



Johannesburg Roads Agency (SOC) Ltd
(Registration number 2000/028993/30)
Annual Financial Statements
for the year ended 30 June 2023

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Construction and maintenance of roads, traffic signals and stormwater infrastructure
DIRECTORS	<p>E Botha (Board Chairperson) Appointed after year end.</p> <p>C Cilliers (Board Chairperson) 01 March 2023- Resigned June 2023</p> <p>Z Nyathi - A/Chief Executive Officer - Appointed 01 June 2023</p> <p>L Mashau - A/Chief Financial Officer - Appointed 01 May 2023</p> <p>M Thindisa Chief Financial Officer - Resigned April 2023</p> <p>A Francis - Appointed 11 March 2023</p> <p>A Puka (01 March 2023- Resigned June 2023)</p> <p>Dr. R Govender - Appointed 11 March 2023</p> <p>D Nyamazane - Appointed - 11 March 2023</p> <p>C Lourens - Appointed - 11 March 2023</p> <p>S Mtamzeli - Appointed - 11 March 2023</p> <p>T Phetla - Resigned - 11 March 2023</p> <p>B Mokgatle - Resigned - 11 March 2023</p> <p>I Mthembu - Resigned - 11 March 2023</p> <p>S Bapela - Resigned - October 2022</p> <p>M Myeza - Resigned - 11 March 2023</p>
REGISTERED OFFICE	75 Helen Joseph Street Corner Harrison Street Johannesburg Gauteng 2001
BUSINESS ADDRESS	75 Helen Joseph Street Corner Harrison Street Johannesburg Gauteng 2001
POSTAL ADDRESS	Private Bag X70 Braamfontein Johannesburg 2017

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

General Information

CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality
BANKERS	Standard Bank Limited
AUDITORS	The Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
SECRETARY	Phumla Thandeka Majola
COMPANY REGISTRATION NUMBER	2000/028993/30

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Index

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

	PAGE
Board of Director's Responsibilities and Approval	4
Directors' Report	5 - 8
Company secretary's certification	9
Statement of Financial Position	10
Statement of Financial Performance	11
Statement of Changes in Net Assets	12
Cash Flow Statement	13
Statement of Comparison of Budget and Actual Amounts	14 - 16
Accounting Policies	18 - 44
Notes to the annual financial statements	45 - 86
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Detailed Income statement	87

Abbreviations used:

COIDA	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
GAAP	Generally Accepted Accounting Practice
COJ	City of Johannesburg
MFMA	Municipal Finance Management Act
SARS	South African Revenue Services
JRA	Johannesburg Roads Agency
mSCOA	Municipal Standard Chart of Accounts
VAT	Value Added Tax

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Board of Director's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

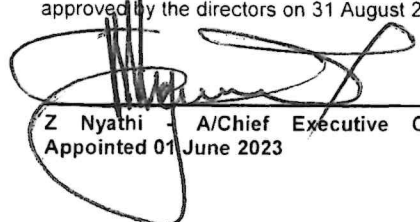
The directors have reviewed the entity's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

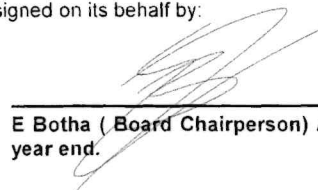
The entity is wholly dependent on the COJ Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the COJ Municipality has neither the intention nor the need to liquidate or curtail materially the scale of 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 5.

The annual financial statements set out on page 4 - 86 which have been prepared on the going concern basis, were approved by the directors on 31 August 2023 and were signed on its behalf by:


Z Nyathi - A/Chief Executive Officer -
Appointed 01 June 2023


E Botha (Board Chairperson) Appointed after
year end.

Johannesburg

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Directors' Report

The directors submit their report for the year ended 30 June 2023.

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 stormwater infrastructure and operates principally in South Africa and [state other countries].

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

3. Going concern

We draw attention to the fact that at 30 June 2023, the entity had an accumulated deficit of R (512,870,936) and that the entity's total assets exceed its liabilities by R (140,768,222).

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

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

The approved adjusted operating budget for the 30 June 2023 financial year is R1,413,091,500.00 and the approved adjusted capital budget for the 30 June 2023 financial year is R 795 214 000.00

4. Subsequent events

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

5. Directors' interest in contracts

The directors of Johannesburg Roads Agency (SOC) Ltd do not have any interests in contracts.

6. Accounting policies

The policies in the annual financial statements were prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and 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 / contributed capital

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Directors' Report

8. Board of Directors

The directors of the entity that were appointed and re-appointed at the annual general meeting during the year and to the date of this report are as follows:

Name	Nationality	Changes
E Botha (Board Chairperson) Appointed after year end.	South African	Appointed 14 August 2023
C Cilliers (Board Chairperson)	South African	01 March 2023- Resigned June 2023
Z Nyathi - A/Chief Executive Officer	South African	01 June 2023
L Mashau - A/Chief Financial Officer	South African	Appointed 01 May 2023
M Thindisa Chief Financial Officer - Resigned April 2023		Resigned April 2023
A Francis	South African	Appointed 11 March 2023
A Puka	South African	Appointed 11 March 2023 resigned 28 June 2023
Dr. R Govender	South African	Appointed 11 March 2023
D Nyamazane	South African	Appointed 11 March 2023
C Lourens - Appointed	South African	Appointed 11 March 2023
S Mtamzeli - Appointed	South African	Appointed 11 March 2023
T Mahanuke - Chief Executive Officer	South African	Appointed 01 August 2022 and dismissed June 2023
A R Francis - Appointed	South African	Resigned August 2022
V Mamogobo	South African	Retired 11 March 2023
S Kleinbooi	South African	Retired 11 March 2023
K Mofokeng	South African	Retired 11 March 2023
T Motloug	South African	Chairperson (Afrif Chairperson - August 2022) (Board Chairperson - October 2022) - Resigned 01 March 2023
T Sambo (Board Chairperson)	South African	Resigned August 2022
H Mtimkhulu	South African	Retired 11 March 2023
N Mkhize	South African	Resigned October 2022
L Nel	South African	Appointed 01 November 2022 - 31 May 2023

9. Secretary

The secretary of the entity is Phumla Thandeka Majola of:

Business address

75 Helen Joseph Street
Corner Harrison Street
Johannesburg
2001

Postal address

Private Bag X70
Braamfontein
Johannesburg
2017

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Directors' Report

10. Corporate governance

General

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

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

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

Board of directors

The Board:

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

Chairperson and Chief Executive Officer

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

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

Remuneration

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

Executive meetings

The directors have met on 12 separate occasions during the financial year. The directors schedule to meet at least 6 times per annum.

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

Audit, Finance, Risk and IT - AFRIT Committee

For the first sitting of the financial year for the committee the chairperson was Mr T Motloung, Miss B Mokgatle subsequently replaced Mr T Motloung in 01 October 2022 until March 2023. When the new board was appointed Ms A Puka became the new chairperson until she resigned in June 2023. The committee met 7 times during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, City of Johannesburg Metropolitan Municipality, as a parent municipality, must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that parent municipalities should appoint further members of the entity's audit committees who are not directors of the municipal entity onto the audit committee.

Internal Audit

The entity has an its Internal Audit Division. This is in compliance with the Municipal Finance Management Act, 2003.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Directors' Report

11. Controlling entity

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

12. Bankers

The Bankers of the Johannesburg Roads Agency are Standard Bank Limited.

13. Auditors

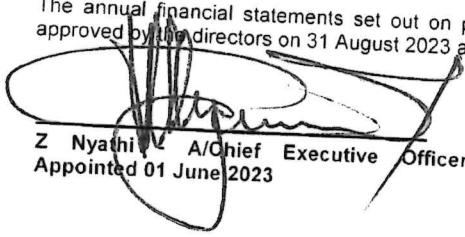
The Auditor-General of South Africa will continue in office for the next financial period.

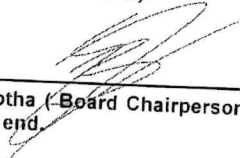
14. Meetings

The board met on 12 separate occasions during the financial year. The board was scheduled to meet at least 6 times per annum. There were also 7 Audit, Finance, Finance, Risk and IT meetings, five (5) Remuneration Social, Ethics Committee and four (4) service delivery meetings that were held during the the period 01 July 2022 to 30 June 2023.

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

The annual financial statements set out on page 4-86 which have been prepared on the going concern basis, were approved by the directors on 31 August 2023 and were signed on its behalf by:


Z Nyathi A/Chief Executive Officer -
Appointed 01 June 2023


E Botha (Board Chairperson) Appointed after
year end.

Johannesburg

Johannesburg Roads Agency (SOC) Ltd

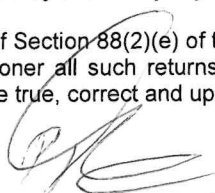
(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

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, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



Phumla Thandeka Majola
Company Secretary
30 November 2023

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated
Assets			
Current Assets			
Loans to shareholders	4	206,577,735	277,266,217
Inventories	3	47,598,381	55,777,599
Cash and cash equivalents	7	477,928,572	471,298,995
Receivables from exchange transactions	5	462,525,159	515,571,541
		1,194,629,847	1,319,914,352
Non-Current Assets			
Loans to shareholders	4	52,791,366	51,800,628
Property, plant and equipment	8	126,569,809	138,407,626
Intangible assets	9	516,372	1,036,120
		179,877,547	191,244,374
Total Assets		1,374,507,394	1,511,158,726
Liabilities			
Current Liabilities			
Current tax payable	14	101,910,949	22,726,039
Finance lease obligation	11	16,266,515	16,042,201
Operating lease liability		-	503,746
Payables from exchange transactions	12	1,089,477,580	902,017,562
Provisions	13	268,263,575	244,967,994
		1,475,918,619	1,186,257,542
Non-Current Liabilities			
Finance lease obligation	11	-	15,541,226
Employee benefit obligation	6	39,357,000	46,975,000
		39,357,000	62,516,226
Total Liabilities		1,515,275,619	1,248,773,768
Net Assets		(140,768,225)	262,384,958
Share capital / contributed capital	15	1,000	1,000
Reserves			
Contribution from the owner	16	372,101,714	345,776,292
Accumulated deficit		(512,870,936)	(83,392,331)
Total Net Assets		(140,768,222)	262,384,961

* See Note 40

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated
Revenue	17	1,304,040,761	1,474,920,090
Cost of road maintenance	18	(781,132,449)	(773,861,620)
Gross surplus		522,908,312	701,058,470
Other income	19	21,439,788	20,562,308
Operating expenses	20	(866,120,547)	(677,256,016)
Operating (deficit) surplus	21	(321,772,447)	44,364,762
Investment income	22	22,125,612	10,756,322
Finance costs	23	(12,979,015)	(12,530,421)
(Deficit) surplus before taxation		(312,625,850)	42,590,663
Taxation	24	(116,852,752)	(121,201,383)
Deficit for the year		(429,478,602)	(78,610,720)

* See Note 40

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

	Share capital / contributed capital	Reserves for own shares / Share repurchase reserve	Accumulated surplus / deficit	Total net assets
Figures in Rand Restated				
Opening balance as previously reported	1,000	342,793,805	400,939,450	743,734,255
Adjustments				
Correction of errors	-	-	(20,550,909)	(20,550,909)
Change in accounting policy	-	-	(385,170,152)	(385,170,152)
Balance at 01 July 2021 as restated*	1,000	342,793,805	(4,781,611)	338,013,194
Changes in net assets				
Surplus/Deficit for the year	-	-	(78,610,720)	(78,610,720)
Assets financed by COJ	-	2,982,487	-	2,982,487
Total changes	-	2,982,487	(78,610,720)	(75,628,233)
Restated* Balance at 01 July 2022	1,000	345,776,292	(83,392,334)	262,384,958
Changes in net assets				
Surplus for the year	-	-	(429,478,602)	(429,478,602)
Assets financed by COJ	-	26,325,422	-	26,325,422
Total changes	-	26,325,422	(429,478,602)	(403,153,180)
Balance at 30 June 2023	1,000	372,101,714	(512,870,936)	(140,768,222)
Note(s)	15	16		

* See Note 40

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand Restated	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Subsidies and other income		1,325,480,549	1,688,611,952
Interest income		22,125,612	10,756,322
		<u>1,347,606,161</u>	<u>1,699,368,274</u>
Payments			
Cash paid to suppliers and employees		(1,347,326,653)	(1,639,321,033)
Finance costs		-	-
Taxes paid		(44,130,291)	(180,168,336)
		<u>(1,391,456,944)</u>	<u>(1,819,489,369)</u>
Net cash flows from operating activities	28	<u>(43,850,783)</u>	<u>(120,121,095)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(30,001,580)	(5,916,557)
Net movement in amount within entities in the group- Notional Loans and sweeping account		69,697,744	182,802,470
		<u>39,696,164</u>	<u>176,885,913</u>
Net cash flows from investing activities		<u>39,696,164</u>	<u>176,885,913</u>
Cash flows from financing activities			
Finance lease payments		(15,541,226)	(24,867,552)
Movement in contribution from owner		26,325,422	2,982,487
		<u>10,784,196</u>	<u>(21,885,065)</u>
Net cash flows from financing activities		<u>10,784,196</u>	<u>(21,885,065)</u>
Net increase/(decrease) in cash and cash equivalents		6,629,577	34,879,753
Cash and cash equivalents at the beginning of the year		471,298,995	436,419,242
Cash and cash equivalents at the end of the year	7	<u>477,928,572</u>	<u>471,298,995</u>

The accounting policies on pages 18 to 44 and the notes on pages 45 to 87 form an integral part of the annual financial statements.

* See Note 40

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand Restated						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Jobbings	24,485,900	(7,000,000)	17,485,900	17,630,059	144,159	1
Reinstatement income	34,411,100	(16,000,000)	18,411,100	12,721,358	(5,689,742)	2
Management fees	50,633,100	(20,000,000)	30,633,100	14,674,345	(15,958,755)	3
Rental income	4,900,000	-	4,900,000	10,370,172	5,470,172	4
Other Income	17,154,700	(5,602,500)	11,552,200	11,247,615	(304,585)	5
Interest received	21,500,000	-	21,500,000	22,125,612	625,612	6
Total revenue from exchange transactions	153,084,800	(48,602,500)	104,482,300	88,769,161	(15,713,139)	
Revenue from non-exchange transactions						
Developers' contribution	70,428,200	(20,000,000)	50,428,200	-	(50,428,200)	7
Subsidy - The City of Johannesburg Metropolitan Municipality	1,486,859,000	(228,022,000)	1,258,837,000	1,258,837,000	-	
Total revenue from non-exchange transactions	1,557,287,200	(248,022,000)	1,309,265,200	1,258,837,000	(50,428,200)	
Total revenue	1,710,372,000	(296,624,500)	1,413,747,500	1,347,606,161	(66,141,339)	
Expenditure						
Employee related costs	(906,249,000)	-	(906,249,000)	(919,791,438)	(13,542,438)	8
Depreciation and amortisation	(64,041,000)	-	(64,041,000)	(38,526,070)	25,514,930	9
Impairment loss/ Reversal of impairments	-	-	-	(3,718,642)	(3,718,642)	
Repairs and maintenance	(21,971,400)	14,379,100	(7,592,300)	(6,735,935)	856,365	10
Internal transfers	(47,592,000)	1,866,000	(45,726,000)	(31,662,446)	14,063,554	11
Contracted services	(421,815,600)	225,570,400	(196,245,200)	(336,078,000)	(139,832,800)	12
Other Expenditure	(248,703,000)	54,809,000	(193,894,000)	(325,155,216)	(131,261,216)	13
Total expenditure	(1,710,372,000)	296,624,500	(1,413,747,500)	(1,661,667,747)	(247,920,247)	
Deficit before taxation	-	-	-	(314,061,586)	(314,061,586)	
Taxation	-	-	-	(116,852,752)	(116,852,752)	14
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	(430,914,338)	(430,914,338)	

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand Restated

Comments are provided on variances in excess (Over or under budget) of 10%. The comparison is between actual amounts as at 30 June 2023 and the 2022/2023 Annual Approved Adjustment Budget.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand Restated

1. Jobbings: Jobbing's Income is related to JRA customers paying JRA funds in advance for services to be rendered at a later stage, and its accounted for as income when the job is finalised by JRA. Recognition of this revenue is reliant on developer's progress which varies from project to project.
2. Reinstatement Income and Wayleave fees: Reinstatement Income is below the Adjustment Budget for the year. This is as a result of reaction based and fluctuating demand during the year and the nature of the work performed by JRA is driven mainly by billings from Joburg Water (SOC) Ltd
3. Management Fees: These are amounts charged by JRA to COJ's Departments and City Entities for undertaking Capital projects on behalf of these Departments and Entities. The main reasons for the underperformance is that the fee rate has remained stagnant at only 2,5% of the Capital projects actual spend. In addition, the funding source of capital projects on behalf of COJ was allocated to JRA during adjustment budget process. JRA did not earn management fees on these projects as well. JRA also had to pay management fees
4. Rental Income: The rent received is above the budget because of the additional rental and parking space of the Old Mutual Building, 75 Helen Joseph Street, leased to COJ Transportation and Rea Vaya. With the new lease in the 2022/23 financial year, Transport Department is still subleasing from JRA.
5. Other income: This includes income from Gautrans maintenance fees, which had no budget for the financial year as the contract with Gauteng Transport Department was not renewed or extended. There was however revenue of R4,9 million earned on that line item. That is the main reason for the overperformance on other income
6. Interest Received: Interest received is for interest earned on the Developers Income Bank account and the interest received on the loans to the Shareholder (inter Company sweeping bank and post retirement Assets). There has been a positive cash balance on both the sweeping and Developer accounts for the financial year.
7. Developers contribution: Developers contributions are funds that are paid by the COJ Planning Department relating to contributions made by the developers to compensate for the increase usage of the infrastructure network. The amount received by JRA is determined by COJ. The current financial statement entails a change in accounting policy at initial recognition monies received from COJ are accounted for as a payable and revenue is subsequently recognised when we incur expenditure on developers contribution projects.
8. Employee Costs: The Employee costs are over the Adjustment Budget and is mainly due to the additional 13th cheque and performance bonus provisions as well as the increased overtime and standby allowances in the year.
9. Depreciation and Amortisation: The depreciation of the assets was less as the useful lives were revised when the asset verification was done.
10. Repairs and Maintenance: The repairs and maintenance of JRA was under budget due to delays in procurement of spares and appointment of service providers to perform maintenance work.
11. Internal Transfers: The internal transfer costs are expenditure relating to COJ and its Entities and they were mainly over-budget due to lease rentals being more than budgeted for.
12. Contracted Services: It is under budget due to contracted services budget not being fully utilized by year end with road maintenance and work being undertaken mostly by internal JRA teams and two companies assisting with road maintenance at no cost to JRA
13. Other Expenditure: Other operating expenditure for the financial year is below the budget mainly due to Consultants, Contractors and Fleet leasing line items. In the context of necessary cost containment as per the National Treasury circular, management has drastically reduced non-essential expenditure including expenditure for consultants, travel and participation in events.
14. Taxation: A previous S24C allowance is no longer being allowed to JRA by SARS. The JRA has had previous years assessment revised and some are currently under dispute by JRA through the Alternate Dispute Resolution (ADR) process. This has resulted in taxation charged by SARS for the periods under the ADR process. Please see Taxation note 13 for more detail)

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand Restated

The accounting policies on pages 18 to 44 and the notes on pages 45 to 87 form an integral part of the annual financial statements.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the accounting policies set out in the Standards of Generally Recognised Accounting Practice ("GRAP"), including any interpretations of such standards issued by the Accounting Standards Board ("ASB"). GRAP being the Financial Reporting Framework prescribed by National Treasury in line with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

The entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipal entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Available-for-sale financial assets

The entity follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the entity evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the entity would suffer an additional deficit in its 2023 annual financial statements, being a reclassification adjustment of the fair value adjustments previously recognised in other comprehensive income and accumulated in equity on the impaired available-for-sale financial assets to surplus or deficit.

Allowance for slow moving, damaged and obsolete inventory

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [i.e. production estimates, supply demand], together with economic factors.

Provisions

Provisions are raised and management determine an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Taxation

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 post retirement obligations are based on current market conditions. Additional information is disclosed in Note 6.

Effective interest rate

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

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it 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.

Useful lives of property, plant and equipment

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

Commitments

The commitments are in accordance with GRAP which is applicable on the accrual basis of accounting.

Events after reporting date

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

1.5 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.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of 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.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	50
Asphalt Plant	Straight line	5
Plant and machinery	Straight line	5
Furniture and fixtures	Straight line	6
Motor vehicles	Straight line	5
Office equipment	Straight line	5
IT equipment	Straight line	3
Tools and loose gear	Straight line	5

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

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. 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.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.6 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.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 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 as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

Intangible assets are derecognised:

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

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Loans to shareholder - intercompany sweeping account	Financial asset measured at amortised cost
Loans to shareholders - Notional Accounts	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost
Provisions	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Shareholders loan	Measured at fair value
Share Capital	Measured at cost

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

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.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Tax (continued)

Tax expenses

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

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

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

1.9 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 of on the remaining balance of the liability.

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.10 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.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Inventories (continued)

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.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

1.12 Share capital / contributed 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 equity (net assets).

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Employee benefits

Short-term employee benefits

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

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

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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 credit method.

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

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

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

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

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Employee benefits (continued)

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Post-employment medical aid liabilities

Post-employment medical aid subsidies are provided to pensioners in the service of the Municipality as at 1 January 2001 and employees 50 years and older on 1 July 2003 whilst contributory members to either LA Health or Key Health Medical Schemes. The subsidy remains payable only for as long as members remain contributory members to these medical schemes.

Housing Subsidies

Eligible employees as at 31 December 1990 have the right to be subsidized after retirement in terms of the HOUSING ASSISTANCE SCHEME, described in Appendix H of the Johannesburg Conditions of Service. A subsidy payable to an employee shall, subject to the provisions of clause 4.5, and subject to him having joined the Pension Fund before 1 July 1987, continue to be paid if he retires from the Service on or after reaching the age of 60 years or is retired on the grounds of ill-health or abolition of his/her post or reorganization and he receives a monthly pension from the Pension Fund.

Retirement Gratuities

A number of employees are entitled to receive a gratuity benefit on retirement or exit before retirement from employment in respect of any periods of employment with the Municipality during which they were not members of a retirement fund. Gratuity benefits accrue according to employees' conditions of service. According to these conditions of service, gratuity benefits are payable on retirement, or on exit before retirement provided the member has either 10 years of service and is 55 years of age, or has 25 years of service and has reached 45 years of age.

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Provisions and contingencies (continued)

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 deficit.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

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

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

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

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

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

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.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and .

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 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 (purchase orders for rates based contracts). Expenditure on assets which has been authorised, but not yet spent at the end of a financial period is disclosed under commitments in the notes to the financial statements.

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 Revenue from exchange transactions

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

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Rendering of services

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

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

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

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.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Interest received and other income

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Developer's Contribution

Developer's contribution relates to payments made by developers for engineering fees. The proceeds are recorded in the statement of financial position in the year in which they are received. The change in accounting policy on the developer contribution has led to change on how we account for monies received from COJ. Previously these monies were recognised as revenue instead of being recognised as a liability. These monies are recognised as a liability because these are monies that are received for bulk infrastructure development and JRA can only claim from these funds once JRA has incurred expenditure of bulk infrastructure.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.18 Cost of road maintenance

When inventories are used or sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficit 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of road maintenance.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Cost of road maintenance (continued)

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.19 Investment income

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

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.21 Translation of foreign currencies

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 surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

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.

1.22 Value Added Tax (VAT)

The JRA (SOC) Ltd is a registered VAT Vendor in terms of the VAT Act.

1.23 Comparative figures

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

1.24 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the Board/ City of Johannesburg Council/ National Treasury or the relevant authority must be 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 must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Additional text

1.26 SCM Deviations

Deviation from, and ratification of minor breaches of, procurement processes

SCM Regulation 36 (1) states that "The accounting officer may -

(a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only-

(i) in an emergency;

(ii) if such goods or services are produced or available from a single provider only;

(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;

(iv) acquisition of animals for zoos and/or nature and game reserves ; or

(v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

(b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature .

(2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the Board of Directors and include as a note to the annual financial statements.

(3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this Policy".

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.27 Research and development expenditure

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

An asset arising from development is recognised when:

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

1.28 Budget information

Entity are 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 01/07/2022 to 30/06/2023.

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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.29 Related parties

A related party is a person or an Entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an Entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an Entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party transaction is a transfer of resources, services or obligations between the reporting Entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an Entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the Entity, including those charged with the governance of the Entity in accordance with legislation, in instances where they are required to perform such functions.

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.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.29 Related parties (continued)

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.30 Events after reporting date

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

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

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

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

1.31 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.32 Offsetting

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

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.33 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.33 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.34 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.34 Segment information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
2. New standards and interpretations		
3. Inventories		
Inventories	48,817,862	59,462,120
Consumable stores	5,261,111	2,796,071
	<u>54,078,973</u>	<u>62,258,191</u>
Inventories (write-downs)	(6,480,592)	(6,480,592)
	<u>47,598,381</u>	<u>55,777,599</u>
3.1 Detailed inventory type		
Traffic signal equipment (eg cables, controllers, LEDs)	21,861,094	24,854,170
Raw materials (eg sand and stone)	5,910,738	7,073,107
Road maintenance (eg kerbs, concrete products, polymer concrete)	19,776,859	25,351,834
Other material	1,269,172	2,183,009
	<u>48,817,863</u>	<u>59,462,120</u>
Inventories recognised as an expense during the year	64,747,162	91,126,825
4. Loans to (from) shareholders		
Notional loans	52,791,366	51,800,628
(The notional loans relate to the employees obligations)		
City of Johannesburg Metropolitan Municipality - Sweeping Account	206,577,735	277,266,217
This account is swept on a daily basis. The interest rate varies on a daily based on a call rate quoted by the City Of Johannesburg Metropolitan Municipality banker) This account is swept on a daily basis. The interest rate varies on a daily based on a call rate quoted by the City Of Johannesburg Metropolitan Municipality banker.		
Notional Loans (Employee Benefit) - A number of employees are entitled to receive a gratuity benefit on retirement or exit before retirement from employment in respect of any periods of employment with the Municipality during which they were not members of a retirement fund. Gratuity benefits accrue according to employees' conditions of service. Notional Loans are therefore a loan to shareholder because the employee benefits account belongs to COJ. when an employee retires from JRA, JRA pays the employee and recoup the monies paid from COJ.		
	<u>259,369,101</u>	<u>329,066,845</u>
Non-current assets	52,791,366	51,800,628
Current assets	206,577,735	277,266,217
	<u>259,369,101</u>	<u>329,066,845</u>
Notional loans		
Loans at beginning of the year	51,800,628	54,820,498
Receipts	3,517,902	2,110,589
Repayments	(2,527,163)	(5,130,459)
	<u>52,791,367</u>	<u>51,800,628</u>

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
4. Loans to (from) shareholders (continued)		
Sweeping account		
Loans at beginning of the year	277,266,217	457,048,817
Receipts	2,200,079,143	2,875,069,952
Repayments	(2,270,767,625)	(3,054,852,552)
	206,577,735	277,266,217
5. Receivables from exchange transactions		
Trade debtors	24,824,285	25,689,636
Prepayments - SANRAL	-	60,957
Eskom Deposits	1,017,466	838,220
Operating lease- Deposit (Head Office)	6,904,801	6,846,884
Interest Recievable	3,234,998	1,842,979
SARS VAT Refund	15,853,249	2,365,568
Prepayments and developers income debtor	135,401	135,401
Outstanding Metropolitan Municipality Claims	83,309,658	83,309,658
Allowance for bad debts	(86,880,349)	(2,205,073)
Sundry Debtors	1,236,626	1,500,216
Staff Debtors - Subsidised Education	2,130,850	2,260,167
Related Party receivables	410,758,174	392,926,928
	462,525,159	515,571,541
5.1 Analysis of recievables		
Gross recievables	547,969,790	517,776,614
Allowance for bad debts	(86,880,349)	(2,205,073)
	461,089,441	515,571,541
Analysis of related party debtors		
Gross Related party debtors	410,758,174	392,926,928
Financial asset receivables included in receivables from exchange transactions above	(409,322,456)	(392,926,928)
Total receivables from exchange transactions	462,525,159	515,571,541

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
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5. Receivables from exchange transactions (continued)

Statutory receivables general information

5.2 City of Johannesburg Metropolitan Municipality Claims - CAPEX Projects

Relating specifically to Statutory Receivables

Capital expenditure	688,415,682	736,819,679
USDG Amounts Claimed	(13,162,463)	(114,547,392)
City of Johannesburg Amounts Claimed	(501,636,849)	(557,378,095)
JRA Funded from Developers Contribution - JRA Expense	(173,616,370)	(64,894,192)
	-	-

The JRA Funded from Developers Contribution represents the costs JRA incurred on behalf of COJ for capital Bulk Infrastructure.

Receivables past due but not impaired

5.3 Capital Expenditure

The capital expenditure relates to work performed on behalf of the COJ by JRA. The expenditure incurred in the infrastructure assets is not capitalised by JRA.

Bridges	14,290,815	92,382,233
Capitalised expense for JRA financed by COJ	27,153,177	3,369,531
Gravel Roads	126,153,505	258,925,136
Stormwater	104,656,232	188,569,164
Traffic Signals	109,223,686	68,263,145
Rehabilitation and reconstruction of roads	306,670,634	123,289,642
Complete Streets	-	2,120,828
Total	688,148,046	736,819,679

Trade and other receivables pledged as security

No trade and other receivables were pledged as security at 30 June 2023.

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 2023, R 281,935,220 (2022: R 235,840,853) were past due but not impaired.

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

1 month past due	3,843,162	136,495,742
2 months past due	3,638,175	-
3 months past due	119,022,056	99,345,111

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(2,205,073)	(26,316,896)
Debts written off/ (Addition to provision)	(1,365,618)	24,111,823
	(3,570,691)	(2,205,073)

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
6. Employee benefit obligations		
Defined benefit plan		
The defined benefit plan, to which is managed by the City of Johannesburg Metropolitan Municipality where the Johannesburg Roads Agency claims from the funds used from the City of Metropolitan Municipality.		
The plan is a post - Employment medical benefit plan, housing subsidy and gratuity plan.		
The actuarial valuation was performed for the year ended 30 June 2023 on the long term employee benefit liability with reference to GRAP 25.		
Post retirement benefit plan		
Employee benefit obligation		
Post retirement medical aid plan	7,552,000	8,486,000
Post retirement housing subsidy plan	5,206,000	5,814,000
Post retirement gratuity	26,599,000	32,675,000
	39,357,000	46,975,000
Employee benefit (Notional Accounts)		
Post - retirement medical aid plan	33,772,662	31,624,938
Post - retirement gratuity plan	19,018,705	20,175,690
	52,791,367	51,800,628
Post retirement medical aid plan		
Opening balance	8,486,000	8,798,000
Unrecognised Actuarial (gains) /losses	(784,812)	(83,855)
Net expense recognised in the statement of financial performance	(149,188)	(228,145)
	7,552,000	8,486,000
(Net expense) /surplus recognised in statement of financial performance		
Interest cost	740,000	630,000
Benefits paid	(889,188)	(858,145)
	(149,188)	(228,145)
Notional loan account		
Opening balance	31,624,938	31,278,847
Interest received	2,147,724	1,204,236
Benefits paid	-	(858,145)
	33,772,662	31,624,938
Post retirement housing subsidy plan		
Opening balance	5,814,000	5,583,000
Actuarial (gains) / losses	(1,298,000)	494,727
Net expense recognised in the statement of financial performance	690,000	(263,727)
	5,206,000	5,814,000
Net expense recognised in the statement of financial performance		
Current service cost	143,000	137,000
Interest cost	547,000	430,000
Benefits paid	-	(830,272)

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
6. Employee benefit obligations (continued)		
	690,000	(263,272)
Post retirement gratuity plan		
Opening balance	32,675,000	34,636,000
Actuarial (gains) /losses	(4,813,682)	(1,800,027)
Net expense recognised in the statement of financial performance	(1,262,318)	(160,973)
	26,599,000	32,675,000
Net expense recognised in the statement of financial performance		
Interest cost	2,805,000	2,576,000
Benefits paid	(4,067,318)	(2,736,973)
	(1,262,318)	(160,973)
Notional loan account		
Opening balance	20,175,690	23,541,650
Interest received	1,370,178	906,354
Payments against account	(2,527,163)	(4,272,314)
	19,018,705	20,175,690

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated

2023

2022

6. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.74 %	9.30 %
Expected rate of return on assets	5.42 %	6.84 %
Actual return on reimbursement rights	6.42 %	7.84 %
Medical cost trend rates	6.42 %	7.84 %
Expected increase in salaries	5.40 %	4.90 %
Expected pension increases	3.12 %	1.35 %
Expected increase in healthcare costs	3.12 %	1.35 %

The notional accounts earned interest at a rate of 6,97% as specified by the City Of Johannesburg.

Discount rate

We used the nominal and real zero yield curves as at 30 June 2023 supplied by the JSE to determine our discount rate and consumer price inflation. To determine the discount rate to use, we have used the implied duration obtained to match it with a point on the yield curve.

The Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount rate for the relevant duration and the (yield curve based) medical aid inflation for the relevant duration.

Medical aid inflation

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the point on the yield curve which matches the implied duration of the liability. Our assumed rate of medical aid inflation was set as the calculated value of the CPI plus 1%.

The annualised compound rates of increase for the last 10 years shows that the registered medical schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not think that these increases are sustainable and have assumed that medical aid contribution inflation would out-strip general inflation by 1% per annum over the foreseeable future.

Normal Salary Inflation rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields and the real yield curve at the implied duration assumed. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. Furthermore, an assumed salary increase of 5.9% was used, effective 1 July 2023. The next salary increase is expected to take place on 1 July 2024.

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows 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.

Decrements

Withdrawals

A table setting out the assumed rates of withdrawal from service is set out below

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated

2023

2022

6. Employee benefit obligations (continued)

Other assumptions

Ages:

	Withdrawal Rates Males	Withdrawal Rates Females
20-24	11.50 %	10.00 %
25-29	7.00 %	9.80 %
30-34	4.80 %	8.60 %
35-39	3.50 %	6.60 %
40-44	2.30 %	4.60 %
45-49	1.20 %	2.60 %
50-54	0.50 %	0.80 %

Spouses and Dependants

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. Dependants adults were assumed to be covered for their life.

Medical aid membership

We have assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of members retiring will remain on the current plan option at retirement. We have also assumed that members would remain in the same income category and same medical aid option at retirement.

Sensitivity analysis

Recalculated liabilities using the following assumptions:

- A 1% increase/decrease in the medical and salary inflation rate assumptions used.
- A 20% increase/decrease in the assumed level of mortality.

Mortality Rates

Deviations from the assumed level of mortality experience of the current employees and the continuation members will have a large impact on the actual cost to the Municipality. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa. We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

Accrued liability	+20% Mortality Rate	Valuation Assumption	+20 Mortality Rate
Post - Retirement Medical Aid	9,197,000	8,486,000	7,904,000
Post - Retirement Housing Subsidies	6,008,000	5,814,000	5,629,000
Retirement Gratuities	32,656,000	32,675,000	32,695,000
	47,861,002	46,975,000	46,227,998
% change	1.89%	-	-1.59%

Medical and Salary Inflation

The cost of the benefits is dependant on the increase in salaries and other contributions to the medical aid scheme before and after retirement. The rate at which this increase will thus have direct effect on nth liability. We have tested the effect of a 1% p.a change in the medical and salary inflation assumptions. The effect is as follows:

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated 2023 2022

6. Employee benefit obligations (continued)

Accrued Liability

	-1% in medical/salary inflation.	Valuation assumption	+1% in medical/salary inflation
Post - Retirement medical aid	7,400,000	7,552,000	7,674,000
Post - Retirement Housing Subsidies	4,997,000	5,206,000	5,427,000
Retirement Gratuities	25,578,000	26,599,000	27,666,000
	37,975,000	39,357,000	40,767,000

% change

-3.1%

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balance - Developer's Contribution	477,928,572	471,298,995
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This bank account is for money recieved from COJ for Developers contribution and it can only be used for funding projects indentified by COJ. Under current liabilities there is a evuivalent liability for this money.

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Standard Bank - Developers contribution account - 021156	477,928,572	471,298,995	436,419,242	477,928,572	471,298,995	436,419,242

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)
Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated

8. Property, plant and equipment

	2023			2022		
	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	77,800,007	(22,836,358)	54,963,649	74,202,563	(21,331,042)	52,871,521
Plant and machinery	158,267,602	(150,798,631)	7,468,971	158,267,602	(142,840,441)	15,427,161
Furniture and fixtures	22,497,911	(19,464,726)	3,033,185	21,114,892	(18,227,040)	2,887,852
Motor vehicles	93,403,760	(77,706,340)	15,697,420	100,207,729	(67,930,628)	32,277,101
Office equipment	10,845,075	(7,954,187)	2,890,888	10,608,012	(6,832,014)	3,775,998
IT equipment	74,448,475	(57,397,184)	17,051,291	59,594,102	(49,774,780)	9,819,322
Tools and loose gear	1,110,639	(974,302)	136,337	951,952	(873,488)	78,464
Work in progress	11,752,995	(3,718,642)	8,034,353	3,976,492	-	3,976,492
Total	467,420,179	(340,850,370)	126,569,809	446,217,059	(307,809,433)	138,407,626

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	17,293,715	-	-	-	-	-	17,293,715
Buildings	52,871,521	3,608,585	-	(8,960)	(1,507,497)	-	54,963,649
Plant and machinery	15,427,161	-	-	-	(7,958,190)	-	7,468,971
Furniture and fixtures	2,887,852	1,872,372	(1,592)	8,960	(1,734,407)	-	3,033,185
Motor vehicles	32,277,101	-	-	-	(16,579,681)	-	15,697,420
Office equipment	3,775,998	263,198	(759)	-	(1,147,549)	-	2,890,888
IT equipment	9,819,322	16,322,236	(112,083)	-	(8,978,184)	-	17,051,291
Tools and loose gear	78,464	158,686	-	-	(100,813)	-	136,337
WIP Assets	3,976,492	7,776,503	-	-	-	(3,718,642)	8,034,353
Total	138,407,626	30,001,580	(114,434)	-	(38,006,321)	(3,718,642)	126,569,809

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)
Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17,293,715	-	-	-	-	17,293,715
Buildings	52,091,481	2,244,136	-	-	(1,464,097)	52,871,521
Plant and machinery	31,329,990	5,000	-	(188)	(15,907,641)	15,427,161
Furniture and fixtures	4,408,203	310,978	-	-	(1,831,329)	2,887,852
Motor vehicles	47,804,488	6,389,166	-	-	(21,916,554)	32,277,101
Office equipment	1,460,921	3,098,593	-	-	(783,516)	3,775,998
IT equipment	16,492,969	-	(102,972)	188	(6,570,863)	9,819,322
Tools and loose gear	276,789	-	-	-	(198,325)	78,464
WIP Assets	3,718,642	257,850	-	-	-	3,976,492
	174,877,198	12,305,723	(102,972)	-	(48,672,325)	138,407,626

Pledged as security

The Johannesburg Roads Agency does not have any assets pledged as security, surety or pledge:

JRA has conducted the annual reassessment of useful lives and residual value on the PPE assets

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
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8. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Motor vehicles	15,697,420	32,277,101
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Property, plant and equipment in the process of being constructed or developed

Reconciliation of Work-in-Progress 2023

Reconciliation of Work-in-Progress 2022

Expenditure incurred to repair and maintain property, plant and equipment

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

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.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)
Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated

9. Intangible assets

	2023		2022			
Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation	Accumulated amortisation and impairment	Carrying value	
Computer software, other	14,835,510	(14,319,138)	516,372	38,466,302	(37,430,182)	1,036,120

Reconciliation of intangible assets - 2023

Computer software, other	Opening balance	Amortisation	Total
	1,036,120	(519,748)	516,372

Reconciliation of intangible assets - 2022

Computer software, other	Opening balance	Amortisation	Impairment loss	Total
	24,762,719	(554,553)	(23,172,046)	1,036,120

Pledged as security

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

Intangible assets in the process of being constructed or developed

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
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10. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax asset \ (liability)

Deferred tax is made up of the following taxable/(deductable) temporary differences:

Finance lease liabilities	(4,554,624)	(8,843,360)
Provision for legal claims	(58,211,998)	(57,860,091)
Provision for impairment of debtors	(999,793)	(370,452)
Provision for leave pay	(11,971,992)	(12,154,732)
Provision for bonuses	(16,901,803)	(10,730,947)
Retirement benefit liability	(11,019,960)	(13,153,000)
Retirement benefit assets	15,539,432	14,504,176
Provision for 13th Cheque	(5,044,859)	(4,618,081)
Income received in advance	(63,746,764)	(4,080,016)
Fixed Assets-owned and leased	30,740,333	24,206,464
Tax rate change	-	(731,000)
Deferred tax asset not recognised	126,172,028	73,831,039
	<u>-</u>	<u>-</u>

Recognition of deferred tax asset

No deferred tax asset was provided for due to the improbability of future taxable profits to offset these amounts. The deferred tax asset had it been raised it would have been 2023: R126 172 0285 (2022: R73 831 039)

11. Finance lease obligation

Minimum lease payments due

- within one year	17,143,530	-
	<u>17,143,530</u>	<u>-</u>
less: future finance charges	(875,447)	(3,356,335)
Present value of minimum lease payments	<u>16,268,083</u>	<u>(3,356,335)</u>

Present value of minimum lease payments due

- within one year	-	-
	<u>-</u>	<u>-</u>
Non-current liabilities	-	15,541,226
Current liabilities	16,266,515	16,042,201
	<u>16,266,515</u>	<u>31,583,427</u>

It is entity policy to lease certain [property]motor vehicles and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 10% (2022: 10%).

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
12. Payables from exchange transactions		
Trade payables	298,743,889	70,889,773
Payments received in advanced	11,589,280	12,992,726
Sanral amount received in advance	-	1,578,760
Developers Contribution	477,928,554	471,298,995
Accrual staff 13th pay cheque	18,017,354	16,493,148
Retentions	122,593,779	153,413,484
Payroll Accruals	5,181,104	9,149,714
Capital Creditors and accruals	57,919,467	37,318,551
Debtors Reclassification	23,647,875	22,789,639
Accrued Leave pay	42,757,114	43,409,757
Related party payables	31,099,164	62,683,015
	1,089,477,580	902,017,562

13. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Legal Proceedings	206,643,183	9,794,437	-	(8,537,626)	207,899,994
Employee performance bonus	38,324,811	75,535,726	(53,496,956)	-	60,363,581
	244,967,994	85,330,163	(53,496,956)	(8,537,626)	268,263,575

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Legal Proceedings	166,448,041	44,010,715	(3,815,573)	206,643,183
Performance bonus	23,365,008	41,981,149	(27,021,346)	38,324,811
Other Provisions	862,068	-	(862,068)	-
	190,675,117	85,991,864	(31,698,987)	244,967,994

The legal proceedings provision relates to the litigation in progress that is likely to be paid by Johannesburg Roads Agency (SOC) Ltd 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 employment related matters from former employees against Johannesburg Roads Agency (SOC) Ltd. The legal claims for on-going cases have been reassessed in the current year based on the new developments in the cases.

Other Provisions relates to possible contractor claim for work done and not yet billed due to disputes.

14. Current tax payable

JRA has initiated proceedings for an alternate dispute resolution relating to the Tax and interest and penalties declared payable relating to the 2017 and 2017 financial years where a S24 (C) allowance is being disallowed. the matter is currently under Alternative Dispute Resolution (ADR) proceedings. SARS has since issued a notification of audit on the 2018 and 2019 financial years under the same basis that is being argued by JRA in the ADR proceedings in progress currently underway

The Tax Administration Act explicitly states that Finalised Assessments are payable even while in dispute, thereby meeting the definition and recognition criteria to recognise the SARS Tax, penalties and interest as a liability. It is important to note that this matter was disclosed as a contingent liability in the 30 June 2020 Audited Annual Financial Statements.

As at 30 June 2023, the current tax is as per table below

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
14. Current tax payable (continued)		
Current Tax Payable	2023	2022
Opening Balance	22,726,039	77,571,689
Tax levied on reassessment of prior year tax periods	116,852,752	96,076,800
Interest and penalties charged	6,462,448	4,121,304
Current tax expense for current year	-	25,124,583
Tax paid during the year	(44,130,290)	(180,168,337)
	101,910,949	22,726,039
15. Share capital / contributed capital		
Authorised		
1000 Ordinary shares	1,000	1,000
Reconciliation of number of shares issued:		
Reported as at 01 July 2022	1,000	1,000
Issued		
Ordinary	1,000	1,000
16. Contribution from owner		
This is an investment from the City Of Johannesburg Metropolitan Municipality. The funding from the City Of Johannesburg Metropolitan Municipality is utilised to purchase assets and fund other operating costs based on the budget allocation.		
Opening balance	345,776,292	342,793,805
Contributions made during the year	26,325,422	2,982,487
	372,101,714	345,776,292
17. Revenue		
Gautrans maintenance fees	-	4,982,262
Aphalt Sales & DCP Testing	177,999	83,525
Jobbings	17,630,059	21,143,129
Reinstatement income and wayleave fees	12,721,358	25,572,988
Management Fees	14,674,345	30,092,186
Rental income	10,370,172	7,566,600
Recoveries	87	435
Bad Debts Recovered	-	461,128
Other income-Proceeds from road closures	11,056,486	12,350,084
Insurance claims income	13,043	184,061
Interest received - investment	22,125,612	10,756,322
Subsidy - The City of Johannesburg Metropolitan Municipality	1,258,837,000	1,393,046,000
	1,347,606,161	1,506,238,720

See the table below for the breakdown of the revenue categories. the totals above include Investment income (Note 22) as well as other revenue from note 19

See below the breakdown of total revenue:

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated

2023

2022

17. Revenue (continued)

Total Revenue breakdown

Revenue from exchange transactions	88,769,161	113,192,720
Revenue from non-exchange transactions	1,258,837,000	1,393,046,000
	1,347,606,161	1,506,238,720

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

Gautrain maintenance fee	-	4,982,262
Aphalt sales and DCP testing	177,999	83,525
Jobbings	17,630,059	21,143,129
Reinstatement income and wayleave fees	12,721,358	25,572,988
Management fees	14,674,345	30,092,186
Rental income	10,370,172	7,566,600
Recoveries	87	435
Bad debts recovered	-	461,128
Other income road closures	11,056,486	12,350,084
Insurance claims	13,043	184,061
Interest received - investment	22,125,612	10,756,322
	88,769,161	113,192,720

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

Subsidy - City of Johannesburg Metropolitan Municipality	1,258,837,000	1,393,046,000
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18. Cost road maintenance

Direct labour costs of road maintenance	517,673,715	486,486,779
Raw materials	64,747,162	91,126,825
Direct expenses Costs of road maintenance	198,711,572	196,248,016
	781,132,449	773,861,620

19. Other revenue

Rental income - COJ Transport	10,370,172	7,566,600
Recoveries - Telephone	87	435
Bad Debts Recovered	-	461,128
Other Income - Proceeds from road closures	11,056,486	12,350,084
Insurance Claims	13,043	184,061
	21,439,788	20,562,308

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022	
20. Operating expenses			
Total operating expenses comprises of the following line items:			
General expenses - Indirect costs	39	348,987,181	208,073,011
Employee related costs	25	402,117,723	362,729,731
Depreciation and amortisation	26	38,526,070	49,238,341
Impairment loss		3,718,642	23,172,046
Lease rentals on operating lease		65,055,531	32,266,887
Call centre charges		7,715,400	1,776,000
		866,120,547	677,256,016
21. Operating (deficit) surplus			
Operating (deficit) surplus for the year is stated after accounting for the following:			
Operating lease charges			
Head office Building		5,769,849	34,619,096
• Lease expense - Straight-lined		(8,720,217)	(1,649,363)
• Recovered from sublease - Transport Department			
Lease rentals on Printers			6,323,700
• Contractual amounts		-	6,323,700
		(2,950,368)	39,293,433
Impairment on intangible assets		3,718,642	23,172,046
Amortisation on intangible assets		519,748	566,018
Depreciation on property, plant and equipment		38,006,322	48,672,323
Employee costs		402,117,723	362,729,731
Employee costs - Road Maintenance and related infrastructure		517,673,715	486,486,779
22. Investment revenue			
Interest revenue			
Interest - Loan to shareholders		21,800,560	10,664,365
Interest Recieved from Eskom deposits		267,134	22,120
Interest received from building deposit		57,918	69,837
		22,125,612	10,756,322
Interest earned from shareholders is as a result of the positive sweeping account balance in JRA's favour. It is also as a result of interest earned from Notional loan accounts.			
The interest on ESKOM deposits is earned from the JRA's accounts with ESKOM where a deposit is held by ESKOM.			
Interest is also earned on the deposit of the JRA Head Office building that is currently leased by the entity.			
23. Finance costs			
Non-current borrowings		-	3,636,000
Finance leases		6,516,567	4,773,117
SARS Interest on late payment of tax		6,462,448	4,121,304
		12,979,015	12,530,421

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
24. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	-	25,124,583
Local income tax - recognised in current tax for prior periods	116,852,752	96,076,800
	116,852,752	121,201,383
Deferred		
Deferred tax expense	-	-
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting (deficit) surplus	(312,625,850)	42,590,663
Tax at the applicable tax rate of 28% (2022: 28%)	-	20,523,104
Tax effect of adjustments on taxable income		
Re-assessment of prior year returns	154,520,594	96,076,800
Non-deductable interest and penalties	6,462,448	4,601,479
Less: Amount Paid	(44,130,290)	-
Income tax expense	116,852,752	121,201,383

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
25. Employee related costs		
Basic	253,970,162	234,237,629
Bonus	52,921,910	29,459,668
Medical aid - company contributions	9,415,642	8,272,102
UIF	2,662,693	2,123,439
WCA	4,724,792	4,998,754
SDL	3,202,299	2,143,899
Other payroll levies	112,792	119,080
Leave pay provision charge	12,957,021	15,391,299
Defined contribution plans	27,044,045	33,091,274
Travel, motor car, subsistence and other allowances	16,199,708	14,134,398
Overtime payments	7,736,177	5,406,585
Long-service awards	35,000	24,000
13th Cheques	5,388,874	5,247,087
Acting allowances	3,029,640	2,670,280
Housing benefits and allowances	1,325,617	1,473,505
Subsidised education benefit	1,244,470	2,979,132
Employee related costs: interns stipend	146,881	957,600
	402,117,723	362,729,731
Remuneration of key management		
Annual salary	20,745,666	18,564,946
Bonuses (Performance and annual)	1,610,595	1,878,722
Allowances (Travel, acting and cellphone)	2,412,106	1,895,807
Contributions to UIF, SDL, Medical and Pension Funds	2,638,706	2,667,996
	27,407,073	25,007,471
Remuneration of non-executive directors		
Director fees	1,467,537	1,343,052
Reconciliation of employee costs		
Employee costs - Road Maintenance and relatd infrastructure	517,673,715	486,486,779
Employee Costs - Indirect costs	402,117,723	362,729,731
	919,791,438	849,216,510
26. Depreciation and amortisation		
Property, plant and equipment	38,006,322	48,672,323
Intangible assets	519,748	566,018
	38,526,070	49,238,341
27. Auditors' remuneration		
Fees	4,017,007	3,793,321

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
28. Cash used in operations		
Deficit	(429,478,602)	(78,610,720)
Adjustments for:		
Depreciation and amortisation	38,526,070	49,238,341
Interest received	(22,125,612)	(10,756,322)
Finance costs	12,979,015	12,530,421
Impairment loss	3,718,642	23,172,046
Tax expense	116,852,752	120,201,383
Taxation expense cash component	(44,130,290)	(180,168,337)
Movements in operating lease	(503,746)	-
Movements in post retirement notional assets and liabilities	(6,627,262)	(2,273,000)
Movements in provisions	23,295,581	54,292,877
Lease rentals on operating lease	(65,055,531)	32,266,887
Other non-cash items	603,358	(1,825,139)
Loss on foreign currency transaction	-	2,992
Changes in working capital:		
Inventories	8,179,218	6,761,949
Receivables from exchange transactions	54,482,100	177,004,702
Payables from exchange transactions	186,024,300	(267,113,525)
Current tax liability	79,184,910	(54,845,650)
Finance Lease obligation	224,314	-
	(43,850,783)	(120,121,095)
29. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• JRA Property, plant and equipment	16,372,371	4,221,721
• Construction of property, plant and equipment on behalf of COJ	485,478,494	334,671,198
	501,850,865	338,892,919
Total capital commitments		
Capital expenditure commitments at financial year end	501,850,865	338,892,919
Authorised operational expenditure		
JRA Operating expenditure commitments at the end of the financial year		
• Other operating expenses (multi awards)	85,885,880	74,620,223
Total operational commitments		
JRA Operating expenditure commitments	85,885,880	74,620,223
Total commitments		
JRA capital expenditure commitments	16,372,371	4,221,721
COJ related capital expenditure commitments	485,478,494	334,671,193
Authorised JRA operational expenditure commitments	85,885,880	74,620,223
	587,736,745	413,513,137

This committed expenditure relates to the award of various operating contracts. Included in capital commitment expenditure is COJ related capital commitments to construct roads infrastructure that will be recognised in the AFS of COJ and not JRA.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
29. Commitments (continued)		
Operating lease-as leasee (printers and copiers)		
Minimum lease payments due		
- within one year	1,005,845	6,323,700
- in second to fifth year inclusive	-	1,053,950
	1,005,845	7,377,650
Operating leases - 75 Helen Joseph Street Building		
Minimum lease payments due		
- within one year	33,519,564	6,273,596

The operating lease relates to the rental of Printers and Copies and for Head office Building. The lease agreement for printers and copiers commenced on 1 September 2020 up to until 31 August 2021. While the lease for the building relates to the 75 Helen Joseph Building which commenced on 1 September 2019 up to until 31 August 2022 .

JRA intends to continue to occupy and lease the head office building in the foreseeable future.

The authorised and contracted for expenditure relates to the Property, plant and equipment, capex projects contracts and opex related contracts which have been awarded and the remaining balance of the appointment value after expenditure incurred being the committed amount. The purchase order amounts are committed where the contracted awarded is based on rates on an as when basis. The amounts committed are inclusive of multi-year projects beyond the 2021/2022 financial year end.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated

2023

2022

30. Contingencies

2023.

Contingent Liabilities.

Goodwill Mbatha v SALGBC, Commissioner Nathalie Christoffels Willemse N.O. and JRA. The Applicant has filed a Third Respondent's Notice of Counter Review Application in terms of section 145 of the Labour Relations Act 66 of 1995 (as amended). The estimated contingency is R 8,537,625.66.

PK Ramashu VJ // JRA. JV claims damages against the JRA for the latter's failure to perform its obligations in terms of the service level agreement allegedly concluded between the JRA and JV under tender no: JRA/21/84. The estimated contingency is R 8 067 125,71

JRA // Kganelwa Tsatsi. Application by JRA to review the Arbitration Award to reinstate Ms Tsatsi with full benefits from the date of her dismissal (4th of February 2020) till 13th June 2022 and be paid R3 246 064.50.

Shirley Leah Markowitz v CoJ, JRA and Tiaan Ehlers – Application for contempt of Court Order by COJ / JRA and City Manager to find alternative accommodation for Mrs Markowitz, to investigate and prepare Preliminary Design report. The estimated contingency is not quantified.

Caliber Properties (Pty) Ltd // Executive Mayor of CoJ, Municipal Manager, CoJ and JRA – Application for an Order compelling the CoJ/JRA to provide water, electricity, roads, stormwater drain and sewerage services to Erf 27 Grand Central Extension 10, Midrand. The estimated contingency is not quantified.

Lesegong Trading (PTY)Ltd // JRA – Application for an Order declaring Wayleaves granted to Maskhule Business Development null and void plus an Order restraining JRA from granting any other entity access to "their" site. The estimated contingency is not quantified.

Liberty Group Limited and 2 others - The Plaintiff instituted action against JRA and 4 others to interdict and restrain them from performing or allowing any contractor on their behalf to perform, any construction work in respect of the Rea Vaya, Rapid Bus Transport terminal on Rivonia Road between Sandton Drive and 5th Street, Sandton. The estimated contingency is not quantified.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated

2023

2022

30. Contingencies (continued)

JRA vs New Dawn Technologies (PTY) LTD – Application by JRA to review and set aside awards of various tenders (New Dawn Technologies (PTY) LTD) awarded to two service providers on the basis of irregularity. The estimated contingency is not quantified.

Sibusiso Gumbi & others V JRA - The plaintiffs who are JRA employees are suing for alleged defamation of character. They were suspended by the then CFO, Ms. Audrey Raphela who allegedly made the announcement in a general meeting of finance and SCM staff. The estimated contingent is R8 000 000.

Tony Diesel Electrical Generators (sub-contractor) vs JRA - Application for an order to remove automatic generator installed at Asphalt Depot. The estimated contingent liability is zero.

Associated Asphalt vs Equipment - Microzone JV vs JRA - The application for compelling the JRA to refer the contractual disputes on payment of Preliminary and General (P&G) costs to adjudication. The estimated contingent liability is R1 680 000.00.

.SARS vs JRA - VAT issue. Query raised given that infrastructure belongs to the City and VAT should be charged from the City. A letter has been drafted by CEO requesting the City Manager to intervene in getting GRAS to share requested info with SARS and in getting the COJ to voluntarily declare VAT relating to claims payouts. The estimated contingent liability is R23 758 872

Ntokozo Mkhwebane v JRA & 2 Others - Ms Mkhwebane has applied to the Labour Court for the review and setting aside of her dismissal by JRA which was upheld by the South African Local Government Bargaining Council. The estimated contingent liability is not quantified..

S v Charles Phiri and JRA - A JRA employee was arrested and charged with assault and theft after following an altercation that took place on site at Third and Fourth Avenue, Hofmeyer where the JRA RO team was resurfacing the road. The complainant had apparently on 2 occasions requested that the JRA colleagues on site remove the traffic cones they had put on the road so that complainant could drive through. An altercation then followed and the complainant opened a case at the Alexandra Police Station claiming that the JRA employee assaulted him and stole his cellphone. The employee is currently out on bail of R2000 and his case was postponed to the 15th of November 2021 for further investigations.

Motlatla va JRA - Motlatla was dismissed by the JRA for misconduct/isurbordination. He referred the matter to the South African Local Government Bargaining Council (SALGBC) for Arbitration and the Arbitrator found in his favour. JRA is now taking the matter to the Labour Appeals Court for Review of the Arbitrator's decision and or to have the matter referred back to another Arbitrator. The estimated contingent liability is zero.

Mabotwane Security Services CC V JRA - Mabotwane Security Services claims for the unpaid services rendered to the JRA The estimated contingent liability is R2 445 132

Waterfall View vs JRA - Application for an order to compel JRA to maintain and rehabilitate the embarkment/stormwater infrastructure on Klein Jukskeirivier. The estimated contingent liability is zero.

Solomon Makhele vs JRA - JRA is appealing against an Award issued by the SALGBC against an employee who was dismissed for misconduct. SALGBC held that JRA should re-instate the employee and also compensate him for loss of income.

Roadmac Surfacing (PTY) LTD vs JRA and others – Application for review and setting aside of tender number JRA/19/001 and to render procedurally unfair and materially and adversely affecting the rights and legitimate expectation of the applicant. Applicant also wants an order in terms of which they are appointed as one of the successful tenderers. The estimated contingent liability is not quantified.

PGN Civils v JRA – PGN filed an urgent application for an interdict preventing the JRA from removing them from implementing its cancellation of their contract pending finalisation of the Arbitration proceedings.

Lufuno Kennedy Makhari vs JRA - Unfair dismissal The CCMA ordered the complaint be compensated but he is now approaching the Labour Court to apply for re-instatement. The estimated contingent liability is not quantified.

MAC P Construction v JRA - MAC P is approaching the court for an order compelling the JRA to pay retention money (R5 631 314.56) allegedly held for contract no. JRA/19/463.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated

2023

2022

30. Contingencies (continued)

Graham D Thompson - Mr Thompson is claiming leave payout allegedly outstanding since his retirement in 2012. The estimated contingent liability is not quantified.

Featherbrook Homeowners Associations/Mogale City and five others vs JRA/COJ - Featherbrooke and other respondents made an urgent application to the high court for the underpinning, remediation and management of the stormwater infrastructure at the Muldersdrift Seloop River in Mogale City. The estimated contingent liability is not quantified.

Johan Hendrik Vorster v CoJ, JRA and the Mayor of JHB - The Applicant has filed an Application for compelling the CoJ/JRA/Mayor to comply with their legal duty to attend to the necessary repairs on damaged drain covers at the corner of Methwold and Restanwold Roads in Saxonwold. The estimated contingent liability is not quantified.

PGN Civils v JRA – PGN filed an urgent application for an interdict preventing the JRA from removing them from implementing its cancellation of their contract pending finalisation of the Arbitration proceedings.

Babette Jane Kartz and another v CoJ, the City Manager and JRA - The Applicant has filed an Application for compelling the CoJ/JRA/Mayor to comply with their legal duty to attend to the necessary repairs on damaged drain covers at the corner of Methwold and Restanwold Roads in Saxonwold. The estimated contingency is not quantified

Contingent assets

The SARS matter that was disclosed as a contingent liability in the 2020 financial year has since progressed to a point where a finalisation of the audit was issued during the 2021 financial year, where SARS deemed tax, interest and penalties were payable as at 30 June 2021. JRA has since made multiple payments to SARS during the 2022 and 2023 financial year as a show of good faith. Based on Legal advice received by JRA, there is a possibility of success in appealing the matter in through the Alternate Dispute Resolution, and if necessary, the Tax courts and possibly the High Court should it be necessary. If JRA is successful in its appeal, the tax raised and interest as well as penalties charged will be reversed, and all payments made to SARS will be refundable to JRA.

JRA has changed its accounting policy of accounting for Developer's Contribution funds from COJ. Previous the funds were income and now the same funds are recorded as a liability. Ordinarily the payable would equal the bank account when we deal with a conditional grant type of payable. However, previously JRA would invoice COJ and JRA would be liable for VAT output which was subsequently paid to SARS. This therefore means the Developer's Contribution payable is currently reflecting excluding VAT and thereby not equalling the Bank. JRA will engage SARS to seek a refund on the output VAT paid to SARS in prior years related to the invoices of Developer's Contribution funds. VAT is in terms of section 7(1) of the VAT Act is a charge on the supply of goods and services. "Goods" are defined to exclude the supply of money. In our view the developer's funds received are an equivalent of a loan and therefore constitute a supply of money to JRA and no VAT is chargeable thereon. This will be an application that will be used in the new financial year and going forward.

2022.

Contingent liabilities

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated

2023

2022

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Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
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30. Contingencies (continued)

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Contingent assets.

The SARS matter that was disclosed as a contingent liability in the 2020 financial year has since progressed to a point where a finalisation of the audit was issued during the 2021 financial year, where SARS deemed tax, interest and penalties were payable as at 30 June 2021. JRA has since made multiple payments to SARS during the 2022 financial year as a show of good faith. Based on Legal advice received by JRA, there is a possibility of success in appealing the matter in through the Alternate Dispute Resolution, and if necessary, the Tax courts and possibly the High Court should it be necessary. If JRA is successful in its appeal, the tax raised and interest as well as penalties charged will be reversed, and all payments made to SARS will be refundable to JRA.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated 2023 2022

31. Directors' and prescribed officers' remuneration and other benefits paid, payable or receivable

Executive directors

2023

	Emoluments	Other benefits*	Pension paid or receivable	Total
L . Nel - Acting Chief Executive Officer	97,857	-	-	97,857
T . Mahanuke -Chief Executive Officer	2,583,743	119,862	218,913	2,922,518
M Thindisa - Chief Financial Officer	1,707,348	187,940	83,485	1,978,773
	4,388,948	307,802	302,398	4,999,148

2022

	Emoluments	Other benefits*	Pension paid or receivable	Total
Selemo Monakedi - Chief Executive Officer	2,118,476	411,696	125,227	2,655,399
S. Nodu - Acting Chief Executive Officer	1,918,963	216,870	240,435	2,376,268
M. Thindisa - Chief Financial Officer	1,978,734	26,393	100,181	2,105,308
H Ndiweni - Acting Chief Financial officer	1,406,698	143,013	158,207	1,707,918
	7,422,871	797,972	624,050	8,844,893

* Other benefits comprise of travel allowance, cellphone allowance and medical benefits

Non-executive directors

2023

	Directors' fees	Committees fees	Total
E Botha (Board Chairperson) Appointed after year end.	16,000	-	16,000
C Cilliers (Board Chairperson) 01 March 2023- Resigned June 2023	136,000	28,000	164,000
M Thindisa Chief Financial Officer - Resigned April 2023	108,000	64,000	172,000
A Francis - Appointed 11 March 2023	112,000	16,000	128,000
A Puka (01 March 2023- Resigned June 2023)	6,420	1,931	8,351
Dr. R Govender - Appointed 11 March 2023	84,000	70,000	154,000
D Nyamazane - Appointed - 11 March 2023	108,000	48,000	156,000
C Lourens - Appointed - 11 March 2023	24,000	8,000	32,000
S Mtamzeli - Appointed - 11 March 2023	-	-	-
T Mongatane	-	40,000	40,000
K Parirenyana	-	40,000	40,000
C Cilliers	48,000	-	48,000
A Puka	24,000	18,000	42,000
Dr R Govemnder	36,000	24,000	60,000
D Nyamazane	36,000	24,000	60,000
C Lourens	36,000	8,000	44,000
K Mofokeng	36,000	8,000	44,000
A Francis	24,000	16,000	40,000
S Mtamzeli	36,000	8,000	44,000
Z Xaba	36,000	8,000	44,000
V Mamogobo	36,000	8,000	44,000
S Kleinbooi	36,000	8,000	44,000
Nison Khoza (AFR&IT)	-	16,000	16,000
D Martin (AFR&IT)	-	16,000	16,000
T Kwela (AFR&IT)	-	8,000	8,000
R Daniels	-	3,186	3,186
	978,420	489,117	1,467,537

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated 2023 2022

31. Directors' and prescribed officers' remuneration and other benefits paid, payable or receivable (continued)

30 June 2022

	Directors' fees	Total
T Sambo - Chairperson (Resigned after year end)	-	-
M Thindisa - Chief Financial Officer	208,000	208,000
H. Mthimkhulu	116,000	116,000
N. Mkhize	68,000	68,000
T. Phetla	7,052	7,052
B. Bokgatle	64,000	64,000
I Mthembu	68,000	68,000
S. Bapela	44,000	44,000
Dr A Mokoena (Retired)	32,000	32,000
N. Mila (Retired)	92,000	92,000
S Chiloane (Retired)	36,000	36,000
S Makhubela - AFR&IT Committee Member till 30 June 2022	8,000	8,000
T Mongatane - AFR&IT Committee Member till 18 March 2020	20,000	20,000
E. Mtshali (Retired)	108,000	108,000
F. Ntsandeni (Retired)	142,000	142,000
Y Ngxabazi (Retired)	18,000	18,000
L Ndlovu	126,000	126,000
L Mdluli (Retired)	64,000	64,000
O. Mekwa (AFR&IT Committee Member until 15 February 2022)	34,000	34,000
K. Parirenyatwa - AFR&IT Committee Member from 19 March 2020	54,000	54,000
S Msizi - AFR&IT Committee Member from 19 March 2020	34,000	34,000
	1,343,052	1,343,052

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 instrument.

The Entity does not speculate in the trading of derivative instrument. Risks to which the Entity is exposed to can be classified into the following:

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.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

The entity is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
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32. Risk management (continued)

Market risk

Interest rate risk

As the Entity has no significant interest bearing assets, the Entity's income and operating cashflows are substantially independent of changes in the market interest rates.

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

33. Going concern

We draw attention to the fact that at 30 June 2023, the entity had an accumulated deficit of R (512,870,936) and that the entity's total Assets exceed its liabilities by R (140,768,222).

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

The Entity is wholly dependent on the City Of Johannesburg Metropolitan Municipality for continued funding of operations.

The annual financial statements are prepared on the basis that the Entity is a going concern and that the City Of Johannesburg Metropolitan Municipality has neither the intention nor 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

1. Appointment of new Board Chairperson

The JRA Board Chairperson is now E Botha due to the resignation of Mr C. Cilliers.

35. Fruitless and wasteful expenditure

Opening balance as previously reported	55,792,643	28,475,533
Interest charged on overdue balances	6,463,159	4,121,304
Eskom and Telkom Non Compliance	11,261	14,821
Non-compliance with PAIA reporting	-	8,939
Salary offered to Mr Mahanuke	535,758	-
Arbitration Costs	64,170	-
Interests charged on court awards	46,644	-
Impairment Loss	3,718,642	23,172,046
Closing balance	66,632,277	55,792,643

The fruitless and wasteful expenditure noted in the current year is irrecoverable as per the preliminary investigations held and no criminal cases have been opened for the current year irregular expenditure.

Included in the fruitless and wasteful expenditure for the current year, is expenditure that relates to interest charged on overdue balances and penalties and interest charged from SARS reassessments. JRA is currently appealing the SARS tax rulings, but continue to be charged interest while the matter is still being heard in court. JRA has since settled outstanding SARS balances to avoid further interest being charged while the case is being appealed in the Tax Court.

Management has made arrangements to receive invoices electronically from ESKOM, measures are in place to pay the suppliers in instances where invoices are received late. Management continuously engages ESKOM to reverse the interest or penalties incorrectly charged.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated

2023 2022

35. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

Interest charged on late payments and penalties - SARS	6,463,159	4,121,304
Interest charged on overdue balances - ESKOM	11,261	14,821
Non-compliance with PAIA reporting	-	8,939
Impairment loss	3,718,642	23,172,046
Salary offered to Mr Mahanuke	535,758	-
Arbitration Costs	64,170	-
Interests charged on court awards	46,644	-
	10,839,634	27,317,110

36. Irregular expenditure

Opening balance as previously reported	778,616,458	640,216,031
Add: Irregular expenditure - (Non-compliance with laws and regulations) - current	163,233,845	138,400,427
Add: Current Irregular expenditure - (Overspending of approved budget)	159,526,329	-
Less: Amount written off - current	(820,099,563)	-
Closing balance	281,277,069	778,616,458

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
36. Irregular expenditure (continued)		
Details of irregular for the current year 2023		
Aberdare - Bid Advert issued without local content requirements. Non-compliance with PPPFA 2017 Reg 8(2)		90,070
Afri-rent - Non-compliance with regulation 32 of MFMA		38,146,216
Avis/Zeda - Non-compliance with regulation 32 of MFMA. Contract spend/participation more than the original contract.		2,104,103
Bayete - Non compliance with conditions of the contract		56,757,498
Internet Solutions / Dimension Data - The contract has expired but the services are still continuing		20,230
Telkom		335,919
Matamba Supply Services		9,603,159
Maleha Construction CC		26,937,238
Buzaphi Construction		10,479,298
Kelvata Trading 104CC		6,126,747
Infinite Blue		33,952,334
		184,552,812

The overspent of the budget was R247 920 247 less the total non-cash items which R88 393 918.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
36. Irregular expenditure (continued)		
Details of irregular for the year - 2022		
AON - The contract has expired but the services are still continuing (COJ Appointments)		8,931,907
Calliper Consulting Engineers - The contract has expired but the procurement is still continuing.		1,930,467
Intdev Internet Technologies - The contract has expired but the procurement is still continuing.		2,860
Internet Solutions / Dimension Data - The contract has expired but the procurement is still continuing.		629,732
Metropolitan Trading Company MTC - The contract has expired but the services are continuing.		2,914,891
Microsoft - The contract has expired but the procurement is still continuing.		489,571
MTN - The contract has expired but the procurement is still continuing.		2,513,650
New Dawn Technologies- Awarded value above Tender price and has been paid as such.		1,619,218
Zeda - The contract has expired but the services are still continuing (COJ Appointments)		674,484
Afrent - Non - compliance with regulation 32 of the MFMA.		35,951,599
Avis/Zeda - Non compliance with section 32 (COJ Appointments)		1,463,323
Tlou Intergrated Tech - The contract has expired but the procurement is still continuing.		336,262
Abedare - Bid advert issued without local content		75,652
Kelvata Trading 104CC - Bid advert issued without local content requirements.		1,141,918
Gau Flora (TEFLA GROUP) - Non-compliance with competitive bidding process.		16,717,024
Imvula Roads and Civils - Other non compliance - Incorrect variation of scope of work		11,264,366
Shonisani - Non-Compliance with competitive bidding		13,460,146
SP Surfacing (PTY) LTD and Seedi Development Projects JV - Non-compliance with competitive bidding process.		28,157,811
PK Ramashu - Non- Compliance with competitive bidding processes		4,478,910
Actophambili - Non- Compliance with competitive bidding processes		5,646,636
Over- Expenditure of approved budget. (Prior period error)		28,152,510
		166,552,937

37. Deviation from supply chain management regulations

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

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
38. Deviation expenditure		
Sole Supplier		
SABS - Appointment of service provider for the renewal of annual subscription for material laboratory testing systems standards	6,003	5,606
Dogan Exhibition and Events - Appointment of service provider to book a space , facilitate payment, design,build, brand a stand for JRA Rand Show 2021 Spring edition.	-	75,498
Wolters Kluwer Tax & Accounting LTD - Appointment of a service provider for the renewal of Teammate license for Internal audit unit.	-	87,058
	-	-
	6,003	168,162
Emergency		
TTR Infrastructure & Nkululeko Project JV - Emergency appointment of a contractor to complete the upgrading of gravel roads and associated stormwater in Doornkop and Thulani Phase 5.	-	11,852,959
Egoli Gas - Appointment of a service provider to provide bulk natural gas for Asphalt Plant operations on an emergency basis from Egoli Gas (current gas infrastrucure owner at Asphalt Plant facility) to sustain asphalt operations.	-	-
Impracticality		
Syntell (Pty) Ltd	-	3,671,178
IMESA	76,600	-
Inter Municipal Sports of South Africa (Impracticality)	10,000	-
Telkom	3,763,482	-
Town Lodge Polokwane	289,500	-
Sincrolec Controls	-	104,788
	4,139,582	3,775,966
Deviation Expenditure Reconciliation		
Sole supplier	6,003	168,162
Emergency	-	11,852,959
Impracticality per regulation 36	4,139,582	3,775,966
	4,145,585	15,797,087

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
39. General expenses		
Advertising	293,877	685,925
Auditors remuneration	4,017,007	3,793,321
Bank charges	91,237	73,651
Consulting and professional fees	146,771,155	56,780,456
Consumables	2,723,066	822,198
Directors Fees	2,090,370	1,414,871
Entertainment	133,923	119,670
Insurance	23,000,631	17,551,992
Conferences and seminars	657,728	62,066
IT expenses	14,093,321	12,142,024
Magazines, books and periodicals	1,129,742	656,200
Printing and stationery	9,027,419	9,036,090
Promotions	32,762	67,804
Repairs and maintenance	6,735,935	8,977,434
Security (Guarding of municipal property)	2,965,153	2,142,839
Software expenses	1,006,294	326,940
Staff welfare	603,009	11,994
Subscriptions and membership fees	500,995	507,004
Telephone and fax	18,126,478	27,412,278
Training	287,265	3,280,335
Travel - local	76,169	1,138
Assets expensed	114,329	102,972
Electricity	16,138,676	17,419,776
Gas	5,818,359	-
Sewerage and waste disposal	841,758	(1,392,464)
Water	6,826,976	4,414,147
Loss on foreign currency transaction	-	2,992
Inventory write down	208,271	-
Arbitration Awards	-	1,194,216
Provision for bad debts	84,675,276	270,000
Provision for legal proceedings	-	40,195,142
	348,987,181	208,073,011

40. Prior-period errors

Presented below are those items contained in the statement of financial position and statement of financial performance that have affected the prior year figures.

Statement of financial position

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated 2023 2022

40. Prior-period errors (continued)

2022

	Note	Prior year audited amount	Correction of error	Restated amount
Payables from Capital Accruals and Creditors	12	51,907,826	(14,589,276)	37,318,550
Accounts payables- Retention	12	152,957,609	455,874	153,413,483
Property, plant and equipment	8	130,210,997	8,196,629	138,407,626
Payables from Exchange transaction-Input VAT		3,047,495	(5,413,063)	2,365,568
Payables -Developers Contributions		-	471,298,995	471,298,995
Accumulated Surplus/(Deficit)		353,034,867	(436,427,198)	(83,292,331)
Related Parties Adjustment		68,871,409	(6,188,394)	62,683,015

Details of errors - 2023

1. Statement of Financial Position

Payables from exchange transactions

It was brought to the Finance department's attention that the a liability balance of R14,589,275.81 related to capital creditors remained as a liability when there was no obligation. The payments were done in prior years and the accrual was not reversed.

It was brought to the Finance department's attention that the a liability balance of retention included vat as a result of overstating the balance with the VAT portion. The bigger portion of the adjustment related retention that was erroneously captured in prior years.

It was brought to the Finance department's attention that the a liability balance of retention included vat as a result of overstating the balance with the VAT portion. The bigger portion of the adjustment related retention that was erroneously captured in prior years

During the financial year under review JRA performed a VAT audit which revealed that there were input VAT the were never claimed in the prior years.

At reporting date management reviewed the accounting policy and uncovered that the Developers contribution received from City of Johannesburg was previously accounted incorrectly. The review process concluded that monies received as developers contribution will accounted for as a payable at initial recognition because these monies are spent on specified contributions which must be fulfilled before bieng recognised as revenue.

Property plant and equipment

JRA in prior years had appointed SANRAL as an implementing agent to perform work in various roads i.e M1 M2. The arrangement entiled a prepayment to SANRAL for the work to be done, Part of the expenditure entailed procurement of emergency vehicles which JRA had not accounted for them.

Developers Contribution Income (Liability - Developer Contribution)

The change in accounting policy on the developer contribution has led to change on how we account for monies received from COJ. Previously these monies were regongnized as revenue instead of being recognised as a liability. These monies are recognised as a liability because these are monies that are received for bulk infrastructure development and JRA can only claim from these funds once JRA has incurred expenditure of bulk infrastructure. JRA's retrospective adjustment went as far back as 2016 finacial year when the Standard Bank Account was opened. All the monies recieved amounted to R372 592 986 for prior prior year plus R79 145 513 for prior year. Total amount of interest capitalised into the liability was R48 405 758 in the prior prior year and R18 273 604 in the prior year. Expenditure incurred in prior prior year amounted to R159 472 017 and incured R64 894 192 in prior year.

2. Statement of financial performance

Investment Revenue - Bank

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated 2023 2022

40. Prior-period errors (continued)

The change in accounting policy on the developer contribution has led to change on how we account for monies received from COJ. Previously these monies were recognized as revenue instead of being recognised as a liability. These monies are recognised as a liability because these are monies that for bulk infrastructure development and JRA can only claim from these funds once JRA has incurred expenditure of bulk infrastructure. The interest earned from developers contribution bank account is no longer recognised as revenue for JRA, instead it is capitalised into the Developers Contribution liability account. Total amount of interest capitalised into the liability was R48 405 758 in the prior prior year and R18 273 604 in the prior year.

Indirect Expense - COJ Infrastructure

Indirect Expense - COJ Infrastructure is the actual expenditure that JRA incurred in Financial Year 2021-2022 for developing bulk infrastructure that should have been offsetted against Developers Contribution Liability account. The incurred amount was R64 894 192 in prior year.

3. Cashflow statement

Interest Income

The interest earned from developers contribution bank account is no longer recognised as revenue for JRA, instead it is capitalised into the Developers Contribution liability account.

Cash paid to Suppliers and employees

The interest earned from developers contribution bank account is no longer recognised as revenue for JRA, instead it is capitalised into the Developers Contribution liability account.

Cash used in operations (other non cash items)

Statement of financial performance

2022

	Note	Prior year audited amount	Correction of error	Restated amount
Developers Contribution Income		79,145,513	(79,145,513)	-
Investment Revenue - Bank		18,273,604	(18,273,604)	-
Indirect Expense - COJ Infrastructure		64,894,192	(64,894,192)	-
Depreciation and amortisation		44,868,735	4,369,606	49,238,341
Other income		14,373,914	6,188,394	20,562,308
Surplus for the year		221,555,958	(151,755,309)	69,800,649

Cash flow statement

2022

	Note	Prior year audited amount	Correction of error	Restated amount
Interest Income	28	25,076,357	(14,320,035)	10,756,322
Cash paid to Suppliers and employees		(1,653,641,068)	(14,320,035)	(1,639,321,033)
Cash used in operations (other non cash items)		504,428	1,320,712	1,825,140
		(1,628,060,283)	(27,319,358)	(1,626,739,571)

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated

2023

2022

41. Comparative figures

Certain comparative figures have been reclassified. See the prior period error note for these restatements details.

42. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of three major Departments: Infrastructure development, Mobility and Freight and finally, the Regional Operations Department services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The entity operates throughout the City of Joburg Municipality's 7 regions. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Johannesburg were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Infrastructure Development	Development of community streets, freeways and arterails, main roads, stormwater and traffic signals
Regional Operations	Responsible for maintenance of strategic assets, road resurfacing, asphalt plant, laboratory, motorways and fleet
Mobility & Freight	Responsible maintenance of traffic engineering and safety, Traffic signal Management

Johannesburg Roads Agency (SOC) Ltd
 (Registration number 2000/028993/30)
 Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated

42. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Regional Operations	Mobility & Freight	Infrastructure Development	Total
Revenue				
Revenue from exchange transactions	17,618,198	591,781	27,579,175	45,789,154
Revenue from other non-reportable segments				1,516,096,670
Entity's revenue				1,561,885,824

Expenditure

Cost of road Maintenance	(656,915,950)	(100,241,383)	-	(757,157,333)
Other operating expenses	-	-	(43,763,025)	(43,763,025)
Total segment expenditure	(656,915,950)	(100,241,383)	(43,763,025)	(800,920,358)
Total segmental surplus/(deficit)				760,965,466

Cost of road maintenance - non-reportable segments
 Operating expenses from non-reportable segments
 Taxation

Entity's surplus (deficit) for the period

2022

	Infrastructure Development	Regional Operations	Mobility & Freight	Total
Revenue				
Revenue from exchange transactions	30,681,362	43,335,708	10,364,902	84,381,972
Revenue from other non-reportable segments				1,514,262,024
Entity's revenue				1,598,643,996

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated

42. Segment information (continued)

Expenditure			
Cost of road maintenance	-	(517,641,344)	(54,854,324)
Other operating income and expenses	(27,271,704)	-	(27,271,704)
Total segment expenditure	(27,271,704)	(517,641,344)	(54,854,324)
Total segmental surplus/(deficit)		684,149,344	(599,767,372)
Total revenue reconciling items		1,514,262,024	(201,365,952)
Cost of road maintenance - non-reportable segments			(1,209,330,768)
Operating expenses from non-reportable segments			(132,608,580)
Taxation			
Entity's surplus (deficit) for the period			(29,043,276)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

Information about geographical areas

The entity's operations are in the City of Joburg Metropolitan Municipality. The entity operates across the entire Metropolitan area and has multiple Depots and offices across the entire City of Johannesburg.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022	
43. Financial instruments disclosure			
Categories of financial instruments			
2023			
Financial assets			
	At fair value	At amortised cost	Total
Loans to shareholders-Notional Accounts	-	52,791,367	52,791,367
Loans to shareholders-Intercompany Sweeping Account	-	206,577,735	206,577,735
Trade and other receivables from exchange transactions	-	446,671,910	446,671,910
Cash and cash equivalents	477,928,572	-	477,928,572
	477,928,572	706,041,012	1,183,969,584
Financial liabilities			
		At cost	Total
Trade and other payables from exchange transactions		934,630,032	934,630,032
Provisions		207,899,994	207,899,994
Finance lease obligation		16,266,515	16,266,515
		1,158,796,541	1,158,796,541
2022			
Financial assets			
	At fair value	At amortised cost	Total
Loans to shareholders-Notional Accounts	-	51,800,628	51,800,628
Loans to shareholders-Intercompany Sweeping Account	-	277,266,217	277,266,217
Trade and other receivables from exchange transactions	-	513,475,973	513,475,973
Cash and cash equivalents	471,298,995	-	471,298,995
	471,298,995	842,542,818	1,313,841,813
Financial liabilities			
		At cost	Total
Trade and other payables from exchange transactions		393,059,118	393,059,118
Provisions		243,909,033	243,909,033
Finance lease obligation		31,583,427	31,583,427
Operating lease liability		503,746	503,746
		669,055,324	669,055,324
Financial instruments in Statement of financial performance			
2023			
		At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost		22,125,612	22,125,612
Interest expense (calculated using effective interest method) for financial instruments at amortised cost		(12,979,015)	(12,979,015)
		9,146,597	9,146,597

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
43. Financial instruments disclosure (continued)		
2022		
	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	10,756,322	10,756,322
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(12,530,421)	(12,530,421)
	(1,774,099)	(1,774,099)

44. Change in estimate

Property, plant and equipment

Various movable assets and infrastructure assets with original remaining useful life varying between 1-6 years have been revised in the beginning of the period to reflect a new depreciable amount amount and the actual pattern of service potential derived from these Assets R 6,102,669.

The effect on the current and future period will be a decrease in the depreciation charge of R 6 102 669 in the current period and equal increase in the depreciation charge of R 6 102 669 over the next period as per the above information.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
45. Related parties		
Relationships	Refer to directors' report note	
Directors	The City of Johannesburg Metropolitan Municipality	
Controlling entity	City of Johannesburg Property Company (SOC) Ltd	
Other members of the group	City Power Johannesburg (SOC) Ltd	
	Johannesburg City Parks and Zoo (NPC) Ltd	
	Johannesburg Development Agency (SOC) Ltd	
	Johannesburg Metropolitan Bus Services (SOC) Ltd	
	Johannesburg Civic Centre (SOC) Ltd	
	Johannesburg Social Housing Company (SOC) Ltd	
	Johannesburg Water (SOC) Ltd	
	Metropolitan Trading Company (SOC) Ltd	
	Pikitup Johannesburg (SOC) Ltd	
	Johannesburg Fresh Produce Market (SOC) Ltd	
	Johannesburg Tourism (SOC) Ltd	
Related party balances		
Amounts included in the trade receivables regarding related parties		
The City Of Johannesburg Metropolitan Municipality	394,856,565	368,449,790
City Power Johannesburg (SOC) Ltd	349,641	349,641
Johannesburg Water(SOC) Ltd	14,144,080	22,844,699
Johannesburg City Parks (SOC) Ltd	12,155	-
	409,362,441	391,644,130
Amounts included in Trade payables regarding related parties		
The City of Johannesburg Metropolitan Municipality	26,620,059	17,835,652
Johannesburg Water (SOC) Ltd	-	20,904
Johannesburg Civic Theatre (SOC) Ltd	-	15,276
Johannesburg City Parks and Zoo (SOC) Ltd	2,416,373	5,609,337
City of Johannesburg Property Company (SOC) Ltd	109,474	109,474
Metropolitan Trading Company (SOC) Ltd	-	805,872
Johannesburg Development Agency (SOC) Ltd	919,154	7,575,016
Johannesburg Water Agency (SOC) Ltd	17,980	-
Metropolitan Trading Company	1,016,124	-
	31,099,164	31,971,531
Other related parties accounts		
The City Of Johannesburg Metropolitan Municipality - Owners contribution	(372,101,714)	(345,776,292)
The City Of Johannesburg Metropolitan Municipality - Post retirement Benefits Notional Accounts	52,791,367	51,800,628
The City Of Johannesburg Metropolitan Municipality - Specialised Vehicle Finance lease	(16,268,083)	(31,583,427)
The City Of Johannesburg Metropolitan Municipality - Intercompany Sweeping Account	206,577,735	277,266,217
	(129,000,695)	(48,292,874)
Income from related party transactions		
The City Of Johannesburg Metropolitan Municipality - Subsidies	1,258,837,000	1,393,046,000
The City Of Johannesburg Metropolitan Municipality - Other	17,422,662	23,478,243
The City Of Johannesburg Metropolitan Municipality - Interest from the sweeping account	18,282,658	8,553,775
The City Of Johannesburg Metropolitan Municipality - Management fees	14,674,345	30,092,186

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Notes to the annual financial statements

Figures in Rand Restated	2023	2022
45. Related parties (continued)		
The City of Johannesburg Metropolitan Municipality - Interest on employee benefits	3,517,902	2,110,589
Johannesburg City Parks	12,155	-
Johannesburg Water (SOC) Ltd	8,691,040	21,525,367
	1,321,437,762	1,478,806,160
Purchases/expenditure from related parties		
The City Of Johannesburg Metropolitan Municipality	11,754,413	6,100,824
Johannesburg Water (SOC) Ltd	4,705,487	2,021,363
Johannesburg Civic Theatre (SOC) Ltd	47,964	39,288
City of Johannesburg Property Company (SOC) Ltd	-	13,000
Pikitup Johannesburg (SOC) Ltd	782,364	268,595
Johannesburg City Parks and Zoo (SOC) Ltd	905,423	5,384,117
Metro Trading Company (SOC) Ltd	650,000	6,943,031
City Power Of Johannesburg (SOC) Ltd	7,731,752	8,698,434
Johannesburg Development Agency (SOC) Ltd	-	3,613,522
	26,577,403	33,082,174

Key management information

Class	Description	Number
Non-executive board members	Board members	10
Independent Audit Committee	Non Board Members	3
Executive Directors excluding acting during the year	Board members	2
Senior Management excluding acting during the year	Head of Department	4

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Detailed Income statement

Figures in Rand Restated	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	17	-	-
Other income	19	-	-
Gautrans maintenance fees		-	4,982,262
Asphalt sales and DCP testing	17	177,999	83,525
Jobbings	17	17,630,059	21,143,129
Reinstatement income and wayleave fees		12,721,358	25,572,988
Management Fees		14,674,345	30,092,186
Rental income		10,370,172	7,566,600
Recoveries		87	435
Bad Debts recovered		-	461,128
Other Income - Proceeds from road closures		11,056,486	12,350,084
Insurance Claims		13,043	184,061
Interest received - investment	22	22,125,612	10,756,322
Total revenue from exchange transactions		88,769,161	113,192,720
Revenue from non-exchange transactions			
Transfer revenue			
Subsidy - The City of Johannesburg Metropolitan Municipality		1,258,837,000	1,393,046,000
Total revenue	17	1,347,606,161	1,506,238,720
Expenditure			
Employee costs	25	(402,117,723)	(362,729,731)
Depreciation and amortisation	26	(38,526,070)	(49,238,341)
Impairment loss		(3,718,642)	(23,172,046)
Finance costs	23	(12,979,015)	(12,530,421)
Lease rentals on operating lease		(65,055,531)	(32,266,887)
Call Centre Charges		(7,715,400)	(1,776,000)
Cost of Road Maintenance		(781,132,449)	(773,861,620)
General expenses - Indirect Costs	39	(348,987,181)	(208,073,011)
Total expenditure		(1,660,232,011)	(1,463,648,057)
(Deficit) surplus before taxation		(312,625,850)	42,590,663
Taxation	24	116,852,752	121,201,383
Deficit for the year		(429,478,602)	(78,610,720)

* See Note