ	City of Johannesburg
City	City of Johannesburg

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Directors' responsibilities and approval

The Directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period 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 the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

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

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Directors set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While business risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The entity 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 entity is a going concern and the City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 9.

The annual financial statements set out on pages 13 to 73, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 November 2016 and were signed on its behalf by the Managing Director and the Chairperson of the Board:

**Dr. S Phillips - Managing Director (appointed 1
May 2016)**

J Manche - Chairperson

Johannesburg

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Audit committee report

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Audit committee report

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Audit committee report

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Audit committee report



Report of the auditor general

TO THE PROVINCIAL LEGISLATURE OF JOHANNESBURG ROADS AGENCY

Report on the financial statements

Report of the auditor general

Responsibility of the board for the annual financial statements

The directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with [the applicable reporting framework/basis of accounting] and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) [Auditor General audit circular 1 of 2005], and in the manner required by the Companies Act of South Africa [any applicable enabling legislation. This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

Report of the auditor general

Responsibility of the Auditor-General

As required by [section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)] [and section XX of any applicable legislation], my responsibility is to express an opinion on these annual financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements 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 entity's internal control.

An audit also includes evaluating the:

- appropriateness of accounting policies used;
- reasonableness of accounting estimates made by management; and
- overall presentation of the financial statements.

Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by [name of entity] in this respect will be limited to reporting on non-compliance with this disclosure requirement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Report of the auditor general

Basis of accounting

The entity's policy is to prepare annual financial statements on [the basis of accounting determined by the National Treasury] [entity-specific basis of accounting] as set out in [accounting policy note] [note to the financial statements].

Other matters

Matters of governance

The Auditor-General of South Africa

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Director's Report

The directors submit their report for the year ended 30 June, 2016.

1. INCORPORATION

The entity was incorporated on 17 November 2000 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

Main business and operations

The entity is engaged in the construction and maintenance of roads, traffic signals and storm water infrastructure and operates principally in Johannesburg, South Africa.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements. For further details reference can be made to the Chairman's Report and the Accounting Officer's Report. These reports do not form part of the annual financial statements and can be requested from the company secretary.

Net deficit of the entity for the year ended 30 June 2016 was R 2,756,248 (2015: surplus R 181,841,034), after taxation. The entity relies on the City of Johannesburg Metropolitan Municipality for funding of its continued existence.

3. GOING CONCERN

The entity is a state owned Company with the City of Johannesburg Metropolitan Municipality being the sole shareholder. The JRA is wholly dependent on the City for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and the City has neither the intention, nor the need to liquidate or materially curtail the scale of, or funding to the entity.

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 approved operating budget for the 2016/2017 financial year is R 884 192 000 and the approved capital budget for the 2016/2017 financial year is R 1 439 941 000.

4. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year which will materially alter the report as submitted.

5. DIRECTORS' INTEREST IN CONTRACTS

The Directors have declared that they do not have any interests in the contracts of the entity.

6. ACCOUNTING POLICIES

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

7. SHARE CAPITAL

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

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Director's Report

8. BOARD

The directors of the entity during the year and to the date of this report are as follows:

Name	Nationality
J Manche - Chairperson	South African
Dr. S Phillips - Managing Director (appointed 1 May 2016)	South African
GP Mbatha CA(SA) - Chief Financial Officer (CFO)	South African
L Nxumalo	South African
H Mashele	South African
E Ngomane	South African
L Mashamaite	South African
A Torres	South African
N Msezane	South African
J Maina (resigned 29 June 2016)	South African
M Ramasia (resigned 15 March 2016)	South African
P Govender (appointed 15 March 2016)	South African
M Kau - Acting Managing Director (until 30 April 2016)	South African

9. SECRETARY

The secretary of the entity is Karen Mills of:

Business address

66 Pixley Ka Isaka Seme Street
Corner Rahima Moosa Street
Johannesburg
Gauteng
2001

Postal address

Private Bag X70
Johannesburg
2017

10. CONTROLLING ENTITY

The entity's controlling entity is The City of Johannesburg Metropolitan Municipality

11. SPECIAL RESOLUTIONS

It was resolved that the remuneration of the non-executive directors and independent audit committee members of the Company for the period ended 30 June 2016, be approved, in accordance with the City of Johannesburg Metropolitan Municipality policy dealing with the remuneration of non-executive directors and independent audit committee members and further, that the remuneration of the executive directors of the company for the period ending 30 June 2016 be paid subject to the upper limits of remuneration as determined by the City of Johannesburg Metropolitan Municipality in terms of section 89 of the Local Government: Municipal Finance Management Act, 2003.

12. BANKERS

Standard Bank Limited.

13. AUDITORS

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

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Director's Report

14. MEETINGS

Ten (10) Board meetings as well as (3) workshops and one (1) interview process with the new MD took place. Six (6) Audit and Finance, four (4) Risk and IT, seven (7) Service Delivery and six (6) Remuneration Social and Ethics Committee meetings were held during the period 1 July 2015 to 30 June 2016.

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Company secretary's certification

Declaration by the Company Secretary in respect of Section 88(2)(e) of the Companies Act

In terms of section 88(2)(e) of the Companies Act 71 of 2008 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 for the period ended 30 June 2016, with the Companies and Intellectual Property Commission all such returns as are required and that all such returns are true, correct and up to date.

Karen Mills
Company Secretary

Johannesburg

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Annual Financial Statements for the year ended 30 June, 2016

Statement of Financial Position as at 30 June, 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	3	42,224,159	19,892,189
Trade and other receivables	5	543,946,437	442,772,310
Cash and cash equivalents	7	309,941,032	425,740,217
		896,111,628	888,404,716
Non-Current Assets			
Property plant and equipment	8	178,175,031	159,575,654
Intangible assets	9	24,282,193	17,294,441
Loans to shareholders	4	57,205,551	58,505,487
		259,662,775	235,375,582
Total Assets		1,155,774,403	1,123,780,298
Liabilities			
Current Liabilities			
Finance lease obligation	12	11,508,334	10,519,708
Trade and other payables	13	623,430,202	674,013,399
Provisions	14	50,364,353	29,099,578
		685,302,889	713,632,685
Non-Current Liabilities			
Finance lease obligation	12	28,539,939	15,986,670
Employee benefit obligation	6	50,232,806	45,887,893
		78,772,745	61,874,563
Total Liabilities		764,075,634	775,507,248
Net Assets		391,698,769	348,273,050
Share capital	15	1,000	1,000
Reserves			
Contribution from owner	16	227,626,583	181,444,616
Accumulated surplus		164,071,186	166,827,477
Total Net Assets		391,698,769	348,273,093

* See Note 32

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Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue	17	895,454,596	869,072,189
Cost of road maintenance	18	(551,776,110)	(445,638,345)
Gross surplus		343,678,486	423,433,844
Other income	19	20,626,408	75,194,253
Operating expenses		(396,624,939)	(329,263,278)
Operating (deficit) surplus	20	(32,320,045)	169,364,819
Investment income	22	34,247,177	20,649,588
Finance costs	24	(4,683,380)	(8,173,373)
(Deficit) surplus for the year		(2,756,248)	181,841,034

* See Note 32

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Statement of Changes in Net Assets

Figures in Rand	Share capital	Contribution from owner	Accumulated surplus	Total net assets
Balance at 01 July, 2014	1,000	123,014,187	(15,013,557)	108,001,630
Changes in net assets				
Surplus for the year	-	-	181,841,034	181,841,034
Assets financed through COJ	-	58,430,429	-	58,430,429
Total changes	-	58,430,429	181,841,034	240,271,463
Restated* Balance at 01 July, 2015	1,000	181,444,616	166,827,434	348,273,050
Changes in net assets				
Surplus for the year	-	-	(2,756,248)	(2,756,248)
Assets financed through COJ	-	46,181,967	-	46,181,967
Total changes	-	46,181,967	(2,756,248)	43,425,719
Balance at 30 June, 2016	1,000	227,626,583	164,071,186	391,698,769
Note(s)	15	16		

* See Note 32

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Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Subsidies and other		814,906,878	1,050,742,638
Interest income		28,520,590	20,649,588
		843,427,468	1,071,392,226
Payments			
Suppliers and employees		(886,524,861)	(673,089,044)
Finance costs		(8)	(1,122)
		(886,524,869)	(673,090,166)
Net cash flows from operating activities	27	(43,097,401)	398,302,060
Cash flows from investing activities			
Purchase of property plant and equipment	8	(52,435,042)	(42,630,116)
Purchase of other intangible assets	9	(8,188,568)	(15,798,697)
Net cash flows from investing activities		(60,623,610)	(58,428,813)
Cash flows from financing activities			
Finance lease payments		(12,078,174)	(10,739,395)
Net (decrease)/ increase in cash and cash equivalents		(115,799,185)	329,133,852
Cash and cash equivalents at the beginning of the year		425,740,217	96,606,365
Cash and cash equivalents at the end of the year	7	309,941,032	425,740,217

* See Note 32

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Adjusted Budget	Actual amounts on comparable basis	Difference between final budget and actual	
Figures in Rand						
Statement of Financial Performance						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Gautrans maintenance fees	9,858,000	(2,000,000)	7,858,000	6,723,500	(1,134,500)	
Asphalt Sales	4,240,000	(3,500,000)	740,000	1,053,956	313,956	
Jobbings	24,380,000	20,265,430	44,645,430	56,815,354	12,169,924	1
Reinstatement income and Wayleave fees	15,560,090	8,312,910	23,873,000	21,270,416	(2,602,584)	
Tender deposits	458,980	692,142	1,151,122	2,573,177	1,422,055	
Management fees	28,783,930	(2,000,000)	26,783,930	25,749,071	(1,034,859)	
Interest on fair value	-	-	-	(4,083,291)	(4,083,291)	
Rental income	3,392,000	245,223	3,637,223	3,637,224	1	
Recoveries - Unallocated receipts, Fuel, Logged payments	-	4,814,295	4,814,295	7,030,696	2,216,401	
Insurance claims income	5,830,000	(5,330,000)	500,000	9,958,488	9,458,488	2
Interest received and Fair value	-	13,000,000	13,000,000	34,247,177	21,247,177	3
Total revenue from exchange transactions	92,503,000	34,500,000	127,003,000	164,975,768	37,972,768	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TRANSFER REVENUE						
Developers' contribution	40,280,000	5,500,000	45,780,000	38,943,413	(6,836,587)	4
Subsidy - The City of Johannesburg Metropolitan Municipality	810,409,000	(64,000,000)	746,409,000	746,409,000	-	
Total revenue from non-exchange transactions	850,689,000	(58,500,000)	792,189,000	785,352,413	(6,836,587)	
Total revenue	943,192,000	(24,000,000)	919,192,000	950,328,181	31,136,181	
EXPENDITURE						
Employee related costs	(432,544,000)	(18,309,374)	(450,853,374)	(445,669,015)	5,184,359	5
Depreciation and amortisation	(31,000,000)	(7,699,994)	(38,699,994)	(34,078,056)	4,621,938	
Repairs and maintenance (property, plant and equipment)	(25,225,000)	8,000,000	(17,225,000)	(17,633,193)	(408,193)	
Contracted services, Material costs - Cost of road maintenance	(230,409,000)	25,000,000	(205,409,000)	(226,845,861)	(21,436,861)	6
General Expenses	(224,014,000)	17,009,368	(207,004,632)	(228,858,304)	(21,853,672)	7
Total expenditure	(943,192,000)	24,000,000	(919,192,000)	(953,084,429)	(33,892,429)	
Deficit before taxation	-	-	-	(2,756,248)	(2,756,248)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	(2,756,248)	(2,756,248)	

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Statement of Comparison of Budget and Actual Amounts

Comments on Statement of Comparison of Budget and Actual Amounts

(Comments are provided for variances which are not in-line with the Annual Approved Budget. The comparison is between twelve months actual amounts as at 30 June 2016 and the 2015/2016 Annual Approved Budget)

Comments are provided on variances in excess of R5 Million

1. The jobbings represent work done for third parties in relation to construction of parking spaces, foot ways and similar activities on an ad hoc basis. During the year, the entity experienced an increased demand for jobbings.
2. Insurance claims income is received for claims submitted in relation to damaged traffic signals, lost assets and other insured items. The actual amount claimed is above budget as more claims were lodged due to vandalism, theft and accidents that occurred during the year.
3. The interest received during the year is above budget due to the entity having a favourable bank balance throughout the financial year which resulted in interest income being earned on the JRA Sweeping bank account.
4. The Developers' Contribution are funds received from CoJ Planning Department relating to contributions made by developers to compensate for the increased usage of the existing infrastructure network. The amount received by the entity is determined by City hence the under budget as less funds were allocated during the year by City.
5. The employee costs were under budget for the year due to the recovery of labour costs for the Resurfacing Department (RSD) depot which carries out capital projects on behalf of the City. In addition, the budget for the new posts was approved during the adjustment budget period which the recruitment process has been performed progressively towards the year end. Hence the allocated budget was not utilised in full.
6. The Cost of Road Maintenance was over budget due to the increase in material costs. Material costs increased as a result of an increase in work performed mainly from external requests (jobbings).
7. The over budget in the General Expenses mainly relate to the advertising and telecommunications costs which were above budget during the year.

The actuals for the year ended 30 June 2016 are generally within the budget for the period.

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Accounting policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Going concern assumption

These annual financial statements have been prepared based on the assumption that the entity will continue to operate as a going concern for at least 12 months after the reporting date.

1.2 Significant judgements and sources of estimation uncertainty

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

Loans and receivables

The entity assesses its loans and receivables for impairment at the end of each reporting period in determining whether an impairment loss should be recorded in the statement of financial performance.

The allowance for impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition.

Allowance for doubtful debts

An impairment loss is recognised in the statement of financial performance when there is objective evidence that the debtor 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.

Allowance for slow moving, damaged and obsolete inventory

The purpose for the allowance for inventory is to write inventory down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost of sale on certain inventory items. The write down is included in the operating surplus note.

Fair value estimation

Techniques, such as estimated discounted cash flows, are used to determine fair value for the financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each asset.

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Annual Financial Statements for the year ended 30 June, 2016

Accounting policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Taxation

Judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

Provisions

Provisions are raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Effective interest rate

The entity used the City of Johannesburg Metropolitan Municipality borrowing rates as a basis for discounting financial instruments.

Useful lives of property, plant and equipment

The entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the entity.

Commitments

The commitments are in accordance to GRAP 20 which is applicable on the accrual basis of accounting in identifying and disclosing related party relationships, transactions and balances at year-end.

Events after reporting date

Financial effects of subsequent events and commitments that may have a material effect on the financial position or financial performance of the entity.

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1.3 Property plant and equipment

Property plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property plant and equipment is initially measured at cost.

The cost of an item of property plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an item of property plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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.

Property plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous 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.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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1.4 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values over three years.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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1.5 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

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

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are initially measured at fair value plus any transaction costs.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit when there is objective evidence that a financial asset impaired. The impairment is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are recognised in the statement of financial performance.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in the statement of financial performance.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in the statement of financial performance within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Fair value determination

Fair value information for trade and other receivables is determined as the present value of discounted estimated future cash flows.

Loans to (from) shareholder

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1.5 Financial instruments (continued)

These include loans to and from the controlling municipality and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of financial performance 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 (each debtor is evaluated separately on the basis of its circumstances) 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 allowance is recognised in the statement of financial performance 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 statement of financial performance.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

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1.5 Financial instruments (continued)

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in the statement of financial performance for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

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1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Assets held under finance leases are depreciated over the term of the lease.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

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

1.8 Inventories

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

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

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

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

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

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

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

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

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

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1.8 Inventories (continued)

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

1.9 Share capital

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

Ordinary shares are classified as part of net assets.

1.10 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.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

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

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

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

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

Actuarial gains or losses are recognised in full in the period in which they arise as income or expenditure.

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

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1.11 Provisions

1.11.1 Provisions

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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.

1.11.2 Contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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1.11 Provisions (continued)

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.11.3 Commitments

A commitment is an obligation arising from an existing contract, agreement or legislative enactment or regulation that will become an actual liability upon the fulfillment of specified conditions.

Commitments arise when a decision is made to incur a liability in the form of a contract or similar documentation. Expenditure on assets which has been authorised, but not yet spent at the end of a financial period is disclosed under commitments in the notes to the financial statements.

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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1.12 Revenue from exchange transactions (continued)

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.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest and other Income

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Recoveries

Recoveries are recognised as revenue in the period the actual recovery occurs and when assessed and deemed necessary by management in the period of assessment.

1.13 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.

Developers' Contribution

Developers contribution relates to payments made by developers for engineering fees. The proceeds are recorded in the statement of financial performance in the year in which they are received.

Measurement

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

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 entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

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-imbusement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

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1.13 Revenue from non-exchange transactions (continued)

Other grants and donations

Other grants and donations are recognised as revenue when:

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

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

1.14 Value Added Tax (VAT)

The Johannesburg Roads Agency is a registered Vat Vendor in terms of the Vat Act.

1.15 Investment income

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

1.16 Translation of foreign currency transactions

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in the statement of financial performance in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in the statement of financial performance, any exchange component of that gain or loss is recognised in the statement of financial performance.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17 Comparative figures

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

1.18 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.

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1.19 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.

1.20 Irregular expenditure

Irregular expenditure as defined in section 32(2)(b) of the MFMA 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.

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 is recorded in the irregular expenditure register.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end is recorded in the irregular expenditure register.

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 Board is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps are thereafter being taken to recover the amount from the person concerned.

If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto is recorded against the relevant programme/expenditure item, disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.21 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.

1.22 Housing subsidies

The entity provides post-retirement housing subsidies for qualifying staff members and is paid by the City of Johannesburg.

1.23 Gratuities

The entity provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.24 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

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Accounting policies

1.25 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:

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

1.26 Budget information

Entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1/07/2015 to 30/06/2016.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned or controlled by the City of Johannesburg Metropolitan Municipality. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered in arm's length and in the ordinary course of business are not disclosed in accordance with GRAP 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. We regard all individuals from the level of Managing Director and Senior Managers as key management per the definition of the financial reporting standard.

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Annual Financial Statements for the year ended 30 June, 2016

Accounting policies

1.28 Related parties (continued)

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the entity.

Johannesburg Roads Agency

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Annual Financial Statements for the year ended 30 June, 2016

Notes to the annual financial statements

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2. NEW/ REVISED STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation Detail:	Standard/ Interpretation:	Effective date: Financial years beginning on or after
GRAP 18	Segment Reporting	1 April 2015
GRAP 105	Transfer of functions between entities under common control	1 April 2015
GRAP 106	Transfer of functions between entities not under common control	1 April 2015
GRAP 107	Mergers	1 April 2015

2.2 Standards and Interpretations early adopted

The entity did not have any early adopted standards and interpretations in the current year.

2.3 Standards and interpretations issued, but not yet effective

At the date of authorisation of these Financial Statements, the following Standards and Interpretations were in issue but not yet effective:

Standard/ Interpretation:		
GRAP 20 - Related Party Disclosures	-	-
GRAP 32 - Service Concession Arrangements: Grantor	-	-
GRAP 108 - Statutory Receivables	-	-
GRAP 109 - Accounting by Principals and Agents	-	-

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3. INVENTORIES		
Inventories	38,753,627	18,772,002
Consumable stores	6,134,815	3,784,470
	44,888,442	22,556,472
Provision for slow-moving and obsolete inventory	(2,664,283)	(2,664,283)
	42,224,159	19,892,189
Detailed Inventory types		
Traffic signal equipment (cables, controllers, LED's.)	18,820,610	8,539,074
Raw material (sand and stone)	1,228,377	2,296,343
Road maintenance (kerbs, concrete products, polymer concrete.)	15,559,464	5,939,192
Other Material	3,145,176	1,998,172
	38,753,627	18,772,781
3.1 Cost of inventory expensed		
Inventories recognised as an expense during the year (Refer to note 18)	66,308,550	50,639,814
The Johannesburg Roads Agency does not have any assets held as security, surety or pledge.		
4. LOANS TO SHAREHOLDER		
Notional loans (The notional loans relate to the employees benefits obligations).	57,205,551	58,505,487
The terms and conditions of the loans remained the same during the year.		
Notional loans		
Loans at beginning of the year	58,505,486	61,051,371
Interest received	3,811,638	3,598,228
Benefits paid	(5,111,573)	(6,144,143)
	57,205,551	58,505,456

The notional loans relate to the employee benefits obligations. Refer to note 6

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5. TRADE AND OTHER RECEIVABLES		
Trade receivables	40,766,546	29,889,473
SANRAL - Prepayment	1,056,831	43,368,821
Eskom deposit	150,000	150,000
Interest receivable	33,463	-
SARS P.A.Y.E	3,782,045	3,782,045
Prepayments - licenses	1,623,650	72,963
Developers Contribution WIP	10,125,234	10,125,234
City of Johannesburg Metropolitan Municipality Claims	-	3,366,843
Allowance for bad debts	(5,306,327)	(4,947,849)
Sundry debtors	-	150,000
Road & Transport - City Deep Prepayment	-	22,499,087
Staff debtors - subsidised education	2,967,952	1,250,023
Related party receivables	494,535,098	336,651,921
Fair value adjustment to receivables	(5,788,055)	(3,586,251)
	543,946,437	442,772,310
5.1 Analysis of Receivables		
Gross receivables	555,040,819	451,306,410
Discounting of receivables to fair value	(5,788,055)	(3,586,251)
Allowance for bad debts	(5,306,327)	(4,947,849)
	543,946,437	442,772,310
Analysis of related party debtors		
Gross related party receivables	494,535,098	336,651,921
Capital debtors	(454,981,116)	(331,522,920)
Operating debtors	(39,553,982)	(5,129,001)
	-	-
5.2 City of Johannesburg Metropolitan Municipality Claims - (CAPEX Projects)		
Capital expenditure (refer to 5.3)	1,141,369,123	919,457,805
USDG Amounts Claimed	(260,578,847)	(228,356,887)
City of Johannesburg Amounts Claimed	(880,790,276)	(691,100,918)
	-	-
Unclaimed capital expenditure - related parties		
Unclaimed capital expenditure	-	3,366,843
5.3 Capital expenditure		
Bridges	140,275,571	100,768,825
Capital expense for Johannesburg Roads Agency financed by the City of Johannesburg Metropolitan Municipality	83,840,094	65,688,242
Gravel roads	216,369,060	147,385,742
Storm water	107,876,622	80,657,804
Traffic signals	61,811,686	58,743,928
Rehabilitation and reconstruction of roads	493,948,991	438,271,035
Cabling	15,986,670	14,731,641
Complete street	10,404,579	1,918,878
Equipment	10,855,850	11,291,710
	1,141,369,123	919,457,805

No trade and other receivables were pledged as security at 30 June 2016.

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5. TRADE AND OTHER RECEIVABLES (continued)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired.

At 30 June 2016, R 91,166,168 (30 June 2015: R 28 427 691) were 3 months past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	37,145,402	12,961,409
Over 2 months past due	15,005,593	935,559
Over 3 months and above	39,015,172	14,530,722
	<hr/>	<hr/>
	91,166,168	28,427,691

Trade and other receivables impaired

As of 30 June 2016, trade and other receivables of R 5 306 327 (30 June 2015: R 4 947 849) were impaired and provided for.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

The entity does not hold any collateral as security.

Reconciliation of allowance for bad debts

Opening balance	(4,947,849)	(4,947,849)
Increase in allowance for bad debts provision	(358,478)	-
	<hr/>	<hr/>
	(5,306,327)	(4,947,849)

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6. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit plan

The defined benefit plan is managed and provided by City of Johannesburg where the Johannesburg Roads Agency claims the funds used from City of Johannesburg

The plan is a post-employment medical benefit plan, post-retirement housing subsidy plan and post-retirement gratuity plan.

The actuarial valuation was performed for the year ended 30 June 2016 on the long term employee benefit liability with reference to GRAP 25.

Post-retirement benefit plan

6.1 Defined benefit plan

Employee benefit obligation

Post-retirement medical aid plan (6.1.1)	12,219,230	8,115,423
Post-retirement housing subsidy plan (6.1.2)	5,090,637	2,955,105
Post-retirement gratuity plan (6.1.3)	32,922,939	34,817,365
	50,232,806	45,887,893

Employee benefit (Notional Accounts)

Post-retirement medical aid plan (6.1.1)	26,558,167	25,620,586
Post-retirement gratuity plan (6.1.3)	30,647,383	32,884,900
	57,205,550	58,505,486

6.1.1 Post-retirement medical aid plan

Post-retirement liability account

Opening balance	8,115,423	25,779,000
Unrecognised Actuarial (gains)/ losses	4,136,744	(19,950,367)
Net expense recognised in the statement of financial performance	(32,937)	2,286,790
	12,219,230	8,115,423

(Net expense) / Surplus recognised in statement of financial performance

Current service cost	21,971	283,000
Interest cost	677,105	2,253,000
Benefits paid	(732,013)	-
Actuarial (gains)/ losses	4,136,743	(19,950,367)
	4,103,806	(17,414,367)

Notional loan account

Opening balance	25,620,586	24,412,599
Interest received	1,669,594	1,457,197
Benefits paid	(732,013)	(249,210)
	26,558,167	25,620,586

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Figures in Rand	2016	2015
6. EMPLOYEE BENEFIT OBLIGATIONS (continued)		
6.1.2 Post-retirement housing subsidy plan		
Post-retirement liability account		
Opening balance	2,955,105	974,000
Unrecognised Actuarial (gains)/ losses	1,741,419	1,862,105
Net expense recognised in the statement of financial performance	394,113	119,000
	5,090,637	2,955,105
Net expense recognised in the statement of financial performance		
Current service cost	143,604	31,000
Interest cost	250,509	88,000
Actuarial (gains) / losses	1,741,419	1,862,105
	2,135,532	1,981,105
6.1.3 Post-retirement gratuity plan		
Post-retirement liability account		
Opening balance	34,817,365	32,291,000
Benefits paid	(4,379,560)	(5,894,933)
Actuarial (gains)/ losses	(333,008)	5,670,298
Net effect recognised in the statement of financial performance/ interest cost	2,818,142	2,751,000
	32,922,939	34,817,365
Net expense recognised in the statement of financial performance		
Interest cost	2,818,143	2,751,000
Actuarial gain/ loss	(33,308)	5,670,298
	2,784,835	8,421,298
Notional loan account		
Opening balance	32,884,900	36,638,802
Interest received	2,142,043	2,141,031
Payments against account	(4,379,560)	(5,894,933)
	30,647,383	32,884,900

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6. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Key assumptions used

Assumptions used at the reporting date:

Actual return on plan assets (assumed prior year)	8.94 %	8.94 %
Discount rates used	8.85 %	8.48 %
Expected rate of return on assets (assumed prior year)	6.79 %	6.79 %
Salary inflation	7.48 %	7.15 %
Health care cost inflation rate	7.98 %	7.65 %
Maximum subsidy inflation rate	5.61 %	7.15 %
Net discount rate - health care cost inflation (PEMA)	0.81 %	0.77 %
Net discount rate - maximum subsidy inflation (PEMA)	3.07 %	1.24 %
Net discount rate - salary inflation (Housing & Gratuity)	1.28 %	1.24 %

The basis on which the variables have been determined are as follows:

Discount Rate. There is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefits payments. Current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

A discount rate of 8.85% per annum has been used. The corresponding index-linked yield at this term is 1.76%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2016. The rate is calculated by using a weighted average of yields for the four components of the total liability.

Health Care Cost Inflation Rate. A healthy care cost inflation rate of 7.98% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.48%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.81% which derives from $((1+8.85\%)/(1+7.98\%))-1$.

Salary Inflation rate. This assumption is required to reflect estimated future salaries of the lump sum gratuity beneficiaries. Housing subsidies are expected to increase in line with salary inflation. Salaries are expected to increase at a rate which is 1% above the long-term expected inflation assumption.

Maximum Subsidy Inflation Rate. The maximum amount is set at R 3 871 for the year ending 30 June 2017. The annual increases to this maximum amount are periodically specified by the local government bargaining council. The future salary inflation assumption of 7.48%, was set to be 1% above expected CPI inflation. Thus a maximum subsidy inflation assumption of 5.61% was assumed.

Demographics Assumptions:

Pre-retirement Mortality

SA 85-90, adjusted for female lives.

Post-retirement Mortality

PA (90)

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6. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Average Retirement Age

Normal retirement age is 65. It has been assumed that employees will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

Continuation of Membership

It has been assumed that 95% of in-service medical scheme members will remain on the Municipality's health care arrangement should they stay until retirement.

Family Profile (retirees)

It has been assumed that 95% of in-service members on a health care arrangement at retirement will be married at retirement. Further, it has been assumed that husbands will be five years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Housing Subsidy

It has been assumed that employees will receive the subsidy at retirement for a further ten years after retirement. However, in the absence of date-of-retirement, it has been assumed that beneficiaries will continue to receive the subsidy for an average remaining term of five years. The actuarial factors of mortality, subsidy escalation and discounting have been applied to this expected payment term.

PEMA Subsidy

It was assumed that the Municipality's health care arrangements and subsidy policy would remain. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue.

Plan Assets

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

Other assumptions

A one percentage point change in assumed cost trends rates would have the following effects:

	Change	Medical Aid R	Housing R	Housing R	% Change
Benefit inflation	+1%	775,454	409,897	3,026,080	7%
Benefit inflation	-1%	633,041	379,066	2,627,578	-7%
Discount rate	+1%	706,103	380,526	2,942,227	-7%
Discount rate	-1%	687,479	407,656	2,668,250	8%
Post retire mortality	-1yr	726,849	397,404	2,818,143	1%

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7. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	-	2,251
Bank balances	309,941,032	425,737,966
	309,941,032	425,740,217

No cash and cash equivalents were pledged as security at 30 June 2016

Bank Accounts of Johannesburg Road Agency as at 30 June 2016

- a) Standard Bank (Bank) Charges Account - balance 30 June 2016 R0.00 (30 June 2015: R 0.00)
- b) Standard Bank Trust Account - balance 30 June 2016 0.00 (30 June 2015 R0.00)
- c) Standard Bank Operating Account - balance 30 June 2016 R0.00 (30 June 2015: R0.00)
- d) Standard Bank Salaries Account - balance 30 June 2016 R0.00 (30 June 2015: R 0.00)
- e) City of Johannesburg Intercompany Sweeping Bank Account - balance 30 June 2016 R 297 080 778.65 (30 June 2015: R 425 737 966)
- f) Standard Bank Developers' Contribution Account - balance 30 June 2016 (R 12 860 253.07 (30 June 2015: R -)

Included in the Cash and Cash Equivalents is the Sweeping Bank Account with City of Johannesburg.

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8. PROPERTY PLANT AND EQUIPMENT

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17,293,715	-	17,293,715	17,293,715	-	17,293,715
Buildings	68,252,907	(12,894,923)	55,357,984	63,118,276	(11,587,676)	51,530,600
Plant and equipment	111,618,450	(72,715,695)	38,902,755	127,857,795	(74,012,695)	53,845,100
Furniture and fittings	13,361,265	(4,913,228)	8,448,037	14,861,277	(8,282,906)	6,578,371
Motor vehicles	44,748,904	(9,378,471)	35,370,433	22,005,011	(6,699,405)	15,305,606
Office equipment	7,107,622	(2,734,062)	4,373,560	7,826,239	(2,992,179)	4,834,060
Computer equipment	33,059,261	(17,082,848)	15,976,413	19,250,495	(10,706,421)	8,544,074
Assets WIP	2,389,319	-	2,389,319	1,592,709	-	1,592,709
Tools and loose gear	461,786	(398,971)	62,815	524,790	(473,371)	51,419
Total	298,293,229	(120,118,198)	178,175,031	274,330,307	(114,754,653)	159,575,654

Reconciliation of property plant and equipment - 30 June 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17,293,715	-	-	-	-	17,293,715
Buildings	51,530,600	5,134,631	-	-	(1,307,247)	55,357,984
Plant and equipment	53,845,100	4,722,060	(620,059)	-	(19,044,346)	38,902,755
Furniture and fittings	6,578,371	3,169,848	(217,586)	6,346	(1,088,942)	8,448,037
Motor vehicles	15,305,606	23,496,501	-	-	(3,431,674)	35,370,433
Office equipment	4,834,060	713,227	(88,260)	(6,346)	(1,079,121)	4,373,560
Computer equipment	8,544,074	12,809,456	(32,516)	1,592,709	(6,937,310)	15,976,413
Assets WIP	1,592,709	2,389,319	-	(1,592,709)	-	2,389,319
Tools and loose gear	51,419	-	(4)	-	11,400	62,815
	159,575,654	52,435,042	(958,425)	-	(32,877,240)	178,175,031

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8. PROPERTY PLANT AND EQUIPMENT (continued)

Reconciliation of property plant and equipment - 30 June 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Land	17,293,715	-	-	-	17,293,715
Land and buildings	46,502,792	6,189,590	-	(1,161,782)	51,530,600
Plant and equipment	56,422,556	16,650,482	(179,894)	(19,048,044)	53,845,100
Furniture and fittings	1,939,810	5,482,229	(2,377)	(841,291)	6,578,371
Motor vehicles	17,135,523	1,406,251	-	(3,236,168)	15,305,606
Office equipment	1,024,381	4,412,540	(95,301)	(507,560)	4,834,060
Computer equipment	6,194,969	6,858,546	(209,200)	(4,300,241)	8,544,074
Assets WIP	-	1,592,709	-	-	1,592,709
Tools and loose gear	39,750	37,769	-	(26,100)	51,419
	146,553,496	42,630,116	(486,772)	(29,121,186)	159,575,654

The following leased assets are included in Property, Plant and Equipment listed above

Assets subject to finance lease (Net carrying amount)

Plant and equipment	2,885,536	9,434,182
Motor vehicles	35,370,433	15,305,606
	38,255,969	24,739,788

The Johannesburg Roads Agency does not have any assets held as security, surety or pledge.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

Depreciation is provided on all property, plant and equipment other than freehold land and assets under construction, and commences when the assets are ready for its intended use. The useful life of items of property, plant and equipment have been assessed as follows:

Item	Average useful life (years)
Building	50
Plant and equipment	5
Furniture and fittings	6
Motor Vehicles	10
Office equipment	5
Computer equipment	3
Tools and loose gear	5

8.1 Change in accounting estimate

Depreciation	1,787,425	-
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Various movable assets and infrastructure assets with original remaining useful lives varying between 1-6 years have been revised in the beginning of the period to reflect a new depreciable amount and the actual pattern of service potential derived from these assets.

The effect on the current and future periods will be a decrease in the depreciation charge of R 1 087 131 in the current period and an equal increase in the depreciation charge of R 1 787 425 over the next period as per the above table.

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9. INTANGIBLE ASSETS

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	14,555,327	(13,445,179)	1,110,148	14,060,088	(11,996,744)	2,063,344
Intangible assets under development	23,172,045	-	23,172,045	15,231,097	-	15,231,097
Total	37,727,372	(13,445,179)	24,282,193	29,291,185	(11,996,744)	17,294,441

Reconciliation of intangible assets - 30 June 2016

	Opening balance	Additions	Amortisation	Total
Computer software	2,063,344	247,620	(1,200,816)	1,110,148
Intangible assets under development	15,231,097	7,940,948	-	23,172,045
	17,294,441	8,188,568	(1,200,816)	24,282,193

Reconciliation of intangible assets - 30 June 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	3,445,152	567,600	(48,028)	(1,901,380)	2,063,344
Intangible assets under development	-	15,231,097	-	-	15,231,097
	3,445,152	15,798,697	(48,028)	(1,901,380)	17,294,441

The Johannesburg Roads Agency does not have any intangible assets held as security, surety or pledge.

Other information

Intangible assets under development relates to the ring fenced SAP project which includes an amount of R 2 300 000 for SAP Preferred Card. The cost analysis and allocation of the project will be assessed on completion of the project. Management is in the process of customising the All in One SAP package to meet the business specific needs. The commitment amount of customisation cannot be quantified as at 30 June 2016.

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10. FINANCIAL INSTRUMENTS

Financial Assets 30 June 2016	0-30 Days	30-60 Days	60-90 Days	>90 Days	Total
Trade Receivables	441,219,685	37,145,402	15,005,593	39,015,172	532,385,852

Financial Liabilities 30 June 2016	0-30 Days	30-60 Days	60-90 Days	>90 Days	Total
Trade Payables	182,828,924	43,339,562	953,681	26,456,467	253,578,634

Financial Assets 30 June 2015	0-30 Days	30-60 Days	60-90 Days	>90 Days	Total
Trade Receivables	334,494,696	12,961,409	(109,792)	15,576,073	362,922,386

Financial Liabilities 30 June 2015	0-30 Days	30-60 Days	60-90 Days	>90 Days	Total
Trade Payables	39,134,017	240,769	980	58,255	39,434,021

Financial Assets	Carrying Amount 30 June 2016	Carrying Amount 30 June 2015	Fair Value 30 June 2016	Fair Value 30 June 2015
Receivables	535,301,644	446,358,562	524,207,262	442,772,311
Cash and cash equivalents	309,941,032	425,740,217	309,941,032	425,740,217
	845,242,676	872,098,779	834,148,294	868,512,528

Financial Liabilities	Carrying Amount 30 June 2016	Carrying Amount 30 June 2015	Fair Value 30 June 2016	Fair Value 30 June 2015
Payables	417,177,236	674,209,017	415,795,668	674,013,403
Provisions	50,364,353	29,099,578	50,364,353	29,099,578
Finance lease obligation	40,048,273	26,506,378	40,048,273	26,506,378
	507,589,862	729,814,973	506,208,294	729,619,359

30 June 2016

Financial Assets by category

The carrying amounts presented in the statement of financial position relate to the following categories of assets. The trade and other receivables under financial assets excludes non-financial assets such as prepayments, taxes:

	Loans and receivables	Total
Trade and other receivables	535,301,644	535,301,644
Cash and cash equivalents	309,941,032	309,941,032
	845,242,676	845,242,676

30 June 2015

	Loans and receivables	Total
Trade and other receivables	446,358,562	446,358,562
Cash and cash equivalents	425,740,217	425,740,217
	872,098,779	872,098,779

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10. FINANCIAL INSTRUMENTS (continued)

Financial Liabilities by category

The carrying amounts presented in the statement of financial position relate to the following category of liabilities. The trade and other payables under financial liabilities excludes non-financial liabilities such as amounts received in advance, staff costs:

30 June 2016	Amortised cost	Total
Trade and other payables	417,177,236	417,177,236
Provisions	50,364,353	50,364,353
Finance lease obligation	40,048,273	40,048,273
	507,589,862	507,589,862
<hr/>		
30 June 2015	Amortised cost	Total
Trade and other payables	674,209,017	674,209,017
Provisions	29,099,578	29,099,578
Finance lease obligation	26,506,378	26,506,378
	729,814,973	729,814,973

11. DEFERRED TAX

Deferred tax asset/ (liability)

Fixed assets - owned and leased	10,711,671	6,927,141
Finance lease liabilities	(11,213,516)	(7,421,786)
Provision for legal claims	(7,741,703)	(8,147,882)
Provision for impairment of debtors	(1,482,057)	(1,381,934)
Provision for leave pay	(7,472,603)	(7,096,684)
Provision for bonuses	(6,360,315)	-
Retirement benefit liability	(14,065,186)	(12,848,610)
Retirement benefit asset	16,017,554	16,381,536
Discounted debtors	(1,620,655)	(1,004,150)
Discounted creditors	(386,839)	(54,772)
Provision for 13th cheque	(2,750,206)	(2,734,960)
Calculated loss	(10,686,681)	(30,660,349)
Deferred tax asset not recognised	37,050,536	48,042,450
	-	-

Recognition of deferred tax asset

No deferred tax asset was provided for due to the improbability of future taxable profits to offset these amounts.

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12. FINANCE LEASE OBLIGATION		
Minimum lease payments due		
- within one year	13,628,853	11,859,727
- in second to fifth year inclusive	35,768,261	18,865,744
- later than five years	119,621	934,354
	49,516,735	31,659,825
less: future finance charges	(9,468,462)	(5,153,447)
Present value of minimum lease payments	40,048,273	26,506,378
Present value of minimum lease payments due		
- within one year	11,508,334	10,519,708
- in second to fifth year inclusive	28,446,817	15,296,913
- later than five years	93,122	689,757
	40,048,273	26,506,378
Non-current liabilities	28,539,939	15,986,670
Current liabilities	11,508,334	10,519,708
	40,048,273	26,506,378

The average lease term is 3 years and the average effective borrowing rate is 10%.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

13. TRADE AND OTHER PAYABLES

Trade payables	189,158,515	129,668,071
Payments received in advance Jobbings	8,481,621	11,159,248
City of Johannesburg amount received in advance	1,056,832	89,285,538
Accrued leave pay	27,080,849	25,345,299
Accrued staff 13th cheque	9,822,163	9,767,715
Retentions	117,818,553	66,103,609
Payroll accruals	1,503,624	4,120,973
Donations	-	223,500
Capital creditors and accruals	195,956,690	235,623,952
Logged payments	903,349	4,071,505
Value Added Tax (VAT)	48,400,156	72,859,765
Related party payables	24,629,418	25,979,838
Fair value adjustments to payables	(1,381,568)	(195,614)
	623,430,202	674,013,399

Analysis of Related Party Creditors

Gross Related Party Creditors	(24,629,418)	(26,008,398)
Capital Creditors	2,697,045	24,512,931
Operating Creditors	21,932,373	1,495,467
	-	-

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14. PROVISIONS

Reconciliation of provisions - 30 June 2016

	Opening Balance	Additions	Amount utilised/ reversed during the year	Total
Legal claims	29,099,578	2,508,545	(3,959,182)	27,648,941
Performance Bonus	-	22,715,412	-	22,715,412
	29,099,578	25,223,957	(3,959,182)	50,364,353

Reconciliation of provisions - 30 June 2015

	Opening Balance	Utilised during the year	Reversed during the year	Total
Legal proceedings	29,349,578	(250,000)	-	29,099,578
Performance Bonus	10,129,970	(8,081,532)	(2,048,438)	-
	39,479,548	(8,331,532)	(2,048,438)	29,099,578

The performance bonus provision raised at year end is paid based on the overall company performance. During the year the JRA Board received new information and decided to pay the performance bonus for the 2014/2015 financial year.

The legal claims provision relates to the litigation in progress that is likely to be paid by Johannesburg Road Agency based on the previous legal actions taken against the entity. The Legal claims emanates from supply chain related matters which occurred in the past and the employment related matters from former and current employees against JRA. The legal claims for on-going cases have been reassessed in the current year based on new developments in the cases.

15. SHARE CAPITAL

Authorised

1000 Ordinary shares of R1 each	1,000	1,000
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Reconciliation of number of shares issued:

Reported as at 01 July, 2015	1,000	1,000
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Issued

1000 Ordinary shares of R1 each	1,000	1,000
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16. CONTRIBUTION FROM OWNER		
Opening Balance	181,444,616	123,014,187
Contributions made	46,181,967	58,430,429
	227,626,583	181,444,616
<p>This is an investment from City of Johannesburg. The funding from the City of Johannesburg is utilised to purchase assets and fund other operating costs based on the budget allocation.</p>		
17. REVENUE		
Revenue arising from exchange transactions is as follows:		
Gautrans' maintenance fees	6,723,500	5,788,000
Asphalt sales & DCP Testing	1,053,956	768,814
Jobbings	56,815,354	18,754,029
Reinstatement Income and Wayleave Fees	21,270,416	11,572,762
Tender Deposits	2,573,177	2,612,885
Management fees	25,749,071	17,785,787
Fair value adjustment	(4,083,291)	(2,156,198)
Total revenue from exchange transaction	110,102,183	55,126,079
The amount included in revenue arising from non-exchange transactions is as follows:		
Developer's contribution	38,943,413	52,879,110
Subsidy - The City of Johannesburg Metropolitan Municipality	746,409,000	761,067,000
Total Revenue from non-exchange transactions	785,352,413	813,946,110
Total revenue	895,454,596	869,072,189
18. COST OF ROAD MAINTENANCE		
Services rendered		
Raw materials (Refer to Note 3.1)	66,308,550	50,639,814
Direct labour costs of road maintenance and related infrastructure (refer to note 21)	324,930,249	283,327,411
Direct expenses	160,537,311	111,671,120
	551,776,110	445,638,345
19. OTHER INCOME		
Rental income - Transport Department	3,637,224	3,263,135
Recoveries - Litigation and Provision on bad debts reversal	-	51,536,433
Training income	-	300,563
Recoveries - Logged payments, Fuel, other provision reversal	7,030,696	9,218,375
Insurance claims	9,958,488	10,875,747
	20,626,408	75,194,253

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20. OPERATING (DEFICIT) SURPLUS		
Operating (deficit) surplus of (R 32 320 045) for the year is stated after accounting for the following:		
Operating lease charges		
Equipment		
• Contractual amounts	208,066	223,031
Lease rentals on operating lease - Other		
• Contractual amounts	968,521	798,164
	1,176,587	1,021,195
Amortisation on intangible assets	1,200,816	1,901,380
Depreciation on property, plant and equipment	32,877,240	29,121,185
Employee costs	120,738,766	103,622,336
Employee Costs - Road maintenance and related infrastructure: refer to note 18	324,930,249	283,327,411
21. EMPLOYEE RELATED COSTS		
Employee related costs : Salaries and wages	68,126,294	63,199,075
Employee related costs : Interns stipend	3,466,794	1,884,712
Housing benefits and allowances	1,885,023	3,088,501
Bonus	22,855,974	(2,413,464)
Travel, motor car, accommodation, subsistence and other allowances	4,032,145	7,952,212
Unemployment Insurance Fund	436,557	571,456
Compensation for Occupational Injuries and Disease	3,244,000	2,239,850
Skills Development Levies	895,813	1,105,104
Pension and Leave	15,689,166	25,994,890
Long-service awards	107,000	-
	120,738,766	103,622,336
Remuneration of executive management		
Annual salary	9,331,063	8,180,009
Bonuses (Performance and Annual)	154,212	816,714
Allowances (Travel and Cellphone)	926,890	1,038,521
Contributions to UIF, Medical and Pension Funds	859,777	818,417
	11,271,942	10,853,661
Remuneration of non-executive directors		
Directors fees	1,638,332	1,353,830
Reconciliation of employee costs		
Employee costs -Road maintenance and related infrastructure (refer to note 18)	324,930,249	283,327,411
Employee costs - Indirect	120,738,766	103,622,336
	445,669,015	386,949,747

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22. INVESTMENT INCOME		
Interest income		
Bank and other intercompany interest	32,365,690	17,905,423
Fair value adjustments	1,881,487	2,744,165
	34,247,177	20,649,588
23. DEPRECIATION AND AMORTISATION		
Property plant and equipment	32,877,240	29,121,185
Intangible assets	1,200,816	1,901,380
	34,078,056	31,022,565
24. FINANCE COSTS		
Interest charged - Intercompany	3,745,757	5,375,000
Finance leases	2,123,568	2,637,757
Bank	8	1,122
Fair value adjustments on purchases	1,001,210	357,453
Fair value adjustments on payables	(2,187,163)	(197,959)
	4,683,380	8,173,373
25. TAXATION		
Major components of the tax expense		
Current		
Current tax expense	-	-
Deferred		
Deferred tax expense	-	-
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting (deficit) surplus	(2,756,248)	181,841,034
Tax at the applicable tax rate of 28% (2015: 28%)	771,749	50,915,490
Tax effect of expenses that are not deductible in determining taxable income:		
Depreciation on non-manufacturing buildings	366,029	325,299
Effect of previously and unused tax losses and deductible temporary difference now recognised as deferred tax assets	(1,137,778)	(51,240,789)
Income tax expense	-	-
No provision has been made for 2016 tax as the entity applied the Section 24C allowance, which allows the entity to deduct for future expenditure. The estimated tax loss available for set off against future taxable income is R - (2015: R -).		
26. AUDITORS' REMUNERATION		
Fees	2,188,523	2,138,318

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27. CASH (USED IN) GENERATED FROM OPERATIONS		
(Deficit) surplus	(2,756,248)	181,841,034
Adjustments for:		
Depreciation and amortisation	34,078,056	31,022,565
Finance costs - Finance leases	2,123,568	2,637,757
Movements in post retirement notional assets and liabilities	5,644,849	(10,610,222)
Movements in provisions	21,264,775	(10,379,970)
Loss on assets written off	-	534,800
Movement in shareholders loan	46,181,967	58,542,050
Assets purchased through finance lease	24,249,112	-
Other non-cash items (fair value adjustments)	205,816	(111,615)
Changes in working capital:		
Inventories	(22,331,970)	7,294,373
Trade and other receivables	(101,174,126)	106,464,041
Trade and other payables	(50,583,200)	31,067,247
	(43,097,401)	398,302,060

28. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and contracted for

• Authorised and contracted for (multi-year awards)	1,123,789,398	832,556,090
	-	-

This committed expenditure relates to JRA property plant and equipment and COJ Capex projects and will be financed by External Finance Funding (EFF), Capital Replacement Reserve (CRR) and Urban Settlement Development Grant (USDG), retained surpluses, existing cash resources, funds internally generated, shareholders loan etc. The 2016/2017 capital budget is R 1 439 941 000 compared to the 2015/2016 capital budget of R 1 340 000 000. The estimated capital budget for the 2017/2018 is R 1 148 295 000 and the 2018/2019 capital budget is R 1 008 100 000. The approved but not yet contracted for budget amount in the 2014/2015 financial year was R 582 684 910. The approved and not yet contracted for budget amount was not disclosed in the current year as the balance is not committed and does not add value to the disclosure note.

The authorised and committed for expenditure relates to property, plant and equipment and Capex projects contracts which have been awarded and the remaining balance after expenditure incurred being the committed amount. The purchase order amounts are committed where the contracted awarded is based on rates on an as and when basis. The amounts committed are inclusive of multi-year projects beyond the 2015/2016 financial year.

Operating leases - as lessee (Fleet)

Operating lease payments represent rentals payable by the entity according to the fleet lease agreement from the City of Johannesburg Metropolitan Municipality. The fleet lease is for 5 years or more and will expire in 2018/19 financial year.

Minimum lease payments due

- within one year	17,265,786	12,681,225
- in second to fifth year inclusive	8,002,663	14,587,001
	25,268,449	27,268,226

Operating leases – as lessee (Printers and Copiers)

Operating lease payments represent rentals payable by the entity according to the rental agreement. The entity is on the month to month lease term. No contingent rent is payable.

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29. CONTINGENCIES

Economic entity

Johannesburg Roads Agency (Proprietary) Limited

These are legal claims that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims succeed against the entity. No provision has been made as management believes the claims will not succeed. Refer to cases below:

Lucienne Nanetter Raab & Others v JRA & Others (The applicants for an order directing the respondents not to allow construction vehicle to gain access to a construction site from Fulwell road in Bryanston. The JRA has issued a way-leave to the developers to conduct the work.

Surprise Mbatha vs JRA. The Applicant has lodged an application for review to set aside the arbitration award to the effect that her dismissal not was substantively and procedurally unfair. Amount involved in the current year is not quantifiable.

Applemint vs JRA. JRA was served a letter of demand to do work on his property which has experienced a sinkhole as a result of the storm-water drain running through his property. Amount involved in the current year is not quantifiable.

Post-retirement medical aid benefits for certain former employees were withdrawn in 2015 financial year which resulted in significant reduction in the post-retirement medical aid liability. There is risk that the beneficiaries with withdrawn benefits might sue the entity as they have been members of the post-retirement medical aid for more than 10 years.

Legal claims - contingent Liabilities

Telkom SA SOC Ltd vs JRA (A special plea has been filed and awaiting the plaintiff to apply for a trial date herein)	24,999	24,999
Midnight Moon Trading (Pty) Ltd (Dispute on quality of work).	-	3,870,167
RCI Solutions V JRA - The plaintiff has served a letter of demand the JRA for payments on projects that they have worked on.	-	3,012,123
Bareki Management Consulting v JRA (The plaintiff issued summons for payment of an outstanding invoice issued on or about the 15th May, 2011.	-	159,373
Khumo ya Kgomotso v JRA (The plaintiff issued summons for the payment of an outstanding invoice.)	-	3,650,066
	24,999	10,716,728

Legal claims - Contingent Assets

The following were contingent assets for the year.

JRA vs Nomakhephu - The plaintiff issued summonses claiming services rendered for the provision of supply chain management services. He alleges that the JRA failed or refused to pay for services rendered. The assessment by JRA legal unit for winning the case is medium. Amount involved (R 316 926.27).

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30. RELATED PARTIES

Relationships	
Directors	Refer to Directors' report note
Ultimate controlling entity	The City of Johannesburg Metropolitan Municipality
Controlling entity	The City of Johannesburg Metropolitan Municipality
Other members of the group	City of Johannesburg Property Company (Pty) Ltd City Power Johannesburg (Pty) Ltd Johannesburg City Parks (Pty) Ltd Johannesburg Development Agency (Pty) Ltd Johannesburg Metropolitan Bus Services (Pty) Ltd Johannesburg Social Housing Company (Pty) Ltd Johannesburg Water (Pty) Ltd Pikitup Johannesburg (Pty) Ltd Johannesburg Civic Theatre (Pty) Ltd Johannesburg Fresh Produce Market (Pty) Ltd
Members of key management	Directors' remuneration

Related party balances

Amounts included in trade receivables regarding related parties

The City of Johannesburg Metropolitan Municipality	483,752,223	333,256,840
City Power Johannesburg SOC Ltd	336,191	14,090
Johannesburg Water SOC Ltd	9,527,736	3,150,114
Johannesburg City Parks and Zoo	918,948	80,940
Johannesburg Fresh Produce Market (Pty) Ltd	-	149,937
	494,535,098	336,651,921

Amounts included in trade payables regarding related parties

The City of Johannesburg Metropolitan Municipality	15,379,346	17,236,540
Johannesburg Water	10,244	2,156
Pikitup Johannesburg (Pty) Ltd	1,780,263	-
Johannesburg City Parks and Zoo	4,757,225	540,229
Johannesburg Development Agency	2,697,045	8,200,913
Johannesburg City Theatre	5,295	-
	24,629,418	25,979,838

Other related parties accounts

The City of Johannesburg Metropolitan Municipality - Equity	(227,626,583)	(181,444,616)
The City of Johannesburg Metropolitan Municipality - Post Retirement Benefits Notional Account	57,205,550	58,505,486
The City of Johannesburg Metropolitan Municipality - Specialised Vehicle Lease	(36,921,037)	(16,532,532)
The City of Johannesburg Metropolitan Municipality - amount received in advance	(1,056,831)	(89,285,538)
City of Johannesburg Metropolitan Municipality - Gratuity	1,418,177	4,617,378
The City of Johannesburg Metropolitan Municipality - Sweeping Bank Account (Cash and Cash Equivalents)	297,080,779	425,737,966
	90,100,055	201,598,144

Executive Management Salaries 30 June 2016

	Annual salary	Bonus	Allowances	Contributions	Total
Matsuma Samson Mohale - Head Corporate Services	1,102,939	-	136,080	77,271	1,316,290
Makhubela Thulani Sydney - Head Planning	1,053,419	-	139,920	104,434	1,297,773

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30. RELATED PARTIES (continued)					
Seadimo Sindane - Head: Regional Operations	1,313,237	-	7,920	14,996	1,336,153
White John Robert - Acting Head of Infrastructure Department (1/7/2015 - 30/4/2016)	637,321	12,782	70,880	121,544	842,527
Kau Mpho - Head of Infrastructure Department (from 1 May 2016)	161,019	-	25,320	9,391	195,730
Fikile Ramatseba - HOD: Performance Governance & IT, MD'S Office	1,179,690	-	67,920	112,694	1,360,304
Motsherane Lufuno - Acting Head Corporate Services (25 February 2016 - 30 June 2016)	377,080	-	26,640	61,745	465,465
Darryl Howard Thomas: Mobility and Freight	1,122,284	-	136,080	76,966	1,335,330
	6,946,989	12,782	610,760	579,041	8,149,572
Executive Management Salaries 30 June 2015	Annual Salary	Bonuses	Allowance s	Contributions	Total
Matsuma Samson Mohale - Head Corporate Services	1,029,024	71,381	136,080	73,438	1,309,923
Makhubela Thulani Sydney - Head Planning	982,841	92,871	139,920	98,596	1,314,228
Van Tonder Hendrik Johannes - Acting Head of Infrastructure Department to 31/1/2015	382,275	32,104	132,637	96,533	643,549
Fikile Ramatseba - HOD: Performance Governance & IT, MD'S Office (appointed February 2015)	430,267	-	53,300	66,945	550,512
Seadimo Sindane - Head: Regional Operations (appointed March 2015)	411,351	-	2,640	4,735	418,726
Darryl Howard Thomas: Mobility and Freight	1,045,887	156,148	136,080	75,319	1,413,434
	4,281,645	352,504	600,657	415,566	5,650,372

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30. RELATED PARTIES (continued)

Related party transactions

Income from related parties

The City of Johannesburg Metropolitan Municipality - Subsidies	746,409,000	761,067,000
The City of Johannesburg Metropolitan Municipality - Other	20,220,077	7,873,753
The City of Johannesburg Metropolitan Municipality - Interest from Sweeping Bank Account	28,520,590	20,649,588
The City of Johannesburg Metropolitan Municipality - Management Fees	25,749,071	17,785,787
City Power Johannesburg SOC Ltd	282,545	144,050
Johannesburg Water SOC Ltd	17,467,233	8,469,737
Johannesburg City Parks and Zoo	1,150,397	235,684
Johannesburg Fresh Produce Market (Pty) Ltd	1,097,690	131,524
	840,896,603	816,357,123

Purchases from related parties

The City of Johannesburg Metropolitan Municipality	24,037,228	26,695,484
Johannesburg Water SOC Ltd	6,803,904	20,917
Johannesburg City Parks and Zoo	4,498,970	2,452,528
Johannesburg City Theatres	31,750	52,632
City Power Johannesburg SOC Ltd	15,829,020	-
Pikitup Johannesburg (Pty) Ltd	1,514,983	-
	52,715,855	29,221,561

The entity had a timing difference in the recording of the expenditure transaction with City Power in the prior year of R 11 792 216.43.

Key management information

CLASS	DESCRIPTION	NUMBER
Non-executive board members	Excluding acting during the year	9
Independent audit committee members	Excluding acting during the year	3
Executive management	Excluding acting during the year	7

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31. DIRECTORS' EMOLUMENTS

Executive

30 June 2016

	Annual Salary	Bonuses	Allowances	Contributions	Total
Dr. S Phillips - Managing Director (appointed 1 May 2016)	284,484	-	61,610	44,459	390,553
GP Mbatha CA(SA) - Chief Financial Officer (CFO)	1,288,115	-	127,920	118,109	1,534,144
M Kau - Acting Managing Director (1 July 2015 to 30 April 2016)	811,475	141,430	126,600	118,167	1,197,672
	2,384,074	141,430	316,130	280,735	3,122,369

30 June 2015

	Annual Salary	Bonus	Allowances	Contributions	Total
S Macozoma - Managing Director (Resigned 30 April 2015)	1,794,188	343,528	137,820	123,031	2,398,567
GP Mbatha CA(SA) - Chief Financial Officer (CFO)	1,209,529	87,432	127,920	110,608	1,535,489
M Kau - Acting Managing Director (from 1 May 2015)	894,647	33,252	172,124	169,212	1,269,235
	3,898,364	464,212	437,864	402,851	5,203,291

Non-executive

30 June 2016

	Directors' fees	Total
J Manche (Chairperson)	225,882	225,882
M Ramasia	39,928	39,928
L Nxumalo	151,760	151,760
H Mashele	211,065	211,065
R Theunissen (Independent Audit Committee member)	62,744	62,744
L Mashamaite	249,850	249,850
A Torres	166,568	166,568
N Msezane	132,358	132,358
J Maina (resigned 29 June 2016)	88,988	88,988
P Govender (appointed 15 March 2016)	55,916	55,916
J Maboja (Independent Audit Committee member)	55,902	55,902
ES Ngomane	135,765	135,765
D Nyalunga (Independent Audit Committee Member)	61,606	61,606
	1,638,332	1,638,332

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31. DIRECTORS' EMOLUMENTS (continued) 30 June 2015

	Directors' fees	Total
J Manche (Chairperson)	88,988	88,988
M Ramasia	21,678	21,678
L Nxumalo	126,160	126,160
H Mashele	218,306	218,306
R Theunissen (Independent Audit Committee member)	69,442	69,442
L Mashamaite	224,601	224,601
SM Maimane	3,970	3,970
N Msezane	105,212	105,212
A Torres	158,278	158,278
J Maina	38,046	38,046
KC Shubane	103,666	103,666
J Maboja (Independent Audit Committee Member)	69,442	69,442
ES Ngomane	99,753	99,753
D Nyalunga	26,288	26,288
	1,353,830	1,353,830

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32. PRIOR PERIOD ERRORS

The prior period errors noted below are based on the changes made to enhance the Annual Financial Statements disclosure notes. The enhancements do not affect the Statement of Financial Position, Statement of Performance and the Cashflow Statement.

The prior period error on the disclosure notes arises from a decision taken by COJ Group Accounting to enhance the disclosure notes in the current financial year to ensure the relevance and reliability of the information presented in the annual financial statements.

The correction of the error(s) results in adjustments as follows:

Effect of changes:

Statement of Financial Position	Nil
Statement of Financial Performance	Nil
Statement of Cashflow	Nil

The correction of the error results in the restatement of comparative figures as follows - 30 June 2016

The Intercompany Sweeping bank account has always been disclosed as a normal balance and a decision was taken by COJ Group Accounting in the current financial year to disclose the balance as a Related Party. The effect of the change is only on the related party disclosure note. See below the effect of the change in the prior year.

Related Party Note 30: Intercompany Sweeping bank account

Detail	Balance previously reported	Prior period error	Restated Balance
Intercompany Sweeping Bank Account	-	425,737,966	425,737,966

The correction of the error results in the restatement of comparative figures as follows - 30 June 2016

The Interest from the Intercompany Sweeping Bank Account and the Management Fees has always been disclosed as normal income transactions and a decision was taken by COJ Group Accounting in the current financial year to disclose the income as a Related Party transaction. The effect of the change is only on the related party disclosure note. See below the effect of the change in the prior year.

Related Party Note 30: Interest on Intercompany Sweeping bank account and Management Fees

Detail	Income previously reported	Prior period error	Restated amount
Management Fees	-	17,785,787	17,785,787
Interest on Intercompany Sweeping Bank	-	20,649,588	20,649,588
	-	38,435,375	38,435,375

The correction of the error results in the restatement of comparative figures as follows - 30 June 2016

The Employee Benefit Asset has always been disclosed as a balance linked to the employee benefit obligation. A decision was taken by COJ Group Accounting in the current financial year to reclassify to Loan to Shareholder. The effect of the change does not change the fact that it is a notional account for the employee benefit asset which resulted from the initial recognition of the employee benefit obligation. See below the effect of the change in the prior year.

Loans to shareholder - Note 4

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32. PRIOR PERIOD ERRORS (continued)

Detail	Balance as previously reported	Prior period error	Restated Balance
Employee Benefit Asset	-	(58,505,487)	-
Loans to Shareholders - Employee Benefit Asset	-	58,505,487	58,505,487
	-	-	58,505,487

The correction of the error results in the restatement of comparative figures as follows - 30 June 2016

The Commitments Note has been enhanced in the current year to ensure proper disclosure of the committed amount. A decision was taken by COJ Group Accounting in the current financial year to not disclose the approved and not yet contracted for amount to provide a fair and more reliable presentation. The approved and not contracted for balance was only linked to one year's budget versus the committed amount contracted for over the period of two years. The effect of the change only affects the prior year disclosure note. See below the effect of the change in the prior year.

Commitments Note 28

Detail	Balance as previously reported	Prior period error	Restated Balance
Approved and not yet contracted for	582,684,910	582,684,910	-

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33. RISK MANAGEMENT

Financial risk management

The entity's activities expose it to a variety of financial risks arising from the use of financial instruments during the ordinary course of business. The entity does not speculate in the trading of derivative instruments.

Risks to which the entity is exposed to can be classified into the following major categories:

Liquidity risk

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

Interest rate risk

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

The entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk.

The entity's exposure to interest rate risk is limited, as the entity has no significant interest-bearing liabilities.

Interest rate sensitivity

The effect of a 1% change in interest rates on financial liability is presented below:

	Movement in interest rate (%)	Increase/(decrease) in deficit
30 June 2016		
Loans from shareholder	1	-
Loans from shareholder	(1)	-
	-	-
30 June 2015		
Loans from shareholder	1	-
Loans from shareholder	(1)	-
	-	-

Credit risk

Credit risk consists mainly of cash equivalents and trade debtors. The entity 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. Credit guarantee insurance is purchased when deemed appropriate.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

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34. GOING CONCERN

We draw attention to the fact that at 30 June 2016, the entity had accumulated surplus of R 164 071 186 (30 June 2015 accumulated surplus: R 166 827 430 and that the entity's total assets exceeds its liabilities by R 391,698,769 (30 June 2015: R 348 273 046).

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 entity 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 entity 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 entity. A letter of comfort is issued each year by the City of Johannesburg Metropolitan Municipality regarding the ability of the entity to carrying on as a going concern in the future.

35. EVENTS AFTER THE REPORTING DATE

Management is not aware of any matter or circumstance arising since the end of the financial year which will materially alter the report as submitted.

36. UNAUTHORISED EXPENDITURE

The entity did not have unauthorised expenditure in the current year.

37. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Companies House - CIPC penalty	1,000	-
Interest on Eskom account	4,981	-
Interest on Telkom account	47,259	9,038
Interest on late payment of Pension Fund contributions	-	2,140
Scholtz Attorneys - legal fees & interest	-	25,862
	53,240	37,040

Reconciliation

Opening balance	37,040	22,932
Fruitless and wasteful expenditure: condoned by council	(37,040)	(22,932)
Fruitless and wasteful expenditure: current year	53,240	37,040
	53,240	37,040

The entity incurred penalty on Companies House account of (R1 000) as at 30 June 2016 due to late submission on CIPC.

Interest charged on the Telkom account as at 30 June 2016 (R47 259) June 2015 (R 9 038) is due to late payments. The JRA officials had discussions with Telkom and half of the interest charged was reversed. No further engagements are in place. A new process is in place where invoices are electronically emailed by Telkom and a new payment process of the key accounts has been put in place in instances where invoices are received late.

Interest charged on the Eskom account as at 30 June 2016 (R 4 981) is due to late payments. Management had engagements with Eskom and more than half of the interest has been recovered. No further engagements are in place. Management has made arrangements to receive invoices electronically and measures are in place to pay suppliers in instances where invoices are received late. A new process is in place where a new payment process of the key accounts has been put in place which has curbed the interest charged by the key suppliers.

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38. IRREGULAR EXPENDITURE		
Reconciliation of irregular expenditure		
Ambassador Air - Expired contracts	-	91,310
Dakalo Cleaning Services - Services rendered with no contract in place	-	81,904
Document Warehouse - Expired contract	-	138,910
Rentokil - Expired contract	-	316,279
Metrofile - Transgressions of SCM procedures	6,927	31,053
Provox Centre for Public Relations	-	4,994
D & F Commodity Broking CC	-	92,280
Makhosi Engineers and Project Managers - Expired tax clearance certificate	281,664	-
Bolt & Engineering Distributors - missing documents for unsuccessful bidder	44,118	-
Xuma Technologies - missing documents for unsuccessful bidder	14,912	-
	347,621	756,730
Reconciliation of irregular expenditure		
Opening balance	756,730	3,636,537
Irregular expenditure: condoned by council	(756,730)	(3,636,537)
Irregular expenditure: current year	347,621	756,730
	347,621	756,730

Action taken by Management regarding irregular expenditure

A circular was issued to all staff on irregular expenditure advising that employees who cause the company to incur irregular expenditure will face disciplinary hearing. Condonation reports were required to be written by the relevant department citing the following: Background of the actions that led to irregular expenditure, actions taken against the employee or support in the form of education of SCM processes and the amount involved.

Irregular expenditure is not permitted and controls have been put in place to prevent, detect and correct any such transactions that might occur. Where irregular expenditure occurs, a condonation report is submitted. Irregular expenditure is reported to Executive Management Team, Audit Committee, the Board of Directors and the City of Johannesburg.

The contract was terminated and SCM processes were followed to appoint a new service provider during the year. The expenditure noted occurred during July 2015 and August 2015 while SCM was still in the process of appointing service providers.

Management is in the process of enhancing a demand plan for goods or services to improve the management and compliance with the supply chain regulations.

39. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same Gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he/she records the reasons for any deviations and reports them to the next meeting of the board and includes a note to the annual financial statements.

Emergency work was procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the board who considered them and subsequently approved the deviation from the normal supply chain management regulations.

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40. DEVIATION EXPENDITURE		
Reconciliation of Deviation expenditure		
Afhco Holdings - Impracticality - Afhco Holdings was the only supplier in the JRA Head Office vicinity to offer parking services in a radius of 500 meters.	107,010	-
Triakon Professional Engineering Services - Emergency - The collapse of stormwater manhole caused a sinkhole which imposed danger to the children and other people.	1,507,775	-
Ambassador Air - Emergency - appointment for the repairs of the air-conditioning system at JRA Head Office.	456,215	-
Ambassador Air Services (Pty) Ltd - Emergency - appointment for the repairs of the air-conditioning system at JRA Head Office.	881,870	-
Ambassador Air Services (Pty) Ltd - Emergency - appointment for the repairs of the air-conditioning system at JRA Head Office.	980,134	-
Egoli Gas - Emergency - Relocation of gas line on the Emmarentia dam wall which posed a safety threat.	664,984	-
Makhosi Engineers and Project Managers - Emergency - Health and safety threat at Asphalt Plant due to the emissions which resulted in air pollution	281,664	-
Best Enough Trading - Impracticality - Filling of a critical post (risk manager) whilst the tender process to appoint a panel was underway	193,778	-
SNA Civil Structural Engineering (Pty) Ltd - Emergency - Investigation into the collapse of the bridge support structure onto M1 Motorway at Grayston Drive.	1,195,500	-
Bowman Gilfillan - Impracticality - appointment for the legal services to respond to summons whilst tender process was underway	382,366	-
Manoti Building Construction cc - Emergency - Repairs of the cracked glass, sealing and installation of glass façade at the Johannesburg Roads Agency Head Office building.	427,230	-
Van Velden Duffey Incorporated - Impracticality - appointment for the legal services to respond to summons whilst tender process was underway	38,412	-
Game Shopping Centre - Impracticality - Purchase of long service awards vouchers from Game Stores for qualifying employees.	107,000	-
Dick King Lab Supplies (Pty) Ltd - Sole supplier - The Procurement of mould and plates for matest gyratory compactor from sole supplier.	29,725	-
Maverick Trading 59 cc - Emergency - Supply and delivery of non-metal products (KI Tops and Slabs) as a result of shortages experienced at the depots due to increased demand.	5,000,000	-
Triakon Engineering cc - Emergency stormwater and Gabion reinstatement at Wyoming Berario which posed safety risk and damages to infrastructure.	496,638	-
PWC Research Services (Pty) Ltd - Impracticality - Renewal of the Remchannel software which was developed by PWC and it was impractical to find a new provider to work on the Remchannel.	64,500	-
Gilcels Construction and Projects - Emergency admin block sewage line blockage at Hamburg depot.	6,000	-
Eskom Holdings - Sole supplier - Appointment for the re-routing of the electrical cables at the Nxumalo Bridge	3,875,931	-
Oracle Corporation -- Impracticality - Renewal of software licenses (Oracle) which is currently being used by JRA. It was impractical to find a new provider.	1,889,363	-
Community Advertiser CC T/A Cherry Apple Media - Impracticality - Cherry Apple Media was appointed to render services to the JRA for advert placement on specialised publications. The appointment was made whilst the tender process was being initiated.	1,003,606	-
South African Institute of Civil Engineering - Sole supplier - Appointment of South African Institute of Civil Engineering to provide an independent review and technical opinion:	57,000	-

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40. DEVIATION EXPENDITURE (continued)		
AECOM SA - Emergency appointment - Professional Services for the M1 Double Decker Viaduct in Johannesburg	-	119,708
ARQ CONSULTING Engineers - Emergency appointment - Professional Services for the M1 Double Decker Viaduct in Johannesburg	-	100,161
Thembakele Consulting Engineers - Emergency appointment - Professional Services for the Design & Construction monitoring of stormwater management system at David Street, Olivedale	-	767,495
SNA Civil Structural Engineers - Emergency appointment - Professional Services for Urgent repair work on the M1 Double Decker Bridge	-	7,881,500
Africa on Air, a Division of Prime Media - Sole provider - appointment of service provider in the electronic media to broadcast the Live Reads and adverts of the Citizen Pride Campaign	-	2,234,917
Otis Pty Ltd - Emergency appointment - The Upgrade of basement Elevator at JRA Head office	-	1,124,000
Egoli Gas - Sole supplier - Bulk Gas Supply to the Asphalt Plant	-	550,741
Gillcels Construction & Projects cc - Emergency appointment - Repairs to a Burst Pipe at the Laboratory – Main Ablution Facilities	-	4,200
Madisha and Associates cc - Emergency Appointment of Stormwater Project in Auckland Park Country Club, Culvert	-	825,203
Madisha and Associates cc - Emergency Appointment Stormwater Project in Auckland Park, BRT Wall	-	825,203
Lettam Building & Civils cc - Emergency Appointment – Remedial Interventions at Erven 98 & Rooiels Road, Sharonlea Extension 1	-	200,000
Molemo Consulting Engineers - Emergency Appointment – Stormwater Project in Surrey Road, Ferndale	-	959,955
Molemo Consulting Engineers - Emergency Appointment – Stormwater Project in Grosvenor Road, Bryanston	-	851,955
SAP - (Sole supplier - New accounting software)	-	17,414,232
Rodecon Engineering - Sole Supplier - Calibration of weighbridges at Asphalt Plant	-	148,392
AHI Carries SA - Emergency Appointment - Repairs of air-condition systems at JRA Head Office	-	10,436
Bizstrat Intelligent Business - Sole Supplier - Sole provider for the 5th Business continuity management disaster recovery and risk management conference	-	20,497
Document Warehouse - Sole Supplier - Storage facilities for JRA documents	-	411,064
Moodie & Robertson - Emergency appointment for legal services	-	50,000
	19,646,701	34,499,659

Africa Insight Com - Sole supplier - Procurement of insight JDE support for JRA's inventory management, JRA uses the JDE system as one of the ERP System for the Logistics management therefore due to the postponement of the migration to SAP - Appointment based on rates.

Wacker Neuson and Reef Chain Saw - sole provider of repairs and maintenance of all types of Wacker Neuson equipment - Appointment based on rates.

Project Portfolio Office - Sole supplier - Project portfolio office is currently used by infrastructure development department, the licenses were also issued to Planning when the system was initiated, ID further issued licenses to individuals within JRA to view information reported and recorded on PPO - Appointment based on rates.

Intervate Solution Pty (Ltd) - Sole supplier - Intervate Solution provides the Find and Fix app as well as the maintenance, support and licensing of the Find & Fix.

Detailed Income statement

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Gautrans' Maintenance Fees		6,723,500	5,788,000
Asphalt sales & DCP Testing		1,053,956	768,814
Jobbings		56,815,354	18,754,029
Reinstatements Income and Wayleave Fees		21,270,416	11,572,762
Tender deposits		2,573,177	2,612,885
Management Fees		25,749,071	17,785,787
Interest on fair value debtors		(4,083,291)	(2,156,198)
Developer's Contribution		38,943,413	52,879,110
City of Johannesburg subsidy		746,409,000	761,067,000
		895,454,596	869,072,189
Cost of road maintenance			
Opening stock		(18,772,002)	(29,569,388)
Purchases		(246,827,486)	(151,513,548)
Closing stock		38,753,627	18,772,002
Labour costs		(324,930,249)	(283,327,411)
	18	(551,776,110)	(445,638,345)
Gross surplus		343,678,486	423,433,844
Other income			
Rental income		3,637,224	3,263,135
Recoveries - Legal, provision for bad debts		-	51,536,433
Training income		-	300,563
Recoveries - Unallocated receipts, JPC, Fuel		7,030,696	9,218,375
Insurance claims		9,958,488	10,875,747
Interest received	22	34,247,177	20,649,588
		54,873,585	95,843,841
Expenses (Refer to page 73)		(396,624,939)	(329,263,278)
Operating surplus	20	1,927,132	190,014,407
Finance costs	24	(4,683,380)	(8,173,373)
(Deficit) surplus for the year		(2,756,248)	181,841,034

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Operating expenses

Advertising		(20,112,363)	(2,960,121)
Assets expensed		(958,422)	(534,798)
Auditors remuneration	26	(2,188,523)	(2,138,318)
Bank charges		(65,897)	(105,558)
Hostel charges		(1,202,064)	(1,265,264)
Conferences and seminars		(2,662,330)	(1,113,847)
Consulting and professional fees		(59,644,459)	(56,162,893)
Consumables		(4,893,023)	(3,432,822)
Call center services		(1,988,414)	(3,028,000)
Safety		(6,092)	(29,780)
Depreciation, amortisation and impairments		(34,078,056)	(31,022,565)
Directors and committee members' fees		(1,621,305)	(1,353,830)
Employee costs		(120,738,766)	(103,622,336)
Entertainment		(1,211,246)	(624,313)
Legal claims provision		(2,391,778)	-
Interest and penalties		(103,558)	(3,957)
General expenses		(736,649)	(587,063)
Bursaries and subsidies paid		(1,089,065)	(1,485,077)
IT expenses		(12,457,761)	(15,140,016)
Insurance		(16,109,954)	(12,110,519)
Lease rentals on operating lease		(1,176,587)	(1,021,195)
Legal expenses		(1,195,415)	(1,306,890)
Levies		-	12,983
Magazines, books and periodicals		(67,145)	(183,677)
Medical expenses		(135,138)	(43,158)
Printing and stationery		(4,772,625)	(3,909,247)
Promotions		(2,212,388)	(945,438)
Protective clothing		(5,627,261)	(2,087,883)
Repairs and maintenance		(17,633,193)	(12,920,799)
Security and Cleaning		(19,314,699)	(16,037,188)
License Expenses		(4,635,813)	(6,828,771)
Staff welfare		(541,604)	(71,703)
Subscriptions		(165,918)	(208,253)
Telephone and fax		(21,461,587)	(15,513,644)
Training		(3,573,030)	(3,560,101)
Travel - local		(675,497)	(586,871)
Utilities		(29,177,314)	(27,330,366)
		(396,624,939)	(329,263,278)