Johannesburg Roads Agency SOC Limited
(Registration number 2000/028993/07)
Annual Financial Statements
for the year ended June 30, 2014

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	KC Shubane (Chairperson) DS Macozoma (Managing Director) GP Mbatha (Finance Director - Appointed board member on 25 February 2014) L Nxumalo H Mashele E Ngomane L Mashamaite SM Maimane N Msezane Dr J Maina (resigned 25 February 2014) A Torres (appointed 25 February 2014)
REGISTERED OFFICE	66 Sauer Street Johannesburg Gauteng
BUSINESS ADDRESS	66 Sauer Street Corner Jeppe Street Johannesburg Gauteng
POSTAL ADDRESS	Private Bag X70 Braamfontein Johannesburg 2017
SHAREHOLDER	The City of Johannesburg Metropolitan Municipality
BANKERS	Standard Bank Limited
AUDITORS	The Auditor-General of South Africa
SECRETARY	Karen Mills
COMPANY REGISTRATION NUMBER	2000/028993/07

Index

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

Index

ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IGRAP	Interpretations of the Standards Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
USDG	Urban Settlement Development Grant
EFF	External Finance Funding
JRA	Johannesburg Road Agency
COJ	City of Johannesburg

Directors' responsibilities and approval

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

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

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

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

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

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

Although the Directors are primarily responsible for the financial affairs of the entity, they are supported by the entity's 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 129.

The annual financial statements set out on pages 138 onwards, which have been prepared on the going concern basis, were approved by the Board of Directors on 28 November 2014 and were signed on its behalf by the Managing Director and the Chairperson of the Board:

DS Macozoma (Managing Director)

KC Shubane (Chairperson)

Johannesburg

Audit committee report

Report of the Audit Committee

1. Introduction

It is the responsibility of the Audit Committee, duly appointed by the Shareholders in general meeting, to issue this report for the 2013/14 financial year. The composition of the Committee, and attendance, is addressed in the Governance Report (Chapter 2). The activities of the Committee are guided by the legislated mandate as well as detailed Terms of Reference duly informed by the Municipal Finance Management Act (Section 66), the Municipal Systems Act, the Companies Act (Section 94) and King III and are approved by the Board. The annual financial statements form part of the integrated report. The Committee is also tasked with the oversight of the risk management process and the governance of Information Technology in terms of the MFMA; however this has been delegated to a stand-alone Risk and IT Committee of the Board. The Risk and IT Committee has provided the necessary oversight and assurance to this Committee which has had sight of all Risk and IT Committee meeting minutes as from June 2014.

2. Roles and Responsibilities

During the year under review the Committee fulfilled all the functions and discharged its responsibilities as prescribed in the Municipal Finance Management Act, No 56 of 2003; The Municipal Systems Act, No 32 of 2000 and the Companies Act, No71 of 2008, King III and the Terms of Reference.

3. External Auditor Appointment

The Committee has satisfied itself that the external auditor is independent of the company, as set out in section 94(8) of the Companies Act, 2008. In consultation with Executive Management, The Committee has agreed to the engagement letter terms, noted the Audit Strategy, together with the fees, and recommended it to the Board for approval.

4. Summary of Main Activities

Integral to the discharge of its duties and obligations, the Committee has considered the following:

(a) In respect of the external audit:

- Reviewed the audit strategy, evaluated the effectiveness of the external auditor and evaluated the external auditor's internal quality control procedures;
- Obtained assurances from the external auditor that adequate accounting records were being maintained, including reports pertaining to the effectiveness of the company's internal control environment, systems and processes; and
- Made recommendations to the Board regarding corrective actions to be taken as a consequence of any audit findings.

(b) In respect of the annual financial statements:

- Confirmed that "going concern" assumption was correctly used as the basis of the preparation of the annual financial statements and considered the basis upon which the company was determined to be a going concern;
- Considered the annual financial statements, the information upon which the statements were prepared and the correctness thereof prior to submission and approval by the Board;
- Ensured that the annual financial statements fairly present the financial position of the company as at the end of the financial year;
- Considered accounting treatments, significant unusual transactions and accounting judgements and conclusions;
- Considered the appropriateness of the accounting policies adopted and any changes thereto;
- Reviewed the external auditor's audit report, including any significant legal and tax matters that could have a material impact on the financial statements;
- Met with management and both the external and internal auditors to ensure all parties had an opportunity to raise any concerns with the Committee; and
- Considered the adequacy and effectiveness of controls and procedures, including meeting separately with management, external audit and internal audit.

(c) In respect of internal control and internal audit:

- Reviewed and approved the annual internal audit charter and audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter and the approved audit plan;
- Considered the reports of the internal auditor regarding the systems of internal control including financial controls, business risk management and maintenance of effective internal control systems;

- Received assurance that proper and adequate accounting records were maintained, including the safeguarding of assets and the prevention of corruption and fraud;
- Reviewed significant issues raised by the internal audit processes and the adequacy, and implementation, of corrective action in response to significant internal audit findings;
- Reviewed significant differences in opinion between management and the internal audit function and noted that there were none; and
- Assessed the adequacy of the performance of the internal audit function, and specifically assessed the performance of the head of the internal audit function and the adequacy of the available internal audit resources and make recommendations to correct shortcomings.

Based on the above, the Committee formed the opinion that, while the controls were adequate some were not wholly effective in achieving their purpose and ensuring that the Company's objectives were achieved. The Committee was however of the opinion that this did not lead to any material breakdowns in internal control, including financial controls and business risk management.

(d) In respect of <u>risk management and information technology</u>:

- Reviewed the company's policies on risk assessment and risk management, including fraud risks and information technology risks as they pertain to financial reporting and the going concern assessment, and found them to be sound;
- Reviewed IT risk and IT governance;
- Considered and evaluated significant IT investments and the delivery and management of IT services.

(e) In respect of sustainability issues contained in the <u>Sustainable Development</u> report:

- Overseen the process of sustainability reporting; and
- Received the necessary assurances from management that material disclosures are reliable and do not conflict with the financial information.

(f) In respect of <u>performance information</u>:

- Overseen the performance information throughout the year through the quarterly internal audit reports received;
- Considered the Annual Performance Report for the year under review and recommended it for approval to the Board of Directors.

(g) In respect of <u>legal and regulatory</u> requirements to the extent that it may have an impact on the financial statements:

- Reviewed with management, legal matters that could have a material impact on the group;
- Reviewed with the company's internal legal advisor the adequacy and effectiveness of the group's procedures to ensure compliance with legal and regulatory responsibilities;
- Monitored complaints received via the group's Whistleblowers reporting line;
- Reported on items of unauthorised, irregular and fruitless and wasteful expenditure in terms of the MFMA (S 102); and
- Considered reports provided by management, the internal auditor and the external auditors regarding compliance with legal and regulatory requirements.

(h) In respect of the coordination of assurance activities:

- Reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant risks facing the business; and
- Considered the expertise, resources and experience of the finance function, including that of the Chief Financial Officer ,the head of the Supply Chain Management (SCM) function and senior members of management, and concluded that these were appropriate; and

5. Fraud and Whistle Blowing

The Committee has received quarterly reports pertaining to instances of fraud and / or corruption received and reviewed by the internal audit department, including reports received through the independent Whistle Blowing hotline. The Committee has exercised oversight in respect of financial reporting risks, internal financial controls, fraud risks and IT risks as they relate to financial reporting.

6. Evaluation of the Expertise and Experience of the Chief Financial Officer and Finance Function

The company had a fulltime appointed Chief Financial Officer during the financial year 2013/14.The Committee has satisfied itself that the CFO has appropriate financial expertise and experience.

The Committee has also considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the Finance function including the experience of senior members of management responsible for the Financial Function.

7. Attendance

Below is the schedule of meetings held and attendance by members:

Name	Audit and Finance (6)					
	11 July	**23 Aug (S)**	**18 Sept**	**15 Nov**	**12 Mar**	**9 June**
Board Members						
M Msezane	✓	X	✓	X	✓	N/A
L Mashamaite	N/A	N/A	N/A	N/A	N/A	✓
H Mashele - **CHAIRMAN**	✓	✓	✓	✓	✓	✓
A Torres	N/A	N/A	N/A	N/A	N/A	✓
Independent Audit Committee Members						
R Theunissen	✓	✓	✓	✓	✓	✓
J Maboa	X	✓	✓	✓	✓	✓
D Nyalunga	N/A	N/A	N/A	N/A	N/A	✓

8. Conclusion

Based on our review of the integrated report of JRA, comprising the annual review, annual financial statements and report on sustainable development, we are of the opinion that, in all material respects, the report complies with the provisions of the Municipal Finance Management Act, No 56 of 2003; The Municipal Systems Act, No 32 of 2000, the Companies Act, No 71 of 2008, the King III Report and Generally Recognised Accounting Practice as issued by the Accounting Standards Board and prescribed by National Treasury.

The Committee concurred with the Auditor-General's Audit Opinion for the financial year ended 30 June 2014.

Having had regard to all material factors and risks that may impact on the integrity of the integrated report, and having satisfied ourselves that the information is reliable and that no conflicts or differences have arisen when compared to the financial results, we recommend the integrated report of the JRA for the year ended 30 June 2014 for approval to the Board of Directors.

Mr H Mashele
Chairperson of the Audit and Finance Committee
On behalf of the Audit Committee

This report of the Audit and Finance Committee was considered and accepted by the Board of Directors on the 3rd December 2014

Report of the auditor general

Report of the auditor general

Report of the auditor general

Report of the auditor general

Director's Report

The Directors submit their report for the year ended June 30, 2014.

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, South Africa.

During the year, a decision was undertaken by City of Johannesburg to transfer the advertising revenue portfolio account budget to Johannesburg Property Company which was under the Johannesburg Road Agency budget with effect from 1 July 2014.

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

Net surplus of the entity for the 12 months ended 30 June 2014 was R 120,434,379 (30 June 2013: surplus R 59,761,196), after taxation. The entity relies on the City of Johannesburg Metropolitan Municipality for funding of its continued existence.

3. GOING CONCERN

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

The approved operating budget for the 2014/2015 financial year is R 814 million and the approved capital budget for the 2014/2015 financial year is R 1.297 billion.

4. SUBSEQUENT EVENTS

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

Director's Report

5. DIRECTORS' INTEREST IN CONTRACTS

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

6. ACCOUNTING POLICIES

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

7. SHARE CAPITAL

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

8. BOARD

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

Name	Nationality
KC Shubane (Chairperson)	South African
DS Macozoma (Managing Director)	South African
GP Mbatha (Finance Director - Appointed board member on 25 February 2014)	South African
L Nxumalo	South African
H Mashele	South African
E Ngomane	South African
L Mashamaite	South African
SM Maimane	South African
N Msezane	South African
Dr J Maina (resigned 25 February 2014)	South African
A Torres (appointed 25 February 2014)	South African

9. SECRETARY

The secretary of the entity is Karen Mills of:

Business address	66 Sauer Street Johannesburg 2001
Postal address	Private Bag X70

Director's Report

Johannesburg
2017

10. CONTROLLING ENTITY

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

11. SPECIAL RESOLUTIONS

It was resolved that the remuneration of the non-executive directors and independent audit committee members of the Company for the year ended 30 June 2014 and 30 June 2015, be approved, in accordance with the City of Johannesburg Metropolitan Municipality policy dealing with the remuneration of non-executive directors and independent audit committee members and further, that the remuneration of the executive directors of the company for the period ending 30 June 2014 and 30 June 2015 be paid subject to the upper limits of remuneration as determined by the City of Johannesburg Metropolitan Municipality in terms of section 89 of the Local Government: Municipal Finance Management Act, 2003.

12. BANKERS

Standard Bank Limited.

13. AUDITORS

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

14. MEETINGS

Four (4) Board meetings and six (6) Audit, Risk and Finance Committee meetings were held during the period 1 July 2013 to 30 June 2014.

Company secretary's certification

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

In terms of section 88(2)(e) of the Companies Act 71 of 2008 and the Municipal Finance Management Act, Act 56 of 2003, I certify that, to the best of my knowledge and belief, the company has lodged for the year ended 30 June 2014, with the Companies and Intellectual Property Commission all such returns as are required and that all such returns are true, correct and up to date.

Karen Mills
Company Secretary

Johannesburg

Statement of Financial Position as at June 30, 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Inventories	3	27,186,562	18,526,630
Trade and other receivables	5	549,236,352	280,822,975
Cash and cash equivalents	7	96,606,365	41,862,190
		673,029,279	**341,211,795**
Non-Current Assets			
Property plant and equipment	8	146,553,496	109,558,352
Intangible assets	9	3,445,152	2,662,717
Employee benefit asset	6	61,051,371	69,559,968
		211,050,019	**181,781,037**
Total Assets		**884,079,298**	**522,992,832**
Liabilities			
Current Liabilities			
Loans from shareholders	4	-	92,706,736
Finance lease obligation	13	9,909,079	1,499,811
Trade and other payables	14	642,946,152	392,599,793
Provisions	15	39,479,548	8,029,962
		692,334,779	**494,836,302**

Non-Current Liabilities			
Finance lease obligation	13	24,698,937	6,798,532
Employee benefit obligation	6	59,044,000	67,494,000
		83,742,937	**74,292,532**
Total Liabilities		**776,077,716**	**569,128,834**
Net Assets		**108,001,582**	**(46,136,002)**
Share capital	16	1,000	1,000
Reserves			
Contribution from owner	17	123,014,187	89,310,982
Accumulated surplus/ (deficit)		(15,013,605)	(135,447,984)
Total Net Assets		**108,001,582**	**(46,136,002)**

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue	18	773,340,179	587,127,589
Cost of road maintenance	19	(398,068,940)	(373,174,276)
Gross surplus		**375,271,239**	**213,953,313**
Other income	20	11,216,174	15,876,921
Operating expenses		(302,037,068)	(204,719,397)
Operating surplus	21	**84,450,345**	**25,110,837**
Investment income	23	10,371,998	4,972,330
Finance costs	25	(4,912,835)	(6,438,201)
Surplus for the year from continuing operations		**89,909,508**	**23,644,966**
Surplus from discontinued operations	12	30,524,871	36,116,230
Surplus for the year		**120,434,379**	**59,761,196**

Statement of Changes in Net Assets

Figures in Rand	Share capital	Contribution from owner	Accumulated surplus/ (deficit)	Total net assets
Balance at July 01, 2012	**1,000**	**60,209,179**	**(195,209,180)**	**(134,999,001)**
Changes in net assets				
Surplus for the year	-	-	59,761,196	59,761,196
Assets financed through COJ	-	29,101,803	-	29,101,803
Total changes	-	29,101,803	59,761,196	88,862,999
Balance at July 01, 2013	**1,000**	**89,310,982**	**(135,447,984)**	**(46,136,002)**
Changes in net assets				
Surplus for the year	-	-	120,434,379	120,434,379
Assets financed through COJ	-	33,703,205	-	33,703,205
Total changes	-	33,703,205	120,434,379	154,137,584
Balance at June 30, 2014	**1,000**	**123,014,187**	**(15,013,605)**	**108,001,582**
Note(s)	16	17		

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Subsidies and other		556,014,891	539,778,128
Interest income		10,371,998	4,972,330
		566,386,889	544,750,458
Payments			
Suppliers and employees		(349,553,317)	(412,166,171)
Finance costs		(442,877)	(5,823,850)
		(349,996,194)	(417,990,021)
Net cash flows from operating activities	27	**216,390,695**	**126,760,437**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property plant and equipment	8	(59,019,893)	(24,161,792)
Purchase of other intangible assets	9	(2,587,951)	(154,858)
Net cash flows from investing activities		**(61,607,844)**	**(24,316,650)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of shareholders loan		(92,706,736)	(85,213,364)

Finance lease payments		(7,331,940)	(1,994,480)
Net cash flows from financing activities		**(100,038,676)**	**(87,207,844)**
Net increase in cash and cash equivalents		**54,744,175**	**15,235,943**
Cash and cash equivalents at the beginning of the year		41,862,190	26,626,247
Cash and cash equivalents at the end of the year	7	**96,606,365**	**41,862,190**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Original Approved budget	Adjustments	Final Approved budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Gautrans maintenance fees	2,500,000	3,441,000	**5,941,000**	5,746,000	**(195,000)**	
Asphalt Sales	2,441,000	2,559,000	**5,000,000**	7,734,940	**2,734,940**	2
Jobbings	17,000,000	5,100,000	**22,100,000**	29,745,351	**7,645,351**	3
Reinstatement income	17,000,000	-	**17,000,000**	30,363,603	**13,363,603**	4
Management fees	3,000,000	7,000,000	**10,000,000**	11,072,821	**1,072,821**	5
Interest on fair value	-	-	**-**	(3,146,697)	**(3,146,697)**	6
Rental income	3,000,000	-	**3,000,000**	2,911,434	**(88,566)**	
Wayleave - fees	-	-	**-**	358,175	**358,175**	
Penalties and tender deposits	-	-	**-**	87,719	**87,719**	
Insurance claims income	-	4,900,000	**4,900,000**	7,858,846	**2,958,846**	7
Interest received - investment	-	-	**-**	10,371,998	**10,371,998**	8
Total revenue from exchange transactions	**44,941,000**	**23,000,000**	**67,941,000**	**103,104,190**	**35,163,190**	

REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TRANSFER REVENUE						
Developers' contribution	-	22,000,000	**22,000,000**	40,721,161	**18,721,161**	1
Subsidy - The City of Johannesburg Metropolitan Municipality	651,103,000	-	**651,103,000**	651,103,000	**-**	
Total revenue from non-exchange transactions	**651,103,000**	**22,000,000**	**673,103,000**	**691,824,161**	**18,721,161**	
Total revenue	**696,044,000**	**45,000,000**	**741,044,000**	**794,928,351**	**53,884,351**	
EXPENDITURE						
Employee related costs	(349,900,000)	(17,000,000)	**(366,900,000)**	(359,956,673)	**6,943,327**	9
Depreciation and amortisation	(12,000,000)	(12,000,000)	**(24,000,000)**	(23,805,300)	**194,700**	
Finance costs	(6,000,000)	3,000,000	**(3,000,000)**	(4,912,835)	**(1,912,835)**	8
Hostel charges	(1,556,283)	-	**(1,556,283)**	(1,354,920)	**201,363**	
Repairs and maintenance (property, plant and equipment)	(12,000,000)	-	**(12,000,000)**	(10,546,741)	**1,453,259**	
Repairs and maintenance (other)	(52,551,001)	-	**(52,551,001)**	(44,665,861)	**7,885,140**	10
Call center service	-	-	**-**	(2,876,000)	**(2,876,000)**	11
Safety related expenses	(246,748)	-	**(246,748)**	(49,962)	**196,786**	
General Expenses and direct cost for operations	(301,789,970)	(19,000,000)	**(320,789,970)**	(266,197,595)	**54,592,375**	12

Total expenditure	**(736,044,002)**	**(45,000,000)**	**(781,044,002)**	**(714,365,887)**	**66,678,115**
Surplus before taxation	**(40,000,002)**	**-**	**(40,000,002)**	**80,562,464**	**120,562,466**
Surplus for the year from continuing operations	**(40,000,002)**	**-**	**(40,000,002)**	**80,562,464**	**120,562,466**
Discontinued operations	40,000,000	-	**40,000,000**	39,871,915	**(128,085)**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Original Approved budget	Adjustments	Final Approved budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**120,434,379**	**120,434,381**	

Statement of Comparison of Budget and Actual Amounts

Comments on Statement of Comparison of Budget and Actual Amounts

Statement of Comparison of Budget and Actual Amounts

(**Comments are provided for variances in excess of two million rand and above 10% of budgeted figures**)

1. The JRA receives an allocation from the City of Johannesburg relating to contributions made by developers to compensate for the increased usage of the existing infrastructure network. The budget amount was adjusted half year during the budget adjustment process based on actual income received during the first half of the year.

2. The Asphalt plant was refurbished during 2012/13 financial year and consequently, production increased significantly in 2013/14 financial year. This increased production enabled the company to supply internal depots and also cater for external contractors.

3. The JRA is requested by other companies to construct parking spaces, foot ways and other similar activities on an ad-hoc basis. Requests received in the current year exceed planned targets.

4. External companies work on the road and road reserves to install, repair or replace items such as cables, water pipes and power lines. The City experienced an increase in the number of activities that required the JRA to re-instate the infrastructure.

5. Management fees are earned on capital expenditure at the rate of 2.50% and this is applicable to all sources of funding except for operational capital expenditure. Capital expenditure exceed the amount estimated during the budget process and therefore actual management fees exceeded the budget amount.

6. Interest costs on fair value of debtors (over-due debtors) was not included in the budget. Reasonable steps are taken to ensure that all outstanding debtors are received within 30 days.

7. Insurance claims income is received for claims submitted in relation to damaged traffic signals, lost assets and other insured items. The budget amount was adjusted half year during the budget adjustment process based on actual income received during the first half of the year.

8. The JRA had an overdraft for a number of years prior to 2013/14 financial year. Whilst the overdraft was being reduced, the company eliminated cash shortages by July 2013 and generated cash surpluses. Interest was earned on the cash balance. Interest costs on the overdraft were significantly reduced. The increase in the overall interest costs relates to post-retirement benefits and the finance leases

9. Employee costs relating to the Resurfacing Department (RSD) were moved to capital projects. This resulted in a cost saving on the operating budget line of R6,500,000 which was capitalised as part of the road resurfacing costs.

10. The JRA accounts for Repairs and Maintenance for Roads and Mobility under employee and material costs. Repairs and maintenance for JRA owned assets such as office buildings, furniture and depots is in progress.

11. The JRA moved employees to the City of Johannesburg with the related budget when the call centre was created and no bill was expected for the services to be rendered by the Call Center. Consequently, no budget amount was reserved for this cost item.

12. Stringent financial controls were implemented to prevent, detect and correct over-expenditure. In addition, materials budget was utilised in capital projects instead of operating budget related programmes. As a result, the JRA realised savings on consulting fees, material costs and contractor general line items.

Change from Approved to Final Budget

The changes from Original approved budget to final budget were as a result of the following:

During the adjustment review more revenue was being generated from other income streams i.e. Asphalt sales, Jobbings and Insurance claims. This resulted in the increase of the Original approved budget.

Employee costs Original approved budget was increased due to new appointments not initially budgeted for.

Depreciation was under budgeted and the Original approved budget was increased.

The General expenses were increased due to the demand escalation and thus realising more revenue.

Accounting policies

1. Presentation of Annual Financial Statements

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

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

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

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Loans and receivables

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

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

Allowance for doubtful debts

An impairment loss is recognised in the statement of financial performance when there is objective evidence that debtor is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Allowance for slow moving, damaged and obsolete inventory

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

Fair value estimation

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

Impairment testing

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

Taxation

Accounting policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Judgment is required in determining the provision for income taxes 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.

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

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

Provisions

Provisions are raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Effective interest rate

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

Useful lives of property, plant and equipment

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

Commitments

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

Events after reporting date

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

Accounting policies

1.3 Property plant and equipment

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

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

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

Property plant and equipment is initially measured at cost.

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

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

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

When significant components of an item of property plant and equipment have different useful lives, they are accounted for as separate items (major components) of property plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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

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

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

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

1.3 Property plant and equipment (continued)

Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

1.4 Intangible assets

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

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Accounting policies

1.4 Intangible assets (continued)

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

1.5 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities measured at amortised cost

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

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Impairment of financial assets

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

1.5 Financial instruments (continued)

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

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

Impairment losses are recognised in the statement of financial performance.

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

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

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

Fair value determination

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

Loans to (from) shareholder

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

Loans to economic entities are classified as loans and receivables.

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

Receivables from exchange transactions

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the allowance is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of financial performance.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

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

Accounting policies

1.5 Financial instruments (continued)

Cash and cash equivalents

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

Bank overdraft and borrowings

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

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either
- has transferred substantially all the risks and rewards of the asset, or
- has neither transferred nor retained substantially of all risks and rewards of the asset, but has transferred control of the asset.

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

Financial liabilities

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

Financial liabilities and equity instruments

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

1.6 Value Added Tax

The Johannesburg Roads Agency payments received and payments incurred are considered as taxable transactions which are subject to Vat at the standard rate in terms of section 7 (1) (a) of the VAT Act.

1.6 Tax

Current tax assets and liabilities

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

1.6 Tax (continued)

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

Deferred tax assets and liabilities

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

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

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

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in the statement of financial performance for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

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

1.7 Leases

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

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

Finance leases - lessee

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

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

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

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

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

Operating leases - lessee

Accounting policies

1.7 Leases (continued)

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

1.8 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

1.9 Discontinued operations

Discontinued operation is a component of an entity that has been disposed of and represents a distinguishable activity, group of activities or geographical area of operations, is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations and is a controlled entity acquired exclusively with a view to resale.

Discontinued operation is disclosed when a decision to dispose of a cash generating component of the entity which is clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity has been made.

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

1.11 Employee benefits (continued)

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

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

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

1.12 Provisions

1.11.1 Provisions

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

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

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

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

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

1.12 Provisions (continued)

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.11.2 Contingencies

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

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

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

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

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

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

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

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

1.11.3 Commitments

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

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

1.13 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.

Accounting policies

1.13 Revenue from exchange transactions (continued)

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

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

Measurement

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

Government grants

Government grants are recognised as revenue when:

Accounting policies

1.14 Revenue from non-exchange transactions (continued)

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

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

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

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

Other grants and donations

Other grants and donations are recognised as revenue when:

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

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

1.15 Investment income

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

1.16 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.17 Translation of foreign currency transactions

Foreign currency transactions

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

At each reporting date:

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

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

1.17 Translation of foreign currency transactions (continued)

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

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

1.18 Comparative figures

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

1.19 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.

1.20 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.

1.21 Irregular expenditure

Irregular expenditure as defined in section 32(2)(b) of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements is recorded in the irregular expenditure register.

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

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

Accounting policies

1.21 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the Board is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps are thereafter being taken to recover the amount from the person concerned.

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

1.22 Housing subsidies

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

1.23 Gratuities

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

1.24 Offsetting

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

1.25 Budget information

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

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

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

The approved budget covers the fiscal period from 1/7/2013 to 30/6/2014.

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

1.26 Related parties

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

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered in arm's length and in the ordinary course of business are not disclosed in accordance with 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 Managing Director and Senior Managers as key management per the definition of the financial reporting standard.

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

Notes to the annual financial statements

Figures in Rand	2014	2013

2. NEW/ REVISED STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation Detail:	Standard/ Interpretation:	Effective date: Financial years beginning on or after
GRAP 1(Revised)	Presentation of financial statements	1 April 2013
GRAP 3 (Revised)	Accounting policies, changes in accounting policies, estimates and errors	1 April 2013
GRAP 9 (Revised)	Revenue from exchange transactions	1 April 2013
GRAP 13 (Revised)	Leases	1 April 2013
GRAP 17 (Revised)	Property plant and equipment	1 April 2013
GRAP 25 (New)	Employee benefits	1 April 2013
GRAP 31(Revised)	Intangible assets	1 April 2013
IGRAP 1(Revised)	Applying the probability test on initial recognition of revenue	1 April 2013
GRAP 12 (Revised)	Inventories	1 April 2013
GRAP 16 (as revised 2012)	Investment Property	1 April 2013
GRAP 27 (as revised 2012)	Agriculture (Replaces GRAP 101)	1 April 2013
IGRAP 16	Intangible assets website costs	1 April 2013

2.2 Standards and Interpretations early adopted

The entity early adopted the following standards and interpretations:

Standard/ Interpretation:	Effective date: Financial years beginning on or after	Expected impact:
GRAP 20 - Related Party	1 April 2014	None

Notes to the annual financial statements

2. NEW/ REVISED STANDARDS AND INTERPRETATIONS (continued)

2.3 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 18 - Segment Reporting	1/4/2016	None
GRAP 105 - Transfer of functions between entities under common control	1/4/2014	None
GRAP 106 - Transfer of functions between entities not under common control	1/4/2014	None
GRAP 107 - Mergers	1/4/2014	None
IGRAP 11 - Consolidation - Special purpose entities	1/4/2014	None
IGRAP 12 - Jointly controlled entities - Non-monetary contributions by ventures	1/4/2014	None
GRAP 6 (as revised 2010) - Consolidated and Separate Financial Statements	1/4/2014	None
GRAP 7 (as revised 2010) - Investment in Associates	1/4/2014	None
GRAP 8 (as revised 2010) - Interests in Joint Ventures	1/4/2014	None
GRAP 32 Service Concession Arrangements: Grantor	1/4/2015	None
GRAP 108 - Statutory Receivables	1/4/2015	None
IGRAP 17 - Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	1/4/2015	None

Notes to the annual financial statements

2. NEW/ REVISED STANDARDS AND INTERPRETATIONS (continued)

All Standards and Interpretations will be adopted at their effective date (except those Standards and Interpretations that are not applicable to the Johannesburg Road Agency).

3. INVENTORIES

Inventories	29,569,388	18,748,751
Consumable stores	1,608,897	193,040
	31,178,285	18,941,791
Provision for slow-moving and obsolete inventory	(3,991,723)	(415,161)
	27,186,562	**18,526,630**

Inventories		
Traffic signal equipment (cables, controllers, LED's.)	15,189,185	8,212,088
Raw material (sand and stone)	3,968,291	2,529,996
Road maintenance (kerbs, concrete products, polymer concrete.)	7,323,175	1,570,050
Other Material	3,088,737	6,436,617
	29,569,388	**18,748,751**

Notes to the annual financial statements

2. NEW/ REVISED STANDARDS AND INTERPRETATIONS (continued)

3.1 Cost of inventory expensed

Inventories recognised as an expense during the year (Refer to note 19)	44,314,462	46,116,098

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

Notes to the annual financial statements

Figures in Rand	2014	2013

4. LOANS FROM SHAREHOLDER

City of Johannesburg Metropolitan Municipality - Sweeping Account	-	(92,706,736)

The loan represents a treasury loan account. The loan is unsecured and interest is accrued monthly. This account is swept on a daily basis. The interest rate varies on a daily basis based on a call rate quoted by the City of Johannesburg's banker.

The terms and conditions of 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	-	(92,706,736)

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.

5. TRADE AND OTHER RECEIVABLES

Trade receivables	47,117,927	21,441,489
SANRAL - Prepayment	28,070,175	-
Eskom deposit	150,000	150,000
SARS P A.Y.E	3,682,043	1,490,861
Prepayments - Licences	18,228	1,069,359
JPC Prepaid Commission	9,706,793	15,289,251
Developers Contribution WIP	15,000,105	15,000,105
City of Johannesburg Metropolitan Municipality Claims	73,021,040	73,021,040
Allowance for bad debts	(56,484,282)	(56,484,282)
Sundry debtors	150,000	150,000
Related party receivables	432,978,540	212,978,447
Fair value adjustment to receivables	(4,174,217)	(3,283,295)
	549,236,352	**280,822,975**

Notes to the annual financial statements

Figures in Rand	2014	2013

Notes to the annual financial statements

Figures in Rand	2014	2013

5. TRADE AND OTHER RECEIVABLES (continued)

5.1 Analysis of trade receivables

Trade Receivables	47,117,927	21,441,489
SARS P.A.Y.E	3,682,043	1,490,861
Prepayments - licences	18,228	1,069,583
Eskom deposit	150,000	150,000
Sundry debtors	150,000	150,000
SANRAL Prepayment	28,070,175	-
Discounting of receivables to fair value	(4,174,217)	(3,283,295)
Allowance for bad debts	(4,949,709)	(4,949,709)
	70,064,447	**16,068,929**

Trade receivables Related Party

Gross related parties	432,978,540	212,978,447
JPC Prepaid Commission	9,706,793	15,289,251
Developers' contribution	15,000,105	15,000,105
City of Johannesburg Metropolitan Municipality claims	73,021,040	73,021,040
Allowance for bad debts	(51,534,573)	(51,534,573)
	479,171,905	**264,754,270**

Notes to the annual financial statements

Figures in Rand	2014	2013

5. TRADE AND OTHER RECEIVABLES (continued)

Analysis of Receivables

	2014	2013
Gross Receivables	609,894,851	340,590,552
Discounting of receivables to fair value	(4,174,217)	(3,283,295)
Allowance for bad debts	(56,484,282)	(56,484,282)
	549,236,352	**280,822,975**

5.2 Outstanding City of Johannesburg Metropolitan Municipality Claims

	2014	2013
Capital expenditure (refer to 5.3)	524,418,000	245,489,635
Developers contribution utilised	-	15,000,105
USDG Amounts Claimed	(153,065,990)	(124,644,857)
City of Johannesburg Amounts Claimed	(371,352,010)	(116,044,740)
Developers contribution claimed	-	(15,000,105)
June 16 EPWP claimed	-	(4,800,038)
	-	**-**

Unclaimed capital expenditure - related parties

	2014	2013
Unclaimed capital expenditure	73,021,040	73,021,040
Impaired capital claims	(44,790,473)	(44,790,473)

Notes to the annual financial statements

Figures in Rand	2014	2013
5. TRADE AND OTHER RECEIVABLES (continued)		
	28,230,567	**28,230,567**

Notes to the annual financial statements

Figures in Rand	2014	2013

5. TRADE AND OTHER RECEIVABLES (continued)

5.3 Capital expenditure		
Bridges	84,171,000	7,732,342
Capital expense for Johannesburg Roads Agency financed by the City of Johannesburg Metropolitan Municipality	22,146,000	34,893,417
Gravel roads	61,563,000	95,418,437
Footways	-	4,800,038
Storm water	51,912,000	39,920,922
Traffic signals	78,217,000	25,576,923
Rehabilitation and reconstruction of roads	170,091,000	35,544,339
Cabling	9,955,000	-
Complete street	14,957,000	-
Equipment	31,406,000	-
Developers contribution	-	15,000,000
Dams	-	1,603,322
	524,418,000	**260,489,740**

No trade and other receivables were pledged as security at 30 June 2014.

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 2014, R 91,520,164 (30 June 2013: R 48 294 382) were 3 months past due but not impaired.

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

Figures in Rand	2014	2013

5. **TRADE AND OTHER RECEIVABLES (continued)**

1 month past due	24,181,735	3,759,792
Over 2 months past due	23,343,677	5,495,215
Over 3 months and above	43,994,753	39,039,375
	91,520,164	48,294,382

Notes to the annual financial statements

Figures in Rand	2014	2013

5. TRADE AND OTHER RECEIVABLES (continued)

Trade and other receivables impaired

As of 30 June 2014, trade and other receivables of R 56 484 282 (30 June 2013: R 56 484 282) were impaired and provided for.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.
The entity does not hold any collateral as security.

Reconciliation of allowance for bad debts

	2014	2013
Opening balance	(56,484,282)	(106,999,359)
Amounts written off as uncollectable	-	50,515,077
	(56,484,282)	**(56,484,282)**

Notes to the annual financial statements

Figures in Rand	2014	2013

6. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit plan

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

As per **GRAP 25: Employee benefits paragraph 67**, which does not require an entity to involve qualified actuary in the measurement of all material post-employment benefits obligations. The entity performed the valuation without the use of an actuary in the current year. The entity in the prior year had used the actuary in the valuation of post-retirement benefits.

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

Post-retirement benefit plan

6.1 Defined benefit plan

Employee benefit obligation		
Post-retirement medical aid plan (6.1.1)	25,779,000	26,870,000
Post-retirement housing subsidy plan (6.1.2)	974,000	1,100,000
Post-retirement gratuity plan (6.1.3)	32,291,000	39,524,000
	59,044,000	**67,494,000**

Employee benefit asset		
Post-retirement medical aid plan (6.1.1)	24,412,599	23,184,956
Post-retirement gratuity plan (6.1.3)	36,638,772	46,375,010
	61,051,371	**69,559,966**

6.1.1 Post-retirement medical aid plan

Post-retirement liability account

Opening balance	26,870,000	25,709,000

Notes to the annual financial statements

Figures in Rand	2014	2013
Benefits paid	-	(1,094,000)
Unrecognised Actuarial (gains)/ losses	(3,624,000)	36,000
Net expense recognised in the statement of financial performance	2,533,000	2,219,000
	25,779,000	**26,870,000**

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

	2014	2013
Current service cost	444,000	21,000
Interest cost	2,089,000	2,198,000
Actuarial (gains)/ losses	(3,624,000)	36,000
	(1,091,000)	**2,255,000**

Notional loan account

	2014	2013
Opening balance	23,184,956	22,062,000
Interest received	1,227,643	1,122,956
	24,412,599	**23,184,956**

Figures in Rand	2014	2013

6. EMPLOYEE BENEFIT OBLIGATIONS (continued)

6.1.2 Post-retirement housing subsidy plan

Post-retirement liability account

Opening balance	1,100,000	511,000
Unrecognised Actuarial (gains)/ losses	(249,000)	-
Net expense recognised in the statement of financial performance	123,000	589,000
	974,000	**1,100,000**

Net expense recognised in the statement of financial performance

Current service cost	35,000	17,000
Interest cost	88,000	44,000
Actuarial (gains) / losses	-	528,000
	123,000	**589,000**

6.1.3 Post-retirement gratuity plan

Post-retirement liability account

Opening balance	39,524,000	36,719,000
Benefits paid	(12,191,796)	(5,187,398)
Actuarial (gains)/ losses	1,884,796	4,852,398
Net effect recognised in the statement of financial performance	3,074,000	3,140,000

Figures in Rand	2014	2013

6. EMPLOYEE BENEFIT OBLIGATIONS (continued)

	32,291,000	**39,524,000**

Net expense recognised in the statement of financial performance

Interest cost	3,074,000	3,140,000
Actuarial (gains)/ losses	1,884,796	-
	4,958,796	**3,140,000**

Notional loan account

Opening balance	46,375,011	49,065,000
Interest received	2,455,557	2,497,409
Payments against account	(12,191,796)	(5,187,398)
	36,638,772	**46,375,011**

6. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Key assumptions used

Assumptions used at the reporting date:

	2014	2013
Discount rates used	8.94%	7.89%
Expected rate of return on assets	7.05%	5.67%
Expected increase in salaries	6.79%	6.67%

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

Discount rate. The discount rate was set as the yield of the R209 South African government bond as at the valuation date. In the event that the valuation is performed prior to the effective valuation date, the prevailing yield at the time of performing our calculations is used.

Medical Aid Inflation. The medical aid inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate inflation. We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R209) and current index-linked bond yields (R202).

Normal Salary Inflation rate. The normal salary inflation rate has been derived from the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bonds yields (R209) and current index-linked bond yields (R202). Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. Furthermore, an assumed salary increase of 6.79% was used, effective 1 July 2014.

Average Retirement Age. The Average Retirement Age for all active employees was assumed to be 63 years. This assumption implicitly allows for early and ill-health retirements.

Mortality Rates. Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependents. We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement. Dependent adults were assumed to be covered for their life.

Medical Aid Membership. We assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 95% of members retiring will remain on the current plan and option at retirement whilst 5% will terminate their medical aid membership. We also assumed that members would remain in the same income category and the same medical aid option at retirement.

Other assumptions

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

	1% point increase	**1% point decrease**
Post-retirement medical aid plan liability	257,790	(257,790)
Post-retirement housing plan liability	9,740	(9,740)
Post-retirement gratuity plan liability	322,910	(322,910)

Notes to the annual financial statements

Figures in Rand	2014	2013

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2014	2013
Cash on hand	5,604	6,380
Bank balances	96,600,761	41,855,810
	96,606,365	**41,862,190**

No cash and cash equivalents were pledged as security at 30 June 2014.

Bank Accounts of Johannesburg Road Agency as at 30 June 2014:
a) Standard Bank Developer's Contribution Account - balance 30 June 2014 R0.00 (30 June 2013 : R 36 385 140.00)
b) ABSA Bank Developer's Contribution Account - balance 30 June 2014 R0.00 (30 June 2013 : R - 3 000.53)
c) Standard Bank Trust Account - balance 30 June 2014 R0.00 (30 June 2013: R0.00)
d) ABSA Bank Trust Account - balance 30 June 2014 R 865 260.65 (30 June 2013: R0.00)
e) Standard Bank Operating Account - balance 30 June 2014 R0.00 (30 June 2013: R0.00)
g) ABSA Bank Operating Account - balance 30 June 2014 R0.00 (30 June 2013: R0.00)
h) Standard Bank Salaries Account - balance 30 June 2014 R0.00 (30 June 2013: R - 6 436 089.62)
i) ABSA Bank Salaries Account - balance 30 June 2014 R 217 425.57 (30 June 2013: R0.00)
j) City of Johannesburg Intercompany Sweeping Account - balance 30 June 2014 R 92 429 499 (30 June 2013: R0.00)
k) Johannesburg Property Company Portfolio Account - balance 30 June 2014 R 3 088 575.76 (30 June 2013: R 5 473 366.93)

8. PROPERTY PLANT AND EQUIPMENT

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17,293,715	-	17,293,715	17,293,715	-	17,293,715
Buildings	56,928,686	(10,425,894)	46,502,792	53,610,788	(9,346,503)	44,264,285
Plant and equipment	111,409,417	(54,986,861)	56,422,556	69,456,587	(41,563,394)	27,893,193
Furniture and fittings	9,442,257	(7,502,447)	1,939,810	8,874,167	(6,613,409)	2,260,758

Notes to the annual financial statements

Figures in Rand				2014		2013
Motor vehicles	20,802,919	(3,667,396)	17,135,523	9,746,498	(1,920,599)	7,825,899
Office equipment	3,798,123	(2,773,742)	1,024,381	3,707,806	(2,336,488)	1,371,318
Computer equipment	23,659,711	(17,464,742)	6,194,969	21,702,518	(13,131,469)	8,571,049
Tools and loose gear	487,021	(447,271)	39,750	487,021	(408,886)	78,135
Total	**243,821,849**	**(97,268,353)**	**146,553,496**	**184,879,100**	**(75,320,748)**	**109,558,352**

Reconciliation of property plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Land	17,293,715	-	-	-	17,293,715
Buildings	44,264,285	3,317,897	-	(1,079,390)	46,502,792
Plant and equipment	27,893,193	41,952,830	-	(13,423,467)	56,422,556
Furniture and fittings	2,260,758	606,838	(3,880)	(923,906)	1,939,810
Motor vehicles	7,825,899	11,056,421	-	(1,746,797)	17,135,523
Office equipment	1,371,318	92,867	-	(439,804)	1,024,381
Computer equipment	8,571,049	1,993,040	(21,083)	(4,348,037)	6,194,969
Tools and loose gear	78,135	-	-	(38,385)	39,750

Notes to the annual financial statements

Figures in Rand				2014	2013
	109,558,352	**59,019,893**	**(24,963)**	**(21,999,786)**	**146,553,496**

Figures in Rand	2014	2013

8. PROPERTY PLANT AND EQUIPMENT (continued)

Reconciliation of property plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Land	17,293,715	-	-	-	17,293,715
Land and buildings	45,017,964	322,683	-	(1,076,362)	44,264,285
Plant and equipment	13,521,989	19,622,567	(318,442)	(4,932,921)	27,893,193
Furniture and fittings	3,035,200	302,231	(15,167)	(1,061,506)	2,260,758
Motor vehicles	9,266,348	-	-	(1,440,449)	7,825,899
Office equipment	1,133,387	691,233	(19,586)	(433,716)	1,371,318
Computer equipment	9,478,934	3,213,778	(133,857)	(3,987,806)	8,571,049
Tools and loose gear	123,276	9,300	(183)	(54,258)	78,135
	98,870,813	**24,161,792**	**(487,235)**	**(12,987,018)**	**109,558,352**

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

Assets subject to finance lease (Net carrying amount)

	2014	2013
Plant and equipment	15,988,935	-
Motor vehicles	17,135,523	7,825,899
	33,124,458	**7,825,899**

Notes to the annual financial statements

Figures in Rand	2014	2013

8. PROPERTY PLANT AND EQUIPMENT (continued)

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

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

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

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

8.1 Change in accounting estimate		
Depreciation	-	(213,546)

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

Notes to the annual financial statements

Figures in Rand	2014	2013

8. PROPERTY PLANT AND EQUIPMENT (continued)

The effect on the current and future periods will be a decrease in the depreciation charge of R 213 546 in the current period and an equal decrease in the depreciation charge of R 213 546 over the next period as per the above table.

9. INTANGIBLE ASSETS

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	15,131,943	(11,686,791)	3,445,152	12,543,993	(9,881,276)	2,662,717

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	2,662,717	2,587,951	(1,805,516)	3,445,152

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	4,042,871	154,858	(1,535,012)	2,662,717

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

Notes to the annual financial statements

Figures in Rand	2014	2013

10. FINANCIAL INSTRUMENTS

Financial Assets 2014	0-30 Days	30-60 Days	60-90 Days	>90 Days	Total
Receivables	386,192,759	24,181,735	23,343,677	43,994,753	477,712,924

Financial Liabilities 2014	0-30 Days	30-60 Days	60-90 Days	>90 Days	Total
Payables	73,421,316	117,294	5,555,114	1,958,806	81,052,530

Financial Assets 2013	0-30 Days	30-60 Days	60-90 Days	>90 Days	Total
Receivables	178,047,954	3,759,792	5,495,215	42,461,540	229,764,501

Financial Liabilities 2013	0-30 Days	30-60 Days	60-90 Days	>90 Days	Total
Payables	72,078,758	12,047,943	2,999,260	22,092,816	109,218,777

Financial Assets	Carrying Amount 2014	Carrying Amount 2013	Fair Value 2014	Fair Value 2013
Receivables	549,236,352	280,822,975	549,236,352	280,822,975
Cash and cash equivalents	96,606,365	41,855,810	96,606,365	41,855,810
	645,842,717	**322,678,785**	**645,842,717**	**322,678,785**

Financial Liabilities	Carrying Amount 2014	Carrying Amount 2013	Fair Value 2014	Fair Value 2013
Payables	642,946,152	392,599,793	642,946,152	392,599,793
Provisions	39,479,548	8,029,962	39,479,548	8,029,962
Loan from shareholder	-	92,706,736	-	92,706,736

Notes to the annual financial statements

Figures in Rand			2014	2013
	682,425,700	**493,336,491**	**682,425,700**	**493,336,491**

2014

Financial Assets by category

The carrying amounts presented in the statement of financial position relate to the following categories of assets:

	Loans and receivables	Total
Trade and other receivables	549,236,352	549,236,352
Cash and cash equivalents	96,606,365	96,606,365
	645,842,717	**645,842,717**

2013

	Loans and receivables	Total
Trade and other receivables	280,822,975	280,822,975
Cash and cash equivalents	41,862,190	41,862,190
	322,685,165	**322,685,165**

Notes to the annual financial statements

Figures in Rand	2014	2013

Financial Liabilities by category

The carrying amounts presented in the statement of financial position relate to the following category of liabilities:

2014	Amortised cost	Total
Trade and other payables	642,946,152	642,946,152

Figures in Rand	2014	2013

10. FINANCIAL INSTRUMENTS (continued)

Provisions	39,479,548	39,479,548
	682,425,700	**682,425,700**

2013	Amortised cost	Total
Loans from shareholder	92,706,736	92,706,736
Trade and other payables	392,599,793	392,599,793
Performance bonus provisions	8,029,962	8,029,962
	493,336,491	**493,336,491**

11. DEFERRED TAX

Deferred tax asset/ (liability)

	2014	2013
Fixed assets - owned and leased	9,274,848	2,901,317
Finance lease liabilities	(9,686,945)	(2,323,536)
Provision for legal claims	(8,217,882)	-
Provision for impairment of debtors	(15,776,060)	(11,861,699)
Provision for leave pay	(6,555,308)	(6,548,012)
Provision for bonuses	(2,836,392)	(2,248,389)
Retirement benefit liability	(16,532,320)	(18,590,320)
Retirement benefit asset	17,094,384	19,476,790
Provision for housing subsidy	-	(308,000)
Discount debtors	(1,168,780)	(919,323)
Discount creditors	(99,430)	220,838
Provision for 13th cheque	(2,513,969)	(2,346,910)
Income received in advance	(38,059,277)	(2,771,147)
Calculated loss	(37,529,960)	(36,612,113)
Deferred tax asset not recognised	112,607,091	61,930,504

Figures in Rand	2014	2013

10. FINANCIAL INSTRUMENTS (continued)

	-	-

Recognition of deferred tax asset

No deferred tax asset was provided for due to the improbability of future taxable profits. The deferred tax asset had it been raised would have been R 112 607 091.

Notes to the annual financial statements

Figures in Rand	2014	2013

12. DISCONTINUED OPERATIONS

The City of Johannesburg decided to transfer the advertising revenue portfolio account budget to Johannesburg Property Company which was under the Johannesburg Road Agency. The assets and liabilities of the discontinued operations are set out below.

The advertising revenue portfolio account will be fully controlled by Johannesburg Property Company (JPC).

The effective date of the transfer is 1 July 2014.

Surplus

	2014	2013
Revenue	39,871,915	44,731,128
Expenses	(9,347,044)	(8,614,898)
	30,524,871	**36,116,230**

Assets and liabilities

	2014	2013
Assets of discontinued operations		
Trade and other receivables	22,408,676	23,501,240
Other receivables- JPC prepaid commission	9,706,793	15,289,251
Bank	3,088,576	5,473,367
Liabilities of discontinued operations		
Trade payables - outdoor advert payments	(38,827,186)	(61,157,014)

13. FINANCE LEASE OBLIGATION

	2014	2013
Minimum lease payments due		
- within one year	9,909,079	1,499,811
- in second to fifth year inclusive	19,918,338	4,938,172
- later than five years	4,780,599	1,860,360
	34,608,016	8,298,343
Present value of minimum lease payments	**34,608,016**	**8,298,343**

Notes to the annual financial statements

Figures in Rand	2014	2013
Non-current liabilities	24,698,937	6,798,532
Current liabilities	9,909,079	1,499,811
	34,608,016	**8,298,343**

It is the entity's policy to lease certain assets under finance leases.

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

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

Notes to the annual financial statements

Figures in Rand	2014	2013

14. TRADE AND OTHER PAYABLES

	2014	2013
Trade payables	319,905,852	147,569,251
Payments received in advance Jobbings	11,223,931	10,577,259
City of Johannesburg amount received in advance	85,874,872	-
Accrued leave pay	23,411,816	23,385,757
Accrued staff 13th cheque	8,978,460	8,381,820
Gratuity accrued	718,535	718,535
Retentions	31,917,202	38,629,262
Payroll accruals	3,867,013	1,661,663
Donations	223,500	223,500
Capital expenditure accruals	5,879,704	25,233,313
Other payables	7,700,020	9,896,953
Payments received in advance (JPC)	38,827,186	61,157,014
Value Added Tax (VAT)	36,528,457	2,648,269
Related party payables	68,244,712	63,305,899
Fair value adjustments to payables	(355,108)	(788,702)
	642,946,152	**392,599,793**

15. PROVISIONS

Reconciliation of provisions - 2014

	Opening	Additions	Amount utilised	Total

Notes to the annual financial statements

Figures in Rand	2014	2013

	Balance		during the year	
Legal claims	-	29,349,578	-	29,349,578
Performance Bonus	8,029,962	10,129,970	(8,029,962)	10,129,970
	8,029,962	**39,479,548**	**(8,029,962)**	**39,479,548**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Performance Bonus	3,500,000	8,029,962	(3,500,000)	8,029,962

The performance bonus provision raised at year end is paid based on the overall company performance.
The legal claims provision relates to the litigation in progress that is likely to be paid by Johannesburg Road Agency based on the previous legal actions taken against the entity. The Legal claims emanates from supply chain related matters which occurred in the past and the employment related matters from former and current employees against JRA.

16. SHARE CAPITAL

	2014	2013
Authorised		
1000 Ordinary shares of R1 each	1,000	1,000
Reconciliation of number of shares issued:		
Reported as at July 01, 2013	1,000	1,000
Issued		
1000 Ordinary shares of R1 each	1,000	1,000

Notes to the annual financial statements

Figures in Rand	2014	2013

17. CONTRIBUTION FROM OWNER

Opening Balance	89,310,982	60,209,179
Contributions made	33,703,205	29,101,803
	123,014,187	**89,310,982**

This equity loan is non-interest bearing and there are no fixed repayment terms. The funding from the City of Johannesburg is utilised to purchase assets.

18. REVENUE

17.1 Revenue arising from exchange transactions is as follows:

Extended Public Works Program	-	3,156,796
Gautrain's maintenance fees	5,746,000	7,151,000
Asphalt sales	7,734,940	3,007,192
Jobbings	29,745,351	25,977,129
Reinstated Income	30,363,603	24,458,190
Management fees	11,072,821	7,576,929
Fair value adjustment	(3,146,697)	(2,920,583)
Total revenue from exchange transaction	**81,516,018**	**68,406,653**

17.2 Revenue arising from non-exchange transactions is as follows:

Developer's contribution	40,721,161	23,673,936
Subsidy - The City of Johannesburg Metropolitan Municipality	651,103,000	495,047,000

Notes to the annual financial statements

Figures in Rand	2014	2013
Total Revenue from non-exchange transactions	**691,824,161**	**518,720,936**
Total revenue	**773,340,179**	**587,127,589**

Basis for the reclassification of Developer's Contribution

During the year, management decided to reclassify revenue from Developer's Contribution from exchange to non-exchange revenue. This was done to enhance the presentation and disclosure of the financial statements for the better understanding by users. The Developer's Contribution from City of Johannesburg does not emanate from exchange transactions.

19. COST OF ROAD MAINTENANCE

	2014	2013
Services rendered		
Raw materials (Refer to Note 3.1)	44,314,462	46,116,098
Direct labour costs of road maintenance and related infrastructure (refer to note 22)	249,639,157	230,797,294
Direct expenses	104,115,321	96,260,884
	398,068,940	**373,174,276**

20. OTHER INCOME

	2014	2013
Rental income - third party	2,911,434	3,263,353
Training income	-	1,039,464
Wayleave fees and recoveries	358,175	1,868,539
Penalties and tender deposit	87,719	840,251
Insurance claims	7,858,846	8,865,314
	11,216,174	**15,876,921**

Notes to the annual financial statements

Figures in Rand	2014	2013

Figures in Rand	2014	2013

21. OPERATING SURPLUS

Operating surplus of R 84 450 345 for the year is stated after accounting for the following:

Operating lease charges		
Equipment		
• Contractual amounts	273,847	851,376
Lease rentals on operating lease - Other		
• Contractual amounts	677,300	1,020,853
	951,147	**1,872,229**

Amortisation on intangible assets	1,805,516	1,535,012
Depreciation on property, plant and equipment	21,999,784	12,987,016
Employee costs	109,020,601	99,757,369
Employee Costs -Road maintenance and related infrastructure: refer to note 19	249,639,157	230,797,294

22. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages	51,444,958	36,579,552
Housing benefits and allowances	1,273,321	2,166,657
Bonus	10,442,661	10,885,450
Travel, motor car, accommodation, subsistence and other allowances	14,420,449	12,205,564
Unemployment Insurance Fund	727,131	2,021,336
Compensation for Occupational Injuries and Disease	2,624,250	2,213,193
Skills Development Levies	1,261,564	2,770,157
Pension fund	26,826,267	30,915,460

Notes to the annual financial statements

Figures in Rand	2014	2013
	109,020,601	**99,757,369**

Remuneration of executive Directors

Annual remuneration	6,196,032	6,105,011
Travel allowance	805,888	-
Performance bonuses	128,976	91,014
Annual Bonus	336,678	-
Contributions to UIF, Medical and Pension Funds	1,125,246	895,218
Cellphone allowance	88,200	-
	8,681,020	**7,091,243**

Remuneration of non-executive Directors

Directors fees	759,929	1,210,314

Reconciliation of employee costs

Employee costs -Road maintenance and related infrastructure (refer to note 19)	249,639,157	230,797,294

Notes to the annual financial statements

Figures in Rand	2014	2013
Employee costs - Indirect	109,020,601	99,757,369
	358,659,758	**330,554,663**

Notes to the annual financial statements

Figures in Rand	2014	2013

23. INVESTMENT INCOME

Interest income		
Bank	8,093,218	1,182,091
Interest income - advertising	23,203	426,333
Fair value adjustments	2,255,577	3,363,906
	10,371,998	**4,972,330**

24. DEPRECIATION AND AMORTISATION

Property plant and equipment	21,999,784	12,987,016
Intangible assets	1,805,516	1,535,012
	23,805,300	**14,522,028**

25. FINANCE COSTS

Interest charged - Intercompany	2,620,356	5,823,850
Finance leases	1,858,885	890,541
Fair value adjustments on purchases	871,748	1,275,941
Fair value adjustments on payables	(438,154)	(1,552,131)
	4,912,835	**6,438,201**

26. AUDITORS' REMUNERATION

Fees	1,704,332	2,595,985

27. CASH GENERATED FROM OPERATIONS

Surplus	120,434,379	59,761,196

Notes to the annual financial statements

Figures in Rand	2014	2013
Adjustments for:		
Depreciation and amortisation	23,805,300	14,522,028
Finance costs - Finance leases	1,858,885	890,541
Movements in retirement benefit assets and liabilities	5,254,189	6,122,033
Movements in provisions	31,449,586	4,529,962
Loss on assets written off	24,966	-
Movement in shareholders loan	33,703,205	-
Assets purchased through finance lease	26,297,888	-
Other non-cash items (fair value adjustments)	289,249	-
Changes in working capital:		
Inventories	(8,659,932)	(9,795,379)
Trade and other receivables	(268,413,377)	(16,771,117)
Trade and other payables	250,346,357	67,501,173
	216,390,695	**126,760,437**

Notes to the annual financial statements

Figures in Rand	2014	2013

28. COMMITMENTS

Commitments in respect of capital expenditure:

Approved but not yet contracted for		
•	999,329,316	691,478,523
Authorised and contracted for		
•	297,880,684	46,221,477
	1,297,210,000	**737,700,000**

The above amount reflects the capital budget for the 2013/2014 year as reflected in the approved 2012/2013 fiscal year. The amount that is authorised and contracted for relates to the portion of the capital budget of 2013/2014 and the capital budget of 2014/2015 financial year that contractors have been appointed for at the date of signature of the financial statements.

This expenditure will be financed from:		
External Finance Funding	367,000,000	477,100,000
Capital Replacement Reserve	574,183,400	-
Urban Settlement Development Grant	356,026,600	260,600,000
	1,297,210,000	**737,700,000**

Operating leases - as lessee (Fleet)

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

Minimum lease payments due		
- within one year	12,791,228	13,111,005
- in second to fifth year inclusive	27,268,226	52,967,710
- later than five years	-	1,304,209

Notes to the annual financial statements

Figures in Rand	2014	2013
	40,059,454	**67,382,924**

Operating leases – as lessee (Printers and Copiers)

Minimum lease payments due		
- within one year	-	637,791

Operating lease payments represent rentals payable by the entity according to the rental agreement. The six month lease expired in September 2013 and the entity is on the month to month lease term. No contingent rent is payable.

Figures in Rand	2014	2013

29. CONTINGENCIES

Economic entity

Johannesburg Roads Agency (Proprietary) Limited

These are legal claims that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims succeed against the entity. No provision has been made as management believes the claims will not succeed. The amounts have been based on attorneys' best estimates of the possible amount payable and are subject to interest at 15.5% from commencement date of the litigation. Refer to cases below:

Rennie Property vs JRA (A letter of demand has been served for the work to be done on storm water flooding during storms in Princess Crossing).The amount involved cannot be quantifiable (2014).

Cowan Harper vs JRA. (A letter of demand has been served about the dilapidated condition of the road on Third Avenue, Sandhurst, Sandton. The amount involved could not be quantified (2014).

Residents of North Riding Estate vs JRA. (A letter of demand was sent to the JRA for remedial work to be carried out on a bridge in Felstead Road). Amount involved in the current year is not quantifiable (2014).

Hetta Eiendoms BPK V JRA (Claim for damage to property due to construction). Amount involved in the current year is not quantifiable (2014).

Brian Bracher vs JRA. (JRA is sued for the flooding on Brian Bracher property as a result of the storm-water drain.
The amount involved in the current year is quantifiable (2014).

Applemint vs JRA. JRA was served a letter of demand to do work on his property which has experienced a sinkhole as a result of the storm-water drain running through his property. Amount involved in the current year is not quantifiable (2014).

Tembu Convenience vs JRA. City of Johannesburg is being sued for the loss of profit at an Engen Service Station in Soweto, as a result of the construction of the BRT system in Orlando East. Amount involved in the current year is not quantifiable (2014).

Legal claims		
Pipe Jack vs JRA (Claim for unpaid invoice)	-	1,000,000
Hetta Eiendoms cc v JRA (The plaintiff is suing the City and JRA for damage to his property by causing the banks of the Jukskei river to burst when the storm-water drain was re-routed to the river)	-	1,500,000
Midnight Moon Trading (Pty) Ltd (Dispute on quality of work)	3,870,167	3,870,167
Mvelase matter vs JRA (JRA employees are jointly suing the company for injury to reputation, inconvenience, deprivation of dignity and privacy)	-	2,500,000
PMPZ Construction vs JRA (The contact has sent a letter of demand through their attorneys for retention fees on work that was completed in Braamfishervile. The contract number is 023A/2010)	249,678	-
A Britz vs JRA (A warrant of execution was served on the JRA for outstanding of a bill of costs)	2,502	-
Dark Fibre Africa vs JRA (A letter of demand was served on the JRA for the payment of damages to optical fibre cables by workmen on site)	42,038	-
Shophi Ngema vs JRA (The complainant sought work for R150 000 to make up the R200 000 they were offered when they were appointed.)	150,000	-
Ubuntu Kraal v JRA (The plaintiff is suing the JRA (3rd Respondent) for the flooding on their property since the construction of the BRT system. They allege that it narrowed the water channel and resulting in backwater effect on the flood flows which caused a diversion of the flood flows)	23,555,160	-

Notes to the annual financial statements

Figures in Rand	2014	2013
	27,869,545	**8,870,167**

Notes to the annual financial statements

Figures in Rand	2014	2013

30. RELATED PARTIES

Relationships	
Directors	Refer to Directors' report note
Ultimate controlling entity	The City of Johannesburg Metropolitan Municipality
Controlling entity	The City of Johannesburg Metropolitan Municipality
Other members of the group	
	City of Johannesburg Property Company SOC Ltd
	City Power Johannesburg SOC Ltd
	Johannesburg City Parks and Zoo
	Johannesburg Development Agency SOC Ltd
	Johannesburg Metropolitan Bus Services SOC Ltd
	Johannesburg Tourism Company NPC
	Johannesburg Social Housing Company SOC Ltd
	Johannesburg Water SOC Ltd
	Pikitup Johannesburg SOC Ltd
	Johannesburg City Theatres SOC Ltd
	Johannesburg Fresh Produce Market SOC Ltd
	Greater Newtown Development Company SOC Ltd
	Constitutional Hill Development Company SOC Ltd
Members of key management	Directors' remuneration

Related party balances

	2014	2013
Amounts included in trade receivables regarding related parties		
The City of Johannesburg Metropolitan Municipality	404,769,189	168,757,501
City Power Johannesburg SOC Ltd	5,331,981	5,135,202
City of Johannesburg Property Company SOC Ltd	-	23,501,249
Johannesburg Water SOC Ltd	21,598,974	11,081,023
Johannesburg City Parks and Zoo	708,396	597,474
City of Johannesburg Transportation	570,000	3,905,998
	432,978,540	**212,978,447**

	2014	2013
Amounts included in trade payables regarding related parties		
The City of Johannesburg Metropolitan Municipality	67,050,034	61,945,198
Johannesburg Social Housing Company SOC Ltd	167,659	77,457
City Power Johannesburg SOC Ltd	540,252	792,064
Johannesburg Water SOC Ltd	5,203	4,266
The Johannesburg Civic Theatre SOC Ltd	-	16,784
Johannesburg City Parks and Zoo	481,564	444,308

Notes to the annual financial statements

Figures in Rand	2014	2013
City Housing Company (Pty) Ltd	-	25,822
	68,244,712	**63,305,899**

Other related parties accounts		
The City of Johannesburg Metropolitan Municipality - Overdraft / Loan	-	(92,706,736)
The City of Johannesburg Metropolitan Municipality - Equity	(123,014,187)	(89,310,982)
The City of Johannesburg Metropolitan Municipality - Post Retirement Benefits	61,051,371	69,559,966
The City of Johannesburg Metropolitan Municipality - Specialised Vehicle Lease	(34,608,016)	(8,298,343)
The City of Johannesburg Metropolitan Municipality - amount received in advance	(85,874,872)	-
City of Johannesburg Metropolitan Municipality - Gratuity	5,184,078	-
City of Johannesburg Property Company SOC Ltd	9,706,793	15,289,251
	(167,554,833)	**(105,466,844)**

Notes to the annual financial statements

Figures in Rand	2014	2013

30. RELATED PARTIES (continued)

Executive Management Salaries 2014	Gross salary	Social contribution	Performance bonus	Contribution to pension fund	Total
Matsuma Samson Mohale - Head Corporate Services (Appointed 1 August 2013)	918,215	10,669	-	46,719	975,603
Makhubela Thulani Sydney - Head Planning	1,128,718	38,013	121,354	4,607	1,292,692
Van Tonder Hendrik Johannes - Acting Head of Operations	524,247	39,756	42,587	45,336	651,926
Sylvia Lelaka - Head Corporate Services (1/7/2013 - 31/7/2013)	166,786	2,452	-	-	169,238
Mpho Henley Laurel Kau - Head Infrastructure Development	997,280	50,377	132,387	110,129	1,290,173
Darryl Howard Thomas: Mobility and Freight	1,117,799	12,963	-	56,879	1,187,641
	4,853,045	**154,230**	**296,328**	**263,670**	**5,567,273**

Executive Management Salaries 2013	Gross salary	Social contributions	Performance bonuses	Contribution to pension fund	Total

Notes to the annual financial statements

Figures in Rand				2014	2013

30. RELATED PARTIES (continued)

Booyens Petrus Jacobus - GEM Business Mobility	305,247	65,284	-	-	370,531
Makhubela Thulani Sydney - GEM Business Planning and Development	911,853	184,238	-	-	1,096,091
Goodwill Mbatha - GEM Finance (Appointed 1 March 2012)	845,551	176,206	-	50,960	1,072,717
Silas Tloubatla - GEM Business Implementation (Appointed 1 March 2012)	862,383	86,223	-	-	948,606
Sylvia Lelaka - GEM Corporate Services (Appointed 1 March 2012)	928,383	20,223	-	-	948,606
Mpho Henley Laurel Kau - Head Infrastructure Development	459,593	116,107	91,014	60,893	727,607
Darryl Howard Thomas: Mobility and Freight (appointed 01 April 2013)	227,666	37,083	-	13,310	278,059
	4,540,676	**685,364**	**91,014**	**125,163**	**5,442,217**

Figures in Rand	2014	2013

30. RELATED PARTIES (continued)

Related party transactions

	2014	2013
Income from related parties		
The City of Johannesburg Metropolitan Municipality - Subsidies	651,103,000	495,047,000
The City of Johannesburg Metropolitan Municipality - Other	8,977,995	6,514,457
City Power Johannesburg SOC Ltd	282,578	-
City of Johannesburg Property Company SOC Ltd	13,401,201	26,235,062
Johannesburg Water SOC Ltd	19,994,662	23,090,578
Johannesburg City Parks and Zoo	788,410	802,290
City of Johannesburg Transportation	2,282,736	4,241,387
	696,830,582	**555,930,774**

	2014	2013
Purchases from related parties		
The City of Johannesburg Metropolitan Municipality	32,932,686	39,788,694
City Power Johannesburg SOC Ltd	-	25,362
Johannesburg Water SOC Ltd	23,779	29,587
Johannesburg City Theatres SOC Ltd	-	100,811
Johannesburg City Parks and Zoo	786,139	844,741
	33,742,604	**40,789,195**

Notes to the annual financial statements

Figures in Rand	2014	2013

30. RELATED PARTIES (continued)

Key management information

CLASS	DESCRIPTION	NUMBER
Non-executive board members	Excluding acting during the year	8
Independent audit committee members	Excluding acting during the year	3
Executive management	Excluding acting during the year	6

Notes to the annual financial statements

31. DIRECTORS' EMOLUMENTS

Executive

2014

	Emoluments	Social contributions	Contribution to pension fund	Performance Bonus	Total
DS Macozoma (Managing Director)	1,321,301	525,673	93,132	-	1,940,106
GP Mbatha (Finance Director - Appointed board member on 25 February 2014)	1,044,752	34,776	53,763	40,350	1,173,641
	2,366,053	**560,449**	**146,895**	**40,350**	**3,113,747**

2013

	Emoluments	Contribution to pension fund	Total
DS Macozoma (Managing Director)	1,459,383	73,563	1,532,946
G D Maseko (Managing Director)	104,952	11,128	116,080
	1,564,335	**84,691**	**1,649,026**

Non-executive

2014

	Directors' fees	Total
KC Shubane (Chairperson)	126,979	126,979
L Nxumalo	90,290	90,290
H Mashele	118,050	118,050
R Theunissen (Independent Audit Committee member)	59,520	59,520
L Mashamaite	120,050	120,050
SM Maimane	52,584	52,584

Notes to the annual financial statements

N Msezane	52,580	52,580
A Torres (appointed 25 February 2014)	19,840	19,840
J Maboa (Independent Audit Committee member)	49,600	49,600
ES Ngomane	65,476	65,476
D Nyalunga	4,960	4,960
	759,929	**759,929**

Notes to the annual financial statements

31. DIRECTORS' EMOLUMENTS (continued)

2013

	Directors' fees	Total
KC Shubane (Chairperson)	166,656	166,656
MJ Simelane	19,840	19,840
R Theunissen (Independent Audit Committee member)	38,690	38,690
L Nxumalo	38,690	38,690
H Mashele	44,640	44,640
L Brenner	163,690	163,690
L Mashamaite	182,542	182,542
SM Maimane	113,090	113,090
N Msezane	91,270	91,270
Dr J Maina	100,210	100,210
X Hloma	19,840	19,840
J Maboa (Independent Audit Committee Member)	34,720	34,720
IF Matobane	19,840	19,840
ES Ngomane	125,006	125,006
WRR Nyabeze	19,840	19,840
K Parirenyatwa	31,750	31,750
	1,210,314	**1,210,314**

Notes to the annual financial statements

31. DIRECTORS' EMOLUMENTS (continued)

Executive Managers Salaries

See list attached for executive managers and their salaries: Note - 30

32. RISK MANAGEMENT

Financial risk management

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

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

Liquidity risk

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

Interest rate risk

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

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

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

Interest rate sensitivity

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

2014	Movement in interest rate (%)	Increase/(decrease) in deficit
Loans from shareholder	1	-
Loans from shareholder	(1)	-

Notes to the annual financial statements

Figures in Rand	2014	2013

32. RISK MANAGEMENT (continued)

	-	-

2013	Movement in interest rate (%)	Increase/(decrease) in deficit
Loans from shareholder	1	927,067
Loans from shareholder	(1)	(927,067)
	-	-

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.

33. GOING CONCERN

We draw attention to the fact that at 30 June 2014, the entity had accumulated deficit of R 15 013 605 (30 June 2013 accumulated deficit: R 135 447 984) and that the entity's total assets exceeds its liabilities by R 108,001,582 (30 June 2013: (R 46 136 002)).

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.

Notes to the annual financial statements

Figures in Rand	2014	2013

32. RISK MANAGEMENT (continued)

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

34. EVENTS AFTER THE REPORTING DATE

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

35. UNAUTHORISED EXPENDITURE

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

36. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure		
Interest from Telkom account	22,932	7,915
Interest and penalties from SARS	-	43,867
Sheriff charges	-	16,118
Microsoft	-	66,310
	22,932	**134,210**

36. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

Interest charged on the Telkom account as at 30 June 2014 (R 22 932): 30 June 2013 (R 7 915) is due to late payments.

The entity is currently in the process of investigating the interest accrued on the Telkom account and once finalized, disciplinary action will be taken on individuals responsible for the fruitless expenditure.

Notes to the annual financial statements

Figures in Rand	2014	2013

37. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure		
Ambassador Air- Expired contracts	1,180,839	960,510
Dakalo Cleaning Services-Services rendered with no contract in place	749,062	331,109
GNG Trading-Transgressions of SCM procedures	-	4,383
Yo'Build Construction & Trading-Transgressions of SCM procedures	-	341,437
Jilongo Trading-Transgressions of SCM procedures	-	68,950
Vimtsire-Expired contract	-	9,076,284
Otis-Expired contract	-	186,653
Document Warehouse-Expired contract	404,099	368,169
Rentokil-Expired contract	1,085,932	1,201,286
Everest Leadership	-	500,000
Aqua Transport and Plant Hire-Transgressions of SCM procedures	-	978,717
Barefoot in the keys-Transgressions of SCM procedures	-	9,975
Metrofile - Transgressions of SCM procedures	19,385	-
Incident Prevention Solution	197,220	-
	3,636,537	**14,027,473**

Reconciliation of irregular expenditure

Opening balance	14,027,473	19,050,216
Irregular expenditure condoned by council	(14,027,473)	(19,050,216)
Irregular expenditure : current year	3,636,537	14,027,473
	3,636,537	**14,027,473**

Action taken by Management regarding irregular expenditure

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

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

Supply Chain Management (SCM) is in the process of investigating the irregular expenditure and once finalised, the responsible officials will be issued with notices. All staff members were notified that disciplinary action will be taken against employees who transgress.

38. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

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

Notes to the annual financial statements

Figures in Rand	2014	2013

39. DEVIATION EXPENDITURE

Reconciliation of Deviation expenditure

	2014	2013
Kokomoti Trading -Emergency procurement in terms of MFMA: SCM regulation 36 1a(v)	-	146,060
Clifvon Civils-Emergency procurement in terms of MFMA: SCM regulation 36 1a(v)	-	191,481
Yo'Build Trading - Emergency maintenance works at Depots	-	13,439
Ntando- Thando Consulting- Emergency plumbing Head Office	-	23,666
Bright ideas Projects-Emergency plumbing Benrose and RSD	-	194,951
Fungai Electrical-Emergency plumbing Waterval	-	22,494
Ekrog Projects-Emergency plumbing Motorways	-	43,790
GNG Trading-Emergency electrical Benrose	-	83,807
Botle Ba Sechaba-Emergency repairs roof LAB	-	87,780
Makgenene Construction-Emergency plumbing Traffic Signals	-	64,840
Ditiro Tsa Trading-Emergency electrical Motorways	-	45,330
Kgwe Kgwe Construction-Emergency electrical Traffic Signals	-	74,380
Rodecon Engineering- Emergency repairs at Asphalt Plant	-	162,735
Southern Scale Services- Emergency repairs at Asphalt Plant	-	3,621
Faure Consulting - Emergency repairs at Asphalt Plant	-	33,150
Mughwena Trading- Emergency repairs at Asphalt Plant	-	35,796
Much Ashpalt -Emergency procurement in terms of MFMA: SCM regulation 36 1a(v)	-	3,300,000
Silver Solutions-Emergency procurement in terms of MFMA: SCM regulation 36 1a(v)	-	513,083
Bophelong Construction (Pty) Ltd - Repairs to damaged embankment causing mudslide at M1 Southbound near Killarney	197,122	-
Much Asphalt - Emergency procurement of asphalt for the launch of the resurfacing programme. (Asphalt plant was down)	299,592	-
Powerbars and Control - Emergency Repairs to Asphalt Plant After lighting hit the plant	50,170	-
Much Asphalt - Supply of Asphalt when the plant is not operational as and when required until panel of service providers are in place	1,997,280	-
SCIP Engineering Group - Emergency repairs of sinkhole on Empire Road	3,149,000	-
MJP Projects - Roof repairs at regional and strategic assets depots and Head Office	3,698,865	-
WBHO Construction (Pty) Ltd - Emergency appointment of the reconstruction of stormwater culvert in empire road Parktown	21,586,647	-
Arup - Consulting Engineers for the investigation, design and construction monitoring of the sinkhole at 33 Quellerie street, Witpoortjie	1,365,756	-

Notes to the annual financial statements

Figures in Rand	2014	2013
	32,344,432	**5,040,403**

Notes to the annual financial statements

Figures in Rand	2014	2013

Detailed Income statement

Figures in Rand	Note(s)	2014	2013
Revenue			
EPWP Grant		-	3,156,796
Gautrans Maintenance Fees		5,746,000	7,151,000
Asphalt sales		7,734,940	3,007,192
Jobbings		29,745,351	25,977,129
Reinstatements Income and Wayleave Fees		30,363,603	24,458,190
City of Johannesburg subsidy		651,103,000	495,047,000
Management Fees		11,072,821	7,576,929
Interest on fair value debtors		(3,146,697)	(2,920,583)
Developer's Contribution		40,721,161	23,673,936
	18	**773,340,179**	**587,127,589**
Cost of road maintenance			
Opening stock		(18,748,751)	(8,723,506)
Purchases		(159,250,420)	(152,402,287)
Closing stock		29,569,388	18,748,751
Labour costs		(249,639,157)	(230,797,234)
	19	**(398,068,940)**	**(373,174,276)**

Gross surplus		**375,271,239**	**213,953,313**
Other income			
Rental income		2,911,434	3,263,353
Training income		-	1,039,464
Wayleave fees		358,175	1,868,539
Penalties and tender deposit		87,719	840,251
Insurance claims		7,858,846	8,865,314
Interest received	23	10,371,998	4,972,330
		21,588,172	**20,849,251**
Expenses (Refer to page 232)		**(302,037,068)**	**(204,719,397)**
Operating surplus	21	**94,822,343**	**30,083,167**
Finance costs	25	(4,912,835)	(6,438,201)
Surplus for the year from continuing operations		**89,909,508**	**23,644,966**
Gain from discontinued operations		30,524,871	36,116,230
Surplus for the year		**120,434,379**	**59,761,196**

Operating expenses			
Advertising		(1,632,345)	(1,089,045)
Assets expensed		(24,966)	(487,237)
Auditors remuneration	26	(1,704,332)	(2,595,985)
Bank charges		(116,339)	(132,826)
Hostel charges		(1,354,920)	(3,338,686)
Conferences and seminars		(690,932)	(731,002)
Consulting and professional fees		(42,608,697)	(9,000,050)
Consumables		(3,148,965)	(1,605,992)
Call center services		(2,876,000)	(2,707,771)
Safety		(49,962)	(38,974)
Depreciation, amortisation and impairments		(23,805,300)	(14,522,028)
Directors and committee members' fees		(759,929)	(1,210,314)
Employee costs		(109,020,601)	(99,757,369)
Entertainment		(993,369)	(191,945)
Legal claims provision		(29,349,578)	-
Interest and penalties		(191,234)	(268,335)
General expenses		-	(162,971)
IT expenses		(6,782,686)	-
Insurance		(8,040,332)	(8,205,050)
Lease rentals on operating lease		(951,147)	(1,872,229)
Legal expenses		(995,071)	(1,012,368)
Magazines, books and periodicals		(234,073)	(17,403)
Printing and stationery		(2,649,955)	(1,752,175)
Promotions		(456,900)	(417,170)
Protective clothing		(196,477)	(1,526,704)
Repairs and maintenance		(10,546,741)	(7,516,265)
Security		(13,783,395)	(10,847,259)
License Expenses		(5,621,256)	(5,592,286)
Subscriptions		(29,994)	(14,805)
Telephone and fax		(11,543,572)	(8,585,352)
Training		(3,930,802)	(2,449,901)
Travel - overseas		(335,615)	-
Utilities		(17,611,583)	(17,069,900)

	(302,037,068)	**(204,719,397)**