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Johannesburg Roads Agency (Proprietary) Limited
(Registration number 2000/028993/07)
Annual Financial Statements
for the year ended 30 June 2010

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Construction and maintenance of roads, traffic signals and storm water infrastructure
DIRECTORS	K C Shubane (Chairperson) G D Maseko (Managing Director) D J Block L Brenner P F Crowley X Hloma (Re appointed 26 January 2010) S M Maimane F I Matabane K Mthimunye W R R Nyabeze M J Simelane
REGISTERED OFFICE	66 Sauer Street Johannesburg Gauteng
BUSINESS ADDRESS	66 Sauer Street Johannesburg Gauteng
POSTAL ADDRESS	Private Bag X70 Braamfontein Johannesburg 2017
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality
AUDITORS	The Auditor-General of South Africa
SECRETARY	Ilzé-Marie de Wet
COMPANY REGISTRATION NUMBER	2000/028993/07

Index

The reports and statements set out below comprise the annual financial statements presented to the shareholder:

ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act, Act 56 of 2003 and Companies Act of South Africa, Act 61 of 1973, as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors sets 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 operating 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 or deficit.

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

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 46, which have been prepared on the going concern basis, were approved by the board of directors on 31 August 2010 and were signed on its behalf by:

G D Maseko (Managing Director)

K C Shubane (Chairperson)

Johannesburg

31 August 2010

Directors' Report

The directors submit their report for the year ended 30 June 2010.

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 construction and maintenance of roads, traffic signals and storm water infrastructure and operates principally in Johannesburg.

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

Net deficit of the entity was R 87,877,943 (2009: deficit R 69,291,877), after taxation of R - (2009: R (7,258,029)). The entity is a non-profit organisation and relies on the City of Johannesburg Metropolitan Municipality for funding for its continued existence.

3. GOING CONCERN

We draw attention to the fact that at 30 June 2010, the entity had accumulated surplus of R 266,218 and that the entity's total assets exceed its liabilities by R 49,324,833.

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

The entity is wholly dependent on the City of Johannesburg Metropolitan Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity. A letter of comfort is issued each year by the City of Johannesburg Metropolitan Municipality regarding the ability of the entity to carrying on as a going concern in the future.

4. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year.

5. DIRECTORS' INTEREST IN CONTRACTS

The directors do not have any interests in the contracts of the entity.

6. SHARE CAPITAL

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

7. DIRECTORS

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

Name
P F Crowley
S M Maimane
F I Matabane
K C Shubane (Chairperson)
L Brenner
K Mthimunye
W R R Nyabeze
D J Block
G D Maseko (Managing Director)

Directors' Report

X Hloma (Re appointed 26 January 2010)
M J Simelane

8. SECRETARY

The secretary of the entity is Ilzé-Marie de Wet of:

Business address

66 Sauer Street
Johannesburg
2001

Postal address

Private Bag X70
Johannesburg
2017

9. CONTROLLING ENTITY

The entity's controlling entity is The City of Johannesburg Metropolitan Municipality incorporated in South Africa.

10. SPECIAL RESOLUTIONS

There were no special resolutions during the year.

11. BANKERS

The bankers are Absa Bank Limited.

12. AUDITORS

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

Certificate by Secretary

In terms Section 268 G(d) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, as amended, I certify that the entity has lodged with the Registrar all such returns as required by the Companies Act and that all such returns are true, correct and up to date.

Ilzé-Marie de Wet

Johannesburg
31 August 2010

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
ASSETS			
Current Assets			
Inventories	3	24,379,286	9,212,883
Trade and other receivables from exchange transactions	5	337,405,284	496,097,516
Cash and cash equivalents	7	2,674	7,176
		361,787,244	**505,317,575**
Non-Current Assets			
Property, plant and equipment	8	98,674,838	99,125,876
Intangible assets	9	7,204,483	8,768,809
Retirement benefit asset	6	74,406,736	70,162,736
		180,286,057	**178,057,421**
Total Assets		**542,073,301**	**683,374,996**
LIABILITIES			
Current Liabilities			
Loans from shareholders	4	35,433,465	5,051,952
Finance lease obligation	11	981,099	1,207,868
Trade and other payables from exchange transactions	12	374,139,929	449,029,435
Provisions	13	17,216,156	16,683,465
		427,770,649	**471,972,720**
Non-Current Liabilities			
Finance lease obligation	11	355,819	1,268,935
Retirement benefit obligation	6	64,622,000	82,924,000
Deferred tax	10	-	-
		64,977,819	**84,192,935**
Total Liabilities		**492,748,468**	**556,165,655**
Net Assets		**49,324,833**	**127,209,341**
NET ASSETS			
Share capital	14	1,000	1,000
Reserves			
Contribution from owner		49,057,615	39,064,180
Accumulated surplus		266,218	88,144,161
Total Net Assets		**49,324,833**	**127,209,341**

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue	15	479,465,448	466,312,292
Cost of road maintenance	16	(383,783,692)	(348,852,093)
Gross surplus		**95,681,756**	**117,460,199**
Other income	17	9,689,339	11,110,237
Operating expenses		(188,647,181)	(218,175,288)
Operating deficit	18	**(83,276,086)**	**(89,604,852)**
Investment revenue	20	1,675,193	14,259,491
Finance costs	22	(6,277,050)	(1,204,545)
Deficit before taxation		**(87,877,943)**	**(76,549,906)**
Taxation	23	-	7,258,029
Deficit for the year		**(87,877,943)**	**(69,291,877)**

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Share premium	Accumulated surplus	Net assets
Opening balance as previously reported		1,000	39,064,180	158,076,947	197,142,127
Adjustments					
Prior year adjustments		-	-	(640,909)	(640,909)
Balance at 01 July 2008 as restated		**1,000**	**39,064,180**	**157,436,038**	**196,501,218**
Changes in net assets					
Deficit for the year		-	-	(69,291,877)	(69,291,877)
Total changes		-	-	(69,291,877)	(69,291,877)
Balance at 01 July 2009		**1,000**	**39,064,180**	**88,144,161**	**127,209,341**
Changes in net assets					
Deficit for the year		-	-	(87,877,943)	(87,877,943)
Assets financed through COJ		-	9,993,435	-	9,993,435
Total changes		-	9,993,435	(87,877,943)	(77,884,508)
Balance at 30 June 2010		**1,000**	**49,057,615**	**266,218**	**49,324,833**

Cash flow statement

Figures in Rand	Note(s)	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		602,842,395	319,273,137
Interest income		1,675,193	14,259,491
Decrease in loan to shareholder (with regard to retirement funding)		456,999	5,126,264
		604,974,587	338,658,892
Payments			
Suppliers and employees		(619,180,804)	(477,528,111)
Finance costs		(6,042,867)	(710,561)
		(625,223,671)	(478,238,672)
Net cash outflows from operating activities	25	**(20,249,084)**	**(139,579,780)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(10,910,386)	(10,792,208)
Proceeds from sale of property, plant and equipment	8	2,147,523	-
Purchase of other intangible assets	9	-	(363,669)
Net cash outflows from investing activities		**(8,762,863)**	**(11,155,877)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of shareholders loan		30,381,513	150,082,714
Finance lease payments		(1,374,068)	658,639
Net cash inflows from financing activities		**29,007,445**	**150,741,353**
Net (decrease)/increase in cash and cash equivalents		**(4,502)**	**5,696**
Cash and cash equivalents at the beginning of the year		7,176	1,480
Cash and cash equivalents at the end of the year	7	**2,674**	**7,176**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act. These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

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

1.1 Significant judgements and sources of estimation uncertainty

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

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 surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Impairment testing

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

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. 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.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6. This applies to the group as a whole and is not specifically for the entity since the entity employees belong to the various funds under the plan.

1.2 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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.

Subsequent to initial recognition, 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.

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

Item	Average useful life
Buildings	50 years
Plant and machinery	5 years
Furniture and fixtures	6 years
Office equipment	5 years
IT equipment	3 years
Tools and loose gear	5 years

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.

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

Accounting Policies

1.2 Property, plant and equipment (continued)

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.

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost and comprise of software.

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

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.

Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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.

Amortisation commences when the asset is ready for its intended use. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

Accounting Policies

1.3 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.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.4 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 it is 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.

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Impairment losses are recognised in surplus or deficit.

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

Accounting Policies

1.4 Financial instruments (continued)
had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

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

Fair value determination

Fair value information for trade and other receivables is determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Loans to (from) economic entities

These include loans to and from controlling entities 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.

Loans to shareholder

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (each debtor is evaluated separately on the basis of its circumstances) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently 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

Accounting Policies

1.4 Financial instruments (continued)

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
  - o has transferred substantially all the risks and rewards of the asset, or
  - o has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the entity's continuing involvement is the amount of the transferred asset that the entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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.

1.5 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 surplus or deficit 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 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

1.6 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.

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 of on the remaining balance of the liability.

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.

1.7 Inventories

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.

Inventories acquired are not held for trading, and consists of consumables in stock. Inventories are measured at the lower of cost and net realisable value.

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

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.

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.

1.8 Impairment of cash-generating assets

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

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

1.9 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

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

1.10 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.

1.11 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

Accounting Policies

1.11 Employee benefits (continued)

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 benefit plans

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

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

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

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

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

1.12 Contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 27.

1.13 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.

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Accounting Policies

1.13 Revenue from exchange transactions (continued)

completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

1.14 Investment income

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

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.18 Presentation of currency

These annual financial statements are presented in South African Rand.

1.19 Offsetting

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

1.20 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned or controlled by the South African Government. 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 arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 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 Municipal Manager and Council Members 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

Accounting Policies

1.20 Related parties (continued)

to influence, or to be influenced by key management individuals, in their dealings with the entity.

1.21 Budget information

A reconciliation between the approved budget surplus/deficit and statement of financial performance surplus/deficit was included as a note to the financial statements.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the entity receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the entity, and the entity can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the entity would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the entity as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories 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.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the entity has contravened these legislative requirements, the entity is still required to apply the requirements of GRAP 13.

2. NEW STANDARDS AND INTERPRETATIONS (continued)

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

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).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 17: Property, Plant and Equipment

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the entity.

2. NEW STANDARDS AND INTERPRETATIONS (continued)

If an external valuation is use to measure a provision the information relating to the valuation can usefully be disclosed.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘Statement

2. NEW STANDARDS AND INTERPRETATIONS (continued)

of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:
- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The entity expects to adopt the standard for the first time in the 2011 annual financial statements.

The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard will be on a date subject to promulgation by the Minister of Finance.

The entity expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an entity with the primary objective of generating a commercial

2. NEW STANDARDS AND INTERPRETATIONS (continued)

return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable amount of the asset. When estimating the value in use of an asset, an entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an entity applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard will be on a date subject to promulgation by the Minister of Finance.

The entity expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise:

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
an expense when an entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

Employee benefits as all forms of consideration given by an entity in exchange for service rendered by employees;
Defined contribution plans as post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
Defined benefit plans as post-employment benefit plans other than defined contribution plans;
Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
- pool the assets contributed by various entities that are not under common control; and
- use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned;

Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
Post-employment benefit plans as formal or informal arrangements under which an entity provides post-employment benefits for one or more employees;
Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
Termination benefits as employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits;

Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

Short-term employee benefits;
- All short-term employee benefits;
- Short-term compensated absences;
- Bonus, incentive and performance related payments;

Post-employment benefits: Defined contribution plans;
Other long-term employee benefits;
Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

Multi-employer plans;
Defined benefit plans where the participating entities are under common control;
State plans;
Composite social security programmes;
Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

Recognition and measurement;
Presentation;
Disclosure;
Accounting for the constructive obligation;

2. NEW STANDARDS AND INTERPRETATIONS (continued)

Statement of financial position;
Asset recognition ceiling;
Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
Statement of financial performance.

The standard prescribes recognition and measurement for:

Present value of defined benefit obligations and current service cost:
- Actuarial valuation method;
- Attributing benefits to periods of service;
- Actuarial assumptions;
- Actuarial assumptions: Discount rate;
- Actuarial assumptions: Salaries, benefits and medical costs;
- Actuarial gains and losses;
- Past service cost.

Plan assets:
- Fair value of plan assets;
- Reimbursements;
- Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard will be on a date subject to promulgation by the Minister of Finance.

The entity expects to adopt the standard for the first time in the 2012 annual financial statements.

The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an entity to a portion of another entity's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an entity considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where an entity subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

An entity can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an entity has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

2. NEW STANDARDS AND INTERPRETATIONS (continued)

the cash flows from the asset expire, are settled or waived;
significant risks and rewards are transferred to another party; or
despite having retained significant risks and rewards, an entity has transferred control of the asset to another entity.

An entity derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an entity modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An entity cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an entity's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an entity is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard will be on a date subject to promulgation by the Minister of Finance.

The entity expects to adopt the standard for the first time in the 2012 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the annual financial statements.

The aggregate impact of the initial application of the statements and interpretations on the entity's annual financial statements is expected to be as follows:

3. INVENTORIES

Inventories (Raw materials)	23,680,457	8,391,977
Consumable stores	993,262	1,074,954
	24,673,719	9,466,931
Provision for slow-moving and obsolete inventory	(294,433)	(254,048)
	24,379,286	**9,212,883**

Raw Materials		
Traffic signal equipment (cables, controllers, etc.)	15,285,894	721,338
Asphalt plant material (sand and stone)	860,761	939,570
Road maintenance (curbs, concrete products, polymer concrete, etc.)	6,431,113	3,258,018
Other	1,102,689	3,473,051
	23,680,457	**8,391,977**

4. LOANS FROM SHAREHOLDER

City of Johannesburg Metropolitan Municipality - Conduit Mirror Loan	(330,651)	(4,050,221)

The loan is unsecured, bears interest a fixed rate of 15% per annum repayable over 6 years commencing 31 August 2005. This loan relates to the purchase of the Johannesburg Roads Agency (Pty) Ltd head office building situated at 66 Sauer Street, Newtown, Johannesburg.

Notes to the Annual Financial Statements

Figures in Rand		2010	2009
4. LOANS FROM SHAREHOLDER (continued)			
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 bank.		(35,102,814)	(1,001,731)
		(35,433,465)	**(5,051,952)**

The terms and conditions ot the loans remained the same during the year. The entity did not default on any of the interest or capital repayments.]

Fair value of loans from shareholder

Loans from shareholder	(35,433,465)	(5,051,952)

The fair value of the loans to and from shareholders approximates to the carrying amounts because the loans are measured at amortised cost using the effective interest rate method.

Conduit mirror loan

Loan at beginning of the year	(4,050,221)	(7,348,213)
Repayments	3,719,570	3,297,992
	(330,651)	**(4,050,221)**

5. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables		19,744,541	13,110,506
Eskom deposit		150,000	150,000
Prepayments		3,550,326	2,939,526
City of Johannesburg Metropolitan Municipality Claims	5.1	154,646,723	114,902,622
Provision for bad debts		(1,735,812)	(1,735,811)
Related party receivables		161,049,506	366,730,673
		337,405,284	**496,097,516**

Trade receivables

Gross trade receivables	19,744,541	13,206,322
Discounting of receivables as a result of carrying trade and other receivables at amortised cost	-	(95,816)
Impairment	(1,735,811)	(1,735,811)
	18,008,730	**11,374,695**

5.1 Outstanding City of Johannesburg Metropolitan Municipality Claims

Capital expenditure (refer to 5.2)	258,561,658	362,147,654
Less: Claims received	-	-
MIG	(38,711,241)	(57,748,597)
External finance funding	(65,203,694)	(168,685,478)
Developers contribution	-	(20,810,957)
	154,646,723	**114,902,622**

5.2 Capital expenditure

Investigation and design of future projects	-	1,172,669
Bridges	-	65,521
Capital expense for Johanesburg Roads Agency financed by the City of Johannesburg Metropolitan Municipality	10,997,417	2,527,201
Dams	-	2,343,228
Footways	4,702,892	12,838,635

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

5. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Bus Rapid Transit	103,422,557	112,942,398
Major roads	85,167,107	191,001,260
Storm water	27,965,996	15,608,887
Traffic signals	2,033,719	23,478,135
2010 Projects	7,753,622	169,720
Vasco Da Gama	2,352,252	-
Key Revitalisation Project	260,384	-
Manhole Covers in Alex	469,329	-
Ward Based Safety	8,852,095	-
Jukskei River Bank	4,584,288	-
	258,561,658	**362,147,654**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

Trade receivables are due within 30 days.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2010, R 25,750,955 (2009: R 62,866,231) were past due but not impaired.

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

1 month past due	12,831,615	52,611,711
Over 2 months past due	12,919,340	10,254,520

Trade and other receivables impaired

As of 30 June 2010, trade and other receivables of R 1,735,811 (2009: R 1,735,811) 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 provision for impairment of trade and other receivables

Opening balance	(1,735,811)	(3,135,208)
(Increase) / Decrease of impairment	-	1,399,397
	(1,735,811)	**(1,735,811)**

6. RETIREMENT BENEFITS

6.1Defined benefit plan

Post-retirement liability		
Post-retirement medical aid plan (6.1.1)	25,829,000	23,647,000
Post-retirement housing subsidy plan (6.1.2)	784,000	838,000
Post-retirement gratuity plan (6.1.3)	38,009,000	58,439,000
	64,622,000	**82,924,000**

Loan to shareholder		
Post-retirement medical aid plan (6.1.1)	19,832,000	18,579,000

Figures in Rand	2010	2009

6. RETIREMENT BENEFITS (continued)

Post-retirement housing subsidy plan (6.1.2)	-	457,000
Post-retirement gratuity plan (6.1.3)	54,574,736	51,126,736
	74,406,736	**70,162,736**

6.1.1Post retirement medical aid plan

Post-retirement liability account

Opening balance	23,647,000	18,970,000
Net expense recognised in the statement of financial performance	2,182,000	4,677,000
	25,829,000	**23,647,000**

Net expense recognised in the statement of financial performance

Current service cost	340,000	340,000
Interest cost	1,986,000	1,767,000
Actuarial (gains) losses	779,000	3,319,000
Contributions / benefits paid	(923,000)	(749,000)
	2,182,000	**4,677,000**

Notional loan account

Opening balance	18,579,000	19,111,000
Interest received	1,253,000	1,636,000
Actuarial adjustment	-	(1,616,000)
Subsidies paid by the COJ	-	(552,000)
Balance at end of year	**19,832,000**	**18,579,000**

Key assumptions used

Discount rates used	9.00 %	6.80 %
Expected rate of return on assets	5.40 %	6.80 %
Rate of increase in employer post-retirement medical contribution subsidy payments	7.40 %	6.80 %

6.1.2Post retirement housing subsidy plan

Post-retirement liability account

Opening balance	838,000	1,143,000
Net expense recognised in the statement of financial performance	(54,000)	(305,000)
	784,000	**838,000**

Net expense recognised in the statement of financial performance

Current service cost	23,000	23,000
Interest cost	70,000	96,000
Actuarial (gains) losses	(147,000)	(424,000)
	(54,000)	**(305,000)**

Notional loan account

Opening balance	457,000	425,000

Figures in Rand	2010	2009

6. RETIREMENT BENEFITS (continued)

Interest received	-	32,000
Amount paid to entity	(457,000)	-
Balance at end of year	**-**	**457,000**

Key assumptions used

Discount rates used	9.00 %	6.80 %
Expected rate of return on assets	5.40 %	6.80 %
Expected increase in salaries	5.90 %	6.80 %

6.1.3Post retirement gratuity plan

Post-retirement liability account

Opening balance	58,439,000	46,107,000
Net expense recognised in the statement of financial performance	(20,430,000)	12,332,000
	38,009,000	**58,439,000**

Net expense recognised in the statement of financial performance

Interest cost	4,909,000	4,380,000
Actuarial (gains) / losses	(19,790,000)	7,952,000
Benefits paid	(5,549,000)	-
	(20,430,000)	**12,332,000**

Notional loan account

Opening balance	51,126,736	57,369,000
Interest received	3,448,000	4,584,000
Payments against account	-	(3,430,000)
Actuarial losses	-	(7,396,264)
Balance at end of year	**54,574,736**	**51,126,736**

Key assumptions used

Discount rates used	9.00 %	6.80 %
Expected rate of return on assets	5.40 %	6.80 %
Expected increase in salaries	5.90 %	6.80 %

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	2,674	7,176

8. PROPERTY, PLANT AND EQUIPMENT

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	17,293,715	-	17,293,715	17,293,715	-	17,293,715
Buildings	50,343,598	(6,205,845)	44,137,753	44,154,038	(5,314,929)	38,839,109
Plant and machinery	51,571,732	(27,621,104)	23,950,628	47,208,554	(23,673,270)	23,535,284

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Furniture and fixtures	8,596,838	(3,922,412)	4,674,426	8,595,506	(3,096,945)	5,498,561
Office equipment	5,735,491	(3,377,454)	2,358,037	7,334,569	(2,892,312)	4,442,257
IT equipment	22,368,942	(16,292,950)	6,075,992	22,780,330	(13,487,243)	9,293,087
Tools and loose gear	402,526	(218,239)	184,287	402,526	(178,663)	223,863
Total	**156,312,842**	**(57,638,004)**	**98,674,838**	**147,769,238**	**(48,643,362)**	**99,125,876**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Depreciation	Total
Land	17,293,715	-	-	-	17,293,715
Buildings	38,839,109	6,189,559	-	(890,915)	44,137,753
Plant and machinery	23,535,284	4,369,561	(6,383)	(3,947,834)	23,950,628
Furniture and fixtures	5,498,561	76,932	(75,600)	(825,467)	4,674,426
Office equipment	4,442,257	197,280	(1,796,358)	(485,142)	2,358,037
IT equipment	9,293,087	77,054	(488,443)	(2,805,706)	6,075,992
Tools and loose gear	223,863	-	-	(39,576)	184,287
	99,125,876	**10,910,386**	**(2,366,784)**	**(8,994,640)**	**98,674,838**

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Transfers	Depreciation	Total
Land	18,643,715	-	(1,350,000)	-	17,293,715
Buildings	38,372,190	-	1,350,000	(883,081)	38,839,109
Plant and machinery	31,591,708	3,639,255	-	(11,695,679)	23,535,284
Furniture and fixtures	4,962,352	2,041,806	-	(1,505,597)	5,498,561
Office equipment	4,447,378	3,065,594	-	(3,070,715)	4,442,257
IT equipment	18,049,382	2,039,269	-	(10,795,564)	9,293,087
Tools and loose gear	315,900	6,284	-	(98,321)	223,863
	116,382,625	**10,792,208**	**-**	**(28,048,957)**	**99,125,876**

Pledged as security

None of the entity's assets are pledged as security except for finance leased assets.

Assets subject to finance lease (Net carrying amount)

Office equipment	1,011,576	2,819,637

Details of properties

Freehold land and buildings to the value of R45.29m were purchased from the City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement dated 15 November 2001. The City is in the process of finalising negotiations with the SARS for the transfer of these assets without any tax implications. It is expected that theses assets will be transferred into the name of Johannesburg Roads Agency (Pty) Ltd in the short to medium term.

Details of the properties are listed in Appendix B.

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.

9. INTANGIBLE ASSETS

2010	2009

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

9. INTANGIBLE ASSETS (continued)

	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	12,389,135	(5,184,652)	7,204,483	12,389,135	(3,620,326)	8,768,809

Reconciliation of intangible assets - 2010

	Opening balance	Amortisation	Total
Computer software	8,768,809	(1,564,326)	7,204,483

Reconciliation of intangible assets - 2009

	Opening balance	Additions	Amortisation	Total
Computer software	11,403,038	363,669	(2,997,898)	8,768,809

Computer software consists of JD Edwards , Hansen and Docushare software.

10. DEFERRED TAX

Deffered tax asset / (liability)

	2010	2009
Deferred tax	-	-

Deferred tax is made up of the following temporary differences:

	2010	2009
Property, plant and equipment - owned and leased	7,447,489	8,602,757
Computer software	-	2,033,735
Finance lease liability	(374,337)	(693,505)
Provision for impairment of debtors	(1,725,335)	-
Provision for leave pay	(4,820,524)	(4,671,370)
Provision for bonuses	(1,574,588)	(1,881,552)
Retirement benefit liability	(18,094,160)	(23,218,720)
Retirement benefit assets	20,833,886	19,645,566
Discounted debtors	-	(26,828)
Discounted creditors	14,345	14,345
Prepayments	994,091	-
Calculated loss	(28,423,344)	(433,461)
Deferred tax asset not recognised	25,722,477	629,033
	-	**-**

Recognition of deferred tax asset

No deferred tax asset was provided for due to the improbability of future taxable profits to offset these amount. The deferred tax asset had it been raised would have been R25 722 477.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

11. FINANCE LEASE OBLIGATION

Minimum lease payments due		
- within one year	1,255,464	1,492,620
- in second to fifth year inclusive	193,354	1,387,168
	1,448,818	2,879,788
less: future finance charges	(111,900)	(402,985)
Present value of minimum lease payments	**1,336,918**	**2,476,803**
Present value of minimum lease payments due		
- within one year	981,099	1,233,267
- in second to fifth year inclusive	185,639	1,243,536
	1,166,738	**2,476,803**
Non-current liabilities	355,819	1,268,935
Current liabilities	981,099	1,207,868
	1,336,918	**2,476,803**

It is entity policy to lease certain office equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 13% (2009: 13%).

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 1.2.

12. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	146,520,432	121,769,439
Accrued bonus	5,623,527	3,252,243
Accrued staff 13th cheques	5,888,602	3,467,585
Retentions	39,876,018	49,036,188
Payroll accruals	3,449,150	2,890,896
Capital expenditure accruals	32,833,231	97,745,251
Prepayments	349,328	714,410
Developers contribution	113,793,543	153,140,074
Related party payables	25,857,329	17,064,580
Adjustment for fair value at amortised cost	(51,231)	(51,231)
	374,139,929	**449,029,435**

Developers contribution:
When existing erven in the Greater Johannesburg municipal area are granted new rights, either to establish new townships, for rezonings, removal of title deed restrictions or as subdivisions, in terms of the various Town Planning and Townships Ordinances the owner is obliged to pay to the COJ a contribution where external roads and storm water drainage services need to be upgraded.

The balance of unutilised funds as at 30 June 2010 was R113 793 543 (2009: R153 140 074).

Reconciliation of developers contribution		
Opening balance	153,140,074	173,951,031
Adjustments	-	(20,810,957)
Receipts	19,519,777	-
Expenditures	(58,866,308)	-
	113,793,543	**153,140,074**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

13. PROVISIONS

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Leave pay	16,683,465	8,905,698	(8,373,007)	17,216,156

Reconciliation of provisions - 2009

	Opening Balance	Additions	Utilised during the year	Total
Leave pay	16,226,568	8,581,434	(8,124,537)	16,683,465

14. SHARE CAPITAL

	2010	2009
Authorised		
1000 Ordinary shares of R1 each or par value of R1	1,000	1,000
Reconciliation of number of shares issued:		
Reported as at 01 July 2009	1,000	1,000
Issued		
1000 Ordinary shares of R1 each or par value of R1	1,000	1,000

15. REVENUE

	2010	2009
Road closures	246,589	169,363
Advertising income	28,400,865	26,844,781
Gautrans maintenance fees	1,413,000	1,398,000
Railway sidings	342,307	606,893
Asphalt sales	8,089,081	3,384,964
Jobbings	25,446,120	17,911,949
Reinstatement income	6,961,492	8,545,194
Subsidy - The City of Johannesburg Metropolitan Municipality	405,230,000	404,003,000
Management fees	3,335,994	3,448,148
	479,465,448	**466,312,292**

The amount included in revenue arising from exchanges of services are as follows:

	2010	2009
Road closures	246,589	169,363
Advertising income	28,400,865	26,844,781
Gautrans maintenance fees	1,413,000	1,398,000
Railway sidings	342,307	606,893
Asphalt sales	8,089,081	3,384,964
Jobbings	25,446,120	17,911,950
Reinstatements income	6,961,492	8,545,194
Subsidy - The City of Johannesburg Metropolitan Municipality	405,230,000	404,003,000
Management fees	3,335,994	3,448,148
	479,465,448	**466,312,293**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

16. COST OF ROAD MAINTENANCE

Services rendered		
Raw materials	40,591,321	50,786,970
Direct labour costs (refer to note 19)	179,799,298	160,895,139
Direct expenses	163,393,073	137,169,984
	383,783,692	**348,852,093**

17. OTHER INCOME

Rental income - third party	3,102,270	3,355,638
Training income	1,040,335	948,031
Wayleave fees	596,725	666,657
Penalties and tender deposit	223,277	854,012
Footway under balconies	-	34,200
Insurance claims	4,726,732	5,251,699
	9,689,339	**11,110,237**

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

Rental income - third party	3,102,270	3,355,638
Training income	1,040,335	948,031
Wayleave fees	596,725	666,657
Penalties and tender deposit	223,277	854,012
Footway under balconies	-	34,200
Insurance claims	4,726,732	5,251,699
	9,689,339	**11,110,237**

18. OPERATING DEFICIT

Operating deficit for the year is stated after accounting for the following:

Operating lease charges		
Equipment		
Contractual amounts	(526,504)	43,048
Lease rentals on operating lease - Other		
Contractual amounts	734,069	678,768
	207,565	**721,816**

Loss on sale of property, plant and equipment	(219,261)	-
Amortisation on intangible assets	1,564,326	2,997,899
Depreciation on property, plant and equipment	11,198,369	28,048,958
Employee costs	62,794,568	90,279,762

Notes to the Annual Financial Statements

Figures in Rand		2010	2009

19. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages		9,028,588	24,978,528
Housing benefits and allowances		1,708,080	1,308,181
Bonus		2,865,487	4,692,616
Travel, motor car, accommodation, subsistence and other allowances		11,423,861	10,790,797
Unemployment Insurance Fund		1,542,268	1,487,062
Compensation for Occupational Injuries and Disease		1,947,958	1,229,662
Skills Development Levies		1,804,945	1,750,701
Leave pay provision charge		8,905,698	8,581,434
Bargaining Council		43,179	36,885
Pension fund	6	23,524,504	35,421,703
Transport allowance (bus coupons)		-	2,193
		62,794,568	**90,279,762**

Reconciliation of employee costs

Employee costs - Direct - reclassified as cost of sales (refer to note 16)	179,799,298	160,895,139
Employee costs - Indirect	62,794,568	90,279,762
	242,593,866	**251,174,901**

20. INVESTMENT INCOME

Interest income

Interest income - investments	1,360,821	12,203,494
Interest income - advertising	314,372	761,733
Interest earned - outstanding debtors	-	1,294,264
	1,675,193	**14,259,491**

21. DEPRECIATION AND AMORTISATION

Property, plant and equipment	11,198,369	28,048,958
Intangible assets	1,564,326	2,997,899
	12,762,695	**31,046,857**

Depreciation in 2009 was higher than in 2010, because the useful lives and residual values of property, plant and equipment were assessed for the first time in accordance with GRAP 17.

22. FINANCE COSTS

Non-current borrowings	6,042,867	710,561
Finance leases	234,183	493,984
	6,277,050	**1,204,545**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

23. TAXATION

Major components of the tax income

Deferred		
Originating and reversing temporary differences	-	(7,258,029)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.00 %	28.00 %
Effect of permanent differences	(0.29)%	(18.37)%
	27.71 %	**9.63 %**

24. AUDITORS' REMUNERATION

Fees	1,306,074	1,597,875

25. CASH USED IN OPERATIONS

Deficit	(87,877,943)	(69,291,877)
Adjustments for:		
Depreciation and amortisation	12,762,695	31,046,857
Gain on sale of assets and liabilities	219,261	-
Finance costs - Finance leases	234,183	493,984
Movements in retirement benefit assets and liabilities	(22,546,000)	21,830,264
Movements in provisions	532,691	456,897
Annual charge for deferred tax	-	(7,258,029)
Changes in working capital:		
Inventories	(15,166,403)	(1,261,912)
Trade and other receivables from exchange transactions	158,692,232	(147,039,157)
Trade and other payables from exchange transactions	(67,099,800)	31,443,193
	(20,249,084)	**(139,579,780)**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

26. COMMITMENTS

Commitments in respect of capital expenditure:

	2010	2009
Approved but not yet contracted for		
	229,174,000	127,181,599
Authorised and contracted for		
	14,149,555	35,449,401
	243,323,555	**162,631,000**
This expenditure will be financed from:		
External Loans	161,549,555	105,600,000
MIG	66,774,000	57,031,000
Developers' Contribution	15,000,000	-
	243,323,555	**162,631,000**

Operating leases - as lessee (Fleet)

Operating leases – as lessee (Buildings)

	2010	2009
Minimum lease payments due		
- within one year	21,371,502	17,781,458
- in second to fifth year inclusive	-	19,310,664
	21,371,502	**37,092,122**

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 and expires in January 201.1 No contingent rent is payable.

27. 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 prove successful. The amounts have been based on attorneys' best estimates of the possible amount payable. Refer to cases below:

- Manong & Associates v JRA (Unfair discrimination) - Amount involved R 4 million.
- Pipe Jack v JRA (Unpaid invoice) - Amount involved R 947 000
- Hetta Eiendoms Bpk v JRA (Claim for specific performance / Alleged damage to property due to construction) - Amounts involved R456 000 (claim) and R4.5 million (rehabilitation).
- Unitrans v JRA (Claim for goods sold and delivered) - Amount involved R 191 413.43.
- JRA v Mgwezane Construction CC (Non-performance on cession agreement and unjust enrichment) - Amount involved R960 706.57.
- JRA v Comfort Zone (Non-performance on cession agreement and unjust enrichment) - Amount involved R150 289.20.
- JRA v T K Magaba (Non-performance on cession agreement and unjust enrichment) - Amount involved R 170 991.37.
- Gamifi Ind. Properties v JRA (Mandamus) - Amount involved unknown.
- Moshabane v JRA (Dispute on bill of costs) - Amount involved R148 984.50.
- JRA v Cecelia Trading CC (Non-fulfillment of agreement) - Amount involved R170 991.37.

The amounts have not been provided for as management believes the outcome of the cases will be in the entity's favour.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

28. 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 Housing Company (Pty) Ltd
	City of Johannesburg Property Company (Pty) Ltd
	City Power Johannesburg (Pty) Ltd
	Johannesburg City Parks
	Johannesburg Development Agency (Pty) Ltd
	Johannesburg Metropolitan Bus Services (Pty) Ltd
	Johannesburg Tourism Company
	Johannesburg Social Housing Company (Pty) Ltd
	Johannesburg Water (Pty) Ltd
	Metropolitan Trading Company (Pty) Ltd
	Pikitup Johannesburg (Pty) Ltd
	Roodepoort City Theatre
	The Johannesburg Civic Theatre (Pty) Ltd
	The Johannesburg Fresh Produce Market (Pty) Ltd
	The Johannesburg Zoo
	Greater Newtown Development Company (Pty) Ltd
	Constitutional Hill Development Company (Pty) Ltd
Members of key management	Directors' remuneration - Annexure A

Related party balances

	2010	2009
Amounts included in trade receivables regarding related parties		
The City of Johannesburg Metropolitan Municipality	148,432,764	351,926,919
Pikitup Johannesburg (Pty) Ltd	-	24,100
City Power Johannesburg (Pty) Ltd	4,117,320	3,683,258
City of Johannesburg Property Company (Pty) Ltd	2,432,444	4,377,587
Johannesburg Water (Pty) Ltd	5,419,188	6,593,089
Johannesburg City Parks	647,790	125,720
	161,049,506	**366,730,673**
Amounts included in trade payables regarding related parties		
The City of Johannesburg Metropolitan Municipality	20,284,185	12,460,248
Johannesburg Social Housing Company (Pty) Ltd	1,396,383	1,214,128
Pikitup Johannesburg (Pty) Ltd	145,996	-
City Power Johannesburg (Pty) Ltd	2,419,310	3,259,368
Johannesburg Water (Pty) Ltd	3,864	5,824
The Johannesburg Civic Theatre (Pty) Ltd	18,453	60,823
Johannesburg City Parks	1,589,138	64,189
	25,857,329	**17,064,580**
Loan accounts - Owing to related parties		
The City of Johannesburg Metropolitan Municipality	(35,433,465)	5,051,952

Related party transactions

	2010	2009
Income from related parties		
The City of Johannesburg Metropolitan Municipality - Subsidies	405,230,000	404,003,000
The City of Johannesburg Metropolitan Municipality - Other	291,775,288	197,832,976
Pikitup Johannesburg (Pty) Ltd	-	20,134
City Power Johannesburg (Pty) Ltd	416,047	2,445,127
City of Johannesburg Property Company (Pty) Ltd	28,715,237	27,606,514
Johannesburg Water (Pty) Ltd	5,800,723	5,806,283

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

28. RELATED PARTIES (continued)

Johannesburg City Parks	568,237	110,282
Johannesburg Metro Police Department	-	2,701,838
	732,505,532	**640,526,154**

Purchases from related parties		
The City of Johannesburg Metropolitan Municipality	18,952,661	15,554,542
Johannesburg Social Housing Company (Pty) Ltd	1,553,158	1,336,617
Johannesburg Metropolitan Bus Services (Pty) Ltd	13,020	-
Pikitup Johannesburg (Pty) Ltd	775,856	-
City Power Johannesburg (Pty) Ltd	8,340,591	10,672,723
City of Johannesburg Property Company (Pty) Ltd	-	255,476
Johannesburg Water (Pty) Ltd	25,077	23,892
Johannesburg Civic Theatre (Pty) Ltd	136,537	235,484
Johannesburg City Parks	1,799,003	1,089,839
	31,595,903	**29,168,573**

29. DIRECTORS' EMOLUMENTS

Executive

2010	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	1,586,386	-	-	-	1,586,386

2009	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	1,106,223	-	-	-	1,106,223

Non-executive

2010	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	985,204	-	-	-	985,204

2009	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	863,118	-	-	-	863,118

30. RISK MANAGEMENT

Financial risk management

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

The entity's exposure to interest rate risk is limited, as the entity has no significant interest-bearing liabilities. The interest on the loan for the building at 66 Sauer Street is fixed at 15% throughout the term.

Figures in Rand	2010	2009

30. RISK MANAGEMENT (continued)

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.

31. GOING CONCERN

We draw attention to the fact that at 30 June 2010, the entity had accumulated surplus of R 266,218 and that the entity's total assets exceeds its liabilities by R 49,324,833.

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

32. EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date identified.

33. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure		
Penalties due to late payment of Telkom account	6,848	-

The account was paid late due to the invoices being received late from Telkom and thus paid late. Procedures have been put into place to receive the invoices electronically and to be paid on time.

34. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

Sand and stone were 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 will be reported to the board at the next board meeting who will consider them and subsequently approve the deviation from the normal supply chain management regulations.

Detailed Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Advertising income		28,400,865	26,844,781
Asphalt sales		8,089,081	3,384,964
Gautrans maintenance fees		1,413,000	1,398,000
Jobbings		25,446,120	17,911,949
Management fees		3,335,994	3,448,148
Railway sidings		342,307	606,893
Reinstatements income		6,961,492	8,545,194
Road closures		246,589	169,363
Subsidy - COJ		405,230,000	404,003,000
	15	**479,465,448**	**466,312,292**
Cost of road maintenance			
Opening stock		(8,391,977)	(7,883,399)
Purchases		(219,272,874)	(188,465,532)
Closing stock		23,680,457	8,391,977
Labour costs		(179,799,298)	(160,895,139)
	16	**(383,783,692)**	**(348,852,093)**
Gross surplus		**95,681,756**	**117,460,199**
Other income			
Footway under balconies		-	34,200
Insurance claims		4,726,732	5,251,699
Interest received	20	1,675,193	14,259,491
Penalties and tender deposit		223,277	854,012
Rental income		3,102,270	3,355,638
Training income		1,040,335	948,031
Wayleave fees		596,725	666,657
		11,364,532	**25,369,728**
Expenses (Refer to page 46)		**(188,647,181)**	**(218,175,288)**
Operating deficit	18	**(81,600,893)**	**(75,345,361)**
Finance costs	22	(6,277,050)	(1,204,545)
Deficit before taxation		**(87,877,943)**	**(76,549,906)**
Taxation	23	-	(7,258,029)
Deficit for the year		**(87,877,943)**	**(69,291,877)**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2010	2009
Operating expenses			
Advertising		(1,080,214)	(2,677,796)
Auditors remuneration	24	(1,306,074)	(1,597,875)
Bank charges		(83,170)	(81,176)
Commission paid		(3,993,728)	(3,160,306)
Conferences and seminars		(1,008,126)	(1,814,788)
Consulting and professional fees		(37,704,011)	(15,799,426)
Consumables		(2,407,119)	(773,076)
Depreciation, amortisation and impairments		(12,762,695)	(31,046,857)
Discount allowed		(1,207,409)	(863,118)
Employee costs		(62,794,568)	(90,279,762)
Entertainment		(338,260)	(1,233,398)
Hostel charges		(1,828,202)	(1,478,150)
Insurance		(12,527,159)	(10,198,666)
Interest and penalties		(6,848)	-
Lease rentals on operating lease		(207,565)	(721,816)
Legal expenses		(4,023,451)	(1,747,976)
Loss on disposal of assets		(219,261)	-
Magazines, books and periodicals		(158,257)	(133,197)
Medical expenses		-	(5,733)
Printing and stationery		(1,936,319)	(1,977,390)
Promotions		(392,622)	(764,251)
Protective clothing		(865,369)	(850,004)
Repairs and maintenance		(6,644,460)	(9,864,787)
Safety		(68,840)	(129,127)
Security		(5,592,022)	(4,164,148)
Software expenses		(2,954,304)	(10,878,564)
Subscriptions		(54,494)	(117,395)
Telephone and fax		(9,848,871)	(9,527,287)
Training		(2,961,417)	(1,838,239)
Travel - local		(1,231)	(3,156)
Travel - overseas		(66,569)	(302,895)
Utilities		(13,594,156)	(14,120,559)
Workshop charges		(10,390)	(24,370)
		(188,647,181)	**(218,175,288)**

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

APPENDIX E1 for the ended 30 June 2010

Yearly

	Original Budget (000's)	**Revised Budget (000's)**	**Actual Balance (000's)**	**Variance (000's)**	**Var**	**Explanation of Significant Variances greater than 10% versus Budget**
Revenue						
Subsidy	429,388	405,230	405,230	-	-	
	429,388	405,230	405,230	-	-	
Other income						
Other income	77,162	77,162	83,925	(6,763)	(8.8)	.
	77,162	77,162	83,925	(6,763)	(8.8)	
Cost of sales						
	-	-	-	-	-	
Total Revenue	506,550	482,392	489,155	(6,763)	(1.4)	
Expenses						
Employee related costs	(274,307)	(241,891)	(244,620)	(2,729)	1.1	
Depreciation and Amortisation	(4,779)	(4,075)	(12,764)	(7,437)	182.5	1.
Repairs and maintenance	(5,290)	(5,690)	(6,644)	(954)	16.8	4.
Finance Charges	(8,542)	(4,724)	(6,277)	(3,075)	65.1	5.
Contracted Services	(117,743)	(118,496)	(144,269)	25,772	(21.7)	3.
Grants and subsidies paid	-	-	-	-	-	
General expenses	(95,889)	(107,516)	(162,459)	66,570	(61.9)	2.
Fair value adjustments	-	-	-	-	-	
	(506,550)	(482,392)	(577,033)	78,147	(16.2)	
Operating profit	-	-	(87,878)	71,384	-	
Other revenue and costs						
	-	-	-	-	-	
Net surplus/ (deficit) for the year	-	-	(87,878)	71,384	-	
Taxation						
Current	-	-	-	-	-	
Deferred tax	-	-	-	-	-	
	-	-	-	-	-	
Profit /(Loss) for the year	-	-	(87,878)	71,384	-	