Johannesburg Roads Agency (SOC) Ltd
(Registration number 2000/028993/07)
Financial statements
for the year ended 30 June, 2017

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	S Tshabalala - Chairperson (Appointed March 2017) Dr. S Phillips - Managing Director GP Mbatha CA(SA) - Chief Financial Officer (CFO) L Mashamaite A Torres P Govender Q Buthelezi (Appointed March 2017) S Thunzi (Appointed March 2017) M Tshetshe (Appointed March 2017) T Magerman (Appointed March 2017) K Sihlali (Appointed March 2017) J Manche (Retired March 2017) L Nxumalo (Retired March 2017) H Mashele (Retired March 2017) N Msezane (Retired March 2017) E Ngomane (Retired March 2017)
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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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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
CIPC	Companies And Intellectual Property Commission
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 56 of 2003
USDG	Urban Settlement Development Grant
SOC	State Owned Company (SOC)
CoJ/ City	City of Johannesburg Metropolitan Municipality
VAT	Value Added Tax

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 financial statements and related financial information included in this report. It is the responsibility of the Directors to ensure that the 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 financial statements and were given unrestricted access to all financial records and related data.

The 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 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 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 financial statements. The financial statements have been examined by the entity's external auditors and their report is presented on page 4.

The financial statements set out on pages 4 to 72, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 November 2017 and were signed on its behalf by the Managing Director and the Chairperson of the Board:

GP Mbatha - Acting Managing Director	**S Tshabalala - Chairperson**

Director's Report

The directors submit their report for the year ended 30 June, 2017.

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 surplus of the entity for the year ended 30 June 2017 was R 37,815,732 (2016: deficit R 1,740,398), 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 2017/2018 financial year is R 1 098 102 000 and the approved capital budget for the 2017/2018 financial year is R 1 213 446 000.

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.

Dr Sean Phillips resigned as a managing director on the 8th of August 2017.

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 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.

Director's Report

8. BOARD

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

Name	Nationality	Changes
S Tshabalala - Chairperson (Appointed March 2017)	South African	
Dr. S Phillips - Managing Director	South African	
GP Mbatha CA(SA) - Chief Financial Officer (CFO)	South African	
L Mashamaite	South African	
A Torres	South African	
P Govender	South African	
Q Buthelezi (Appointed March 2017)	South African	
S Thunzi (Appointed March 2017)	South African	
M Tshetshe (Appointed March 2017)	South African	
T Magerman (Appointed March 2017)	South African	
K Sihlali (Appointed March 2017)	South African	
J Manche (Retired March 2017)	South African	
L Nxumalo (Retired March 2017)	South African	
H Mashele (Retired March 2017)	South African	
N Msezane (Retired March 2017)	South African	
E Ngomane (Retired March 2017)	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. CORPORATE GOVERNANCE

General

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

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The board discuss the responsibilities of management in this respect, at Board meetings and monitor the entity's compliance with the code on a three monthly basis.

The salient features of the entity's adoption of the Code is outlined below:

Director's Report

Board of directors

The Board:
- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code; and
  - executive directors.
- has established a Board directorship continuity programme.

Chairperson and chief executive

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

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

Remuneration

The upper limits of the remuneration of the Chief Executive Officer, and the Chief Financial Officer, who are the only two executive directors of the entity, are determined by the Parent entity, and the board will determine the remuneration within the above mentioned limits.

Executive meetings

The board has met on 6 separate occasions during the financial year. The board schedules to meet at least 4 times per annum.

Non-executive directors have access to all members of management of the entity.

Audit and risk committee

For the first 8 months of the current financial year the chairperson of the audit committee was Mr H Mashele (non executive director) and for the remaining 4 months it was Mr A Torres, who is non executive director. The committee met 6 times during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, City of Johannesburg Metropolitan Municipality, as a parent municipality, must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that parent municipalities should appoint further members of the entity's audit committees who are not directors of the municipal entity onto the audit committee. Despite the latter, City of Johannesburg Metropolitan Municipality, as a parent municipality, was satisfied that the Audit Committee of the entity then, constituted by the non-executive directors was properly constituted to fulfil its role and advise the Board of its responsibilities as provided in Section 166 of the Municipal Finance Management Act.

Internal audit

The entity co-sourced part of its internal audit function to a panel of internal audit firms. as the internal auditors. This is in compliance with the Municipal Finance Management Act, 2003.

11. CONTROLLING ENTITY

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

Director's Report

12. 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 2017, 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 2017 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.

13. BANKERS

Standard Bank Limited.

14. AUDITORS

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

15. MEETINGS

Six (6) Board meetings, Six (6) Audit and Finance, four (4) Risk and IT, four (4) Service Delivery and six (6) Remuneration Social and Ethics Committee meetings were held during the period 1 July 2016 to 30 June 2017.

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 2017, 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.

p.p.

Karen Mills
Company Secretary

Statement of Financial Position as at 30 June, 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	3	48,626,166	42,224,159
Loans to shareholders (Sweeping account)	4	285,437,633	297,080,779
Trade and other receivables	6	710,252,229	549,734,492
Cash and cash equivalents	8	57,192,770	12,860,253
		1,101,508,798	**901,899,683**
Non-Current Assets			
Property plant and equipment	9	193,693,915	178,175,031
Intangible assets	10	23,793,567	24,282,194
Loans to shareholders (Employee benefit)	4	56,374,290	57,205,551
		273,861,772	**259,662,776**
Total Assets		**1,375,370,570**	**1,161,562,459**
Liabilities			
Current Liabilities			
Current tax payable	5	5,262,288	-
Finance lease obligation	13	7,999,642	11,508,334
Trade and other payables	14	750,029,753	609,177,515
Provisions	15	40,929,102	50,364,353
		804,220,785	**671,050,202**
Non-Current Liabilities			
Finance lease obligation	13	21,211,169	28,539,939
Employee benefit obligation	7	46,568,638	50,232,806
		67,779,807	**78,772,745**
Total Liabilities		**872,000,592**	**749,822,947**
Net Assets		**503,369,978**	**411,739,512**
Share capital	16	1,000	1,000
Reserves			
Contribution from owner	17	281,441,315	227,626,583
Accumulated surplus		221,927,663	184,111,929
Total Net Assets		**503,369,978**	**411,739,512**

* See Note 34 & 33

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue	18	989,985,637	899,537,887
Cost of road maintenance	19	(524,328,978)	(551,776,110)
Gross surplus		**465,656,659**	**347,761,777**
Other income	20	12,027,562	20,626,408
Operating expenses	43	(445,661,797)	(396,624,940)
Operating surplus (deficit)	21	**32,022,424**	**(28,236,755)**
Investment income	23	18,721,151	32,365,690
Finance costs	25	(7,665,555)	(5,869,333)
Surplus (deficit) before taxation		**43,078,020**	**(1,740,398)**
Taxation	26	(5,262,288)	-
Surplus (deficit) for the year		**37,815,732**	**(1,740,398)**

* See Note 34 & 33

Statement of Changes in Net Assets

Figures in Rand	Share capital	Contribution from owner	Accumulated surplus	Total net assets
Restated* Balance at 01 July, 2015	**1,000**	**181,444,616**	**185,852,327**	**367,297,943**
Changes in net assets				
Surplus for the year	-	-	(1,740,398)	(1,740,398)
Assets financed through COJ	-	46,181,967	-	46,181,967
Total changes	-	46,181,967	(1,740,398)	44,441,569
Opening balance as previously reported	1,000	227,626,583	164,071,186	391,698,769
Adjustments				
Correction of errors	-	-	20,040,745	20,040,745
Restated* Balance at 01 July, 2016 as restated*	**1,000**	**227,626,583**	**184,111,931**	**411,739,514**
Changes in net assets				
Surplus for the year	-	-	37,815,732	37,815,732
Assets financed through COJ	-	53,814,732	-	53,814,732
Total changes	-	53,814,732	37,815,732	91,630,464
Balance at 30 June, 2017	**1,000**	**281,441,315**	**221,927,663**	**503,369,978**
Note(s)	16	17		

* See Note 34 & 33

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Subsidies and other		841,495,462	813,202,113
Interest income		12,846,068	28,520,590
		854,341,530	841,722,703
Payments			
Suppliers and employees		(741,337,568)	(756,162,908)
Finance costs		(9)	(8)
		(741,337,577)	(756,162,916)
Net cash flows from operating activities	28	**113,003,953**	**85,559,787**
Cash flows from investing activities			
Purchase of property plant and equipment	9	(53,872,428)	(52,435,042)
Purchase of other intangible assets	10	(12,297)	(8,188,569)
Net cash flows from investing activities		**(53,884,725)**	**(60,623,611)**
Cash flows from financing activities			
Finance lease payments		(14,786,711)	(12,078,174)
Net (decrease)/ increase in cash and cash equivalents		**44,332,517**	**12,858,002**
Cash and cash equivalents at the beginning of the year		12,860,253	2,251
Cash and cash equivalents at the end of the year	8	**57,192,770**	**12,860,253**

* See Note 34 & 33

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Adjusted Budget	Actual amounts on comparable basis	Difference between final budget and actual	
Statement of Financial Performance						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Gautrans maintenance fees	10,439,622	378	**10,440,000**	6,040,000	**(4,400,000)**	
Asphalt Sales	166,232	(232)	**166,000**	1,505,400	**1,339,400**	
Jobbings	35,639,326	(10,000,326)	**25,639,000**	34,842,269	**9,203,269**	1
Reinstatement income and Wayleave fees	23,786,899	(899)	**23,786,000**	29,342,942	**5,556,942**	2
Tender deposits	1,445,231	(231)	**1,445,000**	891,782	**(553,218)**	
Management fees	33,448,525	475	**33,449,000**	30,990,112	**(2,458,888)**	
Rental income	3,851,833	167	**3,852,000**	4,011,438	**159,438**	
Other income	8,413,951	49	**8,414,000**	5,209,920	**(3,204,080)**	
Insurance claims income	13,151,861	(4,399,861)	**8,752,000**	2,806,204	**(5,945,796)**	3
Interest received	-	-	**-**	18,721,151	**18,721,151**	4
Total revenue from exchange transactions	**130,343,480**	**(14,400,480)**	**115,943,000**	**134,361,218**	**18,418,218**	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TRANSFER REVENUE						
Developers' contribution	42,656,520	480	**42,657,000**	69,599,132	**26,942,132**	5
Subsidy - The City of Johannesburg Metropolitan Municipality	711,192,000	105,582,000	**816,774,000**	816,774,000	**-**	
Total revenue from non-exchange transactions	**753,848,520**	**105,582,480**	**859,431,000**	**886,373,132**	**26,942,132**	
Total revenue	**884,192,000**	**91,182,000**	**975,374,000**	**1,020,734,350**	**45,360,350**	
EXPENDITURE						
Employee related costs	(483,571,000)	(28,182,000)	**(511,753,000)**	(485,831,301)	**25,921,699**	6
Depreciation and amortisation	(36,002,000)	(3,000,000)	**(39,002,000)**	(37,838,266)	**1,163,734**	
Repairs and maintenance (property, plant and equipment)	(19,346,000)	-	**(19,346,000)**	(9,720,582)	**9,625,418**	7
Contracted services, Material costs - Cost of road maintenance	(172,544,000)	(22,769,000)	**(195,313,000)**	(211,712,379)	**(16,399,379)**	8
General Expenses	(172,729,000)	(37,231,000)	**(209,960,000)**	(232,553,802)	**(22,593,802)**	9
Total expenditure	**(884,192,000)**	**(91,182,000)**	**(975,374,000)**	**(977,656,330)**	**(2,282,330)**	
Surplus before taxation	**-**	**-**	**-**	**43,078,020**	**43,078,020**	
Taxation	-	-	**-**	5,262,288	**5,262,288**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**37,815,732**	**37,815,732**	

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 actual amounts as at 30 June 2017 and the 2016/2017 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. Reinstatements actual is above the budgeted amount due to increased demand during the year.

3. Insurance claims income is received for claims submitted in relation to damaged traffic signals, lost assets and other insured items.

4. The interest received during the year is due to the favourable bank balance which resulted in interest income being earned on the Loans to Shareholders (Sweeping bank account) and Developers' contribution bank account. Interest is not budgeted for by the entity.

5. 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 additional income more than the budgeted amount.

6. The actual employee costs were below budget for the year mainly due to the new posts approved during the adjustment budget period which the recruitment process has been performed progressively towards the year-end. The appointments were not all finalised by the end of the financial year and will only be finalised in the 2017/2018 financial year. The entity had a recovery of labour costs for the Resurfacing Department (RSD) depot which carries out capital projects on behalf of the City.

7. Repairs and Maintenance is under budget for the year as a result of limited repairs and maintenance work performed during the year due to the entity's decision to relocate the Head Office in the foreseeable future (the repairs and maintenance excludes infrastructure assets).

8. The actual Cost of Road Maintenance was over budget due to the more work performed on capex projects such as recabling and the joint works on traffic signals which was implemented during the year.

9. The over budget in the General Expenses mainly relate to the increase in insurance premiums and the provision for bad debts during the year.

Accounting policies

1. Presentation of Financial Statements

The 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 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 financial statements, are disclosed below.

1.1 Going concern assumption

These 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 financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 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

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

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.

Taxation

Accounting policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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 7.

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 15 - 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 with GRAP which is applicable on the accrual basis of accounting.

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.

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.

Accounting policies

1.3 Property plant and equipment (continued)

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.

Accounting policies

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.

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

Accounting policies

1.4 Intangible assets (continued)

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

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.

Accounting policies

1.5 Financial instruments (continued)

Loans to (from) shareholder

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.

Loan to shareholder

These financial assets are classified as loans and receivables.

Receivables from exchange transactions

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. 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 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 cost.

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 of all risks and rewards of the asset, but has transferred control of the asset.

Accounting policies

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.

Accounting policies

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.

Accounting policies

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.

Accounting policies

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 30.

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.

Accounting policies

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.

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

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

1.12 Revenue from exchange transactions (continued)

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.

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 the parent (CoJ) or 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.

Accounting policies

1.13 Revenue from non-exchange transactions (continued)

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, which-ever is earlier.

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

Other grants and donations

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

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

1.14 Value Added Tax (VAT)

The JRA (SOC) Ltd 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 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.

Accounting policies

1.17 Comparative figures

Where necessary comparative figures have been restated 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.

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 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 financial statements are disclosed in the relevant sections of the 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.

Accounting policies

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.

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 1/07/2016 to 30/06/2017.

The 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.

Accounting policies

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.

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.

2. NEW/ REVISED STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

No Standards or Interpretations were adopted in the current year.

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. No effective date has been determined by the Minister of Finance: The Standards have not been adopted in the current year.

Standard/ Interpretation:
GRAP 20 - Related Party Disclosures
GRAP 32 - Service Concession Arrangements: Grantor
GRAP 34 - Separate Financial Statements
GRAP 35 - Consolidated Financial Statements
GRAP 36 - Investments in Associates and Joint Ventures
GRAP 37 - Joint Arrangements
GRAP 38 - Disclosure of Interests in Other Entities
GRAP 108 - Statutory Receivables
GRAP 109 - Accounting by Principals and Agents
GRAP 110 - Living and Non-living Resources

Notes to the annual financial statements

Figures in Rand	2017	2016

3. INVENTORIES

Inventories	44,151,172	38,753,627
Consumable stores	5,000,128	6,134,815
	49,151,300	44,888,442
Provision for slow-moving and obsolete inventory	(525,134)	(2,664,283)
	48,626,166	**42,224,159**

Detailed Inventory types		
Traffic signal equipment (cables, controllers, LED's.)	16,207,954	18,820,610
Raw material (sand and stone)	3,204,434	1,228,377
Road maintenance (kerbs, concrete products, polymer concrete.)	22,789,956	15,559,464
Other Material	1,948,828	3,145,176
	44,151,172	**38,753,627**

3.1 Cost of inventory expensed

Inventories recognised as an expense during the year (Refer to note 19)	61,749,292	66,308,550

The JRA inventory includes stock for repairs and maintenance, work done for third parties and work for capital projects performed on behalf of the City of Johannesburg Metropolitan Municipality.

The Johannesburg Roads Agency (SOC) Ltd 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).	56,374,290	57,205,551
City of Johannesburg Metropolitan Municipality - Sweeping Account (The loan represents a treasury loan account. The loan is unsecured and interest is accrued monthly. This account is swept on a daily basis. The interest rate varies on a daily basis based on a call rate quoted by the City of Johannesburg Metropolitan banker).	285,437,633	297,080,779
	341,811,923	**354,286,330**

The terms and conditions of the loans remained the same during the year.

Non-current assets	56,374,290	57,205,551
Current assets	285,437,633	297,080,779
	341,811,923	**354,286,330**

Notional loans

Loans at beginning of the year	57,205,551	58,505,486
Interest received	4,078,570	3,811,638
Benefits paid	(4,909,831)	(5,111,573)
	56,374,290	**57,205,551**

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

Sweeping account

Figures in Rand	2017	2016

4. LOANS TO SHAREHOLDER (continued)

Loan at beginning of the year	297,080,779	425,737,966
Net movement for the year (receipts and payments)	(24,489,214)	(157,177,777)
Interest received	12,846,068	28,520,590
	285,437,633	**297,080,779**

The sweeping account represents cash that is swept on a daily basis as per the sweeping arrangement with the City of Johannesburg Metropolitan Municipality. The sweeping account has previously been disclosed as cash and cash equivalents in past years and was reclassified as loans to shareholders in the current financial year.

5. CURRENT TAX PAYABLE

The current tax payable of R 5 262 282 is as a result of tax for prior periods recognised in the current year after the prior years tax assessments.

Notes to the annual financial statements

Figures in Rand	2017	2016

6. TRADE AND OTHER RECEIVABLES

Trade receivables	39,128,358	40,766,546
SANRAL - Prepayment	1,056,831	1,056,831
Eskom deposit	225,724	150,000
Interest receivable	270,720	33,463
SARS Receivable	3,782,045	3,782,045
Prepayments - licenses	864,391	1,623,650
Developers Contribution WIP	10,125,234	10,125,234
Allowance for bad debts	(37,049,298)	(5,306,327)
Sundry debtors	244,610	-
Staff debtors - subsidised education	5,073,726	2,967,952
Related party receivables	686,529,888	494,535,098
	710,252,229	**549,734,492**

5.1 Analysis of Receivables

Gross receivables	747,299,861	555,040,819
Allowance for bad debts	(37,047,632)	(5,306,327)
	710,252,229	**549,734,492**

Analysis of related party debtors

Gross related party receivables	686,529,888	494,535,098
Capital debtors	(659,451,905)	(454,981,116)
Operating debtors	(27,077,983)	(39,553,982)
	-	-

5.2 City of Johannesburg Metropolitan Municipality Claims - (CAPEX Projects)

Capital expenditure (refer to 5.3)	1,307,399,830	1,141,369,123
USDG Amounts Claimed	(379,657,830)	(260,578,847)
City of Johannesburg Amounts Claimed	(927,742,000)	(880,790,276)
	-	-

5.3 Capital expenditure

Bridges	120,726,796	140,275,571
Capital expense for Johannesburg Roads Agency financed by the City of Johannesburg Metropolitan Municipality	19,190,400	83,840,094
Gravel roads	336,637,669	216,369,060
Storm water	128,542,105	107,876,622
Traffic signals	63,488,203	61,811,686
Rehabilitation and reconstruction of roads	539,035,377	493,948,991
Cabling	15,153,564	15,986,670
Complete street	42,435,880	10,404,579
Equipment	42,189,836	10,855,850
	1,307,399,830	**1,141,369,123**

No trade and other receivables were pledged as security at 30 June 2017.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due date are not considered to be impaired.
At 30 June, 2017, R 175,983,596 (30 June 2016: R 91 166 168) were 3 months past due date but not impaired.

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

Figures in Rand	2017	2016

6. TRADE AND OTHER RECEIVABLES (continued)

1 month past due	38,224,351	37,145,402
Over 2 months past due	30,160,952	15,005,593
Over 3 months and above	107,598,293	39,015,172
	175,983,596	91,166,168

Trade and other receivables impaired

As of 30 June, 2017, trade and other receivables of R 37 047 632 (30 June 2016: R 5 306 327) 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	(5,306,327)	(4,947,849)
Increase in allowance for bad debts provision	(31,741,305)	(358,478)
	(37,047,632)	**(5,306,327)**

Debtor Type	Gross amount	Allowance for bad debts	Total
Trade receivables	39,128,358	(35,514,458)	3,613,900
SARS Receivable	3,782,045	(1,533,174)	2,248,871

Notes to the annual financial statements

Figures in Rand	2017	2016

7. 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 2017 on the long term employee benefit liability with reference to GRAP 25.

Post-retirement benefit plan

6.1 Defined benefit plan

	2017	2016
Employee benefit obligation		
Post-retirement medical aid plan (6.1.1)	11,070,220	12,219,230
Post-retirement housing subsidy plan (6.1.2)	5,468,231	5,090,637
Post-retirement gratuity plan (6.1.3)	30,030,072	32,922,939
	46,568,523	**50,232,806**

	2017	2016
Employee benefit (Notional Accounts)		
Post-retirement medical aid plan (6.1.1)	27,649,811	26,558,167
Post-retirement gratuity plan (6.1.3)	28,724,479	30,647,383
	56,374,290	**57,205,550**

6.1.1 Post-retirement medical aid plan

Post-retirement liability account

	2017	2016
Opening balance	12,219,230	8,115,423
Unrecognised Actuarial (gains)/ losses	(1,343,727)	4,136,744
Net expense recognised in the statement of financial performance	194,717	(32,937)
	11,070,220	**12,219,230**

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

	2017	2016
Current service cost	-	21,971
Interest cost	1,047,633	677,105
Benefits paid	(852,916)	(732,013)
Actuarial (gains)/ losses	(1,343,727)	4,136,743
	(1,149,010)	**4,103,806**

Notional loan account

	2017	2016
Opening balance	26,558,167	25,620,586
Interest received	1,944,560	1,669,594
Benefits paid	(852,916)	(732,013)
	27,649,811	**26,558,167**

Notes to the annual financial statements

Figures in Rand	2017	2016

7. EMPLOYEE BENEFIT OBLIGATIONS (continued)

6.1.2 Post-retirement housing subsidy plan

Post-retirement liability account

Opening balance	5,090,637	2,955,105
Unrecognised Actuarial (gains)/ losses	(339,875)	1,741,419
Net expense recognised in the statement of financial performance	717,469	394,113
	5,468,231	**5,090,637**

Net expense recognised in the statement of financial performance

Current service cost	266,757	143,604
Interest cost	450,712	250,509
Actuarial (gains) / losses	(339,875)	1,741,419
	377,594	**2,135,532**

6.1.3 Post-retirement gratuity plan

Post-retirement liability account

Opening balance	32,922,939	34,817,365
Benefits paid	(4,056,915)	(4,379,560)
Actuarial (gains)/ losses	(1,653,682)	(333,008)
Net effect recognised in the statement of financial performance/ interest cost	2,817,730	2,818,142
	30,030,072	**32,922,939**

Net expense recognised in the statement of financial performance

Interest cost	2,817,730	2,818,143
Actuarial gain/ loss	(1,653,682)	(33,308)
	1,164,048	**2,784,835**

Notional loan account

Opening balance	30,647,383	32,884,900
Interest received	2,134,010	2,142,043
Payments against account	(4,056,915)	(4,379,560)
	28,724,478	**30,647,383**

Notes to the annual financial statements

Figures in Rand	2017	2016

7. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Key assumptions used

Assumptions used at the reporting date:

Actual return on plan assets (assumed prior year)	- %	8.94 %
Discount rates used	8.90 %	8.85 %
Expected rate of return on assets (assumed prior year)	- %	6.79 %
Salary inflation	6.71 %	7.48 %
Health care cost inflation rate	7.21 %	7.98 %
Maximum subsidy inflation rate	5.03 %	5.61 %
Net discount rate - health care cost inflation (PEMA)	1.58 %	0.81 %
Net discount rate - maximum subsidy inflation (PEMA)	3.68 %	3.07 %
Net discount rate - salary inflation (Housing & Gratuity)	2.05 %	1.28 %

Key Demographic Assumptions

Table below summarises the key demographic assumptions used.

Assumption	**Value**	**Value**	
Average retirement age	63	63	
Continuation of PEMA subsidy at retirement	95%	95%	
Proportion married at retirement	95%	95%	
Mortality during employment	SA 85-90		
Balance of PEH subsidy payment term - 5 years for former employees; 10 years after retirement for current employees			
Mortality post-retirement	PA(90)	6	
Withdrawal from service (sample annual rates)	Age	Females	Males
	20	10%	12%
	30	9%	5%
	40	5%	2%
	50	1%	1%
	>65	0%	0%

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

7. EMPLOYEE BENEFIT OBLIGATIONS (continued)

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 8.90% per annum has been used. The corresponding index-linked yield at this term is 2.54%. 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 2017.

The rate is calculated by using a weighted average of yields for the three components of the total liability.Each component's fixed-interest and index-linked yield was taken from the JSE (Best Decency) Zero Coupon bond yield curve at that component's duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield). The durations and yields for the components are set out below.

Health Care Cost Inflation Rate. A healthy care cost inflation rate of 7.21% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.71%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.58% which derives from ((1+8.90%)/(1+7.21%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2018.

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 3 942.23 for the year ending 30 June 2018. The annual increases to this maximum amount are periodically specified by the Local Government Bargaining Council. The future salary inflation assumption of 6.71%, was set to be 1% above expected CPI inflation. Thus a maximum subsidy inflation assumption of 5.03% was assumed.

The next increase to the maximum subsidy was assumed to occur with effect from 1 July 2018.

Demographics Assumptions:
<u>Pre-retirement Mortality</u>
SA 85-90, adjusted for female lives.

<u>Post-retirement Mortality</u>
PA (90)

7. 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 pensioners will receive the subsidy at retirement for a further ten years. However, in the absence of date-of-retirement data, 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 Roads's health care arrangements and subsidy policy would remain the same. 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 Roads's post-employment health care liability.

Other assumptions

Sensitivity Analysis

The liability at the Valuation Date was recalculated to show the effect of:
(i) A 1% increase and decrease in the assumed rate of benefit inflation;
(ii) A 1% increase and decrease in the discount rate; and
(iii) A one-year age reduction in the assumed rates of post-retirement mortality.

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

	Change	Medical Aid R	Housing	Gratuity	% Change
Benefit inflation	+1%	1,076,229	823,897	3,017,725	7%
Benefit inflation	-1%	1,010,925	627,336	2,633,416	-7%
Discount rate	+1%	1,068,246	676,218	2,935,360	-7%
Discount rate	-1%	1,019,607	762,682	2,676,042	8%
Post retire mortality	-1yr	1,086,008	723,278	2,817,730	1%

Notes to the annual financial statements

Figures in Rand	2017	2016

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Bank balances	57,192,770	12,860,253

No cash and cash equivalents were pledged as security at 30 June 2017

Bank Accounts of Johannesburg Road Agency as at 30 June 2017
a) Standard Bank (Bank) Charges Account - balance 30 June 2017 R0.00 (30 June 2016: R 0.00)
b) Standard Bank Trust Account - balance 30 June 2017 0.00 (30 June 2016 R0.00)
c) Standard Bank Operating Account - balance 30 June 2017 R0.00 (30 June 2016: R0.00)
d) Standard Bank Salaries Account - balance 30 June 2017 R0.00 (30 June 2016: R 0.00)
e) Standard Bank Developers' Contribution Account - balance 30 June 2017 (R 57 192 770 (30 June 2016: R 12 860 253)

Notes to the annual financial statements

Figures in Rand	2017	2016

9. PROPERTY PLANT AND EQUIPMENT

	2017			2016		
	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	69,549,724	(14,261,642)	55,288,082	68,252,907	(12,894,923)	55,357,984
Plant and equipment	157,149,799	(88,819,132)	68,330,667	114,007,769	(72,715,695)	41,292,074
Furniture and fittings	17,102,744	(7,248,614)	9,854,130	13,361,265	(4,913,228)	8,448,037
Motor vehicles	43,992,915	(17,016,750)	26,976,165	44,748,904	(9,378,471)	35,370,433
Office equipment	7,359,379	(3,937,372)	3,422,007	7,107,622	(2,734,062)	4,373,560
Computer equipment	38,518,790	(26,028,481)	12,490,309	33,059,261	(17,082,848)	15,976,413
Tools and loose gear	494,119	(455,279)	38,840	461,786	(398,971)	62,815
Total	**351,461,185**	**(157,767,270)**	**193,693,915**	**298,293,229**	**(120,118,198)**	**178,175,031**

Reconciliation of property plant and equipment - 30 June 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17,293,715	-	-	-	-	17,293,715
Buildings	55,357,984	1,296,819	-	(152)	(1,366,569)	55,288,082
Plant and equipment	41,292,074	43,247,079	-	100,119	(16,308,605)	68,330,667
Furniture and fittings	8,448,037	3,193,809	-	(125,735)	(1,661,981)	9,854,130
Motor vehicles	35,370,433	115,631	(832,211)	-	(7,677,688)	26,976,165
Office equipment	4,373,560	292,685	(2,902)	6,052	(1,247,388)	3,422,007
Computer equipment	15,976,413	5,726,405	(181,076)	14,520	(9,045,953)	12,490,309
Tools and loose gear	62,815	-	-	5,184	(29,159)	38,840
	178,175,031	**53,872,428**	**(1,016,189)**	**(12)**	**(37,337,343)**	**193,693,915**

9. PROPERTY PLANT AND EQUIPMENT (continued)

Reconciliation of property plant and equipment - 30 June 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17,293,715	-	-	-	-	17,293,715
Land and buildings	51,530,600	5,134,631	-	-	(1,307,247)	55,357,984
Plant and equipment	55,437,809	7,111,379	(620,059)	(1,592,709)	(19,044,346)	41,292,074
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
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**

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

Assets subject to finance lease (Net carrying amount)

	2017	2016
Plant and machinery	8,637	2,885,536
Motor vehicles	26,976,165	35,370,433
	26,984,802	**38,255,969**

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

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment	2017	2016
Plant and machinery - Asphalt Plant	33,730,436	-
Other property, plant and equipment - Waste Management Facilities	1,939,319	1,939,319
	35,669,755	**1,939,319**

	2017	2016
Waste Management Facilities The project budget has been moved forward to the 2017/2018 financial for implementation. The appointment of a contractor from a list of approved panel of contractors is underway.	1,939,319	1,939,319
	1,939,319	**1,939,319**

Reconciliation of Work-in-Progress 30 June 2017

	Included within PPE	Total
Opening balance	2,389,319	2,389,319
Additions	33,730,436	33,730,436
Transferred to completed items	(450,000)	(450,000)
	35,669,755	**35,669,755**

Reconciliation of Work-in-Progress 30 June 2016

	Included within PPE	Total

Notes to the annual financial statements

Figures in Rand	2017	2016

9. PROPERTY PLANT AND EQUIPMENT (continued)

	2017	2016
Opening balance	1,592,709	1,592,709
Additions	2,389,319	2,389,319
Transferred to completed items	(1,592,709)	(1,592,709)
	2,389,319	**2,389,319**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	9,625,922	17,633,193

The JRA repairs and maintenance excludes infrastructure assets which are capitalised at City of Johannesburg.

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

Change in accounting estimate		
Depreciation	-	509,114

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 509 114 in the current period and an equal increase in the depreciation charge of R 509 114 over the next period as per the above table.

Capital Commitments:

The committments made on property plant and equipments as at 30 June 2017 is as follows:
- Waste Management Project - R 4 490 681.00
- Asphalt Plant - R 13 721 790.56

The JRA intends selling its Head Office building located at 66 Pixley Ka Isaka Seme Street Johannesburg and move to a new building.

Notes to the annual financial statements

Figures in Rand	2017	2016

10. INTANGIBLE ASSETS

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	37,492,051	(13,698,484)	23,793,567	37,727,373	(13,445,179)	24,282,194

Reconciliation of intangible assets - 30 June 2017

	Opening balance	Additions	Amortisation	Total
Computer software	24,282,194	12,297	(500,924)	23,793,567

Reconciliation of intangible assets - 30 June 2016

	Opening balance	Additions	Amortisation	Total
Computer software	17,294,441	8,188,569	(1,200,816)	24,282,194

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 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 2017.

Notes to the annual financial statements

11. FINANCIAL INSTRUMENTS

Financial Assets 30 June 2017	0-30 Days	30-60 Days	60-90 Days	>90 Days	Total
Trade Receivables	532,984,590	38,854,304	31,650,727	122,439,345	725,928,966

Financial Liabilities 30 June 2017	0-30 Days	30-60 Days	60-90 Days	>90 Days	Total
Trade Payables	363,447,053	22,459,225	142,800	571,868	386,620,946

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	Carrying Amount 30 June 2017	Carrying Amount 30 June 2016	Fair Value 30 June 2017	Fair Value 30 June 2016
Receivables	725,928,966	535,301,644	690,414,508	524,207,262
Cash and cash equivalents	57,192,770	12,860,253	57,192,770	12,860,253
Loans to shareholder	341,811,923	354,286,330	341,811,923	354,286,330
	1,124,933,659	**902,448,227**	**1,089,419,201**	**891,353,845**

Financial Liabilities	Carrying Amount 30 June 2017	Carrying Amount 30 June 2016	Fair Value 30 June 2017	Fair Value 30 June 2016
Payables	492,758,698	417,177,236	492,758,698	415,795,668
Provisions	40,929,102	50,364,353	40,929,102	50,364,353
Finance lease obligation	29,210,811	40,048,273	29,210,811	40,048,273
	562,898,611	**507,589,862**	**562,898,611**	**506,208,294**

30 June 2017

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
Loans to shareholders	341,811,923	341,811,923
Trade and other receivables	725,928,966	725,928,966
Cash and cash equivalents	57,192,770	57,192,770
	1,124,933,659	**1,124,933,659**

30 June 2016

Notes to the annual financial statements

Figures in Rand	2017	2016

11. FINANCIAL INSTRUMENTS (continued)

	Loans and receivables	Total
Loans to shareholders	354,286,330	354,286,330
Trade and other receivables	535,301,644	535,301,644
Cash and cash equivalents	12,860,253	12,860,253
	902,448,227	**902,448,227**

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 2017	Amortised cost	Total
Trade and other payables	492,758,698	492,758,698
Provisions	40,929,102	40,929,102
Finance lease obligation	29,210,811	29,210,811
	562,898,611	**562,898,611**

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**

12. DEFERRED TAX

Deferred tax asset/ (liability)

	2017	2016
Fixed assets - owned and leased	7,555,745	10,711,671
Finance lease liabilities	(8,179,027)	(11,213,516)
Provision for legal claims	(7,452,257)	(7,741,703)
Provision for impairment of debtors	(7,780,003)	(1,482,057)
Provision for leave pay	(8,257,619)	(7,472,603)
Provision for bonuses	(3,965,891)	(6,360,315)
Retirement benefit liability	(12,776,282)	(14,065,186)
Retirement benefit asset	15,784,801	16,017,554
Discounted debtors	-	(1,620,655)
Discounted creditors	-	(386,839)
Provision for 13th cheque	(2,973,796)	(2,750,206)
Calculated loss	-	(10,686,681)
Deferred tax asset not recognised	28,044,329	37,050,536
	-	**-**

Recognition of deferred tax asset

No deferred tax asset was provided for due to the improbability of future taxable profits to offset these amounts. The deferred tax asset had it been raised would have been R 28 044 329.

Notes to the annual financial statements

Figures in Rand	2017	2016

13. FINANCE LEASE OBLIGATION

Minimum lease payments due		
- within one year	9,582,651	13,628,853
- in second to fifth year inclusive	25,572,620	35,768,261
- later than five years	-	119,621
	35,155,271	49,516,735
less: future finance charges	(5,944,460)	(9,468,462)
Present value of minimum lease payments	**29,210,811**	**40,048,273**

Present value of minimum lease payments due		
- within one year	7,999,642	11,508,334
- in second to fifth year inclusive	21,211,169	28,446,817
- later than five years	-	93,122
	29,210,811	**40,048,273**

Non-current liabilities	21,211,169	28,539,939
Current liabilities	7,999,642	11,508,334
	29,210,811	**40,048,273**

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.

14. TRADE AND OTHER PAYABLES

Trade payables	293,934,184	189,158,512
Payments received in advance Jobbings	10,523,783	8,481,621
City of Johannesburg amount received in advance	11,383,373	1,056,832
Accrued leave pay	29,799,447	27,080,849
Accrued staff 13th cheque	10,620,700	9,822,163
Retentions	157,890,480	117,818,553
Payroll accruals	3,842,741	1,503,624
Capital creditors and accruals	181,972,342	195,956,690
Logged payments	-	903,349
Value Added Tax (VAT)	33,210,531	32,765,904
Related party payables	16,852,172	24,629,418
	750,029,753	**609,177,515**

Analysis of Related Party Creditors

Gross Related Party Creditors	(16,852,172)	(24,629,418)
Capital Creditors	3,228,152	2,697,045
Operating Creditors	13,624,020	21,932,373
	-	**-**

Notes to the annual financial statements

Figures in Rand	2017	2016

15. PROVISIONS

Reconciliation of provisions - 30 June 2017

	Opening Balance	Additions	Amount utilised during the year	Reversed during the year	Total
Legal claims	27,648,941	150,000	(607,556)	(426,180)	26,765,205
Performance Bonus	22,715,412	14,163,897	(22,081,601)	(633,811)	14,163,897
	50,364,353	**14,313,897**	**(22,689,157)**	**(1,059,991)**	**40,929,102**

Reconciliation of provisions - 30 June 2016

	Opening Balance	Additions	Utilised during the year	Total
Legal proceedings	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**

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.

16. SHARE CAPITAL

	2017	2016
Authorised		
1000 Ordinary shares of R1 each	1,000	1,000
Reconciliation of number of shares issued:		
Reported as at 01 July, 2016	1,000	1,000
Issued		
1000 Ordinary shares of R1 each	1,000	1,000

Notes to the annual financial statements

Figures in Rand	2017	2016

17. CONTRIBUTION FROM OWNER

Opening Balance	227,626,583	181,444,616
Contributions made	53,814,732	46,181,967
	281,441,315	**227,626,583**

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.

18. REVENUE

Revenue arising from exchange transactions is as follows:

Gautrains' maintenance fees	6,040,000	6,723,500
Asphalt sales & DCP Testing	1,505,400	1,053,956
Jobbings	34,842,269	56,815,354
Reinstatement Income and Wayleave Fees	29,342,942	21,270,416
Tender Deposits	891,782	2,573,177
Management fees	30,990,112	25,749,071
Fair value adjustment	-	-
Total revenue from exchange transaction	**103,612,505**	**114,185,474**

The amount included in revenue arising from non-exchange transactions is as follows:		
Developer's contribution	69,599,132	38,943,413
Subsidy - The City of Johannesburg Metropolitan Municipality	816,774,000	746,409,000
Total Revenue from non-exchange transactions	**886,373,132**	**785,352,413**
Total revenue	**989,985,637**	**899,537,887**

19. COST OF ROAD MAINTENANCE

Services rendered		
Raw materials (Refer to Note 3.1)	61,749,292	66,308,550
Direct labour costs of road maintenance and related infrastructure (refer to note 21)	312,616,599	324,930,249
Direct expenses	149,963,087	160,537,311
	524,328,978	**551,776,110**

20. OTHER INCOME

Rental income - Transport Department	4,011,438	3,637,224
Training income	1,517,346	-
Recoveries - Logged payments, Fuel, other provision reversal	3,692,574	7,030,696
Insurance claims	2,806,204	9,958,488
	12,027,562	**20,626,408**

Notes to the annual financial statements

Figures in Rand	2017	2016

21. OPERATING SURPLUS (DEFICIT)

Operating surplus (deficit) of R 32 022 424 for the year is stated after accounting for the following:

Operating lease charges		
Equipment		
• Contractual amounts	151,800	208,066
Lease rentals on operating lease - Other		
• Contractual amounts	929,216	968,521
	1,081,016	**1,176,587**

Amortisation on intangible assets	500,924	1,200,816
Depreciation on property, plant and equipment	37,337,342	32,877,241
Employee costs	163,384,005	120,738,766
Employee Costs - Road maintenance and related infrastructure: refer to note 19	312,616,599	324,930,249

22. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages	118,371,852	68,126,294
Employee related costs : Interns stipend	3,505,200	3,466,794
Housing benefits and allowances	319,594	1,885,023
Bonus	8,604,642	22,855,974
Travel, motor car, accommodation, subsistence and other allowances	9,741,715	4,032,145
Unemployment Insurance Fund	592,765	436,557
Compensation for Occupational Injuries and Disease	3,332,438	3,244,000
Skills Development Levies	1,428,289	895,813
Pension and Leave	17,135,010	15,689,166
Long-service awards	352,500	107,000
	163,384,005	**120,738,766**

Remuneration of executive management

Annual salary	9,354,261	9,331,063
Bonuses (Performance and Annual)	1,451,255	154,212
Allowances (Travel and Cellphone)	1,052,207	926,890
Contributions to UIF, Medical and Pension Funds	1,076,758	859,777
	12,934,481	**11,271,942**

Remuneration of non-executive directors

Directors fees	1,611,947	1,638,332

Reconciliation of employee costs

Employee costs -Road maintenance and related infrastructure (refer to note 18)	312,616,599	324,930,249
Employee costs - Indirect	163,384,005	120,738,766
	476,000,604	**445,669,015**

Notes to the annual financial statements

Figures in Rand	2017	2016

23. INVESTMENT INCOME

Interest income		
Interest - Loans to shareholders	16,924,638	32,332,227
Bank	1,796,513	33,463
	18,721,151	**32,365,690**

24. DEPRECIATION AND AMORTISATION

Property plant and equipment	37,337,342	32,877,241
Intangible assets	500,924	1,200,816
	37,838,266	**34,078,057**

25. FINANCE COSTS

Interest charged - Intercompany	4,316,075	3,745,757
Finance leases	3,349,471	2,123,568
Bank	9	8
	7,665,555	**5,869,333**

26. TAXATION

Major components of the tax expense

Current		
Local income tax - recognised in current tax for prior periods	5,262,288	-
Current tax expense	-	-
	5,262,288	**-**
Deferred		
Deferred tax expense	-	-

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting surplus (deficit)	43,078,020	(1,740,398)
Tax at the applicable tax rate of 28% (2016: 28%)	12,061,846	771,749
Tax effect of expenses that are not deductible in determining taxable income:		
Depreciation on non-manufacturing buildings	382,639	366,029
Current tax - prior period adjustment	5,262,288	-
Effect of previously and unused tax losses and deductible temporary difference now recognised as deferred tax assets	(12,444,485)	(1,137,778)
Income tax expense	**5,262,288**	**-**

No provision has been made for 2017 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 - (2016: -).

27. AUDITORS' REMUNERATION

Fees	2,506,212	2,188,523

Notes to the annual financial statements

Figures in Rand	2017	2016

28. CASH GENERATED FROM OPERATIONS

Surplus (deficit)	37,815,732	(1,740,398)
Adjustments for:		
Depreciation and amortisation	37,838,266	34,078,057
Finance costs - Finance leases	3,349,471	2,123,568
Movements in post retirement notional assets and liabilities	4,495,429	5,644,849
Movements in provisions	(9,435,251)	21,264,775
Movement in shareholders loan	53,814,732	46,181,967
Movement in loans to shareholder - Intercompany sweeping bank account	11,643,145	128,657,187
Assets purchased through finance lease	-	24,249,112
Other non-cash items	(450,066)	205,817
Changes in working capital:		
Inventories	(6,402,007)	(22,331,970)
Trade and other receivables	(160,517,737)	(106,962,182)
Trade and other payables	140,852,239	(45,810,995)
	113,003,953	**85,559,787**

29. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and contracted for		
• Authorised and contracted for (multi-year awards)	864,765,477	1,123,789,398
	-	**-**

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 2017/2018 capital budget is R 1 213 446 000 compared to the 2016/2017 capital budget of R 1 472 946 000. The estimated capital budget for the 2018/2019 is R 1 338 449 000 and the 2019/2020 capital budget is R 1 441 900 000. The approved and not yet contracted for budget amount was not disclosed in the current year as the balance is not committed.

The authorised and committed for expenditure relates to Property, plant and equipment, Capex projects contracts and Opex related contracts which have been awarded and the remaining balance of the appointment value 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 2018 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 2017/18 financial year.

Minimum lease payments due		
- within one year	4,758,392	17,265,786
- in second to fifth year inclusive	-	8,002,663
	4,758,392	**25,268,449**

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.

Notes to the annual financial statements

Figures in Rand	2017	2016

30. 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.

Applemint vs JRA. JRA was served a letter of demand to do work on the applicants property which has experienced a sinkhole as a result of the storm-water drain running through his property.

Mokomela vs JRA. The Applicant referred the matter to the Labour Court for conciliation to the effect that the dismissal was not fair.

Bernard Mew vs COJ/ JRA. The applicant brought an application for an enclosure of alleged COJ land which is used by the public as a thoroughfare and illegal taxi parking. Amount claimed is not quantifiable.

Liepollo Selatile vs JRA. The employee referred a dispute of unfair dismissal to the South African Local Government Bargaining Council (SALGBC). Amount claimed is not quantifiable.

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
F Makhari / JRA - The employee’s contract expired and was not renewed and wants to be re-instated.	266,616	-
	266,616	**24,999**

Legal claims - Contingent Assets
The following were contingent assets for the year.

JRA vs Nomakhephu - The JRA is suing the defendant for the payment of monies erroneously deposited into the supplier’s account. The assessment by JRA legal unit for winning the case is medium. Amount claimed (R 316 926.27).

Notes to the annual financial statements

Figures in Rand	2017	2016

31. 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 (SOC) Ltd City Power Johannesburg (SOC) Ltd Johannesburg City Parks (SOC) Ltd Johannesburg Development Agency (SOC) Ltd Johannesburg Metropolitan Bus Services (SOC) Ltd Johannesburg Social Housing Company (SOC) Ltd Johannesburg Water (SOC) Ltd Pikitup Johannesburg (SOC) Ltd Johannesburg Civic Theatre (SOC) Ltd Johannesburg Fresh Produce Market (SOC) Ltd
Members of key management	Directors' remuneration

Related party balances

	2017	2016
Amounts included in trade receivables regarding related parties		
The City of Johannesburg Metropolitan Municipality	677,961,791	483,752,223
City Power Johannesburg (SOC) Ltd	349,641	336,191
Johannesburg Water (SOC) Ltd	7,958,080	9,527,736
Johannesburg City Parks and Zoo (SOC) Ltd	260,376	918,948
	686,529,888	**494,535,098**

	2017	2016
Amounts included in trade payables regarding related parties		
The City of Johannesburg Metropolitan Municipality	6,201,047	15,379,346
Johannesburg Water (SOC) Ltd	12,252	10,244
Pikitup Johannesburg (SOC) Ltd	-	1,780,263
Metrobus (SOC) Ltd	6,820	-
Johannesburg City Parks and Zoo (SOC) Ltd	6,811,386	4,757,225
Johannesburg Development Agency (SOC) Ltd	3,228,152	2,697,045
Johannesburg City Theatre (SOC) Ltd	-	5,295
Johannesburg Property Company (SOC) Ltd	592,515	-
	16,852,172	**24,629,418**

	2017	2016
Other related parties accounts		
The City of Johannesburg Metropolitan Municipality - Equity	(281,441,315)	(227,626,583)
The City of Johannesburg Metropolitan Municipality - Post Retirement Benefits Notional Account	56,374,289	57,205,550
The City of Johannesburg Metropolitan Municipality - Specialised Vehicle Lease	(29,210,811)	(36,921,037)
The City of Johannesburg Metropolitan Municipality - amount received in advance	(11,383,372)	(1,056,831)
City of Johannesburg Metropolitan Municipality - Gratuity	-	1,418,177
The City of Johannesburg Metropolitan Municipality - Intercompany Sweeping Bank Account	285,437,633	297,080,779
	19,776,424	**90,100,055**

Executive Management Salaries 30 June 2017	Annual salary	Bonus	Allowances	Contributions	Total
M Matsuma - Head Corporate Services (contract terminated July 2016)	92,474	89,961	11,340	7,381	201,156

Notes to the annual financial statements

Figures in Rand	2017	2016

31. RELATED PARTIES (continued)

T Makhubela - Head Planning	1,129,375	236,011	139,920	115,203	1,620,509
S Sindane - Head: Regional Operations (contract expired September 2016)	349,915	-	1,980	3,988	355,883
S Dube - Head: Regional Operations (appointed January 2017)	602,419	-	75,960	41,818	720,197
M Kau - Head of Infrastructure Department	1,114,982	255,294	151,920	202,420	1,724,616
F Ramatseba - HOD: Performance Governance & IT	1,199,148	123,465	7,260	167,290	1,497,163
L Motsherane - Acting Head Corporate Services (resigned November 2016)	422,120	224,075	27,919	69,760	743,874
D Thomas: Mobility and Freight	1,254,252	242,839	136,080	34,796	1,667,967
	6,164,685	**1,171,645**	**552,379**	**642,656**	**8,531,365**

Executive Management Salaries 30 June 2016	Annual Salary	Bonuses	Allowances	Contributions	Total
M Matsuma - Head Corporate Services	1,102,939	-	136,080	77,271	1,316,290
T Makhubela - Head Planning	1,053,419	-	139,920	104,434	1,297,773
S Sindane - Head: Regional Operations	1,313,237	-	7,920	14,996	1,336,153
J White - Acting Head of Infrastructure Department (1/7/2015 - 30/4/2016)	637,321	12,782	70,880	121,544	842,527
F Ramatseba - HOD: Performance Governance & IT, MD'S Office (appointed February 2015)	1,179,690	-	67,920	112,694	1,360,304
M Kau - Head of Infrastructure Department (from 1 May 2016)	161,019	-	25,320	9,391	195,730
L Motsherane - Acting Head Corporate Services (25 February 2016 - 30 June 2016)	377,080	-	26,640	61,745	465,465
D 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**

Notes to the annual financial statements

Figures in Rand	2017	2016

31. RELATED PARTIES (continued)

Related party transactions

	2017	2016
Income from related parties		
The City of Johannesburg Metropolitan Municipality - Subsidies	816,774,000	746,409,000
The City of Johannesburg Metropolitan Municipality - Other	27,164,805	20,220,077
The City of Johannesburg Metropolitan Municipality - Interest from Sweeping Bank Account	12,846,068	28,520,590
The City of Johannesburg Metropolitan Municipality - Management Fees	30,990,112	25,749,071
City Power Johannesburg (SOC) Ltd	11,798	282,545
Johannesburg Water (SOC) Ltd	23,401,484	17,467,233
Johannesburg City Parks and Zoo (SOC) Ltd	230,835	1,150,397
Johannesburg Fresh Produce Market (SOC) Ltd	-	1,097,690
	911,419,102	**840,896,603**

	2017	2016
Purchases from related parties		
The City of Johannesburg Metropolitan Municipality	9,205,984	24,037,228
Johannesburg Water (SOC) Ltd	8,205,054	6,803,904
Metrobus (SOC) Ltd	6,820	-
Johannesburg Property Company (SOC) Ltd	519,750	-
Johannesburg City Parks and Zoo (SOC) Ltd	5,988,704	4,498,970
Johannesburg City Theatres (SOC) Ltd	-	31,750
City Power Johannesburg (SOC) Ltd	7,936,030	15,829,020
Pikitup Johannesburg (SOC) Ltd	3,012,811	1,514,983
	34,875,153	**52,715,855**

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	8

Notes to the annual financial statements

32. DIRECTORS' EMOLUMENTS

Executive directors

30 June 2017

	Annual Salary	Bonuses	Allowances	Contributions	Total
Dr. S Phillips - Managing Director	1,811,299	-	371,908	301,720	2,484,927
GP Mbatha CA(SA) - Chief Financial Officer (CFO)	1,378,277	279,610	127,920	132,382	1,918,189
	3,189,576	**279,610**	**499,828**	**434,102**	**4,403,116**

30 June 2016

	Annual Salary	Bonus	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**

Non-executive directors

30 June 2017

	Directors' fees	Total
S Tshabalala - Chairperson (Appointed March 2017)	57,125	57,125
P Govender	144,012	144,012
M Mogale	7,605	7,605
L Mashamaite	220,440	220,440
A Torres	181,320	181,320
R Theunissen (Independent Audit Committee member)	75,507	75,507
Q Buthelezi (Appointed March 2017)	48,168	48,168
S Thunzi (Appointed March 2017)	57,293	57,293
N Msezane (Retired March 2017)	74,166	74,166
T Magerman (Appointed March 2017)	54,252	54,252
K Sihlali (Appointed March 2017)	54,252	54,252
J Manche (Retired March 2017)	152,878	152,878
M Mogale (Appointed March 2017)	28,730	28,730
L Nxumalo (Retired March 2017)	57,054	57,054
H Mashele (Retired March 2017)	165,430	165,430
D Nyalunga (Independent Audit Committee Member)	69,803	69,803
J Maboa (Retired March 2017 - Independent Audit Committee Member)	34,224	34,224
E Ngomane (Retired March 2017)	129,688	129,688
	1,611,947	**1,611,947**

Notes to the annual financial statements

32. DIRECTORS' EMOLUMENTS (continued)
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	88,988	88,988
P Govender	55,916	55,916
J Maboa (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**

Notes to the annual financial statements

33. PRIOR PERIOD ERRORS

The prior period errors noted below arise from changes in the COJ Group Reporting decisions to have uniformity and compliance with the Accounting Standards and the errors arising from accounting of transactions.

The correction of the error(s) results in adjustments as follows:
Net effect of changes:
Statement of Financial Position - Increase R 20 040 743
Statement of Financial Performance - Increase R 1 015 851
Statement of Cashflow - Nil
Taxation effect - Nil

Below is the detailed effects of the correction of the errors and the changes in the accounting policies.

Below is the detailed effects of the correction of the errors and the changes in the accounting policies.

SARS VAT refund correction results in the restatement of comparative figures as follows - 30 June 2016

The JRA undertook a vat exercise in 2015 financial year which resulted in the entity recovering VAT input to the amount of R 15 634 252.29 for the previous five years from the year of the exercise. The VAT refund was not recognised in the JRA financial statements but was correctly reflected on the SARS VAT statements as a refund. The effect of the change is reflected as follows. See below the effect of the change in the prior year.

Detail	Balance previously reported	Prior period error	Restated amount
VAT Liability	48,400,156	(15,634,252)	32,765,904
Retained Earnings	164,071,186	15,634,252	179,705,438
	212,471,342	**-**	**212,471,342**

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

The Trade Debtors were previously discounted in the previous years as per the recommendation from Auditor General. During the year, it was requested by COJ Group accounting to have consistency in the COJ Group reporting by not discounting the trade debtors and trade creditors in the current resulting in a change of policy. The effect of the error is reflected as follows in the prior year.

Trade debtors, Revenue and Investment Income notes

Detail	Balance as previously reported	Prior period error	Restated Balance
Trade Debtors	543,946,437	5,788,055	549,734,492
Retained earnings	164,071,186	5,788,055	169,859,241
Investment income	34,247,177	(1,881,487)	32,365,690
Retained earnings	164,071,186	1,881,487	165,257,139
Revenue	110,102,183	4,083,291	114,185,474
Retained earnings	164,071,186	(4,083,291)	159,987,895
	1,180,509,355	**11,576,110**	**1,191,389,931**

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

33. PRIOR PERIOD ERRORS (continued)

The Trade Debtors were previously discounted in the previous years as per the recommendation from Auditor General. During the year, it was requested by COJ Group accounting to have consistency in the COJ Group reporting by not discounting the trade debtors and trade creditors in the current resulting in a change of policy. The effect of the error is reflected as follows in the prior year.

Trade Creditors and Finance Costs

Detail	Balance as previously reported	Prior period error	Restated Balance
Trade Creditors	623,430,202	1,381,568	624,811,770
Retained earnings	164,071,186	(1,381,568)	162,689,618
Finance costs	4,683,380	1,185,953	5,869,333
Retained earnings	164,071,186	1,185,953	165,257,139
	956,255,954	**2,371,906**	**958,627,860**

34. CHANGE IN ACCOUNTING POLICY

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

30 June 2016

	Note	As previously reported	Change in accounting policy	Restated
Loans to shareholders	4	57,205,551	297,080,779	354,286,330
Cash and cash equivalents	8	309,941,032	(297,080,779)	12,860,253
		367,146,583	**-**	**367,146,583**

Cash flow statement

30 June 2016

	Note	As previously reported	Change in accounting policy	Restated
Cash flow from operating activities				
Suppliers and employees	4	886,524,861	(130,361,952)	756,162,909

Figures in Rand	2017	2016

34. CHANGE IN ACCOUNTING POLICY (continued)

Change in accounting policy

Change in accounting policies occurred during the year under review.

The following change in accounting policies occurred:

Change 1

Loans to shareholders - Intercompany Sweeping Bank account

The change in accounting policy is made in accordance with GRAP requirements

The Intercompany Sweeping Bank Account was previously treated as a Cash and Cash Equivalent on the basis of its liquidity. During the year, the Intercompany accounting treatment policy was changed from Cash and Cash Equivalents to Loans to/from Shareholders.

The accounting policy was changed so that it provides more reliable and more relevant information and to have consistency in the CoJ Group.

The effect of the change result in the reduction of Cash and Cash Equivalents by R 285 437 633 (30 June 2017) and R 297 080 779 (30 June 2016) and an increase in Loans to/from Shareholders by 285 437 633 (30 June 2017) and R 297 080 779 (30 June 2016).

35. 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:

30 June 2017	Movement in interest rate (%)	Increase/(decrease) in deficit
Loans from shareholder	1	-
Loans from shareholder	(1)	-
	-	-

30 June 2016	Movement in interest rate (%)	Increase/(decrease) in deficit
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.

Notes to the annual financial statements

Figures in Rand	2017	2016

36. GOING CONCERN

We draw attention to the fact that at 30 June, 2017, the entity had accumulated surplus of R 221 927 663 (30 June 2016 accumulated surplus: R 184 111 929 and that the entity's total assets exceeds its liabilities by R 503,369,978 (30 June 2016: R 411 739 512).

The 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.

37. 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.

38. UNAUTHORISED EXPENDITURE

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

39. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure		
Interviewees travel cost reimbursement - General workers interviews cancelled	4,450	-
Interest on late payment of workers contributions - National Fund For Municipal Workers	43	-
Interest on late payment of pension fund contributions - Joburg Retirement Fund	128	-
Interest on Eskom account	4,531	4,981
Interest on Telkom account	202	47,259
Companies House - CIPC penalty	-	1,000
	9,354	**53,240**

Reconciliation		
Opening balance	53,240	37,040
Fruitless and wasteful expenditure: certified as irrecoverable and written off	(53,240)	(37,040)
Fruitless and wasteful expenditure: current year	9,354	53,240
	9,354	**53,240**

39. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

General Workers travel cost reimbursement incurred as at 30 June 2017 (R 4 450) for the cancelled interviews due to irregularities caused by a JRA Human Resource official. Management is in the process of investigating the root cause of the expenditure. The official involved is currently on suspension.

The entity incurred interest on late payment of workers contributions to the National Fund For Municipal Workers as at 30 June 2017 (R 43) 30 June 2016 R(0.00). Management is investigating the root cause of the late payment and once finalised, consequence management will be implemented.

The entity incurred interest on late payment of pension fund contributions to the Joburg Retirement Fund as at 30 June 2017 (R 128) 30 June 2016 R (0.00). Management is investigating the root cause of the late payment and once finalised, consequence management will be implemented.

Interest charged on the Eskom account as at 30 June 2017 (R 4 531) is due to late allocations of payment remittances by Eskom. The timing of payment remittances being received by Eskom and the allocation of the amount paid is done after the due date which result in interest being charged.

Interest charged on the Telkom account as at 30 June 2017 (R 202) is due to late allocations of payment remittances by Telkom. The timing of payment remittances being received by Telkom and the allocation of the amount paid is done after the due date which result in interest being charged.

The fruitless and wasteful expenditure noted in the current year is irrecoverable as per the preliminary investigations held.

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.

Notes to the annual financial statements

Figures in Rand	2017	2016

40. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure		
G4 Civils - Transgression of SCM procedures	1,358,500	-
Game Stores - Non compliant tax status on award date	176,000	-
CP Interiors - Non-compliant tax status on award date	150,551	-
Kwazulu Supplies and Construction cc - Possible splitting of tenders on the purchase of burner fuel	348,981	-
Vhalisa Khumo Trading and Projects (Pty) Ltd - Possible splitting of tenders on the purchase of burner fuel	175,438	-
Metrofile - Transgressions of SCM procedures	-	6,927
Makhosi Engineers and Project Managers - Expired tax clearance certificate	-	281,664
Bolt & Engineering Distributors - Missing documents for unsuccessful bidder	27,732	44,118
Xuma Technologies - Missing documents for unsuccessful bidder	-	14,912
	2,237,202	**347,621**

Reconciliation of irregular expenditure		
Opening balance	347,621	756,730
Irregular expenditure: certified as irrecoverable and written off	(347,621)	(756,730)
Irregular expenditure: current year	2,237,202	347,621
	2,237,202	**347,621**

40. IRREGULAR EXPENDITURE (continued)

G4 Civils irregular expenditure of R 1 358 500 (30 June 2017) was as a result of transgression of supply chain processes. The appointment of the supplier was made outside the normal procurement process.

Game Stores irregular expenditure of R 176 000 (30 June 2017) was as a result of supplier being awarded a contract when tax matters were not compliant.

CP Interiors irregular expenditure of R 150 551 (30 June 2017) was as a result of supplier being awarded a contract when tax matters were not compliant.

Kwazulu Supplies and Construction CC irregular expenditure of R 348 981 (30 June 2017) was as a result of possible splitting of tenders on the purchase of burner fuel when the initial contract expired. These were awarded using the Request for Quotation (RFQ) process. A contract is now in place.

Vhalisa Khumo Trading and Projects (Pty) Ltd irregular expenditure of R 175 438.42 (30 June 2017) was as a result of possible splitting of tenders on the purchase of burner fuel when the initial contract expired. These were awarded using the Request for Quotation (RFQ) process. A contract is now in place.

Bolt & Engineering Distributors irregular expenditure of R 27 438 (30 June 2016) is part of the outstanding balance paid in the 2016/2017 financial year. The amount was a result of missing documents for unsuccessful bidder identfied in the 2015/2016 financial year.

Action taken by Management regarding irregular expenditure

Management is in the process of investigating the irregular expenditure incurred towards the financial year-end.

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 request for condonation report is submitted. Irregular expenditure is reported to Executive Management Team, Audit Committee, the Board of Directors and the City of Johannesburg.

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.

41. 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 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.

Notes to the annual financial statements

Figures in Rand	2017	2016

42. DEVIATION EXPENDITURE

Reconciliation of Deviation expenditure		
Civilcon Pty (Ltd) - Impracticability - Continuation of work relating to the upgrading of Soweto bridges: bridges overtopping the Zulu/ Mahalefele bridge	13,349,846	-
Allasso Construction cc - Impracticability - Continuation of work relating to the upgrading of Soweto bridges: bridges overtopping the Leselinyana/ Kinini bridge	12,499,211	-
Primedia - Impracticality - Participation of JRA employees in the 702 walk the talk race 2016	89,816	-
Rodecon Engineering CC - Emergency - Continuation of Work for the strip, quote and repair of Asphalt Plant skip winch system	148,000	-
SABS - Sole supplier - The renewal of the annual standards test methods subscription	18,832	-
Knowledge Base - Sole Supplier - Procurement of the Civil Designer and Allycad Software and Training	461,054	-
Geosemantic Software (Pty Ltd) - Sole Supplier - The procurement of the Smart City Software annual license required for the operation of the JRA smart traffic module.	487,000	-
Mafhata Projects Yellow Train Wild stallion - Emergency - Appointment of Contractors to attend emergency plumbing works at various Depots.	103,696	-
Lettam - Emergency - Appointment of a contractor for the emergency repairs of Embankments on the Braamfonteinspruit at Sixth Avenue Parkhurst and 39 Marlborough Avenue Craighall Park	5,700,072	-
Mafhata Projects Yellow Train Wild stallion - Emergency - Appointment of Contractors to attend emergency plumbing works at various Depots	60,875	-
Microzone Trading 1334 CC - Emergency - The appointment of service provider to conduct a risk assessment regarding the use of drum at Asphalt Plant	154,500	-
Unity Cables - Emergency - The Procurement (supply, delivery & off-loading) of the traffic signal cables sleeves	120,000	-
Oracle South Africa (Pty) Ltd - Sole supplier - Appointment for the provision of procurement and reinstatement of JDE technical support services	1,693,468	-
Mebila Civils (Pty) Ltd - Impracticality - Appointment for the upgrading of gravel roads to surfaced roads inclusive of associated stormwater in Lawley	10,289,601	-
Hlanganani Engineers and Project Managers (Pty) Ltd - Impractical - Continuation of Work - Professional Services for Le Roux Avenue Road Widening to Dual Carriage Way Between K101 (Old Pretoria Road) and Lyndore Avenue	878,823	-
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

Notes to the annual financial statements

Figures in Rand	2017	2016

42. DEVIATION EXPENDITURE (continued)

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
1Community 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
1South 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
	46,054,794	**19,646,701**

One Source - Sole supplier - Procurement support and upgrade to the Hansen System. Appointment based on rates.

UWP Consulting (Pty) Ltd - Impracticality - Appointment of consultant for the completion of the consulting engineering services for Crownwood Road Project. Appointment based on rates.

Magagula George Mcetywa Inc - Impracticality - Continuation of legal services on an ongoing legal matters. Appointment based on rates.

Africa Insight Com (Pty) Ltd - Emergency - Appointment for the Procurement of Insight JDE Support for the Johannesburg Roads Agency (JRA).

SOS Procedure National Division CC - Impracticality - Appointment of Service Provider for the Provision of Electronic Security Services to the JRA for a Period of Seven Months From March 2017.

Figures in Rand	2017	2016

42. DEVIATION EXPENDITURE (continued)

Information Technologies Network Alliance - Impracticality - Appointment Of ITNA For The Provision Of Email Gateway And Continuity And Archiving Solutions To The JRA For A Period Of 12 Months From 01 April 2017.

Much Asphalt - Impracticality - Supply, Delivery and Offloading of Premixed Asphalt to the JRA As And When Required Until 30 September 2017.

Detailed Income statement

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Gautrans' Maintenance Fees		6,040,000	6,723,500
Asphalt sales & DCP Testing		1,505,400	1,053,956
Jobbings		34,842,269	56,815,354
Reinstatements Income and Wayleave Fees		29,342,942	21,270,416
Tender deposits		891,782	2,573,177
Management Fees		30,990,112	25,749,071
Developer's Contribution		69,599,132	38,943,413
City of Johannesburg subsidy		816,774,000	746,409,000
		989,985,637	**899,537,887**
Cost of road maintenance			
Opening stock		(38,753,627)	(18,772,002)
Purchases		(217,109,924)	(246,827,486)
Closing stock		44,151,172	38,753,627
Labour costs		(312,616,599)	(324,930,249)
	19	**(524,328,978)**	**(551,776,110)**
Gross surplus		**465,656,659**	**347,761,777**
Other income			
Rental income		4,011,438	3,637,224
Training income		1,517,346	-
Recoveries - Unallocated receipts, JPC, Fuel		3,692,574	7,030,696
Insurance claims		2,806,204	9,958,488
Interest received	23	18,721,151	32,365,690
		30,748,713	**52,992,098**
Expenses (Refer to page 72)	**43**	**(445,661,797)**	**(396,624,940)**
Operating surplus	21	**50,743,575**	**4,128,935**
Finance costs	25	(7,665,555)	(5,869,333)
Surplus (deficit) before taxation		**43,078,020**	**(1,740,398)**
Taxation	26	5,262,288	-
Surplus (deficit) for the year		**37,815,732**	**(1,740,398)**

43. Operating expenses

Advertising		(4,261,676)	(20,112,363)
Assets expensed		(183,989)	(958,422)
Auditors remuneration	27	(2,506,212)	(2,188,523)
Bank charges		(72,800)	(65,897)
Hostel charges		(1,159,088)	(1,202,064)
Conferences and seminars		(1,768,214)	(2,662,330)
Consulting and professional fees		(56,599,862)	(59,644,459)
Consumables		(4,966,099)	(4,893,023)
Call center services		(1,800,000)	(1,988,414)
Safety		(14,212)	(6,092)
Depreciation, amortisation and impairments		(37,838,266)	(34,078,057)
Directors and committee members' fees		(1,611,947)	(1,621,305)
Employee costs		(163,384,005)	(120,738,766)
Entertainment		(382,043)	(1,211,246)
Legal claims provision		276,180	(2,391,778)
Interest, Penalties and Other Losses		(21,616)	(103,558)
Inventory provision and write off		(2,884,879)	-
General expenses and bad debts provision		(31,741,305)	(736,649)
Bursaries and subsidies paid		(1,312,703)	(1,089,065)
IT expenses		(9,045,193)	(12,457,761)
Insurance		(24,340,255)	(16,109,954)
Lease rentals on operating lease		(1,081,016)	(1,176,587)
Legal expenses		(2,794,697)	(1,195,415)
Magazines, books and periodicals		(154,402)	(67,145)
Medical expenses		(23,144)	(135,138)
Placement fees		(21,324)	-
Printing and stationery		(4,896,400)	(4,772,625)
Promotions		(791,685)	(2,212,388)
Protective clothing		(8,223,993)	(5,627,261)
Repairs and maintenance		(9,720,582)	(17,633,193)
Security and Cleaning		(15,296,927)	(19,314,699)
License Expenses		(11,360,018)	(4,635,813)
Staff welfare		(444,404)	(541,604)
Subscriptions		(263,067)	(165,918)
Telephone and fax		(21,010,329)	(21,461,587)
Training		(2,534,816)	(3,573,030)
Travel - local		(274,466)	(675,497)
Utilities		(21,152,343)	(29,177,314)
		(445,661,797)	**(396,624,940)**