



- JOHANNESBURG ROADS AGENCY PTY (LTD) -
(An association incorporated under Section 21)
Reg. No. 2000/028993/07

ANNUAL REPORT

2006/2007

(In terms of Section 121 of the
Municipal Finance Management Act 2003 and Section 46 of the Municipal Systems Act 2000)



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Bankers: ABSA Bank of SA Limited

Auditors: Auditor-General

Vision:

“the vehicle that makes the City work”

Mission:

“to provide a sound transit infrastructure management system in support of enhanced mobility”

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AR	:	Audit & Risk
BEE	:	Black Economic Empowerment
BI	:	Business Implementation
BMN	:	Business Mobility & Networks
BSD	:	Business, Strategy & Development
CD	:	Capital Development
CETA	:	Construction, Education and Training Authority
CMT	:	Corporate Management Team
CS	:	Corporate Services
CSR	:	Corporate Social Responsibility
EFF	:	External Financing Fund
EMS	:	Environmental Management System
EPWP	:	Expanded Public Works Programme
GAAP	:	Generally Acceptable Accounting Practices
GEM	:	General Executive Manager
IDP	:	Integrated Development Plan
ISMP	:	Integrated Storm-water Management Plan
ITS	:	Intelligent Transport Systems
JDA	:	Johannesburg Development Agency
JMPD	:	Johannesburg Metro Police Department
JRA	:	Johannesburg Roads Agency (Pty) Ltd
KPA	:	Key Performance Area
KIs	:	Kerb Inlets
KPI	:	Key Performance Indicator
MD	:	Managing Director
MEC	:	Member of the Mayoral Committee
MFMA	:	Municipal Finance Management Act 56 of 2003
MIG	:	Municipal Infrastructure Grant
MOE	:	Municipal Owned Entity
NGOs	:	Non-governmental Organisations
OHS	:	Occupational Health and Safety
RUBI	:	Risk Universe Business Intelligence
SCM	:	Supply Chain Management
SDA	:	Service Delivery Agreement
SLA	:	Service Level Agreement

ATION AND CORPORATE PROFILE

iew of the JRA

The Johannesburg Roads Agency (Pty) Ltd (JRA) commenced its business on 1 January 2001 with the City of Johannesburg (COJ) being the sole shareholder. The JRA's core competencies are the planning, design, construction and maintenance of municipal roads and stormwater infrastructures in the City of Johannesburg.

After the 2005 Local Government elections, the COJ adopted a new governance model. In terms of this model the JRA together with the Metrobus Company falls within the Transportation sector of the City. Politically, the members of this Transportation cluster are accountable to the Member of the Mayoral Committee (MMC) responsible for Transportation, Councillor Reehana Moosajee.

The company's structure comprises of the following business units:

- The Managing Director's (MD) office, including:
 - Internal Audit and Risk Management
 - Performance Management and Monitoring
 - Business Support
- Business Planning & Development (BPD)
- Business Mobility & Networks (BMN)
- Business Implementation (BI)
- Corporate Services (CS)
- Finance

The Corporate Management Team, a committee constituted of the Managing Director and the General Executive Manager's, forms the backbone of collective management of the JRA. It serves to align the operational synergies/activities of the different business units.

The JRA has a total length of 9 247km of roads under its control, of which 1 400km are gravel roads, serving a resident population of 3 225 780 (2006).

The JRA is responsible for ensuring that storm-water (either storm-water that soaks into the ground or the run-off into streams, rivers and floodplains) is conveyed in a safe manner that

the environment, ecology, life, health or property. The JRA and an extensive open drainage system under its control. ...ing the City to develop, amongst other things, township establishment principles and policies for storm-water runoff. There are currently approximately 470 bridges and 41 major culverts in the City of Johannesburg. Furthermore, JRA manages and maintains 1 904 traffic signal controlled intersections including pedestrian crossings.

In total, the replacement value of assets under the management and control of JRA is approximately R31.640 bn (see **Table 1** for details).

Table 1: JRA's Asset Replacement Value (January 2006)

Roads		Motorways	R903m
		Major Arterial	R4 721m
		Local	R14 068m
Kerbing			R2 525m
Bridges			R2 565m
Stormwater	Pipes		R3 796m
	Nodes		R734m
Footways			R1 789m
Traffic Signals	Fully Owned	Signals	R452m
		Pedestrian Crossing	R7m
		Warning Lights	R4m
	Partially Owned	Signals	R34m
Overhead Gantries/Cantilever			R3m
Road Signage	Major Arterial		R24m
	Local		R14m
Total			R31, 640bn

OFFICE OF THE MANAGING DIRECTOR

Ms Dudu Maseko

The MD has the executive and accounting officer responsibilities with regards to timeous implementation of the Shareholders and Board's policies, decisions and directives, statutory compliance and ensuring the continued sustainability of the company. The MD's responsibilities include **Capital Development (CD)** and **Audit and Risk Management**. The MD has to ensure the timeous preparation of business plans, budgets and reporting on the performance against these plans. Preparation of financial reports and statements, overseeing compliance with law and relevant legislation, management of company expenditure, finance, and procurement are also within the ambit of the MD.

FINANCE

Finance is responsible for the preparation of the financial plan for the JRA, the financial reports and statements, overseeing compliance with the Municipal Finance Management Act (MFMA), management of expenditure, corporate finance, and income and procurement processes. Finance is responsible for setting up and monitoring proper financial systems of internal control, cash flow and draw down from the CoJ. Finance is also responsible for ensuring compliance with corporate governance. Finance plays a major role in the compilation of year end audit information for the JRA, including financial reconciliation with the CoJ.

CORPORATE SERVICES

CS is responsible for the Human Resource Management of the company that includes training, labour issues, staff wellness and skills development. CS is responsible for the marketing and public relations of JRA and the general administration involving facilities management. The main support functions of the company are also in this business unit, namely the information technology that develops and manages the implementation of the company's HR Development, IT systems, the Legal Services unit that is headed by the Company Secretary, as well as the administration and property portfolio. The Batho Pele Call Centre is responsible for the evaluation and dissemination of defects logged.

BUSINESS STRATEGY & DEVELOPMENT

BSD is responsible for the development of business strategies, policies, procedures and performance standards for the JRA, as well as monitoring and reporting on the overall performance of the company. BSD is also responsible for strategic network planning, development control, design and the general coordination of infrastructure development.

BUSINESS IMPLEMENTATION

BI is responsible for the planning, scheduling and implementation of routine repairs and maintenance to existing roads, storm-water networks, and supporting infrastructure (roads signage, route markings, etc). BI plays the role of a contractor for the execution of new developments and refurbishments.

BUSINESS MOBILITY & NETWORKS

BMN is responsible for managing the utilisation of roads, traffic and storm-water networks and infrastructure. This includes networks intelligence management, traffic signals, networks engineering and planning, and infrastructure performance management.

ed to identify and manage value-adding activities towards the achievement of its strategic objectives across all business units, and to eliminate silo thinking and execution. The following are the strategic objectives of the organisation:

- improve the quality of its assets;
- improve the mobility of traffic;
- improve customer satisfaction;
- enhance safety of road users;
- revenue maximisation;
- internal capacity building;
- develop new Infrastructure; and
- manage storm-water systems.

Section 3: Foreword by the Member of the Mayoral Committee

Subsequent to the 1st March 2006 democratic Local Government Elections, the City of Johannesburg introduced a new governance model. This saw the introduction of Transportation as a new stand alone portfolio. This was informed by the realisation that transportation is integral aspect that will have to be addressed if we are to better the lives of the Communities that we serve and also realise the dream of having a world class African city.

Mobility within the any city is a key driver of economic development. Therefore, if we are to succeed as a city the issue of traffic congestion will have to be given priority and be addressed meaningfully. To this end, the City Of Johannesburg has resolved, in line with the national strategy, to put focus on public transport. This has led to the approval of the implementation of the Bus Rapid Transit System within the City of Johannesburg. This system will drastically reduce the time spent on travelling on our roads. Dedicated lanes will be constructed for use by the buses. The system is earmarked for completion before the hosting of the Federations Cup in 2009.

Whereas we acknowledge that there are challenges that there the JRA continues to face, it is equally important to point out that it has and continues to meet and in certain instances exceed the mandate given to it by the City of Johannesburg. In this financial year we tarred 44.7 kilometres of road at a cost of approximately R1.7 m excluding other requisite infrastructure such as storm water drainage system. At any given day there are over 99% traffic signal intersections under the control of the JRA that are functional. 99% of service defects reported is resolved within our service delivery timeframes. 52349 kerb inlets were cleaned in this financial year, 2349 more than the target.

en identified as a key challenge within our city. In
marked on safety campaigns that involve primary
FETY BEGAN WITH ME+ we intend inculcating a
culture of responsibility on our roads both from a driver and a pedestrian point of view.

As MMC for Transport I am humbled to be the political leader for the Transportation portfolio and appreciate the challenges that lie ahead. I firmly believe that through commitment and the partnerships that we have forged we will succeed in making Johannesburg a WORLD CLASS AFRICAN CITY.

Section 4: Foreword by the Chairperson

As the new Chairman of the JRA, my fifth year with the Company, I can state with confidence that I believe we have, yet again, had another successful year.

But firstly as I only took over the reigns in February 2006, I must thank my predecessor as Chairman, Noluthando Orleyn, for her dedication and hard work whilst she was at the JRA.

Overall all stakeholders in the Company have worked very hard to fulfil the remit given to us, by our sole shareholder, the City of Johannesburg.

We have addressed the key delivery areas which are directly linked to the City's mayoral strategic outcomes. The JRA's plans are aligned to the City's Growth and Development Strategy (GDS) and the Integrated Development Plan (IDP) and were agreed with the City prior to the commencement of the year under report.

A significant factor this year is that we have been working within the Transportation sector, headed by Councillor Rehana Moosajee. This has provided a more cohesive basis for our role within the City and we will continue to develop relationships and joint ventures within the sector in the years to come. A special thank you to the MMC, for her new insights, her diligence and support.

Another significant factor for this financial year was the appointment of a new MD Dudu Maseko . officially from October 2006. Dudu has been with the JRA since its inception and acted as MD from April so she is no stranger to the Company. A deserved promotion from within has seen a seamless operational transition take place.

Listed below are a number of highlights for the year under review

- Significant partnerships have been forged with Provincial Government, particularly with Public Works and SANRAL. Consequently the following projects have been undertaken in collaboration with these Departments. The construction of the N17, top 20 townships project, our EPWP projects and the installation of CCTV cameras on the road networks
- We have successfully upgraded 44.7km of roads from gravel to surface.
- The international standard for the number of traffic signals working on any given day is 98%. This JRA is exceeding this target by over 1%
- Over 70% of all JRA expenditure on our operating budget goes to BEE companies with specific bias towards SMMEs

Installation of backboards on our traffic signals to comply with
regulations

A total of 1000km of gravel roads were maintained during the year.

- Proactively, 92.5% of potholes are fixed prior to members of the public reporting them and only 7.5% are done reactively
- Letsemaq (work done in collaboration with the communities) and community education is very pivotal in our service delivery strategy. Communities need to take ownership of the infrastructure that has been put in place for them
- The transport safety plan has seen over 38 Primary Schools having traffic calming measures implemented.
- Acceleration of construction footway bridges has occurred.

All the above has been achieved within our budget allocation. We are continuously striving to work smarter and be more cost and time effective whilst bearing in mind all applicable legislation.

We have yet again achieved a clean audit for the 5th year running! Bearing this in mind we have dedicated time and effort to ensure that we have cleared all issues raised by the Auditor General in last year's audit. The JRA considers this as a fundamental part of excellent financial management.

Throughout the year the Board of directors has met regularly and these directors have also participated in appropriate Board Committees. Since the appointment of our new MD the board has met bi-monthly rather than quarterly . this was to provide the MD with additional support if and when necessary.

The Board Committees include Audit and Risk, Service Delivery and REMCO. Within the committees, detailed work is reviewed with particular reference to the maintenance of internal controls and appropriate policies, bearing in mind good corporate governance, so that we can deliver the service that is required of us. I believe that of significant note is that the Board now only has an oversight role within the area of procurement of goods and services. Awarding of tenders . a crucial part of our business . is handled by appropriate management teams in line with our new Supply Chain Management Policy.

A special word of thanks is required for my fellow directors for their tireless support. Each director brings specific skills to the Board and shares them unreservedly with the JRA management team.

At the last AGM Ms Xolisa Hloma was appointed to the Board. She brings with her much needed human resources expertise . a warm welcome to her.

With regard to the future one of my key objectives is to improve communication with our different stakeholders, particularly the community. Everyone needs to understand what we are doing, when we are doing it and why we are only doing certain projects, bearing in mind that budgets are limited and priorities have to be set.

A special word of thanks to the JRA operational team, for their unstinting work. Sometimes I believe we have a thankless task . we cannot possibly repair every pothole, attend to every request from the community and guard against the consequences of every act of God or power outage . but we do try our best.

The JRA has moved to higher level of operation on various fronts. This company is full of energy and a brighter future because of the new leaderships both at board and managerial levels. It is also highly rated in trend setting and service excellence standards.

The future of the JRA, as an organisation, is clearly reflected in the number of partners who approach the JRA with proposals to assist the Company, in some instances even in areas which are not within JRA's core competencies.

One of the key strategic incentives which propelled the Company is in the area of poverty eradication through skills development and specialised job creation. This resulted in the Company being nominated and winning several awards both at the level individual employees and at the Company level for services excellence. These included the new Mail and Guardian Corporate social responsibility award, the BBQ award and the awards.

In the midst of all excitement about service excellence awards, is the award for as the most outstanding woman official by the department of Local Government in Gauteng Province. This award is a gateway for the recognition of women and an endeavour to make the JRA respond positively to women development.

Safety remains our key concern. Two key areas of focus are school children safety and the building of footway bridges which resemble the Mandela Bridge. Whilst more work needs to be done in this area, as a woman and mother I am proud that our teams are taking strides to ensure that the %Safety begins with me+campaign is a success.

Governance and accountability is key to our board and management obligations. Proper reporting mechanisms have been put in place to ensure that everything is above board. The outsourcing of quality assurance was one of the first key decision made in December 2006 to propel the JRA to a higher plan of accountability, providing sound evidence for service provisioning and Total Quality Assurance.

External services provisioning is a key to the sustainability of the JRA. The newly approved infrastructure development plan of the JRA will enable the company to simultaneously provide required service as per the SDA and to assist others in project implementation/management. Much as the focus, in so far as revenue generation is concerned was initially on jobbing, we find that the JRA could provide all other support at a fee and this could generate income for the Company. Consequent to its unique business approach the JRA has had numerous requests from various sectors to assist with expertise. To date some of the requests received even go beyond SA borders.

Human capital development is key to the JRA strategy of service delivery. The 50/50 communication strategy resulted in a media communication review and the establishment of a streetwise dialogue newsletter. Streetwise seeks to create a two way communication channel with JRA employees in Batho Pele problems solving and several other JRA family members.

The inner city revitalisation is also one of the focus areas that the JRA has taken to. The Multidisciplinary Depot (MOD) seeks to enhance this endeavour and to mobilise both JRA teams and small contractors to respond to the urgent needs of our communities.

The 2010 excitement and opportunities it provides, has enabled the JRA to sustain its programmes which include, the BRT system, mobilisation of street names, the Beautiful Bridges Programme and other roads infrastructure development.

and exceeded its mandate in the past financial year and
and Staff for a job well done!

Section 6: Statement of Responsibility

The Directors are required by the Municipal Finance Management Act 56 of 2003, and the Companies Act 61 of 1973, to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statement and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statement fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the South African Statements of Generally Accepted Accounting Practice and Generally Recognised Accounting Practice. The Auditor General is engaged to express an independent opinion on the Annual Financial Statement.

The Annual Financial Statement is prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed GRAP issued by the Accounting Standards Board. The Annual Financial Statement is based upon appropriate policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, they set standards for internal control aimed at reducing the risk of error or loss 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior 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 Statement. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the company's cash flow forecast for the year to 30 June 2008 and, in the light of this review the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The company is wholly dependent on the City of Johannesburg Metropolitan Municipality for continued funding of operations. The Annual Financial Statement is prepared on the basis that the company is a going concern and that the City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the company. Although the directors are primarily responsible for the financial affairs of the company, they are supported by the company's External Auditors.

able for independently reviewing and reporting on the
s. The Annual Financial Statement has been examined by

The Annual Financial statement set out on which has been prepared on the going concern basis, were approved by the Directors on 27 November 2007 and was signed on its behalf by SM Grant, DG Maseko and Adv T Makhubela, the Chairman of the Board, the Managing Director and the Company Secretary respectively.

CHAPTER TWO: PERFORMANCE HIGHLIGHTS

Section 1: Highlights and Achievements

Table 5 contains a summary of the JRA's performance for the 2006/07 financial year. Each key performance indicator (KPI) has been validated ensuring the reliability of the results.

The Johannesburg Roads Agency has met its mandate successfully for the reporting period as outlined in its business plan and available budget. Key service delivery areas are directly linked to the City of Johannesburg's (COJ) Mayoral strategic outcomes. The JRA plans are aligned to the City's Growth and Development Strategy (GDS) and Integrated Development Plan (IDP).

- Of the thirty seven key performance indicators agreed with the City of Johannesburg the JRA is achieving and excelling in twenty eight.
- The international standard for the number of traffic signals working on any given day is 98% of all traffic signals. The JRA is exceeding this standard by over 1%, with 99.4% of all traffic signals under our jurisdiction working on any given day.
- We are continuing to focus strongly on disadvantaged communities through our gravel roads programs, the building of footways to save lives in the community, and the creation of access and improved mobility to mention just a few. Our resolve to make the JRA activities as a means to an end (i.e. change impacting on poverty alleviation through job creation and skills development) is a promise that is bearing good fruit.
- The Strategic Public Transport Network project has been replaced by the Bus Rapid Transit Project. The JRA's key deliverable around Integrated Transport System is providing the necessary support to this flagship project. The N17 road link project has been transferred to SANRAL who will be the ultimate owner of this road. The JRA continues to be involved in and will provide assistance with the Environmental Approval stage and monitoring of the project.
- In responding to the mayoral call on inner city regeneration, the JRA has established a team of highly dedicated staff located within the Central Business District (CBD). This team will focus on rejuvenation of the inner city with a comprehensive maintenance programme to sustain work completed.
- In the area of Institutional and capacity building, the JRA has been able to fill key senior management positions. We are also proud to announce that six JRA women are being placed on an accelerated program to become depot managers through an internal learnership programme. The cherry on the top has been the approval of applications of two JRA engineering employees who will participate in the JCPSA programme.
- By the end of the financial year the Johannesburg Roads Agency (Pty) Ltd (JRA) is in a strong financial position and well within its budget limitations.



Section 2: Financial Performance

The JRA has achieved a net surplus of R8.3m with an operating surplus of R4,476m. The gross revenue year-on-year increased by 5%.

2.1.1 Revenue

The JRA posted revenue of R427m for the financial year, i.e. an increase of 5% over the previous year. The subsidy from the Shareholder, the City of Johannesburg, made up 85% of total revenue received, this being an increase of 8% over the previous year.

Table 2 shows the mix of revenue.

Table 2: Revenue Mix

Source	Amount
Subsidy – City of Johannesburg	R353m
Advertising	R24m
Jobbings	R24m
Reinstatements	R8m
Asphalt sales	R5,5m
Maintenance of robots	R2,5m
Other revenue*	R10m
Total	R427m

Other revenue consists of rental income(0.15m), recoveries (0.9m), training income (0.5m), wayleave fees (0.2m), sundry sales (0.9m), footway under balconies (1.7m), insurance claims (5.8m)

2.1.2 Results of Operations

The operating expenditure increased by 5,8% year-on-year. The main area of expenditure being payroll costs increased 7% as a percentage of total operating cost. The impact of

of increasing material costs as a result of higher than as material expenditure incurred to realise additional of expenditure trends are in line with inflation.

2.1.3 Cash Flow

A Council grant to the value of R353m was received in the operating period that covered 39% of operational costs and the balance was spent on capital expenditure. Interest income earned of R11m (2006:R10m) covered 3,8% of operational costs. The remainder of income was generated from advertising, jobbings, reinstatements and asphalt sales. The JRA ended the year in a favourable cash position held on behalf of the JRA by the City of Johannesburg. The cash on hand was R176m. This was due to effective cash flow management.

2.1.4 Balance Sheet programme undertaken

Fixed assets additions were R11.9m. This increase was due to the replacement of aging and obsolete equipment. The increase in the trade and other receivables at year-end was as a result of the increase in revenue over the year, as the JRA merely act as a conduit through which the shareholder realises infrastructure developments.



Section 3: Capital Projects

Table 3: 2006/2007 Financial Year Capital Projects

The following table lists all projects that were assigned for the JRA financial year 2006-07, and its budget thereof.

Project Name	CoJ Region	JRA Regions	Ward	Original EFF Funding	MIG Funding	Total Budget
Developers Contribution : East						R 13,256,697.00
Developers Contribution : Midrand						R 24,210,095.00
Developers Contribution : North						R 21,577,814.00
Developers Contribution : South						R 4,442,312.00
Developers Contribution : West						R 2,375,216.00
						R 65,862,134.00
Programme A1 - Gravel Roads - Mayoral Projects						
Ivory Park Gravel Roads	A	North	77,78,79	R 6,000,000.00		R 6,000,000.00
					R 14,000,000.00	R 14,000,000.00
Orange Farm gravel Roads	G	South	1,2,3,4	R 16,000,000.00		R 16,000,000.00
					R 14,000,000.00	R 14,000,000.00
Subtotal				R 22,000,000.00	R 28,000,000.00	R 50,000,000.00
Programme A2 - Gravel Roads - Others						
Diepsloot Gravel Roads	A	North	96	R 3,000,000.00		R 3,000,000.00
					R 7,000,000.00	R 7,000,000.00
Kaalfontein Gravel Roads	A	North	92	R 3,000,000.00		R 3,000,000.00
					R 7,000,000.00	R 7,000,000.00
Rabie Ridge Gravel Roads	A	North	80	R 4,500,000.00		R 4,500,000.00
					R 10,500,000.00	R 10,500,000.00

				R 10,500,000.00	R 24,500,000.00	R 35,000,000.00
Programme B – Mobility						
Geometric Improvements	A,B,C,D,E,F	N, C	Various	R 12,450,000.00		R 12,450,000.00
Guardrails	B,C,D,E,F,G	N,C,S	Various	R 1,000,000.00		R 1,000,000.00
New Traffic Signals				R 3,360,000.00		R 3,360,000.00
Pedestrian and Cycle facilities	G	South	4	R 1,300,000.00		R 1,300,000.00
Investigate and Design Future Schemes	A,B,C,D,E,F,G	N,C,S	Various	R 2,000,000.00		R 2,000,000.00
Road Signs, Markings and Painting				R 5,000,000.00		R 5,000,000.00
Traffic Calming	A,B,C,D,E,G	N,C,S	Various	R 3,635,000.00		R 3,635,000.00
Traffic Flow Improvements - Planning & Design	B,C	N,C	Various	R 5,000,000.00		R 5,000,000.00
Subtotal				R 33,745,000.00		R 33,745,000.00
Programme C - Committed Projects						
Koma Road - Bendile - Old Potch	D	South	15,16,19,33	R 18,000,000.00		R 18,000,000.00
Subtotal				R 18,000,000.00		R 18,000,000.00
Programme D - Stormwater Management Projects						
Erosion Protection and Stormwater attenuation				R 7,100,000.00		R 7,100,000.00
Klipriviersberg Nature Reserve	F	Central	23			
Sub 07 Morningside to George Lea Park	B	North	103,106,109	R 3,100,000.00		
Bloubos Spruit Erosion Protection Winchester Hills	F	Central	54	R 0.00		
Conrad Drive to Rustenburg Road	B	North, Central	87,90,99,102	R 2,500,000.00		
Erosion Protection Alexandra		North		R 1,500,000.00		
Dams and Maintenance Works				R 5,155,000.00		R 5,155,000.00
Fourways Mall Dam and Downstream Works	A	North	94			
Stormwater Masterplans Development & Review	A,C	N,C	93,94,97	R 3,400,000.00		R 3,400,000.00
River Banks Protection				R 1,200,000.00		R 1,200,000.00

	n	B,C	N, C	89,98		
Environmental Compliance & Structural Upgrades					R 10,000,000.00	R 10,000,000.00
Environmental Compliance	All	N,C,S	Various		R 1,000,000.00	
Braamfontein Spruit Structural Repairs Sub 1,3 and 4	F	Central	60		R 1,500,000.00	
Stormwater Control Windsor Development	B	N, C	98		R 4,000,000.00	
Stormwater Drainage Central Areas	F	Central	59		R 1,500,000.00	
Structural Repairs Robinson Canal Sub 3,6,7	B	N,C	68		R 2,000,000.00	
Stormwater Management and Improvements					R 12,400,000.00	R 12,400,000.00
Upgrading Stormwater Drainage Protea Glen Ext 1 to 4	D	South	13,14		R 300,000.00	
Kliptown Stormwater Upgrade	G	South	17		R 5,600,000.00	
Emergency Stormwater Improvements		South			R 5,000,000.00	
Critical and Urgent Stormwater Projects	All	N,C,S	Various		R 1,500,000.00	
Subtotal					R 39,255,000.00	R 39,255,000.00
Programme E - Corporate Assets						
Capex for IT					R 2,500,000.00	R 2,500,000.00
Subtotal					R 2,500,000.00	R 2,500,000.00
Programme F - Equity and EPWP Projects						
Upgrading of Kerbs, Sidewalks and Cycle Ways					R 10,000,000.00	R 10,000,000.00
June 16 Trail Footways Project					R 15,000,000.00	R 15,000,000.00
Subtotal					R 25,000,000.00	R 25,000,000.00
Programme G - PPP's						
Doornkop Gravel Roads						R 856,569,559.52
Doornkop Gravel Roads - Province						
Storm-water Masterplan Implementation - Protea Glen						R 0.00
Gauteng Department of Transport, Roads & Public Works						R 0.00
Footways and Car Bridge - Ivory Park						R 0.00
Footways and Car Bridge - Ivory Park - Province						R 0.00
CoJ Housing Roads Development						R 0.00
CoJ Housing Roads Development - Housing						R 0.00

						R 0.00
CoJ Community Development						R 0.00
JDA Developments						R 0.00
Bus Rapid Transit Project - CoJ Transport						R 0.00
Intelligent Transport System - CoJ Transport						R 0.00
Subtotal						R 0.00
Grand Total				R 151,000,000.00	R 52,500,000.00	R 269,362,134.00
ARP Projects						
Vasco Da Gama Road		North				R 9,374,276.78
Westlake Access Road		North				
Jukskei Pedestrian Bridges		North				R 4,006,489.68
London Road		North				R 860,812.30
Stormwater Implementation		North				
Marlboro Road Extension		North				
Construction of Footways		North				
						R 14,241,578.76
Additional Projects						
Upgrading of Garden Refuse sites (Pikit-up)						R 0.00
Seventh Road / Alexandra Road Link Midrand		North				R 0.00
Inner City Stormwater						
June 16 Project						
20 Township Project						R 10,000,000.00
Total Projects						R856,569,559.52



3.1. CAPEX projects not done

Koma Road – Region D, Ward 15,16,19,33

The last section of Koma Road to be upgraded extends from Kekana St. to Old Potchefstroom Road. This project entailed the upgrading of Koma Road from a single carriageway to a dual carriageway to improve mobility in Soweto. Environmental approval was received in end of Mid term in 2006/2007 financial year therefore only preliminary and detailed designs were done and no construction was carried out. The R 11,000, 000 budget which was allocated to this project in the 2006/07 financial year was re-allocated to other projects accordingly.

K43: Kliptown (Stage 3) Region D, Ward 11

In order to complete the connection of Road K43 (Klipspruit Valley Road, from the Soweto Highway, up to the Moroka Bypass (N12), the last section of the K43 (Klipspruit Valley Road) road is still to be constructed. This section of Road K43 is referred to as %Stage 3+, and once completed; Road K43 will provide the only continuous major north-south arterial in Greater Soweto. Virtually the whole proclaimed Road Reserve for K43 %Stage 3 %s occupied by an informal settlement.

Before starting with the construction of the road, the informal settlement and all occupants were to be removed and relocated to a new site by City of Johannesburg (Housing).

Detail design and tender documentation were complete by JRA. Construction start was delayed due to relocation of informal settlers in the road reserve.

The JRA could not implement the project due to invasion of the road reserve and non removal of invaders.

The R 25,000, 000 budget which was allocated to this project in the 2006/07 financial year was re-allocated to other projects accordingly.

N17: Nasrec Road to beyond New Canada Road

This project entailed the implementation of a section of the future N17 road alignment (a National Road Link), linking Soweto (via the Klipspruit Valley Road: K43), to the N1 and

partial interchange with North facing ramps on the N1, and the existing Nasrec Road between the Soweto Highway and Main Road. The project consists of more assets belonging to the South African National Roads Agency (SANRAL) and this resulted in the resolution by the City of Johannesburg (CoJ) Mayoral committee to transfer implementation of the whole project with financial contribution to SANRAL.

The total cost of the project is approximately R 400 million. Provision for the expenditure of R 40,000,000.00 on this project existed in the 2006/07 Capital Budget of the JRA, which was transferred to SANRAL for the implementation of the project. The funding on the JRA's 2006/07 Capital Budget has been fully spent.

Storm water Control: Willows Development – Windsor – Region B, Ward 98

There is a substantial stream running from Fairland into Kelland which is straddled by the Willows Development. The culvert upstream of the development is undersized which results in flooding and general erosion in the area with consequent damage to property and downstream silting pollution. The project could not proceed to construction phase due to delays in obtaining environmental approvals water license. The Conceptual Designs were completed.

Crownwood Road Phase 3 Region B, Ward 68

Work entailed construction of approximately 1, 6 km of new dual carriageway major arterial road, including the construction of a new dual road bridge over the Russell stream in Langlaagte, and modifications to two existing bridges (Soweto Highway Bridge and New Canada rail Bridge). New street lighting, a pedestrian subway and paved sidewalks are also included in the project. A number of major underground services will also require relocation in order to build the road. Relocation of a major gas main was undertaken directly by Egoli Gas (who were compensated by the JRA accordingly). The Gas relocation is not included in the construction contract.

This project could not proceed due to receipt of only one compliant tender, and due to no confirmation of funding being provided by the CoJ towards completion of this project in 2007/08.

The saving of the Capital Budget allocation of R 20 million on this project has been transferred to other projects within the 2006/07 Capital Budget accordingly.

Programme A1 - Gravel Roads - Mayoral Projects
Ivory Park Gravel Roads
Orange Farm gravel Roads
Programme A2 - Gravel Roads - Others
Diepsloot Gravel Roads
Kaalfontein Gravel Roads
Rabie Ridge Gravel Roads
Programme B - Mobility
Geometric Improvements
Guardrails
New Traffic Signals
Pedestrian and Cycle facilities
Investigate and Design Future Schemes
Road Signs, Markings and Painting
Traffic Calming
Traffic Flow Improvements - Planning & Design
Programme C - Committed Projects
Koma Road - Bendile - Old Potch
Programme D - Stormwater Management Projects
Sub 07 Morningside to George Lea Park
Conrad Drive to Rustenburg Road
Erosion Protection Alexandra
Fourways Mall Dam and Downstream Works
Stormwater Masterplans Development & Review
Klein Jukskei River Bank Protection
Braamfontein Spruit Structural Repairs Sub 1,3 and 4
Stormwater Drainage Central Areas
Structural Repairs Robinson Canal Sub 3,6,7
Upgrading Stormwater Drainage Protea Glen Ext 1 to 4
Kliptown Stormwater Upgrade
Critical and Urgent Stormwater Projects
Programme E - Corporate Assets
Capex for IT
Programme F - Equity and EPWP Projects
Upgrading of Kerbs, Sidewalks and Cycle Ways
June 16 Trail Footways Project
Programme G - PPP's
Doornkop Gravel Roads
Bus Rapid Transit Project - CoJ Transport
Intelligent Transport System - CoJ Transport

Table 5: CAPEX Project successes and failures

PROJECT	SUCCESSSES	CHALLENGES
Gravel Roads Management:		
Bram Fischerville	6.64 km of road constructed	Lack of existing stormwater reticulation; poor ground conditions
Diepsloot	2.63 km of road constructed	Lack of existing stormwater reticulation; poor ground conditions
Rabie Ridge	0.56 km of road constructed	Lack of existing stormwater reticulation; poor ground conditions
Kaalfontein	7.17 km of road constructed	Lack of existing stormwater reticulation; poor ground conditions
Doornkop	7.33 km of road constructed	Lack of existing stormwater reticulation; poor ground conditions
Drieziek	2.89 km of road constructed	Lack of existing stormwater reticulation; poor ground conditions
Ivory Park	10.11 km of road constructed	Lack of existing stormwater reticulation; poor ground conditions
Orange Farm	2.23 km of road constructed	Lack of existing stormwater reticulation; poor ground conditions
Vlakfontein	5.28 km of road constructed	Lack of existing stormwater reticulation; poor ground conditions
Mobility:		

	<p>ment of the City's Transport System grading of ITS control centre; review of traffic control plans; installation of remote monitoring devices; replacement of Light Emitting Diode modules and installation of Variable Message System and CCTV</p>	Heavy congestion due to traffic volume increase
Geometric Improvements	Designs for 3 intersection improvements completed	Heavy congestion due to traffic volume increase
New Traffic Signals	Installation of new traffic signals in Meadowlands, Kya Sands, Diepkloof, Lenasia, Midrand, Northwold, Hillary, Parkview, Mayfair, Bordeaux, Newclare, Kloofendal, Zola, Randpark Ridge, Bromhof, Killarney and Protea North.	Heavy congestion due to traffic volume increase
Road Signs, Marking and Painting	Erection and replacement of road signs, painting of road markings and furniture.	Budget constraints for essential repairs
Traffic Calming	Construction of rumble strips, speed humps, traffic circles, raised pedestrian thresholds, erection of road signage and painting of various road markings throughout City.	Speeding of traffic in residential areas
Traffic Flow Improvements	Planning and design of intersection improvements and traffic signals using traffic volume studies	Heavy congestion due to traffic volume increase
Traffic Signal Upgrades	Installation of new traffic signal controllers, re-cabling, replacement of signal heads South African Road Transport Signal Manual compliance and upgrading of communication network.	Heavy congestion due to traffic volume increase
Roads: Construction and Upgrades		
Investigate and Design Future Schemes	The investigation, planning and design of road transit and stormwater infrastructure	Backlogs in existing roads and stormwater infrastructure

	elivery needs	
Braamfontein Spruit	Structural repairs to headwalls, outlets and apron slabs	Poor condition and age of existing infrastructure
Erosion Protection: Conrad Drive to Rustenburg Road	Protection of riverbanks using gabion baskets and reno mattresses.	Severely eroded riverbanks, property and public at risk
Structural Repairs: Robinson Canal Sub 10	Repair of existing canal	Poor condition of existing infrastructure
Structural Repairs: Robinson Canal Sub 3,6 & 7	Repair of existing canal	Poor condition of existing infrastructure
Stormwater: Networks Upgrades		
Braamfontein Spruit . Structural Repairs to Culvert (Owl/Annet)	Repair of existing culvert	Poor condition of existing infrastructure
Critical and Urgent Depot Stormwater Projects	Upgrading and repair of stormwater infrastructure	Deficiencies of existing stormwater infrastructure
Enviromental Compliance and Structural Upgrades	Compliance with environmental standards and legislation	Upgrading existing infrastructure to comply with new regulations
On-going Committed Projects		
Stormwater Master Planning	Stormwater audit in Diepsloot catchment, development of attenuation specification and infill stormwater master planning for North Riding and Linbro Park	Backlog in stormwater infrastructure
Soweto Paving of Sidewalks	Construction of new kerbs and sidewalks: 1km in Protea South, 3.6km in Orlando East, 1.7km in Pimville	Massive backlog in sidewalk infrastructure
Braamfontein Spruit Culvert Protection	Repair of existing culvert: 2250m in Parkhurst Culvert, 550m in Zoo Lake Culvert	Poor condition of existing infrastructure
Embankment Protection: Braamfontein Spruit	Shaping and protection of existing riverbanks using armoflex. Protection of electrical pylon	Sever erosion of existing water course
Robinson Canal Rehabilitation	Structural repair of existing canal	Poor condition of existing infrastructure
Replacement of Motorway Joints	Replacement of motorway expansion joints and various other bridge expansion joints in the City	Ageing infrastructure, construction only ay night and on weekends
Implementation of Stormwater Master Plan Proposals Alexandra	Design and construction of 1.5 km of new road and stormwater on Far East Bank Alexandra	Backlog of road and stormwater infrastructure
Alexandra Roads and Stormwater Upgrades	Construction of improvements to bulk stormwater system	Deficiencies of existing stormwater infrastructure
Operational Capital IT	Purchase of computer	Budgetary constraints

	software, laptops	
	ers	
	of tools and	Budgetary constraints
	machinery	

Section 4: Performance against IDP and City Scorecard

Maximisation of existing revenue sources (e.g. jobbing, asphalt sales, outdoor advertising and reinstatements)

Period	06/07
Target	64m
Actual	67m

A total of R67 million was collected by the organisation by the end of the financial year. This was 3 million more than it was planned for the 2006/07 financial year. The JRA underperformed on this KPI for the first three quarters of the year and the good performance in the last quarter is attributable to a higher advertising income as a result of the audits that JRA conducted on the completeness of this revenue. Management has solicited external help to advise them on the strategies to maximise other revenue and these strategies will be included in the 2007/08 Business Plan.

Percentage variance against operating budget

Period	06/07
Target	0%
Actual	-2.31%

This KPI is evaluated by considering the entity's entire operating budget i.e. the bottom line, the reason behind this approach is that an entity could still be within its OPEX line. However due to poor performance in revenue, the entity could operate at a deficit, which could have a negative impact on the entity's future sustainability and thereby erode shareholder value.

JRA has a surplus of R13.7 million for the 2006/07 financial year against a budgeted surplus of zero, this in line with the fact that JRA is not a profit orientated company (Section 21 Company in terms of the Companies Act and non-tax paying) and that it should use all funds allocated to further service delivery on behalf of the City of Johannesburg. The accumulation of reserves could be interpreted, as the change in motive on the JRA and as a result the receiver will have to enforce the Income Tax Act.

The JRA exceeded in Income Budget by 0.19%, this is mainly due to other income being over budget largely due to advertising income received in the fourth quarter subsequent to the completeness of revenue audit.

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Period	06/07
Target	100%
Actual	90%

The JRA achieved a 90% spending on its Capital budget spent. The JRA was allocated CLF funding to the total value of R219 650 million (301 CLF) and MIG funding (306 PUB CONS) amounting to R65 000 million. Projects to the total value of R38.75 million were received as grants (315 Grants). At the end of the 4th quarter, 90% of the budget was spent. The remaining 10% will be allocated after the quality assurance of gravel roads projects.

Fully SA GAAP compliant registers of assets

Period	06/07
Target	100%
Actual	In progress

The Shareholder Unit performed a GAAP Quality Review of the Financials, this included the Asset Register and its compliance with GAAP, and the latest indications are that the Asset Register of JRA is fully compliant with GAAP in relation to the following work:

- The Asset Register completed/finalised.
- The accounting work relating to useful life of assets and residual values.
- The accounting work pertaining to impairment of assets.

Reconciliation of intra-company balances with other MOEs

Period	06/07
Target	100%
Actual	100%


Target has been achieved. The major balances existed between City Power and JRA and meetings were held subsequent to year-end and consensus was reached. The total outstanding balances with other MOEs as at 30 June 2007 are as follows:

- Amounts owing to JRA by other MOEs R22.4 million

JRA does not have any liabilities owing to fellow municipal entities as per the Management Accounts.

Reconciliation of inter-company balances with the COJ

Period	06/07
Target	100%
Actual	100%



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es existed between the City and JRA.

- Long term portion R12, 0 million
- Short Term portion R983.000

BEE spent on CAPEX

Period	06/07
Target	60%
Actual	67%

The overall target on a year-to-date basis has been exceeded. The total spending on new contracts for the whole year was R432 million and 67% was expended on BEE resulting in the actual spend of R289 million on this KPI.

Procurement spent on BEE and SME as % total procurement

Period	06/07
Target	50%
Actual	52%

The overall target of 50% was exceeded by the 4th quarter. The total procurement for the year was R109, 497, 077.80, of which 52% was BEE expenditure.

Percentage attainment of clean audit report

Period	Q1	Q2	Q3	Q4
Target	100%	100%	100%	100%
Actual	66%	66%	66%	66%

Target has not been achieved. JRA obtained an Unqualified-Audit-Opinion in the 2005/06 financial year. However there were six emphases of matter items and two of which also re-occurred from the 2004/05 audit. The Internal Audit together with Finance and the Audit Committee have been meeting on regular basis in order to address all the issues contained in the AG's management letter. The Management letter issues are also tracked through a Finance Committee, which meets on a weekly basis and is chaired by the Managing Director.

The Shareholder Unit is currently performing a quality review, with the objective of attaining a Clean Audit for JRA. Currently there is still more work to be done on the following:

- Leases (Completeness of Leases and Straight lining of the Operating Leases)
- Asset Register compliance with GAAP (Impairment, Residual Values and Useful life of Assets)
- Discounting of debtors and creditors for whole year as per circular 9 of SAICA

Statement on Municipal Taxes and Service Charges

Name of Entity	Amount Owed	Status	Comments
City Of Joburg	R1 254 520.55	Amount provided for in the entity's books	Confirmation provided below
City Parks	R 280 380.21	Amount provided for in the entity's books	Awaiting confirmation
JHB Property Company	R 58 056.69	Amount provided for in the entity's books	Awaiting confirmation
JHB Water	R 15 901.98	Amount provided for in the entity's books	Awaiting confirmation
Joburg Civic Theatre	R 36 267.67	Amount provided for in the entity's books	Awaiting confirmation
City Power	R 1 572 922.27	Amount provided for in the entity's books	Awaiting confirmation
Metro Bus	R 18 496.00	Amount provided for in the entity's books	Awaiting confirmation



World class African city

City of Johannesburg
Revenue & CRM Department

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02 August 2007

The Chief Financial Officer
Johannesburg Roads Agency

Dear Sir

Confirmation of Balances for Rates and Services as at 30 June 2007

This memo serves to confirm the amount due from Johannesburg Roads Agency for billing on the supply of electricity, refuse removal, and water services, for 2006/7 financial year.

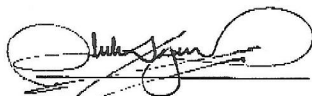
444405 838 2260

Closing Balance

R 1 254 520.55

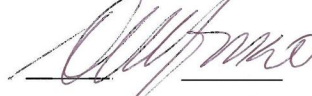
Faithfully

Completed By:



T. Sejeng
Finance
Revenue and CRM

Confirmed By:



A. Geen
Finance
Johannesburg Roads Agency

Johannesburg Roads Agency (Proprietary) Limited

(Registration number 2000/028993/07)

Annual Financial Statements for the year ended 30 June 2007

Notes to the Annual Financial Statements for the year ended 30 June 2007

Figures in Rand 2007 2006

28. Related parties

Relationships	
Parent	The City of Johannesburg Metropolitan Municipality
Other members of the group	COJ Housing Department JPC Portfolio Account City Power Johannesburg (Pty) Ltd Johannesburg City Parks (Pty) Ltd Johannesburg Development Agency (Pty) Ltd Johannesburg Metropolitan Bus Services (Pty) Ltd Johannesburg Social Housing Company (Pty) Ltd Johannesburg Tourism Company (Pty) Ltd Johannesburg Water (Pty) Ltd Metropolitan Trading Company (Pty) Ltd Pikitup Johannesburg (Pty) Ltd Roodepoort City Theatre (Pty) Ltd The Johannesburg Civic Theatre (Pty) Ltd The Johannesburg Fresh Produce Market (Pty) Ltd The Johannesburg Zoo (Pty) Ltd Constitutional Hill Development Company (Pty) Ltd Greater Newtown Development Company (Pty) Ltd

Members of key management

Directors remuneration-Annexure A

Related party balances

Loan accounts - Owing by related parties

City of Johannesburg Metropolitan Municipality	176,108,952	175,464,957
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Loan accounts - Owing to related parties

City of Johannesburg Metropolitan Municipality	10,269,774	12,485,739
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Amounts included in trade receivables regarding related parties

COJ Housing Department	8,534,040	-
JPC Portfolio Account	8,202,450	4,563,126
City of Johannesburg Metropolitan Municipality	13,743,204	6,985,404
City Power Johannesburg (Pty) Ltd	5,023,431	3,149,590
Johannesburg City Parks (Pty) Ltd	221,616	2,294,595
Johannesburg Development Agency (Pty) Ltd	26,069	1,384,107
Johannesburg Water (Pty) Ltd	5,708,910	3,176,377
Pikitup Johannesburg (Pty) Ltd	1,031,998	866,571
Greater Newtown Development Company (Pty) Ltd	5,130	-
	42,496,848	22,419,770

Amounts included in trade payables regarding related parties

City of Johannesburg Metropolitan Municipality	5,947,116	5,213,971
City Power Johannesburg (Pty) Ltd	1,572,922	5,142,790
Johannesburg City Parks (Pty) Ltd	280,380	224,105
Johannesburg Metropolitan Bus Services (Pty) Ltd	18,496	-
Johannesburg Water (Pty) Ltd	15,902	232,794
Pikitup Johannesburg (Pty) Ltd	54,270	139,907
The Johannesburg Civic Theatre (Pty) Ltd	36,268	-
Johannesburg Property Company (Pty) Ltd	58,057	-
	7,983,411	10,953,567

Notes to the Annual Financial Statements for the year ended 30 June 2007

Figures in Rand	2007	2006
28. Related parties (continued)		
Related party transactions		
Income from related parties		
City of Johannesburg Property Company (Pty) Ltd	33,603,722	20,740,534
City of Johannesburg Metropolitan Municipality: Subsidiaries	353,290,000	326,686,000
City Power Johannesburg (Pty) Ltd	2,709,686	2,483,202
Johannesburg City Parks (Pty) Ltd	221,616	12,844,968
Johannesburg Development Agency (Pty) Ltd	349,079	4,630,035
Greater Newtown Development Agency (Pty) Ltd	5,130	-
Johannesburg Water (Pty) Ltd	5,207,829	5,358,039
Pikitup Johannesburg (Pty) Ltd	1,503,307	5,266,863
The Johannesburg Fresh Produce Market (Pty) Ltd	-	410,229
City of Johannesburg Municipality: Other	10,109,937	10,704,170
	407,000,306	389,124,040
Purchases from related parties		
City of Johannesburg Property Company (Pty) Ltd	114,495	-
City of Johannesburg Metropolitan Municipality	13,026,150	5,452,013
City Power Johannesburg (Pty) Ltd	6,089,782	5,638,404
Johannesburg City Parks (Pty) Ltd	503,780	458,910
Johannesburg Development Agency (Pty) Ltd	-	221,225
Johannesburg Metropolitan Bus Services (Pty) Ltd	56,386	14,048
Johannesburg Water (Pty) Ltd	134,132	72,870
Pikitup Johannesburg (Pty) Ltd	348,527	1,133,907
The Johannesburg Civic Theatre (Pty) Ltd	22,730	18,041
The Johannesburg Fresh Produce Market (Pty) Ltd	-	480
The Johannesburg Zoo (Pty) Ltd	-	2,800
	20,295,982	13,012,698

Section 7: Recommendations and Plans for the 2007/08 financial year

Table 6 contains a summary of the JRA's strategic goals and supporting objectives for the planning period 2007/08. The JRA's strategic goals and objectives support the Mayoral Thrusts, GDS Principles and Transportation Sector Plan goals discussed in the preceding sub-sections.

Is and Objectives for 2007/2008

Goals	Objectives
<p>To ensure sound transit infrastructure</p>	<ul style="list-style-type: none"> • Transit infrastructure development • Transit infrastructure maintenance
<p>To ensure a sound traffic regulatory system</p>	<ul style="list-style-type: none"> • Traffic regulatory infrastructure • Regulatory operating system
<p>To ensure a sound storm-water management system</p>	<ul style="list-style-type: none"> • Storm-water infrastructure development • Storm-water infrastructure maintenance
<p>To ensure sound social contract management (awareness, education, training, promotion, marketing communication)</p>	<ul style="list-style-type: none"> • Community involvement • Community capacity development/awareness creation
<p>To ensure sound business excellence</p>	<ul style="list-style-type: none"> • Business management/leadership: <ul style="list-style-type: none"> - Strategic positioning (strategic & operational planning, structuring/influencing) - Organisation culture development - Business performance management - Stakeholder relations management/communication - Corporate governance - Service delivery • Internal Risk Management: <ul style="list-style-type: none"> - People management - Financial management - Information/connectivity technology management - Facilities management (equipment, fleet, offices, etc.) - Information/knowledge management - Materials management • Programme/project management
<p>To ensure business continuity</p>	<ul style="list-style-type: none"> • Company sustainability • Enhance partnerships • Leverage new sources of funding/create sources of funding

Table 7: The JRA's Service Delivery Key Indicators

Key Performance Area	No	Key Performance Indicator	Unit of Measurement	Baseline 06/07	Annual Target 06/07
Service Delivery	1	Total kms of gravel roads maintained	Km	2204	1400
	2	No of kms of gravel roads surfaced in Orange Farm and Ivory Park (Programme A1)	Km	44.7	22.7
	3	No of kms of gravel roads surfaced as per programme A2	Km		15
	4	Completed potholes expressed as a % of reported potholes	%	96%	95%
	5	Lane km of roads resurfaced measured against planned	Km	123	140
	6	% implementation of Stormwater Management Plan based on work plans (the plan for the current financial year)	%	60%	
	7	No of stormwater kerb inlets (KIs) cleaned per month	No	51650	50000
	8	Completed reinstatements expressed as a % of total orders linked to the acceptable SDA timeframe	%	83%	90%
	9	% of signalized intersections out at any given day	%	1%	1%
	10	Lane km of road markings painted measured against planned	Km	1743	1800
	11	% Completion of the BRT ITS activities as per agreement between JRA & Transportation	%	NEW	100%
	12	No of M2 of June 16th Trial implemented	m2	NEW	37500
	13	% implementation of 2 major interventions	%		100%

Table 7 contains an extract of programmes/projects included in the Transportation Sector Scorecard for which the JRA assumes responsibility. Gautrain support programme;

- This programme is a ~~special-focus-activity~~ within the scorecard and Programme Management Office and will accordingly receive focussed attention and reporting.
- World Cup 2010 Transportation Programme; This programme is another ~~special-focus-activity~~ within the scorecard and Programme Management Office and will also accordingly receive focussed attention and reporting. (Please refer item 1 in table 9).
- Both the Gautrain and World Cup 2010 programmes are Mission Critical and provide both challenge & opportunity to ensure that business success is ensured. . Hence the special focus and reporting.

ancing programme;
omment programme;

- Road infrastructure maintenance and upgrading programme;
- Traffic signal upgrade and maintenance programme;
- Road signage upgrade programme;
- Road network conditions detection and information programme;
- BRT infrastructure implementation
- Stormwater development and management programme; and
- Transport infrastructure resource conservation programme.

Table 8: JRA's 2007/2008 CAPEX Budget

SOURCES OF FUNDING	(000)
External Financing Fund	155,000
Municipal Infrastructure Grant	52,500
TOTAL CAPEX	207,500



BOARD'S REPORT AND GOVERNANCE

Section 1: Corporate Governance Statement

The Board of Directors and Executives of the JRA recognise, adhere and are committed to the principles of openness, integrity and accountability advocated by the King II Code on Corporate Governance. Through this process, shareholders and other stakeholders may derive assurance that the JRA is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Monitoring the JRA's compliance with the King Code on Corporate Governance and generally acceptable corporate practices forms part of the mandate of the Audit and Risk Committee of the Board. The JRA has complied with the Code in all respects during the year under review.

The Board has a charter that governs its activities. The charter incorporates provisions of the Corporate Governance protocol of the Shareholder. The JRA's practices are, in all material respects, in line with the principles set out in the King II Report. Ongoing steps are, however, taken to align practices with the report's recommendations. The Board continually reviews the progress made to ensure that the Company improves its corporate governance. During the year under review the Company entrenched its risk management reviews and reporting and compliance assessments were conducted in terms of the Companies Act and the MFMA.

Recognising the importance of the Internal Audit and Risk management function, the Audit and Risk Committee of the Board approved, for implementation, a process of capacitating the unit. This process included reviewing the initial structure of the unit, recruiting the right calibre of expertise and increasing the budget of the unit. By the end of the financial year the resolution of the Audit and Risk Committee had been implemented and the results were showing.

The annual Board assessments and evaluations were conducted and an annual report for the previous year was effectively completed in accordance with the terms of Section 121 of the MFMA. The current financial report was guided by the same principles.

Section 2: Board of Directors

JRA has a unitary board comprising of eight non-executive directors and 1 executive director. JRA non-executive directors are sufficiently independent of management and have no relationship that could materially interfere with the execution of their independent judgement. The Board of Directors and Executives recognise and are committed to the principles of openness, integrity and accountability as contemplated in the King II Code on Corporate Governance and COJ Corporate Governance Protocol.

The JRA Board has three board sub-committees, namely Audit and Risk, Remuneration and Service Delivery that are chaired by non-executive directors. The Audit Committee is constituted in terms of section 166 of the MFMA, where Messrs Daniel van der Nest, Errol Tait and Ms Cynthia Mbili were appointed as independent members of the Audit Committee

Up to January 2007 the Chairman of the board was Noluthando Dorian Orleyn, who has since been succeeded by Ms Susan Margaret Grant. The Board meets at least every other month

the company. The Board remains accountable to the City and its stakeholders, and the citizens of Johannesburg.

The non-executive Directors contribute an independent view to matters under consideration and add to the depth of experience of the Board.

The roles of the Chairperson and MD are separate, with responsibilities divided between them. The Chairperson has no executive functions. Members have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters including compliance with company rules and procedures, statutory regulations and best corporate practices. The Board or any of its members may, in appropriate circumstances and at the expense of the company, obtain the advice of independent professionals. A peer review is undertaken, as well as a Board evaluation.

Table 9 provides a reflection of the attendance of Board meetings held during the 2005/06 Financial Year.

Table 9: Attendance of Board Meetings by Non-Executive Directors

Directors' Name	Number of Meetings Held			
	Board (7 + 1 AGM)	Tenders & Service Delivery (4)	Audit & Risk (4)	Remuneration (5)
Noluthando Dorian Orleyn	3	1	Not applicable	2
Dawood Coovadia	8	4	6	Not applicable
Letepe Michael Maisela	7	Not applicable	1	4
Lehlohonolo Ebenezer Moahloli	8	2	5	Not applicable
Khunjulwa Sigenu	4	Not applicable	3	Not applicable
Rueben Washington Nyabeze	8	4	Not applicable	Not applicable
Susan Margaret Grant	10	3	Not applicable	2
Grant Craig Dunnington	10	3	Not applicable	2
Kirankumar Dhirahjlal Fakir	6	Not applicable	1	2
Judy M Parfit	1	Not applicable	Not applicable	3
Adv D Block	3	1	Not applicable	2

The following Board Committees, chaired by Non-Executive Directors, have been operational:

- Tenders and Service Delivery (subsequently changed to Service Delivery);
- Audit and Risk; and
- Remuneration.

3.1 Service Delivery Committee

The Tenders and Service Delivery Committee's role is to ensure that the JRA provides appropriate levels of service, and meets set technical and professional standards. The Committee ensures that action plans are introduced and implemented to achieve substantial compliance with set KPIs, and that the risk associated with service delivery is covered within the Company's policies and action plans.

The Committee comprises of six JRA Board members. The skills complement of the members serving on this Committee is engineering/technical, legal, and commercial/financial. Members of the CMT are standing invitees to the Committee meetings. The Committee operates under an authority delegated by the JRA Board of Directors. Meetings are held once every three months, prior to a Board meeting or as required by the Chairperson of the Committee. Members of the Service Delivery Committee are:

- SM Grant
- DG Maseko (MD)
- N Orleyn (retired January 2007)
- LE Moahloli (resigned April)
- GC Dunnington
- D Coovadia
- Dr WR Nyabeza (Chairman)
- Adv D Block

3.2 Audit and Risk Committee

The Audit and Risk Committee is a statutory committee. Its role is to assist the Board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. The committee met four times during the 2006/07 financial year.

The committee has been delegated the task of overseeing the quality, integrity and reliability of the company's risk management function. In terms of its mandate, the committee reviews

the quality of risk control systems, and ensures that risk is properly managed.

The Audit and Risk Committee operates in accordance with a written charter approved by the Board, and provides assistance to the Board with regards to:

- ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- matters relating to financial accounting, accounting policies, reporting and disclosures;
- internal and external audit policy;
- activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- review/approval of external audit plans, findings, problems, reports and fees;
- compliance with good corporate practices and conduct; and
- compliance with code of ethics.

The Audit and Risk Committee discharged its responsibilities properly in terms of the charter during the year under review. A few amendments were made to the charter during the year. The Committee considers the annual financial statements of the JRA to be a fair presentation of its financial position as at 31 June 2006 and of the results of its operations, changes in equity and cash flow for the period ended in accordance with GAAP and the Companies Act.

The Audit and Risk Committee consists of the following non-executive directors:

- Grant Dunnington (Chairperson);
- Dawood Coovadia;
- Letepe Maisela;
- Khunjulwa Sigenu;
- Lehlohonolo Moahloli; and
- Kiran Fakir (Retired Jan 2007)
- CN Mbili (independent audit committee member appointed Jan 2007)
- E Tait (independent audit committee member appointed Jan 2007)
- DP van der Nest (independent audit committee member appointed Jan 2007)

3.3 Remuneration Committee

The Remuneration Committee advises the Board on remuneration policies, remuneration packages and other terms of employment for all directors and senior executives. Its specific terms of reference also include recommendations to the Board on matters relating to, inter alia, general staff policy on remuneration, performance bonuses, executive remuneration,

contracts and related matters. The committee met two times

The Remuneration Committee consists of the following non-executive directors:

- LM Maisela (Chairperson)
- J Parfitt (retired Jan 2007)
- SM Grant
- KD Fakir (retired Jan 2007)
- ND Orleyn (retired Jan 2007)
- Adv D Block
- DG Maseko (MD)
- Dr WR Nyabeze

Section 4: Director's Remuneration

Table 10 contains a summary of Non-Executive Directors whereas Table 11 shows remuneration received by the MD and General Executive Managers (GEMs).

Table 10: Remuneration received by Non-Executive Directors (1 July 2006 to 30 June 2007)

Non- Executive Directors	Fees Paid
D Coovadia	R106992
GC Dunnington	R116478
SM Grant	R138901
KD Fakir	R52914
ND Orleyn	R71325
LM Maisela	R73915
LE Moahloli	R80254
K Sigenu	R68740
JM Parfitt	R33113
WRR Nyabeze	R72452
E Tait	R6900
C Mbili	R7763
DP Van der Nest	R7763
D Block	R19838
Total	R857348

Position	Monthly Gross Salary	Annual Gross Salary	Months Worked	Annual Bonus	Total Paid
MD	R84 883	R1 018 598	10	R152 290	R1 ,001 122
GEM: CS	R62 074	R744 889	12	R76 613	R821, 502
GEM: BI	R60 657	R727 887	12	R64 385	R792, 272
GEM: Finance	R52 608	R631 301	12	R73 322	R704, 623
GEM: BSD	R51 836	R622 028	12	R39 220	R661, 248
GEM: BMN	R59 175	R710 102	4	R108 894	R345, 594

Section 5: Company Secretarial Function

Adv T Makhubela is the Company Secretary and was in office for the entire duration of the reporting period. The primary function of the Company Secretary is to advise the Board on Corporate Governance issues, liaise with the shareholders, ensure compliance with the provisions of the Companies Act and any other applicable legislation and act as the link between the Board and management and to facilitate good relationships. The Company Secretary is responsible for the general administration of the Company's affairs in terms of the Companies Act and to ensure compliance with good corporate governance practices and legislation. The Company Secretary has certified in terms of section 268(d) of the Companies Act that all statutory returns have been submitted to the Registrar of Companies.

Section 6: Risk Management and Internal Controls

The Board is accountable for the process of risk management, the system of internal control, establishing appropriate risk and control policies, and communicating these throughout the company. The Board has now delegated these responsibilities to the Audit and Risk Committee. The Audit and Risk Committee through the Risk Management Committee, which is chaired by the Accounting Officer, manages the risk management processes within the JRA.

A Risk Management Committee has been established to implement an integrated risk management process providing an independent view that risks are identified and managed. Risks are assessed and evaluated on an ongoing basis and assigned to relevant risk owners. Appropriate control activities are implemented to respond to significant risks. The JRA recognises its responsibility to effectively manage public funds and to provide excellent service to the public. In order to achieve this, management has adopted an enterprise risk management approach. This approach enables management to identify potential events that may affect the JRA, and to effectively manage risks in order to achieve the company's objectives.

During the year under review the JRA had top 20 high risks, which were identified, managed and reported to the following committees:

Committee convenes every month to review and monitor
; and

- The Audit and Risk Committee and the Board of Directors convene on a quarterly basis.

Fairly good progress was made on managing risks during the year under review. The following risks changed from being high to medium due to mitigation measures that were put in place:

- poor organisational culture as a result of non-integrated work plans;
- inability to meet Service Level Agreements (SLAs) and the SDA with the City of Johannesburg;
- stakeholders' negative perception of the JRA;
- poor quality service delivery in terms of road construction, traffic signal outages, road maintenance, stormwater drainage and manhole covers;
- lack of awareness and poor reaction times to early flood protection systems;
- HIV/AIDS impact on productivity and absenteeism; and
- successful implementation of CAPEX and OPEX budgets.

The following risks still remain high at the end of the financial year. However, management has undertaken to pay more attention and focus on implementing stringent controls to mitigate these risks:

- inadequate safety management;
- late renewal of expiring employment contracts for senior executive management;
- impact of other utilities/agencies on the JRA, i.e. City Power, Johannesburg Development Agency (JDA) and Johannesburg Metro Police Department (JMPD), particularly non-enforcement of by-laws by the JMPD;
- inadequate disaster management and business continuity plan; and
- inadequate funding from the City of Johannesburg.

An Integrated Risk Management Framework was developed and approved by the Audit and Risk Committee. The purpose of the framework is to provide management with a tool to guide them in managing risks effectively and efficiently.

The JRA has adopted a risk policy statement, which has to be embraced by all staff in order to instil a culture and robust philosophy on risk management.

The JRA and the City of Johannesburg are in a process of jointly implementing risk management software, namely Risk Universe Business Intelligence (RUBI). The JRA was identified by the City of Johannesburg as a pilot side to the project for the new system based



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side in managing risks. The JRA went live on the 11th of

Section 7: Internal Audit Function

The Internal Audit function plays an important role in ensuring effective corporate governance processes in a number of areas. Its main areas of focus include all aspects concerning internal controls, risk management, compliance with applicable laws and regulations, reliability of financial records, and safeguarding of assets. With the active involvement and support of the Audit and Risk Committee, the internal audit team assists the Board in ensuring a sound system of risk management and internal controls. In its day-to-day operations, the internal audit section enjoys the full support of the Audit and Risk Committee, as well as the external auditors. The section is fully mandated by, and accountable to, the Audit and Risk Committee as an independent appraisal activity for the review of all operations. The Audit and Risk Committee approves the internal audit work plan for the year and monitors the team's performance against the plan. The Internal Audit Charter as well as the Audit and Risk Committee Charter were reviewed, revised and approved by the Audit and Risk Committee and endorsed by the Board. The Head of Internal Audit has full access to the Chairman of the Audit and Risk Committee as well as the Board.

Internal auditing provides a supportive role to management and the Audit and Risk Committee. Its primary objective is to provide an assurance function by identifying and evaluating significant exposures to risk, and contributing to the improvement of risk management processes and internal control systems. This is achieved through an independent and objective evaluation of the company's system of internal controls, as well as identification of the significant business risks and exposures to the attention of management and the Audit and Risk Committee via comprehensive internal audit reports.

During the year under review, Internal Audit performed a number of audits including the following:

- procurement and supplier payment audit;
- human resources, including payroll/salaries audit;
- ageing workforce and succession planning;
- facilities management;
- fixed assets;
- accounts receivable;
- compliance with the MFMA; and
- corporate governance review.

Based on the results of the audit work carried out during the year under review, a number of significant internal control weaknesses were identified requiring some corrective measures. These included improvement in the processes relating to Human Resources, Procurement, Succession Planning and Facilities Management. Management has since acknowledged these weaknesses and undertook to take appropriate steps to address the deficiencies evident in the processes. These will be verified during follow-up audits.

2006/07 Annual Internal Audit Plan, internal audit also developed the following documents that serve as guidelines to the unit and the team:

- 2006/07 annual risk management plan and updated the 3 year rolling plan;
- Internal Audit Methodology;
- Audit Strategy Memorandum;
- Revised and updated the Internal Audit Charter and the Audit & Risk Committee Charter;
- A Fraud Prevention Plan, incorporating Fraud and Ethics hotline services that are outsourced to Deloitte, tip-off anonymous, and
- A self-assessment by members of the Audit and Risk Committee was conducted and a report will be issued once all the assessments forms have been completed and submitted to internal audit.

Internal Audit will continue to broadly focus on the following three main categories:

1. **Risk Management:** Assist management and the Audit and Risk Committee in identifying, evaluating and implementing risk management methodologies and controls to address risks.
2. **Controls:** Provide an independent evaluation of the adequacy of internal controls to determine their effectiveness and efficiency, developing new controls and providing recommendations for enhancements or improvements to the existing controls.
3. **Governance:** Evaluate and develop recommendations for the enhancement or improvement of the process through which:
 - objectives and values are established and communicated;
 - the accomplishment of objectives is monitored;
 - accountability is ensured; and
 - corporate values are preserved.

Section 8: Response to the Auditor-General Report

The JRA managed to address all the issues raised in the 2005/06 management letter except for the transfer of free-hold land and building from the City of Johannesburg which is being handled by the City itself.

The audit opinion of the financial year 2005/06 was that they+fairly present, in all material respects, the financial position of the Johannesburg Roads Agency as at 30 June 2006+

The following management letter points were raised:

Property, plant & equipment

- Non compliance with section 97 of the MFMA

-Prior year EOM

Fundamental error

- Fixed assets previously recognised at zero value

Control environment

- Non compliance of S15 of Supply Chain Management Policy
- Payment period is over 30 days
- Suppliers in service of the State
- Monthly reports submitted to City are not signed by MD

Fruitless and wasteful expenditure

- Fruitless and wasteful expenditure not disclosed

Financial statements

- Incompleteness of Annual Financial statements

Internal Audit has conducted follow up on the AG management letter, please refer to the below follow up report.

Table 12: Follow up report on 2005/2006 Management Letter

Activity	Follow Up Date	Responsible Person	Status	Action Verified
1.The Audit could not determine the effective functioning of the internal audit department for the first half of the 2005/6 financial period as there is no work to rely on for the aforementioned period	14/03/07	Ops Manager: IA	Closed	The operations Manager alluded to the fact that he resumed his duties in JRA in the beginning of December 2006, now the IA department is properly constituted and effective. The IA Audit Plan was perused for completeness.
2. The assessment of the going concern of the JRA indicate that the entity will not be a going concern in the foreseeable future if the CoJ does not provide the entity with the annual subsidy.	12/03/07	GEM: Finance	Closed	JRA Annual Financial Statements for the period 2006/2007 were verified, this issue was disclosed as a note in respect of income from CoJ.
3. The auditors found that the assets that were previously at zero value were provided with a value which were obtained from valuations done by Davis Landan, Crosher and James. The credit leg of the transaction was accounted for in the Shareholder's loan	20/03/07	GEM: Finance	Closed	The respective adjustments have been effected in terms of the Consultants valuator's report to rectify the issues raised

4. During the audit of compliance regarding Supply Chain Management regulations for Petty cash, audit identified that certain managers authorized more than four transactions per month for the test period.	20/03/07	GEM: Finance	Closed	The Supply Chain Management Policy was perused in terms of adjustment for a more reasonable number of approvals.
5. During the audit of compliance with the Supply Chain Management regulations 44, it was found that Johannesburg Roads Agency has no means of determining whether they transact with suppliers of goods or services who are in the service of the state.	04/04/07	GEM: Finance	Closed	Declaration of outside interest forms by staff have been perused for different companies doing business with JRA, however, this will not eradicate the challenge of other companies belonging to family members doing business with other organs of the state.
6. The annual financial statements that were submitted on 31 August 2006 and thereafter on 10 November 2006 did not include the deferred tax amounts as at year-end.	05/04/07	GEM: Finance	Closed	The JRA Annual Financial Statements for the period 2005/2006 were verified and it was established that the deferred tax amount was included
7. During the audit of fixed assets, valuation reports were not provided for the land valuations.	28/03/07	GEM: Finance	Closed	The Consultants valuation report was checked for accuracy and completeness.
8. During a review of the bank reconciliation statement audit found that a list of outstanding cheques reflects an amount of R3,682,824.04 which is a prior year adjusting journal.	15/03/07	GEM: Finance	Closed	IA have perused the Journal Entry document of which the journal entry has been posted for the specific cheque.
9. During the audit of debtors audit found that certain balances did not agree to the debtor statements at year-end.	18/04/07	GEM: Finance	Closed	IA has inspected the reconciliation for debtors for accuracy and completeness and no discrepancies were identified.
10. During the inspection of the cash flow statement it	24/04/07	GEM: Finance	Closed	The necessary adjustments in the Cash Flow Statement

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agree to the notes to the financial statements and the actual events during the financial year.				have been made.
11. Supplier payments cycle in excess of 30 days.	13/09/07	GEM: Finance	Closed	All invoices has been captured to ensure payment within 30 days.
12. Leave forms on file not recorded on auditees leave schedule and JRA leave information differ from AG information.	12 /09/07	GEM; CS	Closed	Reconciliations have been finalized 10 September 2007.

Section 9: Corporate Ethics and Organisational Integrity

The JRA's code of ethics is strongly based on its key values and core principles, namely excellence, commitment, sustainability, integrity and creativity. The Code requires that at all times, all company personnel act with utmost integrity and objectivity and in compliance with the letter and spirit of both the law and company policies. Failure by employees to act in terms of the Code results in disciplinary action. The Code is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism. The directors believe that ethical standards are being met and fully supported by the ethics programme. The Code of Ethics for the Board members is incorporated in the Board Charter.

The shareholder has developed a Corporate Governance Protocol for all its Companies to follow. The JRA Board of Directors has formally adopted and implemented the Protocol as its guiding document. Corporate Governance in the JRA is considered in the light of structures and processes for decision-making, accountability, control and behaviour at the top level of the organisation, which sets the tone of the behaviour right down to the lowest level. The JRA continuously reviews its process and practices to ensure adherence to good Corporate Governance that is characterised by Triple-Bottom Line issues (economic, environmental and social), which are underpinned by the principles of openness, integrity, sustainability and accountability.

In order to avoid any potential conflict of interest, Directors and officers of the Company sign a declaration of interest form on an annual basis. In this form they are expected to disclose any interest that they, their spouses or members of their immediate families may have in the business of the Company. Beyond this annual declaration of interest, Directors and officers are also expected to declare any interest they may have on the business that is to be transacted at each meeting they are attending. This is formally recorded in the minutes of the said meeting.

Section 10: Sustainability Report

The Triple-Bottom Line concept is underpinned by identifying, assessing and reporting on three societal objectives, namely economic prosperity, social responsibility and environmental

that a bottom line should not solely reflect the economic returns, but also on positive and balanced non-financial returns to the stakeholders. Other aspects, which deal with issues of environmental sustainability and social capital, ranging from service delivery responsibility and labour practices to community upliftment, should also be included. The JRA approach also entails confronting basic issues around the core values of the JRA, and consistent application of the company's core values to all its activities and decision-making. The JRA is empowering its employees in this regard through various ways and means.

Section 11: Corporate Social Responsibility Report

The Company's Corporate Social Investment Philosophy is broadly underpinned by the concept of sustainable development. The Corporate Social Responsibility (CSR) Committee's key responsibilities are the evaluation of all requests against the Mayoral Strategic Outcomes; approval of social investments that are aimed at promoting the development/safety of women and children, disabled and elderly; empowerment of the unemployed; and support of people affected by the HIV/AIDS pandemic. The CSR Committee submits reports on a quarterly basis indicating partnerships formed, including projects planned/undertaken.



The Committee accepts written applications from the community, non-governmental organisations (NGOs) and other organisations. All proposals are assessed and approved based on the Mayoral Strategic Outcomes and the company's overall social investment policy. Proposals promoting the following criteria received preference during the reporting period:

cts/programmes that are aimed at improving customer

- **Service Delivery Excellence:** Embark on visible service delivery projects.
- **Job Creation and Economic Growth:** Implement skills development projects aimed at sustainable economic growth and empowerment of the disadvantaged group, including women.
- **Safety and Security:** Support safety initiatives, such as scholar patrol projects and raising awareness of road safety in schools.
- **HIV/AIDS:** Support NGOs and HIV/AIDS homes financially and otherwise.
- **Inner City:** Conduct special projects aimed at the Inner City rejuvenation.

Proposals and applications falling outside the above criteria are referred to the relevant stakeholders for consideration.

The main beneficiaries during the reporting period were NGOs and schools working with the most vulnerable, i.e. children, elderly and disabled persons in the City of Johannesburg.





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RESOURCES AND ORGANISATIONAL

Section 1: Human Resource Management

The JRA's vision is that of being a world class company. To achieve this vision JRA understands that its policies need to be competitive and it needs to attract and retain strategic skills. To achieve this, the JRA has adopted employment policies that ensures the attraction of key skills by providing an environment that promotes diversity and rewards good performance. Our HR policies are benchmarked and our employment practices promote both innovation and continuous learning. The policies are consistently reviewed and benchmarked against progressive public and private institutions to remain competitive.

Our remuneration policy is flexible encouraging employees to manage their and control their finances within the legislative framework.

Table 13: Number of staff per function expressed as total positions and current vacancies

MD's Office	17
Corporate Services	70
Business Implementation	982
Business Infrastructure & Planning	22
Finance	26
Business Planning & Development	126
Business Mobility Networks	369
Total	1612
Vacancies	19

Table 14: The age of employees

JRA AGE ANALYSIS	
Age group	No of employees
17 - 30	89
31 - 40	286
41 - 50	583
51 - 60	586
61 - 70	68
Total	1612

Section 2: Employment Equity

For the five years up to 2008, the focus of the employment equity initiative is addressing the management levels profile of equity. JRA being a high technical environment is characterised



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minated, and mainly white males. Our focus is therefore to programmes that will ensure we have more women skilled skills to be able to integrate them into the technical areas.

Our employment policies are designed to promote diversity such that all groups can operate harmoniously. Employment is dealt with as a strategic activity and is driven from an executive office.

A process is in place to review our policies to ensure that they are non-discriminatory. By the end of 2008, we aim to achieve a workforce that is 33% women in the management and decision making levels.

Section 4: Performance Management

All JRA package staff employees (i.e. fixed five-year performance-based contract employees) are remunerated in line with the approved JRA Remuneration Strategy and as such must sign Performance Contracts with the Company. In compliance with the JRA Performance Management Policy, every employee must together with the respective manager develop objectives that are to be achieved during the year. These objectives are captured in the employees Balanced Scorecard. Employees are appraised twice during the year. Currently, 96% of the package staff have signed their Performance Contract and Balanced Scorecard. The remaining employees (all of whom have just joined the company) are scheduled to undergo Performance Management workshops in order to achieve 100% compliance with the JRA Performance Management Policy. All Bargaining Council employees (i.e. levels 6-9) were exposed to these workshops.

Underperformance is managed in terms of the Labour Relations Act of 1995, i.e. if a lack of skills is the reason for the under-performance the employee is exposed to training, and if under-performance is due to personal problems, relevant counselling is arranged for the employee. If these arrangements fail to yield the desired performance, disciplinary action is set to follow. Furthermore, no bonus is paid to under-performing employees, i.e. they only receive a cost of living salary increase. There had been extreme cases where employees were dismissed for poor performance. The same holds true for Bargaining Council employees, with the exception that their 13th cheque is "guaranteed" and their increase is determined by the Bargaining Council.

uring the financial year July 2006 - June 2007

TRAINING UNDERTAKEN DURING THE FINANCIAL YEAR JULY 2006 - JUNE 2007		
Strategic Skills Priority	Education and Training Priority (Training Interventions)	Total Number of trainees
Address Social Issues		
	HIV/Aids Awareness	93
	TOTAL	93
Comply with National Health & Safety		
	Health & Safety	73
	First Aid Level 1	48
	First Aid Level 2	36
	TOTAL	157
Develop Information Technology Competencies		
Excel	Computer Training (MS Office)	199
Introduction to PC	Computer Training (Introduction to PC)	24
MS Word	Computer Training (MS Office)	
Hansen and Peoplesoft	Computer Training (Other)	80
	TOTAL	303
Develop Technical Skills		
	Roads (Internal)	39
	Fire Fighting	35
		74
Improve Efficiency		
	Diploma Courses	4
	Degrees	5
	HR Training	1
		10
Personal Individual Development		
	Time Management	31
	Business Writing	1
		32
Develop Management & Supervisory Skills		
	Performance Management	36
	Strategic Management	113
	Strategic Management	25
	Coaching & Mentoring	15
		189
OTHER TRAINING OPPORTUNITIES CREATED		
(women of COJ)	Leadership Development Training	40
(packaged staff meeting)	Leadership Development Training	76
Veterans (Skills Development Training)	Various Trainings	50
Youth (Skills Development Training)	Various Trainings	50
Youth (second group) - (Skills development Training)	Various Trainings	40
		256
	Grand Total	1114

A policy was developed to ensure increased alignment towards the City's vision on managing the epidemic in the workplace. The City will discuss the possibility of concluding SLAs with the JRA as soon as the provision for payment of treatment is finalised. Management is constantly encouraged to comply with the code of good practice on managing HIV/AIDS and incapacity. Various committee meetings have been held, with the emphasis on managing HIV related incapacity, strengthening the agreement with the City, budget provisions, and preparation for the World Aids Day. SLAs with the City are progressing steadily. There will be resuscitation of the Change Management Committee to address questions of representivity in relevant committees.

Challenges include the late disclosures by employees only when medical aid funds are depleted, non compliance, lack of following-up on medical boarding, and indecisiveness of decision-makers at depot level.

The JRA adopted ten (10) HIV/AIDS children orphanages homes within the City of Johannesburg. The adoption entails provision of support in monetary and other forms.

Section 6: Employee Benefits

The JRA is a participating employer in one or more of the various retirement benefit schemes through which the City of Johannesburg and its associated MOEs provide post-employment benefits to all their permanent and fixed-term contract employees.

- E-Joburg Retirement Fund;
- Municipal Employees Pension Fund;
- Municipal Gratuity Fund;
- Joint Municipal Employees Pension Fund;
- Soweto Pension Fund;
- JHB 1st Pension Fund;
- JHB 2nd Pension Fund; and
- South African Municipal Workers Union National Fund.

Table 16: The number and name of pension and medical aid funds including an assessment of future risks or liabilities

LIST OF MEDICAL AIDS AND PENSION FUNDS		
MEDICAL AID	NAME OF FUND	NO OF EMPLOYEE'S
	Bonitas	238
	Munimed	85

		42
		52
		3
	Samwu	12
	Total	432
PENSION FUNDS	NAME OF FUND	NO OF EMPLOYEE'S
	Soweto Pension fund	116
	Ejoburg	449
	Johannesburg 1&2	467
	Municipality gratuity & pension fund	439
	Joint municipality pension fund	3
	Total	1474

Section 7: Supply Chain Management and Black Economic Empowerment

In line with the MFMA Supply Chain Management Regulations, the JRA's Accounting Officer has appointed the three Committees required. These are Bids Specifications, Evaluations and Adjudications Committees. These Committees derive their terms of reference from the Regulations and their limit of decision making has been clearly defined by the Accounting officer.

The JRA monitors and reports quarterly on BEE performance against targets. For the 2005/06 financial year, the BEE target was 40% of procurement to be spent to BEE companies. The SCM Unit of the JRA developed means of establishing suppliers' BEE status, means of evaluation and accreditation. The JRA's BEE performance for the 2006/2007 financial year was 52% exceeding the target by 2%.



STATEMENTS AND RELATED FINANCIAL

Johannesburg Roads Agency (Proprietary) Limited

(Registration number 2000/028993/07)

Annual Financial Statements for the year ended 30 June 2007

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.

MAYORAL COMMITTEE

Executive Mayor	Amos Masondo (Chairperson)
Councillors	Nandi Mayathula-Khoza (Community Development) Parks Tau (Finance and Economic Development) Matshidiso Mfikoe (Health) Christine Walters (Corporate and Shared Services) Prema Naidoo (Environment) Thomas Phakathi (Public Safety) Strike Ralegoma (Housing) Ross Greeff (Infrastructure and Services) Ruby Mathang (Development Planning and Urban Management) Rehana Moosajee (Transport) Bafana Sithole (Chief Whip) Nkele Ntingane (Speaker)

Grading of local authority

The City of Johannesburg Metropolitan Municipality is a Grade Six Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.

Directors

S M Grant (Board Chairperson)
N D Orleyn (Board Chairperson - retired 30 January 2007)
G D Maseko (Managing Director)
D J Block (appointed January 2007)
D Coovadia
G C Dunnington
K D Fakir (retired 31 January 2007)
J M Parfitt (retired 30 January 2007)
L M Maisela
W R R Nyabeze
K Sigenu
L E Moahloli (retired 30 April 2007)



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Business address

66 Sauer Street
Johannesburg
Gauteng

Postal address

66 Sauer Street
Johannesburg
Gauteng

Parent

Private Bag X70
Braamfontein
Johannesburg
2017

The City of Johannesburg Metropolitan Municipality
incorporated in South Africa

Bankers

ABSA Bank Limited

Auditors

The Auditor General Johannesburg South Africa

Secretary

Adv. Thulani Makhubela

Company registration number

2000/028993/07

Currency of annual financial statements

Figures are presented in South African Rands



Ms D Maseko
Chief Executive Officer
Johannesburg Roads Agency
Private Bag X70
Braamfontein
2017

21 November 2007

Reference: TS 98 19611/2

Dear Ms Maseko

Report of the Auditor-General to the Gauteng Provincial Legislature on the financial statements and performance information of the Johannesburg Roads Agency for the year ended 30 June 2007

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004) read in conjunction with section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996).
2. In terms of section 127 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) the accounting officer of a municipality must, within six months after the end of a financial year, or on such earlier date as may be agreed between the entity and its parent municipality, submit the entity's annual report for that financial year to the municipal manager of the entity's parent municipality. Section 127(2) of the MFMA requires that the mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control. If section 127(2) is not complied with cognisance should be taken of section 127(4) regarding the submission of the financial statements and audit report by the Auditor-General to the prescribed stakeholders.
3. Until tabled, or published by the Auditor-General, this report is **not public document** and should therefore be treated as **confidential**.
4. In terms of section 121(3) and (4) of the MFMA your municipal entity must publish the attached audit report as part of the annual report and you are requested to please do the following:
 - Submit the final printer's proof of the annual report [which includes the audit report(s)] to the Parliamentary Manager Ockie Ludick, Tel: (011) 276-1815 of the Auditor-General for verification of the audit-related references before it is printed or copied. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature at the end of the hard copy of the audit report should be scanned in when preparing to print the report. The word Auditor-General in the handwriting of the signatory, as well as the place and date of signing and the logo should appear at the end of the report, as in the hard copy that is provided to you.

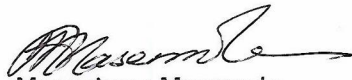
must be submitted immediately after printing to the following

address:

Office of the Auditor-General
Att: Parliamentary Manager
ABSA Investments Campus
61 Empire Road
Parktown
Block E
1st Floor

6. Please notify the Provincial Auditor of Gauteng well in advance of the date on which the audit report, or the annual report containing these audit report, will be tabled at the municipality.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.
8. Kindly acknowledge receipt of this letter.

Yours sincerely



Mangakane Masemola
Business Executive: Gauteng

Enquiries: Ockie Ludick
Telephone: (011) 276-1815
Fax: (011) 482-5135
Email: ockiel@agsa.co.za

Annual Financial Statements for the year ended 30 June 2007

Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, 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 their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice and Generally Recognised Accounting Practice. The Auditor General is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed GRAP issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate 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 company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, they set standards for internal control aimed at reducing the risk of error or loss 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company 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 loss.

The directors have reviewed the company's cash flow forecast for the year to 30 June 2008 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 28.

The annual financial statements set out on pages 37 to 75, which have been prepared on the going concern basis, were approved by the directors on 31 August 2007 and were signed on its behalf by:



G D Maseko (Managing Director)



S M Grant (Board Chairperson)

Johannesburg
30 November 2007

The Directors of the Johannesburg Roads Agency hereby present their report for the 12 months ended 30 June 2007. This report forms part of the audited financial statements for the said period.

1. Incorporation

The Johannesburg Roads Agency (Registration number 2000/028993/07) was incorporated in terms of the Company's Act, Act 61 of 1973. The Company has a unitary Board of Directors comprising of Non Executive Directors, with the Managing Director being the only Executive Directors. The Company continues to conduct its Business at 66 Sauer Street, Johannesburg 2000.

2. The Year at a Glance

The former Managing Director Mr. MAV Dlamini, left the JRA prior to the commencement of the financial year. Ms DG Maseko was thereafter appointed to lead the Company.

The new political term of office brought with it a change in the governance model. The City of Johannesburg, our shareholder has, this year placed more emphasis on the needs of the Communities we serve and the IDP. There was also a major emphasis placed on the enhancement and promotion of public transportation within the city to reduce congestion

To the above challenges, the JRA Board and Management has had to adapt and make the requisite strategic decision to ensure delivery thereof. Notwithstanding these and other changes in the environment in which the JRA operates the Board is satisfied that the mandate given to the JRA through the Service Delivery Agreement has been met .

The betterment of the lives of the communities that we serve continues to be the driving force for the Johannesburg Roads Agency. Without neglecting the areas that were previously well looked after, we strive to divert our focus and resources to the previously disadvantaged areas. Amongst many other examples of service delivery excellence, through its Expanded Public Works Programme, the JRA has managed to train 140 learnerships. Those who were in the programme have been provided hope and a chance of improving their lives through the skills that they have acquired. Over 2204 km of gravel roads was maintained in this financial year with a total of 123 km of roads being resurfaced. We have also managed to upgrade 44.7 km of gravel road into surfaced roads.

Through our annual customer satisfaction survey, we are aware that our service to the community is still not visible enough. The public remain unaware of the work that the JRA is doing as we are not communicating enough. Consequently, the Board has approved the appointment of external consultant to assist in this regard. We are confident that the efforts that have been put in this regard will yield positive results.

Furthermore in response to the Mayor's call for the rejuvenation of the Inner city, we have established a team comprising of multi discipline skills to work within the inner city in a systematic and sustainable manner. This initiative is beginning to show positive results.

3. Public Transport

The City of Johannesburg has resolved to promote and enhance public transport usage within the City. To this end, the Council has approved the implementation of the Bus Rapid Transit System, modeled around the Colombia system. This system will see the implementation of median bus dedicated lanes within the City. The JRA will be responsible for the construction of these lanes. Led by the Department of Transport, this project promises to be the turning point in public transport usage and the reduction of traffic congestions on our roads. The Board of Directors of the JRA is in full support of this initiative and look forward to its implementation.

Notwithstanding the success that we have achieved this year, certain areas remain a challenge for us. The following are some of the key challenges that we face:

- The rapid economic growth of Johannesburg, increasing private car ownership, diverse travel patterns, rapid urbanisation, social upliftment and empowerment.
- Balancing the needs and priorities of the community against available financial and human resources.
- The lack of community involvement in the safeguarding of the infrastructure that the JRA constructs.
- Promotion of public transport in order to enhance mobility within the city.
- Theft and vandalism of our infrastructure.
- Eradication of the current infrastructure backlog.
- Storm water management has been elevated in significance as it becomes apparent that there has been gross under investment in this service over the last 100 years. This challenge is exacerbated by modern development trends of more compact housing increasing the runoff from rains, and overloading old systems.
- Safety on the roads.
- In the face of ever increasing HIV/AIDS in the workplace, the recruitment, training, and retention of staff will have to receive a new impetus in our sector, given the labour intensive nature of JRA's activities. The use of sectoral education and training opportunities forms the basis for skills development programmes.
- With the advent of the 2010 World Cup and the Gautrain construction, availability of contractors for our construction projects has been a major problem. Coupled with this is the increase in the costs due to shortage in material.
- Lack of adequate communication.

5. Financial Results

The results of the Company and the state of its affairs are set out in the attached financial statements. The Directors are of the opinion that the Company will be a going concern in the period ahead subject to continued funding from the City. The Company is dependant on allocations from the City of Johannesburg to enable it to continue its operations due to the constitutional assignment of the core function of the Company being entrusted to local government.

Financial Performance

The JRA has achieved a net surplus of R 7,745,307 (2006: R 2,491,046).

6. Business Activities

JRA's ability to meet the expectations of a broad and multi-interest customer base often requires innovative and continuous inventive approaches when interacting and executing activities. The main objective of the Company is to work towards becoming a world class Company managing and developing a balanced road services infrastructure. This is to ensure sustainable service delivery and movement/urban mobility within the city, and to create a sustainable platform for economic growth by attending to the following:

- Upgrading of road infrastructure in previously disadvantaged townships and informal settlements;
- Improving accessibility to areas throughout Johannesburg through road construction, maintenance and repair;

- Upgrading systems for safety and sustainability;
- Managing the growing car use and congestion;
- Support of public transport; and
- Improving the efficiency, management and sustainability of the network.

JRA's core business is the development, administration and management of the municipal transport infrastructure such as roads, storm water bridges and culverts, footways, railway sidings, traffic lights and road signage. JRA's role as the operator of the road network is to act both as an asset manager and a traffic manager. This role also includes JRA's contribution to the local and regional planning processes to secure an effective balance between land use planning and pressures on the road network.

7. The JRA Scorecard

The JRA has successfully met its mandate for the reporting period as outlined in its business plan and the scorecard. Of the thirty seven Key Performance Indicators (KPIs) on which the JRA is measured, the Company is achieving and excelling in twenty eight of them. Three of the KPI's are not measurable as they either are not in the direct control of the JRA or have been shifted to other entities for implementation. The JRA's scorecard is aligned to the City's Joburg 2030 Strategy, Integrated Development Plan and the Mayoral Priorities.

8. Legal Form and Shareholding of the JRA

The Johannesburg Roads Agency Pty Ltd was established in terms of:

- Local Government Municipal Structures Act, Act 117 of 1998
- Local Government Municipal Systems Act, Act 32 of 2000

It is a Company incorporated in terms of the Companies Act, Act 61 of 1973. There are numerous other pieces of legislations that the Johannesburg Roads Agency has to comply with. For purposes of sound financial management, the Company has to comply with the provisions of the:

- The Municipal Finance Management Act, Act 56 OF 2003

The Company has one Shareholder, the City of Johannesburg. Since inception to date, there has been no need to seek further shareholding in the Company given the nature and extent of the services rendered by it.

9. Directors

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

S M Grant (Chairman)
G D Maseko (Managing Director) Appointed: 1 October 2006
K Sigenu
D Coovadia
G C Dunnington
L M Maisela
L E Moahloli (resigned April 2007)
K D Fakir (retired 30 January 2007)
N D Orleyn (retired 30 January 2007)
J M Parfitt (retired 30 January 2007)
Adv D Block (appointed January 2007)
W R R Nyabeze

The following committees, headed by non-executive directors were operational:

- Tenders and Service Delivery later changed to Service Delivery Committee;
- Audit and Risk Committee; and
- Remuneration Committee.

10. Strategic Focus and Objectives

The Board of Directors is confident that JRA will in the long-term remain the preferred model of choice for the effective delivery of roads and related services to improve the quality of life for the people of Johannesburg. JRA's strategic focus is in line with the City's Mayoral thrusts.

The Company is seeking to establish itself as a key player in the long-term management of mobility in support of the City's vision of being a World-Class African City. In pursuit of this dream the Company has adopted the following strategic objectives:

- improve the quality of assets;
- improve traffic mobility (including pedestrians and cyclists);
- improve customer relations/satisfaction;
- enhance the safety of road users;
- maximise usable funds;
- build internal and external capacity;
- develop new infrastructure; and
- manage storm water systems.

The Company is following an approach designed to identify and manage value-adding activities towards the achievement of its strategic objectives across all Business Units, and to eliminate silo thinking and execution.

11. Contractual Arrangements

The Service Delivery Agreement (SDA) is the main contract the JRA has with the City of Johannesburg, who is the sole Shareholder of the Company. With other Municipal owned Entities, the JRA has Service Level Agreements (SLA) that determines and regulates their interactions and cooperative service delivery.

12. Share Capital

The share capital of the Company is 1000 (one thousand) ordinary par value shares of R1 each. There was no change in the capital during the financial period under review. Details of authorised and issued share capital appears in note 12 to the financial statements.

13. Property, Plant and Equipment

The JRA creates new assets for the City of Johannesburg that are not reflected in the Company's books. The shareholder has prescribed a lease arrangement for fleet and plant in respect of major procurements. There were no changes in the nature of property, plant and equipment or in the policy regarding their use during the reporting period.

14. Secretary

The Company Secretary, Adv.Thulani Makhubela was in office for the full financial year ending 30 June 2007 to undertake the secretarial functions.

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66 Sauer Street
Johannesburg
2001

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2017

The Company's immediate holding entity is the City of Johannesburg.

16. Acknowledgements

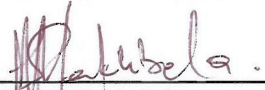
The Directors appreciate the contributions made by management to get the Company to this point. JRA employees also played a pivotal role in ensuring that the JRA is well placed to become a world class Company and a leader in the roads services industry. With the commitment, integrity and creativity of all the stakeholders the JRA can indeed be the vehicle that makes the city work.

17. Auditors

The Auditor General will continue in office in accordance with the Public Audit Act, Act 25 of 2005, section 92 of the Municipal Finance Management Act, Act 56 of 2003, and section 270(2) of the Companies Act, Act 61 of 1973.

Statement from Secretary for the year ended 30 June 2007

In terms Section 268 G(d) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, as amended, I certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies, for the financial year ended 30 June 2007, all such returns as required and that all such returns are true, correct and up to date.



Adv. Thulani Makhubela
Johannesburg Roads Agency (Proprietary) Limited
Company Secretary

Johannesburg
30 November 2007

Performance for the year ended 30 June 2007

	Note(s)	2007	2006
Revenue	15	416,613,238	395,937,684
Cost of sales		(284,412,124)	(278,599,902)
Gross surplus		132,201,114	117,337,782
Other income	16	10,454,697	8,721,290
Operating expenses	19	(138,560,524)	(130,855,703)
Operating surplus (deficit)		4,095,287	(4,796,631)
Investment revenue	21	11,768,880	12,080,091
Finance costs	23	(4,691,659)	(5,504,618)
Surplus before taxation		11,172,508	1,778,842
Taxation	24	(3,427,201)	712,204
Surplus for the year		7,745,307	2,491,046

Statement of Financial Position as at 30 June 2007

Figures in Rand	Note(s)	2007	2006
Assets			
Non-Current Assets			
Property, plant and equipment	3	82,115,342	70,585,350
Intangible assets	4	4,097,383	8,078,469
Employee benefit asset	8	78,223,000	80,360,000
		164,435,725	159,023,819
Current Assets			
Inventories	9	1,036,828	1,669,768
Loans to shareholder	5	176,108,952	175,464,957
Trade and other receivables	10	182,994,023	129,677,207
Cash and cash equivalents	11	910	7,113
		360,140,713	306,819,045
Total Assets		524,576,438	465,842,864
Net Assets and Liabilities			
Net Assets			
Contribution from owner	12	35,981,784	27,761,717
Accumulated surplus		75,287,286	62,831,853
		111,269,070	90,593,570
Liabilities			
Non-Current Liabilities			
Loans from shareholder	5	7,426,227	9,892,676
Finance lease obligation	13	1,086,034	1,883,797
Retirement benefit obligation	7	69,284,000	76,673,000
Deferred tax	6	4,125,108	697,907
		81,921,369	89,147,380
Current Liabilities			
Loans from shareholder	5	2,843,547	2,593,063
Finance lease obligation	13	716,265	623,915
Trade and other payables	14	314,857,243	225,963,050
Unpresented cheques	11	12,968,944	56,921,886
		331,385,999	286,101,914
Total Liabilities		413,307,368	375,249,294
Total Net Assets and Liabilities		524,576,438	465,842,864

Assets

	from owner	Additional contribution from owner	Total contribution from owner	Accumulated surplus	Net Assets
Figures in Rand					
Balance at 01 July 2005	1,000	27,760,717	27,761,717	60,340,807	88,102,524
Changes in equity					
Surplus for the year			-	2,491,046	2,491,046
Total changes	-	-	-	2,491,046	2,491,046
Balance at 01 July 2006	1,000	27,760,717	27,761,717	62,831,853	90,593,570
Changes in equity					
Prior year adjustment			-	4,710,126	4,710,126
Net income (expenses) recognised directly in equity	-	-	-	4,710,126	4,710,126
Surplus for the year				7,745,307	7,745,307
Total recognised income and expenses for the year	-	-	-	12,455,433	12,455,433
Additional contribution from shareholder		8,220,067	8,220,067		8,220,067
Total changes	-	8,220,067	8,220,067	12,455,433	20,675,500
Balance at 30 June 2007	1,000	35,980,784	35,981,784	75,287,286	111,269,070
Note(s)	12	12	12		

year ended 30 June 2007

	Note(s)	2007	2006
Cash flows from operating activities			
Cash receipts from customers		399,787,525	372,364,150
Cash paid to suppliers and employees		(357,871,256)	(336,866,804)
Cash generated from operations	25	41,916,269	35,497,346
Interest income		11,768,880	12,080,091
Finance costs		(4,403,487)	(5,143,359)
Net cash from operating activities		49,281,662	42,434,078
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(11,906,983)	(6,348,438)
Proceeds from sale of property, plant and equipment	3	68,539	-
Purchase of other intangible assets	4	-	(3,653,889)
Decrease in retirement benefit asset		-	(674,000)
Increase from retirement benefit asset		2,137,000	-
Net cash from investing activities		(9,701,444)	(10,676,327)
Cash flows from financing activities			
Proceeds from shareholders loan		-	4,543,151
Movement on shareholders loan		(2,859,960)	(45,359,429)
Finance lease payments		(993,585)	(894,573)
Additional contribution from shareholder		8,220,066	7,468,600
Net cash from financing activities		4,366,521	(34,242,251)
Total cash movement for the year		43,946,739	(2,484,500)
Cash and cash equivalents at the beginning of the year		(56,914,773)	(54,430,273)
Total cash and cash equivalents at end of the year	11	(12,968,034)	(56,914,773)

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) including any interpretations of such Statements issued by the Accounting Standards Board, which also prescribe standards of Generally Recognised Accounting Practices. The Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, with the prescribed Standard of Generally Recognised Accounting Policies (GRAP) issued by the Accounting Standard Board replacing the equivalent SA GAAP Statements as follows:

Standard of GRAP	Replaced Statement of SA GAAP
GRAP1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP2: Cash flow statements	AC 118: Cash flow statements
GRAP3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of the annual financial statements:

Standard of GRAP	Replacement Statement of GAAP
Statement of financial position	Balance sheet
Statement of financial performance	Income statement
Statement of changes in net assets	Statements of changes in equity
Net assets	Equity
Surplus / deficit for the period	Profit / loss for the period
Accumulated surplus /deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends
Reporting date	Balance sheet date

1.1. The cash flow statement can only be prepared in accordance with the direct method.

1.1 Significant judgements

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:

Allowance for slow moving, damaged and obsolete inventory

An allowance for inventory to write inventory 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 operations surplus note.

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 Company 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

1.1 Significant judgements (continued)

pension obligations. In determining the appropriate discount rate, the company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Expected manner of realisation for deferred tax

Deferred tax is provided for based on the expected manner of recovery i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note 6 – Deferred tax .

Deferred tax on fixed assets is provided for based on the expected manner of recovery i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability.

Provision for impairment of trade receivables

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

Allowance for doubtful debts

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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Impairment testing

Management used the fair value less cost to sell to determine the recoverable amount of intangible assets with an indefinite useful life and identifying assets that may have been impaired. Additional disclosure of these estimates is included in note 22 - Impairment of assets

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company 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 company 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 company 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 company to realise the net deferred tax assets recorded at the statement of financial position date could be impacted.

1.2 Property, plant and equipment

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

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

The cost of each asset category include costs incurred initially to acquire 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.

Accounting Policies

1.2 Property, plant and equipment (continued)

Land is not depreciated.

Depreciation is provided on all property, plant and equipment other than freehold land and assets under construction, to write down the cost, less estimated residual value, on a straight line basis over their useful lives as follows:

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

The residual value and the useful life of each asset are reviewed at each financial period-end.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of 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 shall be depreciated separately.

The surplus or deficit arising from the derecognition of an item of property, plant and equipment is included in profit or loss 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 held under finance leases are depreciated over their expected useful lives on the same bases as owned assets or, where shorter, the term of the relevant lease

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

1.3 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost and comprise of software and servitudes. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at revalued amount, being fair value at the date of revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the statement of financial position date.

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

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a definite 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

1.3 Intangible assets (continued)

recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

1.4 Financial instruments

Initial recognition

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

Financial assets and financial liabilities are recognised on the company's financial position when the company becomes party to the contractual provisions of the instrument.

Loans to (from) group companies

These include loans to holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Loans to shareholders, directors, managers and employees

These financial assets are initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment surplus is recognised in deficit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

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

1.4 Financial instruments (continued)

Cash and cash equivalents

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

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

The company designates financial liabilities at fair value through surplus and deficit. The financial liabilities are initially and subsequently measured at fair value. Gains or losses arising from changes in the fair value of financial liabilities designated at fair value through surplus and deficit are recognised in the statement of financial performance in the year it arises. Fair value is determined by the use of a market interest rate for a similar borrowing obtained and a discounted cash flow analysis.

1.5 Tax

Deferred tax assets and liabilities

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus and is accounted for using the statement of financial position liability method.

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 goodwill; or
- goodwill for which amortisation is not deductible for tax purposes; or
- the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

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 profit 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 statement of financial position date.

1.5 Tax (continued)

A deferred income tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

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

Deferred income 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 reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

1.6 Leases

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

Finance leases – lessee

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

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

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

Operating leases – lessee

Operating lease payments are recognised as an expense over the lease term. The operating leases are recognised as expenses in the period in which they are incurred as this is representative of the time pattern of the organisation's benefit. . No straight-lining of the instalment was done.

1.7 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

Inventories acquired are not held for trading, and consists of consumables in stock.

1.8 Impairment of assets

The company assesses at each statement of financial position date whether there is any indication that an asset may

1.8 Impairment of assets (continued)

be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period

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

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Owners contributions and Net assets

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

If the company reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in surplus or deficit on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1.10 Employee benefits

Short-term employee benefits

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

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

Defined 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 statement of financial position date 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.

1.10 Employee benefits (continued)

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 the statement of financial performance over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Surplus or deficits on the curtailment or settlement of a defined benefit plan is recognised when the company 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 the statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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, plus the present value of available refunds and reduction in future contributions to the plan.

1.11 Revenue

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 statement of financial position 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 associated with the transaction will flow to the company;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

1.12 Borrowing costs

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

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2007

2006

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and Generally Recognised Accounting Practice on a basis consistent with the prior year.

3. Property, plant and equipment

	2007			2006		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	18,643,715	-	18,643,715	18,643,715	-	18,643,715
Buildings	42,804,038	(4,497,747)	38,306,291	42,804,038	(3,641,918)	39,162,120
Plant and machinery	43,342,075	(32,273,216)	11,068,859	38,849,397	(36,059,204)	2,790,193
Furniture and fixtures	5,370,763	(3,459,548)	1,911,215	3,910,182	(2,959,059)	951,123
Office equipment	6,747,023	(4,484,957)	2,262,066	5,898,361	(3,554,465)	2,343,896
IT equipment	22,653,037	(12,943,847)	9,709,190	17,039,304	(10,399,062)	6,640,242
Tools and loose gear	321,447	(107,441)	214,006	133,422	(79,361)	54,061
Total	139,882,098	(57,766,756)	82,115,342	127,278,419	(56,693,069)	70,585,350

Reconciliation of property, plant and equipment - 2007

	Opening Balance	Additions	Disposals	Transfers	Depreciation	Total
Land	18,643,715	-	-	-	-	18,643,715
Buildings	39,162,120	-	-	-	(855,829)	38,306,291
Plant and machinery	2,790,193	4,471,824	-	-	3,806,842	11,068,859
Furniture and fixtures	951,123	1,459,542	-	-	(499,450)	1,911,215
Office equipment	2,343,896	733,190	(20,507)	2,091	(796,604)	2,262,066
IT equipment	6,640,242	5,056,492	(80,382)	(2,091)	(1,905,071)	9,709,190
Tools and loose gear	54,061	185,935	-	-	(25,990)	214,006
	70,585,350	11,906,983	(100,889)	-	(276,102)	82,115,342

Reconciliation of property, plant and equipment - 2006

	Opening Balance	Additions	Disposals	Depreciation	Impairment reversal	Total
Land	18,643,715	-	-	-	-	18,643,715
Buildings	40,018,201	-	-	(856,081)	-	39,162,120
Plant and machinery	7,412,869	16,462	-	(3,912,961)	(726,177)	2,790,193
Furniture and fixtures	1,473,419	114,049	-	(636,345)	-	951,123
Office equipment owned and leased	2,173,111	1,269,480	-	(1,098,695)	-	2,343,896
IT equipment	3,314,117	4,912,869	(4)	(1,586,740)	-	6,640,242
Tools and loose gear	38,613	35,578	-	(20,130)	-	54,061
	73,074,045	6,348,438	(4)	(8,110,952)	(726,177)	70,585,350

Financial Statements for the year ended 30 June 2007

2007

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3. Property, plant and equipment (continued)

Transfer of ownership of land and buildings

The shareholder has not transferred ownership of certain land and buildings to Johannesburg Roads Agency as a tax ruling on the transaction is still to be finalised :

Other information

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

4. Intangible assets

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

	2007			2006		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	12,024,166	(7,926,783)	4,097,383	12,024,167	(3,945,698)	8,078,469

Reconciliation of intangible assets - 2007

	Opening Balance	Amortisation	Total
Computer software	8,078,469	(3,981,086)	4,097,383

Reconciliation of intangible assets - 2006

	Opening Balance	Additions	Amortisation	Total
Computer software	7,150,341	3,653,889	(2,725,761)	8,078,469

5. Loans to/from shareholder

City of Johannesburg Metropolitan Municipality - Conduit Mirror loans (Refer to note 5.1)	(10,269,774)	(12,485,739)
City of Johannesburg Metropolitan Municipality - Sweeping account This loan represents a treasury loan account. The loan is unsecured, interest is accrued monthly. This account is swept on a daily basis.	176,108,952	175,464,957

165,839,178 **162,979,218**

Current assets	176,108,952	175,464,957
Non-current liabilities	(7,426,227)	(9,892,676)
Current liabilities	(2,843,547)	(2,593,063)

165,839,178 **162,979,218**

5.1. City of Johannesburg Metropolitan Municipality - Conduit Mirror loans

Conduit Mirror loans movement for the year

Loans at beginning of the year	(12,485,739)	(9,892,676)
Loans received	(78,014)	-
Repayments	2,293,979	-
Less amount payable within 12 months	-	(2,593,063)
Balance at end of year	(10,269,774)	(12,485,739)

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5. Loans to/from shareholder (continued)

This loan is unsecured, bearing interest at the banker acceptance rate plus 2% per annum repayable over 6 years commencing 31 August 2005. This loan relates to the purchase of the Johannesburg Roads Agency Head Office building situated at 66 Sauer Street, Newtown, Johannesburg.

6. DEFERRED TAX

Deferred tax asset (liability)

Other deferred tax	(4,125,108)	(697,907)
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Reconciliation of deferred tax asset (liability)

At beginning of the year	(697,907)	(1,410,111)
Increase (decrease) in tax losses available for set off against future taxable income	(3,427,201)	712,204
	(4,125,108)	(697,907)

Recognition of deferred tax asset

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

Deferred tax liabilities	(4,125,108)	(697,907)
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7. RETIREMENT BENEFITS

7.1. Defined benefit plan

Post-retirement liability

Post-Retirement Medical Aid Plan	(20,776,000)	(25,891,000)
Post-Retirement Housing Subsidy Plan	(1,415,000)	(230,000)
Retirement Gratuity Plan	(47,093,000)	(50,552,000)
Balance at end of year	(69,284,000)	(76,673,000)

7.1.1. Post-Retirement Medical Aid Plan

Johannesburg Roads Agency (Proprietary) Limited has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. Only pensioners and employees who were aged 50 or older and were members of Lamaf (previously called Jomed) and Munimed medical schemes on 1 July 2003 are eligible for benefits. The amount of the subsidy is 60% for pensioners and members older than 55 on 1 July 2003 and 50% for other qualifying employees is subject to a maximum of R1 953 per month. The maximum increases annually on 1 July in accordance with the general cost of living increase in the City of Johannesburg Metropolitan Municipality.

The above liability is unfunded. However, The City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of Johannesburg Roads Agency (Proprietary) Limited who are entitled to benefits that relates to their service with the Johannesburg Roads Agency (Proprietary) Limited prior to the company being established. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest of R 1 454 000 (2006: R 1 287 000) and against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of IAS 19 cannot be offset against the liability. It has however been included in the assets of the company.

Carrying value

Notes to the Annual Financial Statements for the year ended 30 June 2007

Figures in Rand	2007	2006
7. Retirement benefits (continued)		
Present value of the defined benefit obligation-wholly unfunded	(20,776,000)	(25,891,000)
Movements for the year		
Opening balance	25,891,000	23,466,000
Benefits paid	(499,000)	(527,000)
Net expense recognised in the Statement of financial performance	(4,616,000)	2,952,000
Balance at end of year	20,776,000	25,891,000
Net expense recognised in the Statement of financial performance		
Current service cost	380,000	566,000
Interest cost	2,308,000	2,020,000
Actuarial (gain) / loss	(7,304,000)	366,000
Total, included in employee benefits expense	20 (4,616,000)	2,952,000
Notional loan account		
Opening balance	16,160,000	15,400,000
Interest received	1,293,000	760,000
Balance at end of year	17,453,000	16,160,000

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	8.00 %	9.00 %
Expected rate of return on assets	8.00 %	9.00 %
Rate of increase in employer post-retirement medical contribution subsidy payments	5.75 %	6.75 %

Other assumptions:

Mortality of in-service members	-	In accordance with the SA 85-90 (Light) ultimate table (rated down 3 years for females)
Mortality of pensioners	-	In accordance with the PA(90) ultimate male and female tables

(No explicit assumption was made about additional mortality or health care costs due to AIDS).

7.1.2. Post-Retirement Housing Subsidy Plan

The Johannesburg Roads Agency (Proprietary) Limited provides housing subsidies in respect of certain qualifying staff members. In the event that the housing loan that the subsidy related to is not fully repaid at retirement date, the subsidy will continue into the members' retirement. The subsidy amount is based on the subsidy being received at the date of valuation. The subsidy amount is assumed to remain constant and to continue for a period of 10 years after retirement.

The above liability is unfunded. However, The City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of Johannesburg Roads Agency (Proprietary) Limited who are entitled to benefits that relates to their service with the The City of Johannesburg Metropolitan Municipality before the Johannesburg Roads Agency (Proprietary) Limited was established. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest of R 32,000 (2006: R 28,000) and against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of IAS 19 cannot be offset against the liability. It has however been included in the assets of the Johannesburg Roads Agency (Proprietary) Limited.

Notes to the Annual Financial Statements for the year ended 30 June 2007

Figures in Rand	2007	2006
7. Retirement benefits (continued)		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(230,000)	(230,000)
Net actuarial gains or losses not recognised	(1,185,000)	-
	(1,415,000)	(230,000)
Movements for the year		
Opening balance	230,000	388,000
Net expense recognised in the Statement of financial performance	1,185,000	(158,000)
Balance at end of year	1,415,000	230,000
Net expense recognised in the Statement of financial performance		
Current service cost	26,000	6,000
Interest cost	21,000	33,000
Actuarial (gains) losses	1,138,000	(197,000)
	1,185,000	(158,000)
Notional loan account		
Opening balance	359,000	331,000
Interest received	29,000	28,000
Balance at end of year	388,000	359,000
7.1.3. Post-Retirement Gratuity Plan		
<p>Johannesburg Roads Agency (Proprietary) Limited provides gratuities on retirement or prior death in respect of certain qualifying staff members who have service with The City of Johannesburg Metropolitan Municipality or Johannesburg Roads Agency (Proprietary) Limited when they were not members of one of the retirement funds and who meet certain service requirements in terms of The City of Johannesburg Metropolitan Municipality's conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.</p>		
<p>The above liability is unfunded. However, The City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of Johannesburg Roads Agency (Proprietary) Limited who are entitled to benefits that relates to their service with the The City of Johannesburg Metropolitan Municipality prior to the company being established. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of IAS 19 cannot be offset against the liability. It has however been included in the assets of the Johannesburg Roads Agency (Proprietary) Limited.</p>		
Movements for the year		
Opening balance	50,552,000	51,167,000
Benefits paid	-	(3,901,000)
Net expense recognised in the Statement of financial performance	(3,459,000)	3,286,000
Balance at end of year	47,093,000	50,552,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Figures in Rand	2007	2006
7. Retirement benefits (continued)		
Notional loan account		
Opening balance	56,399,000	57,000,000
Net movement	(3,459,000)	(601,000)
Balance at end of year	52,940,000	56,399,000

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	8.00 %	9.00 %
Expected rate of return on assets	8.00 %	9.00 %
Expected increase in salaries	5.50 %	6.50 %

7.2. Defined contribution plan

It is the policy of the company to provide retirement benefits to all its employees or specify number of employees covered. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The company is under no obligation to cover any unfunded benefits.

CJMM and its ME's provide post-employment benefits to all their permanent employees through eight defined contribution funds, five defined benefit funds and two hybrid funds. The following funds provide benefits for group employees:

Defined Contribution Funds:

- City Power Retirement Fund.
- eJoburg Retirement Fund.
- Meshawu National Local Authorities Retirement Fund.
- Municipal Councillors Pension Fund.
- Municipal Employees Gratuity Fund.
- Municipal Gratuity Fund.
- National Fund for Municipal Workers.
- South African Municipal Workers' Union National Provident Fund.

Defined Benefit Funds:

- City of Johannesburg Pension Fund.
- Diepmeadow Pension Fund.
- Johannesburg Municipal Pension Fund.
- South African Local Authorities Pension Fund.
- Soweto City Council Pension Fund.

Hybrid Funds:

- Joint Municipal Pension Fund.
- Municipal Employees Pension Fund.

Details of the Diepmeadow Pension Fund, the South African Local Authority Pension Fund and the Soweto City Council Pension Fund are provided below. It is not practicable at present to determine the present value of each ME's obligation, related share of assets and current service costs for any of these funds. Accordingly, all funds have been accounted for using a defined contribution basis at the ME level.

7.2.1. Joint Municipal Pension Fund

The Joint Municipal Pension Fund is a hybrid pension fund registered in 1986 to provide pension benefits for employees in the Municipal sector. It has been closed to new entrants with effect from 1 January 2002.

NOTES TO THE Annual Financial Statements for the year ended 30 June 2007

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7. Retirement benefits (continued)

In terms of paragraph 7 of IAS 19 (AC116) defined contribution plans are post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Although the Joint Municipal Pension Fund is a hybrid fund the participating employers have no constructive obligation to pay anything more than the fixed rate of contribution specified in the registered rules.

The rules of the Municipal Employees Pension Fund are very similar to those of the Joint Municipal Pension Fund insofar as the obligations of the local authorities are concerned.

In terms of the rules of this fund the Local Authorities participating in the fund are required, on a monthly basis, to deliver to the Fund:

- The contributions payable by members;
- An amount equal to 22% of the pensionable salaries upon which the members' contributions are based;
- Contributions payable by members whilst on unpaid leave and the equivalent 22% employer contribution thereon;
- Members' contributions in respect of the purchase of past service on rejoining a local authority;
- The equivalent 22% employer contributions in respect of any previously unpaid member contributions;
- Members' contributions in respect of the voluntary purchase of past service.

The rules of the fund also provide that the sources of the fund shall consist of:

- Contributions plus interest paid to the fund in terms of the rules;
- Income derived from the investment of moneys of the fund; and
- Any other money or assets to which the fund may become entitled.

There is no mention of any further contributions being required of participating local authorities in the event of deficits arising. It is therefore concluded that there is no constructive obligation on the part of the City to fund any deficits in this fund. Accordingly we believe that the fund should be regarded as a defined contribution fund for the purposes of IAS 19 (AC116).

In the case of this fund therefore, the contributions paid by the City should be expensed as required in terms of IAS 19 (AC116) for defined contribution funds.

7.2.2. The Municipal Employees Pension Fund

The Municipal Employees Pension Fund is a hybrid pension fund registered in 1988 to provide pension benefits for employees in the Municipal sector. It has been closed to new entrants with effect from 1 January 2002.

In terms of paragraph 7 of IAS 19 (AC116) defined contribution plans are post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Although the Municipal Employees Pension Fund is a hybrid fund the participating employers have no constructive obligation to pay anything more than the fixed rate of contribution specified in the registered rules.

7.2.3. Diepmeadow Pension Fund

The Fund is classified as a defined benefit pension fund in terms of AC 116. However, the constructive liability of the City is assumed to be the deficit as at 1 August 2003 accumulated with the net investment returns earned by the Fund.

Contributions to the Diepmeadow Pension Fund were ceased for City employees with effect from 31 July 2003. Benefits have been made paid-up and will accumulate for members on a defined contribution basis. The rule amendment giving effect to the revised benefit structure was registered on 3 November 2004.

Notes to the Annual Financial Statements for the year ended 30 June 2007

Figures in Rand	2007	2006
7. Retirement benefits (continued)		
Assumptions		
Expected Return on Assets	9.00 %	9.00 %
Change in Benefit Obligation		
Benefit Obligation at 30 June 2006	238,717	-
Plus Interest Cost	21,485	-
Plus Service Cost	-	-
Actuarial (Gain) / Loss	22,636	-
Benefits Paid	-	-
Benefit Obligation at 30 June 2007	282,838	-
Change in Assets of the Fund		
Fair Value of Assets at 30 June 2006	223,178	-
Plus Member Contributions	-	-
Plus Employer Contributions	-	-
Plus Expected Return on Assets	20,086	-
Actuarial Gain / (Loss)	26,695	-
Benefits Paid	-	-
Fair Value of Assets at 30 June 2007	269,959	-
Valuation Results		
Fair Value of Assets	269,959	223,178
Defined Benefit Obligation as	(282,838)	(238,717)
Funded status	(12,879)	(15,539)
Asset limitation	-	-
Net asset	(12,879)	(15,539)
Components of Periodic Cost		
Service Cost	-	-
Interest Cost	21,485	-
Expected Return on Assets	(20,086)	-
Recognised Actuarial (Gain) / Loss	(4,059)	-
Adjustment in asset limitation	-	-
Employees contributions	-	-
Periodic Pension Cost / (Credit)	(2,660)	-

Note that the actuarial gain has arisen as a result of a recalculation of the deficit as at 1 August 2003.

7.2.4. Johannesburg Municipal Pension Fund and the City of Johannesburg Pension Fund

During 2005 the City entered into an agreement with the Johannesburg Municipal Pension Fund and the City of Johannesburg Pension Fund to the effect that, in return for payment of an amount of R400 million plus interest from 1 January 2006:

Except as set out below, the assets and liabilities of the City of Johannesburg Pension Fund will be merged into the Johannesburg Municipal Pension Fund and the City will sever all financial ties with the latter Fund.

- The City of Johannesburg Pension Fund will be converted into a defined contribution fund. Members will be given the option of remaining as members of the Fund and accruing future benefits on a defined contribution basis or of joining the eJoburg Retirement Fund in respect of the accrual of future service benefits. Pensioners will be given the opportunity to transfer to an insurer instead of remaining pensioners of the Johannesburg Municipal Pension Fund.
- The settlement amount is to be adjusted to allow for any excess contributions paid until the effective date and for the cost of bonus service in respect of exited members.

Notes to the Annual Financial Statements for the year ended 30 June 2007

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7. Retirement benefits (continued)

The necessary provisions have been made in these financial statements.

7.2.5. Other Defined Benefit Pension Funds

The funds falling in this category are:

- South African Local Authorities Pension Fund
- Soweto City Council Pension Fund

South African Local Authorities Pension Fund

Membership Data

Our figures are based on information provided to us by the City, by the South African Local Authorities Pension Fund (referred to in this section as the "Fund") and by the valuator of the Fund. The City provided details of the membership of the Fund as at December 2004. The information provided by the valuator of the Fund included the results of the actuarial valuations as at 30 June 2004 and 30 June 2005. Membership details provided (as at 30 June 2005 for the Fund and as at December 2004 for City members) were as follows:

	Fund	City	City Percentage
Number of Members	17,367	225	1.3 %
Pensionable Emoluments	1,249,712,000	15,629,150	1.4 %
Number of Pensioners	2,975	-	-
Annual Pensions	19,227,000	-	-

It was assumed that the City membership remained at 1.4% of the membership of the Fund.

Contributions to the South African Local Authority Pension Fund were ceased for City employees with effect from 31 December 2004. In the event of the cessation of participation of an employer in the Fund it has been assumed that the assets attributable to employees of that employer will be transferred to another fund and will be subject to the statutory minimum benefit in terms of the Pension Funds Act.

Actuarial Liabilities

The results of the valuation as at 30 June 2004 are summarised as follows:

	Fund	City
Market Value of Assets	2,299,000,000	32,186,000
Value of liabilities	(2,855,000,000)	(39,970,000)
Surplus / (Deficit)	(556,000,000)	(7,784,000)

The asset value as at 31 December 2004 was derived by projecting the cash flows for six months and allowing for an investment return of 14.59% being the actual return achieved by the Fund over the same period.

The liability in respect of members as at 31 December 2004 was calculated as the liability as at 30 June 2004 plus 50% of the annual service cost, increased by 50% of 10% (the assumed discount rate).

In terms of section 14A(c) of the Pension Funds Act the minimum initial value credited to a member on conversion to defined contribution is the minimum individual reserve as defined in section 14B of the Pension Funds Act. The value depends on the actuarial assumptions adopted by the actuary in respect of the capitalised value of pension payments at retirement and on the discount rate selected.

The trustees have the option of basing minimum benefit calculations on a discount rate equal to the long term index linked bond ("ILG") yield less 0.95 percentage points or on a discount rate equal to 40% of the earnings yield (EY) on the JSE. The applicable discount rates as at the date of conversion were 2.81% and 2.66% respectively. It has been assumed that the trustees would adopt the EY basis, as this would give higher liabilities.

A comparison of the valuation bases adopted is as follows:

Notes to the Annual Financial Statements for the year ended 30 June 2007

Figures in Rand 2007 2006

7. Retirement benefits (continued)

	Funding Basis	Minimum Benefit Basis
Net pre-retirement discount rate	3.77 %	2.66 %
Net post-retirement discount rate	5.50 %	5.50 %
Withdrawal rates	Per table	Nil
Active member mortality	Per table	Nil
Pensioner mortality tables	PA(90) plus future improvements	PA(90) plus future improvements
Percentage married	100 %	100 %
Age difference	5 years	5 years

The weighted average age of members of the fund as at 30 June 2005 was 44.1 years. The retirement age is 60 years and we have estimated that the expected future service period of members to be 12 years. Accordingly, it is estimated that the liabilities would increase by about 13.8% if a discount rate of 2.66% were used.

The estimated financial position (in terms of the statutory minimum conversion values but ignoring changes as a result of the pre-retirement decrements) of the City's portion of the Fund as at 31 December 2004 based on the EY discount rate may therefore be summarised as follows:

Item		
Fair value of assets	38,118,412	-
Liabilities	(48,528,223)	-
(Deficit) / Surplus	(10,409,811)	-

It has been assumed that the constructive liability of the City in respect of this Fund is limited to the deficit reflected above based on the 2.66% discount rate. The deficit has been rolled forward on a defined contribution basis using the Fund returns as follows:

Period	Return	
1 January 2005 to 30 June 2005	12.6 %	- %
1 July 2005 to 30 June 2006	29.4 %	- %
1 July 2006 to 30 June 2007	29.5 %	- %

Note that this approach is conservative in that the relatively high investment returns achieved during the period of cessation of contributions have effectively been credited to members rather than used to reduce the deficit.

The Fund is classified as a defined benefit fund in terms of AC 116. However, the contribution rates are fixed in terms of the rules, subject to possible amendment depending on the results of annual actuarial valuations.

Assumptions

Expected Return on Assets	9.00 %	9.00 %
---------------------------	--------	--------

Change in Benefit Obligation

Benefit Obligation at 30 June 2006	68,520	-
Plus Interest Cost	6,167	-
Plus Service Cost	-	-
Actuarial (Gain)/Loss	16,851	-
Benefits Paid	-	-
Benefit Obligation at 30 June 2007	91,538	-

Change in Assets of the Fund

Fair Value of Assets	53,822	-
Plus Member Contributions	-	-
Plus Employer Contributions	-	-
Plus Expected Return on Assets	4,844	-
Actuarial Gain/(Loss)	13,236	-

Notes to the Annual Financial Statements for the year ended 30 June 2007

Figures in Rand	2007	2006
7. Retirement benefits (continued)		
Benefits Paid	-	-
Total Fair Value of Assets	71,902	-
Valuation Results		
Fair Value of Assets	71,902	53,822
Defined Benefit Obligation	(91,538)	(68,520)
Asset limitation	-	-
Net asset	(19,636)	(14,698)
Components of Periodic Cost		
Service Cost	-	-
Interest Cost	6,167	-
Expected Return on Assets	(4,844)	-
Recognised Actuarial (Gain)/Loss	3,615	-
Adjustment in asset limitation	-	-
Employees contributions	-	-
Periodic Pension Cost / (Credit)	4,938	-

Soweto City Council Pension Fund

Membership Data

Our figures are based on information provided to us by the City and by the valuator of the Soweto City Council Pension Fund (referred to in the section as the "Fund"). The City provided details of the membership of the Fund as at December 2004. The information provided included a copy of an actuarial valuation as at 31 March 2006. This valuation also contained details of results as at 31 March 2005 which were used for the purposes of this report. Membership details provided were as follows:

	Fund	City	City Percentage
Number of Members	2,602	1,602	61.6 %
Pensionable Emoluments	228,768,000	141,289,960	61.8 %
Number of Pensioners	51	31	-
Annual Pensions	1,051,000	649,111	-

The salary information in respect of City employees was increased to allow for the inclusion of the 13th cheque. The 31 March 2006 valuation report included a split of the liabilities between City and SAPS employees. The portion of liabilities attributable to City employees amounted to 60.83%. In view of the above information it was assumed that the City membership constituted 60.83% of the membership of the Fund. This percentage was also assumed to apply to pensioners.

Contributions to the Soweto City Council Pension Fund were ceased for City employees (other than in respect of certain contract employees) with effect from 31 March 2005. In the event of the cessation of participation of an employer in the Fund the rules stipulate that the assets attributable to employees of that employer will be transferred to another Fund and will be subject to the statutory minimum benefit in terms of the Pension Funds Act.

Actuarial Liabilities

The results of the valuation as at 31 March 2005 are summarised as follows:

	Fund	City
Market Value of Assets	977,298,000	594,480,877
Value of liabilities	(1,162,040,000)	(706,857,641)
Surplus / (Deficit)	(184,742,000)	(112,376,764)

In terms of section 14A(c) of the Pension Funds Act the minimum initial value credited to a member on conversion to

Notes to the Annual Financial Statements for the year ended 30 June 2007

Figures in Rand

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7. Retirement benefits (continued)

defined contribution is the minimum individual reserve as defined in section 14B of the Pension Funds Act. The value depends on the actuarial assumptions adopted by the actuary in respect of the capitalised value of pension payments at retirement and on the discount rate selected.

The trustees have the option of basing minimum benefit calculations on a discount rate equal to the long term index linked bond ("ILG") yield less 0.95 percentage points or on a discount rate equal to 40% of the earnings yield (EY) on the JSE. The applicable discount rates as at the date of conversion were 2.73% and 2.85% respectively. It has been assumed that the trustees would adopt the ILG basis, as this gives the higher liabilities.

A comparison of the valuation bases adopted is as follows:

	Funding Basis	Minimum Benefit Basis
Net pre-retirement discount rate	2.08 %	2.73 %
Net post-retirement discount rate	6.00 %	7.00 %
Withdrawal rates	Per table	Nil
Active member mortality	SA 85-90	Nil
Pensioner mortality tables	PA(90) less one year, plus future improvement	PA(90) less one year, plus future improvements
Percentage married	90 %	90 %
Age difference	4 years	4 years

The weighted average age of members of the fund as at 30 June 2005 was 46 years. The retirement age is 60 years and we have estimated that the expected future service period of members to be 12 years. Accordingly, it is estimated that the liabilities would reduce by about 7.3% if a discount rate of 2.73% were used.

It is also estimated that the liabilities would reduce by a further 8.5% if a post-retirement discount rate of 7% were used instead of 6%.

The estimated financial position (in terms of the statutory minimum conversion values but ignoring changes as a result of the pre-retirement decrements and reassured pensions) of the City's portion of the Fund as at 31 March 2005 based on the ILG discount rate may therefore be summarised as follows:

Item		
Fair value of assets	509,821,469	-
Liabilities	(529,623,018)	-
(Deficit) / Surplus	(19,801,549)	-

It has been assumed that the constructive liability of the City in respect of this Fund is limited to the deficit reflected above based on the 2.73% discount rate. The deficit has been rolled forward on a defined contribution basis using industry median returns, since no actual Fund returns are available. Note that this approach is conservative in that the relatively high investment returns achieved during the period of cessation of contributions have effectively been credited to members rather than used to reduce the deficit.

Statements for the year ended 30 June 2007

	2007	2006
7. Retirement benefits (continued)		
Period	Return	
1 April 2005 to 30 June 2005	5.7 %	- %
1 July 2005 to 30 June 2006	31.2 %	- %
1 July 2006 to 30 June 2007	31.6 %	- %
The results of the calculations are reflected in the AC 116 accounting entries set out below:		
The Fund is classified as a defined benefit fund in terms of AC 116. However, the contribution rates are fixed in terms of the rules, subject to possible amendment depending on the results of annual actuarial valuations.		
Assumptions		
Expected Return on Assets	9.00 %	9.00 %
Change in Benefit Obligation		
Benefit Obligation at 30 June 2006	795,514	-
Plus Interest Cost	71,596	-
Plus Service Cost	-	-
Actuarial (Gain)/Loss	100,192	-
Benefits Paid	-	-
Benefit Obligation at 30 June 2007	967,302	-
Change in Assets of the Fund		
Fair Value of Assets	772,174	-
Plus Member Contributions	-	-
Plus Employer Contributions	-	-
Plus Expected Return on Assets	69,496	-
Actuarial Gain/(Loss)	89,480	-
Total Fair Value of Assets	931,150	-
Valuation Results		
Fair Value of Assets	931,150	772,174
Defined Benefit Obligation	(967,302)	(795,514)
Asset limitation	-	-
Net asset	(36,152)	(23,340)
Components of Periodic Cost		
Service Cost	-	-
Interest Cost	71,596	-
Expected Return on Assets	(69,496)	-
Recognised Actuarial (Gain)/Loss	10,712	-
Adjustment in asset limitation	-	-
Employees contributions	-	-
Periodic Pension Cost / (Credit)	12,812	-
8. Employee benefit asset		
Movement for the year		
Opening balance	80,360,000	79,686,000
Movement on employee benefit asset	(2,137,000)	674,000
Balance at end of year	78,223,000	80,360,000

Annual Financial Statements for the year ended 30 June 2007

Notes to the Annual Financial Statements for the year ended 30 June 2007

Figures in Rand		2007	2006
9. Inventories			
Raw materials and components		340,274	743,906
Consumable stores		808,897	925,862
Subtotal		1,149,171	1,669,768
Inventories (write-downs)		(112,343)	-
		1,036,828	1,669,768
Inventory consists of spares and consumables which will be utilized by the company in its daily business operations.			
10. Trade and other receivables			
Trade receivables	10.1	45,177,623	8,220,777
Other deposits		150,000	150,000
Outstanding Metropolitan Municipality Claims	10.2	94,280,420	98,785,197
Related party receivables	28	42,496,848	22,419,770
Sundry debtors and prepayments		889,132	101,463
		182,994,023	129,677,207
10.1. Trade receivables			
Gross trade receivables		49,351,693	15,110,620
Less: Discounting of receivables as a result of carrying trade and other receivables at amortised cost		(409,947)	(277,141)
Provision for bad debts		(3,764,123)	(6,612,702)
		45,177,623	8,220,777
10.2. Outstanding Metropolitan Municipality Claims			
Capital expenditure	10.2.1	241,805,783	362,083,011
Capital funding		(147,525,363)	(263,297,814)
		94,280,420	98,785,197
10.2.1. Capital expenditure			
Access routes		-	21,557,124
Bridges		5,217,841	10,863,651
Capital expense for Road Agency financed by the Metropolitan Municipality		11,989,769	7,763,038
Dam		746,345	10,694,728
Footway		-	4,949,920
Investigation		-	4,152,083
Major roads		109,125,746	240,507,033
Stormwater		40,807,644	26,988,847
Traffic signals		62,555,705	26,265,249
Upgrading		11,362,733	8,341,338
		241,805,783	362,083,011

NOTES TO THE Annual Financial Statements for the year ended 30 June 2007

Figures in Rand	2007	2006
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	910	7,113
Unpresented cheques	(12,968,944)	(56,921,886)
	(12,968,034)	(56,914,773)
Current assets	910	7,113
Current liabilities	(12,968,944)	(56,921,886)
	(12,968,034)	(56,914,773)
The following bank accounts are held at ABSA Public Sector Gauteng West - Trust Cheque, Operating Cheque, Salaries Cheque.		
The company's bank account is swept on a daily basis in terms of an agreement with The City of Johannesburg Metropolitan Municipality in order to facilitate better cashflow management on an entity wide basis.		
The Company has a sweeping arrangement with the The City of Johannesburg Metropolitan Municipality whereby all cash is swept on a daily basis to the The City of Johannesburg Metropolitan Municipality's bank account. Petty cash is reflected as being on hand. The cash owed to the company by the The City of Johannesburg Metropolitan Municipality is reflected as an amount due from the shareholder.		
12. Contribution from owner		
Authorised		
1000 Ordinary shares of R1 each or par value of R1	1,000	1,000
Capital contribution from shareholder	35,980,784	27,760,717
	35,981,784	27,761,717
Issued		
1000 Ordinary shares of R1 each or par value of R1	1,000	1,000
Capital contribution from shareholder	35,980,784	27,760,717
	35,981,784	27,761,717
13. Finance lease obligation		
Minimum lease payments due		
- within one year	877,940	813,529
- in second to fifth year inclusive	1,240,566	2,075,365
	2,118,506	2,888,894
less: future finance charges	(316,207)	(381,182)
Present value of minimum lease payments	1,802,299	2,507,712
Present value of minimum lease payments due		
- within one year	716,265	623,915
- in second to fifth year inclusive	1,086,034	1,883,797
	1,802,299	2,507,712
Non-current liabilities	1,086,034	1,883,797
Current liabilities	716,265	623,915
	1,802,299	2,507,712

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

Financial Statements for the year ended 30 June 2007

	2007	2006
13. Finance lease obligation (continued)		
The average lease term is 5 years and the average effective borrowing rate was 13% (2006: 13%).		
Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.		
The company's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.		
14. Trade and other payables		
Trade payables	105,633,468	47,400,850
Accrued performance bonus	4,977,150	5,041,320
Accrued leave pay	16,639,909	14,518,554
Accrued staff 13th cheques	4,090,035	4,188,512
Adjustment for fair value at amortised cost	(29,202)	-
Payroll accruals	1,799,970	402,241
City of Johannesburg Capital Expenditure	84,918,019	87,361,627
Related party creditor	28 7,983,411	10,953,567
Retentions	46,141,075	48,620,604
Sundry Creditors	10,679,348	6,573,486
VAT	32,024,060	902,289
	314,857,243	225,963,050
15. Revenue		
Sale of goods and services	416,613,238	395,937,684
The amount included in revenue arising from exchanges of goods or services included in revenue are as follows:		
Subsidy : City of Johannesburg Metropolitan Municipality	353,290,000	326,498,070
Jobbings	24,799,551	32,006,118
Advertising	23,557,376	21,703,256
Asphalt sales	5,588,499	8,678,718
Reinstatements	8,177,638	6,435,946
Maintanance of robots : Gauteng Province	1,194,000	615,576
Other	6,174	-
	416,613,238	395,937,684
16. Other income		
City of Johannesburg Insurance Claims	5,799,768	3,919,539
Footway under balconies	1,169,855	1,195,130
Bad debt write-offs reverse	699,451	-
Recoveries	920,751	-
Rental income	152,282	156,822
Sundry income	1,169,355	2,530,693
Training income	543,235	919,106
	10,454,697	8,721,290
17. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Motor vehicles		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Figures in Rand	2007	2006
17. Operating surplus (continued)		
• Contractual amounts	10,348,040	21,425,515
Equipment		
• Contractual amounts	-	185,520
Lease rentals on operating lease - Other		
• Contractual amounts	299,814	395,999
	10,647,854	22,007,034
Surplus (deficit) on sale of property, plant and equipment	(32,350)	(4)
Impairment on property, plant and equipment	-	726,177
Amortisation on intangible assets	3,981,032	2,725,762
Depreciation on property, plant and equipment	276,292	8,110,950
Employee costs	20 213,536,479	199,512,151
Bad debts	-	2,148,943
Consulting and professional fees	11,120,379	7,283,392
Consumables	504,134	543,347
Insurance	6,480,155	4,469,659
Legal expenses	516,015	754,883
Repairs and maintenance	6,354,719	7,310,147
Security (guarding of municipal property)	4,941,430	4,663,863
18. Auditors' remuneration		
External auditors' fees	690,044	247,280
19. General expenses		
Advertising	1,432,386	1,277,330
Auditors remuneration	690,044	247,280
Bad debts	-	2,148,943
Bank charges	132,043	148,380
Commission paid	2,625,673	1,299,336
Conferences and seminars	921,130	630,145
Consulting and professional fees	11,120,379	7,283,392
Consumables	504,134	543,347
Discount allowed	898,416	791,049
Entertainment	392,595	230,510
General expenses	148,165	241,256
Hostel charges	3,093,344	3,479,032
Safety	70,862	42,598
Workshop charges	91,589	106,930
Insurance	6,480,155	4,469,659
Lease rentals on operating lease	299,814	581,519
Levies	-	858,034
Magazines, books and periodicals	123,919	30,479
Medical expenses	65,606	14,292
Printing and stationery	1,325,309	1,730,897
Promotions	1,676,186	1,714,761
Protective clothing	853,636	1,142,491
Repairs and maintenance	6,354,719	7,310,147
Security (Guarding of municipal property)	4,941,430	4,663,863
Software expenses	7,435,162	6,574,021
Subscriptions and membership fees	36,329	10,514
Telecommunication costs (Telephone and fax)	7,929,895	10,243,418
Training	1,939,985	2,051,493
Travel - local	1,585	-
Travel - overseas	6,888	13,746
Utilities	9,948,259	10,791,412

Notes to the Annual Financial Statements for the year ended 30 June 2007

Figures in Rand	2007	2006
	71,539,637	70,670,274
20. Employee related costs		
Basic	24,871,635	(3,179,119)
Medical aid - company contributions	(847,888)	5,797,478
UIF	1,392,468	1,312,576
WCA	1,151,938	1,274,977
SDL	1,460,928	1,400,317
Leave pay provision charge	9,723,399	11,770,936
Other short term costs	5,536,118	10,207,160
Post-employment benefits - Pension - Defined contribution plan	19,399,220	20,038,211
Long-service awards	(7,792)	-
Transport allowance	51,187	-
	62,731,213	48,622,536
21. Investment revenue		
Interest and amortised cost adjustment on fair value adjustment revenue	578,370	2,102,162
Fair value adjustments of receivables	-	12,218
Investment income	11,190,510	9,965,711
	11,768,880	12,080,091
22. Impairment of assets		
Material impairment losses (recognised) reversed		
Property, plant and equipment	-	726,177
23. Finance costs		
Non-current borrowings	1,415,490	1,709,389
Finance leases	288,172	361,259
Interest on fair value and amortised cost adjustment on payables	-	821,382
Fair value adjustments on purchases	2,987,997	2,612,588
	4,691,659	5,504,618
24. Taxation		
Major components of the tax expense (income)		
Deferred		
Deferred tax	3,427,201	(712,204)
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	29.00 %	29.00 %
Effect of permanent differences	2.22 %	- %
Prior year adjustments	(12.60)%	- %
Prior year underprovision	- %	19.55 %
	18.62 %	48.55 %

Notes to the Annual Financial Statements for the year ended 30 June 2007

Figures in Rand	2007	2006
25. Cash generated from operations		
Surplus before taxation	11,172,508	1,778,842
Adjustments for:		
Depreciation and amortisation	4,257,324	10,836,712
Deficit on sale of assets	32,350	4
Interest received	(11,768,880)	(12,080,091)
Finance costs	4,691,659	5,504,618
Impairment deficit	-	726,177
Movements in retirement benefit assets and liabilities	(7,389,000)	1,652,000
Movements in provisions	-	(930,652)
Prior year adjustments	4,709,991	-
Changes in working capital:		
Inventories	632,940	(492,294)
Trade and other receivables	(53,316,816)	(31,787,733)
Trade and other payables	88,894,193	60,289,763
	41,916,269	35,497,346
26. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Construction and maintenance of roads	46,764,551	50,943,644
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	10,924,235	11,382,117
- in second to fifth year inclusive	50,656,694	116,333,341
	61,580,929	127,715,458

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

27. Contingencies

Legal claims that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on attorneys best estimate of the possible amount payable.

Legal claims that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on attorneys best estimated of the possible amount payable. Refer to cases below :

- Manong & Associates v JRA (Unfair discrimination) Amount involved R 4 million.
- JRA v Buddy's Transport (Fraudulent invoices) Amount involved R 485 103.
- IMATU & SAMWU v UAC's (Demarcation dispute) No direct monetary claim involved.
- Pipe Jack v JRA (Unpaid invoice) Amount involved R 213 067
- Norfolk Road (Subcontractor dug up road) Amount involved R 120 000.
- Guardrails Technologies (Not placing orders for max contract value) Amount involved R765 594.
- Aharoni ZVI Itamar v COJ / JRA (Public liability claim) Amount involved R 600 179.

NOTES to the Annual Financial Statements for the year ended 30 June 2007

Figures in Rand	2007	2006
28. Related parties		
Relationships		
Parent		The City of Johannesburg Metropolitan Municipality COJ Housing Department JPC Portfolio Account City Power Johannesburg (Pty) Ltd Johannesburg City Parks (Pty) Ltd Johannesburg Development Agency (Pty) Ltd Johannesburg Metropolitan Bus Services (Pty) Ltd Johannesburg Social Housing Company (Pty) Ltd Johannesburg Tourism Company (Pty) Ltd Johannesburg Water (Pty) Ltd Metropolitan Trading Company (Pty) Ltd Pikitup Johannesburg (Pty) Ltd Roodepoort City Theatre (Pty) Ltd The Johannesburg Civic Theatre (Pty) Ltd The Johannesburg Fresh Produce Market (Pty) Ltd The Johannesburg Zoo (Pty) Ltd Constitutional Hill Development Company (Pty) Ltd Greater Newtown Development Company (Pty) Ltd
Other members of the group		
Members of key management		Directors remuneration-Annexure A
Related party balances		
Loan accounts - Owning by related parties		
City of Johannesburg Metropolitan Municipality	176,108,952	175,464,957
Loan accounts - Owning to related parties		
City of Johannesburg Metropolitan Municipality	10,269,774	12,485,739
Amounts included in trade receivables regarding related parties		
COJ Housing Department	8,534,040	-
JPC Portfolio Account	8,202,450	4,563,126
City of Johannesburg Metropolitan Municipality	13,743,204	6,985,404
City Power Johannesburg (Pty) Ltd	5,023,431	3,149,590
Johannesburg City Parks (Pty) Ltd	221,616	2,294,595
Johannesburg Development Agency (Pty) Ltd	26,069	1,384,107
Johannesburg Water (Pty) Ltd	5,708,910	3,176,377
Pikitup Johannesburg (Pty) Ltd	1,031,998	866,571
Greater Newtown Development Company (Pty) Ltd	5,130	-
	42,496,848	22,419,770
Amounts included in trade payables regarding related parties		
City of Johannesburg Metropolitan Municipality	5,947,116	5,213,971
City Power Johannesburg (Pty) Ltd	1,572,922	5,142,790
Johannesburg City Parks (Pty) Ltd	280,380	224,105
Johannesburg Metropolitan Bus Services (Pty) Ltd	18,496	-
Johannesburg Water (Pty) Ltd	15,902	232,794
Pikitup Johannesburg (Pty) Ltd	54,270	139,907
The Johannesburg Civic Theatre (Pty) Ltd	36,268	-
Johannesburg Property Company (Pty) Ltd	58,057	-
	7,983,411	10,953,567

Financial Statements for the year ended 30 June 2007

2007 2006

28. Related parties (continued)

Related party transactions

Income from related parties

City of Johannesburg Property Company (Pty) Ltd	33,603,722	20,740,534
City of Johannesburg Metropolitan Municipality: Subsidies	353,290,000	326,686,000
City Power Johannesburg (Pty) Ltd	2,709,686	2,483,202
Johannesburg City Parks (Pty) Ltd	221,616	12,844,968
Johannesburg Development Agency (Pty) Ltd	349,079	4,630,035
Greater Newtown Development Agency (Pty) Ltd	5,130	-
Johannesburg Water (Pty) Ltd	5,207,829	5,358,039
Pikitup Johannesburg (Pty) Ltd	1,503,307	5,266,863
The Johannesburg Fresh Produce Market (Pty) Ltd	-	410,229
City of Johannesburg Municipality: Other	10,109,937	10,704,170
	407,000,306	389,124,040

Purchases from related parties

City of Johannesburg Property Company (Pty) Ltd	114,495	-
City of Johannesburg Metropolitan Municipality	13,026,150	5,452,013
City Power Johannesburg (Pty) Ltd	6,089,782	5,638,404
Johannesburg City Parks (Pty) Ltd	503,780	458,910
Johannesburg Development Agency (Pty) Ltd	-	221,225
Johannesburg Metropolitan Bus Services (Pty) Ltd	56,386	14,048
Johannesburg Water (Pty) Ltd	134,132	72,870
Pikitup Johannesburg (Pty) Ltd	348,527	1,133,907
The Johannesburg Civic Theatre (Pty) Ltd	22,730	18,041
The Johannesburg Fresh Produce Market (Pty) Ltd	-	480
The Johannesburg Zoo (Pty) Ltd	-	2,800
	20,295,982	13,012,698

29. Change in estimate

Property, plant and equipment

The useful lives of certain property, plant and equipment were revised during the period under review. The effect of this revision has reduced the depreciation charges for the current period by R 6,213,059

30. Prior year errors

30.1 Deferred tax

The correction relates to the recalculation of prior year deferred tax due to adjustments to prior year figures:

Statement of financial position

Retained income	-	(1,410,112)
Deferred tax liability	-	1,410,112

Statement of financial performance

Decrease in deferred tax	-	(1,410,112)
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30.2 Payables

The correction of the prior period error relates to the understatement of the prior years' leave pay provision.

Statement of Financial Position

Decrease in opening accumulated surplus- 2007	-	5,634,555
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Notes to the Annual Financial Statements for the year ended 30 June 2007

Figures in Rand	2007	2006
30. Prior year errors (continued)		
Increase in provision for leave pay - 2006	-	(5,634,555)
	-	-
Statement of Financial Performance		
Increase in leave pay expense	-	5,634,555
30.3 Revenue from Primedia previously not recognised.		
Statement of Financial Position		
Increase in trade receivables	-	1,333,333
Increase in opening accumulated surplus	-	(1,333,333)
	-	-
Statement of Financial Performance		
Increase in advertising income	-	(1,333,333)
30.4 Office Equipment not capitalised.		
Statement of Financial Position		
Increase in Office Equipment	-	17,779
Increase in Opening accumulated surplus	-	(17,779)
	-	-
30.5 Shareholders' loan overvalued.		
Land acquired from The City of Johannesburg Municipality was overstated.		
Statement of Financial Position		
Increase in opening accumulated surplus	-	3,430
Decrease in Shareholders loan	-	(3,430)
	-	-
30.6 Payables.		
Unwinding of prior year fair value adjustment.		
Statement of Financial Position		
Decrease in retention liability	-	4,724,470
Increase in opening accumulated surplus	-	(4,724,470)
	-	-
31. Risk management		
Liquidity risk		
The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments.		
Cash flow forecasts are prepared and monitored.		
Interest rate risk		
Deposits attract interest at rates that vary with prime. The company's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on profit (loss).		

Notes to the Annual Financial Statements for the year ended 30 June 2007

Figures in Rand

2007

2006

31. Risk management (continued)

The company's income and operating cash are substantially independent of changes in market rates. The company has no significant interest bearing assets.

Credit risk

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

32. Going concern

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

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company.

33. Actual operating expenditure versus budgeted operating expenditure

Refer to Annexure B for the comparison of actual operating expenditure versus budgeted expenditure.

34. Actual capital expenditure versus budgeted capital expenditure

Refer to Annexure B for the comparison of actual capital expenditure versus budgeted expenditure.

35. 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. The Johannesburg Roads Agency complied with the supply chain management policy.

of Performance

	Note(s)	2007	2006
Revenue			
Sale of goods		416,613,238	395,937,684
Cost of sales			
Purchases		(45,133,089)	(43,872,390)
Cost of manufactured goods		(239,279,035)	(234,727,512)
		(284,412,124)	(278,599,902)
Gross surplus			
		132,201,114	117,337,782
Other income			
City of Johannesburg Insurance Claims		5,799,768	3,919,539
Footway under balconies		1,169,855	1,195,130
Interest received	21	11,768,880	12,080,091
Reversal of provision for doubtful debts		699,451	-
Recoveries		920,751	-
Rental income		152,282	156,822
Sundry Income		1,169,355	2,530,693
Training Income		543,235	919,106
		22,223,577	20,801,381
Operating expenses			
Advertising		(1,432,386)	(1,277,330)
Auditors remuneration	18	(690,044)	(247,280)
Bad debts		-	(2,148,943)
Bank charges		(132,043)	(148,380)
Commission paid		(2,625,673)	(1,299,336)
Computer expenses		(7,435,162)	(6,574,021)
Conferences and seminars		(921,130)	(630,145)
Consulting and professional fees		(10,604,364)	(6,528,509)
Consumables		(504,134)	(543,347)
Deficit on disposal of assets		(32,350)	(4)
Depreciation, amortisation and impairments		(4,257,324)	(11,562,889)
Directors' remuneration		(898,416)	(791,049)
Employee costs	20	(62,731,213)	(48,622,536)
Entertainment		(392,595)	(230,510)
General expenses		(148,165)	(241,256)
Hostel charges		(3,093,344)	(3,479,032)
Insurance		(6,480,155)	(4,469,659)
Lease rentals on operating lease		(299,814)	(581,519)
Legal expenses		(516,015)	(754,883)
Levies		-	(858,034)
Magazines, books and periodicals		(123,919)	(30,479)
Medical expenses		(65,606)	(14,292)
Printing and stationery		(1,325,309)	(1,730,897)
Promotions		(1,676,186)	(1,714,761)
Protective clothing		(853,636)	(1,142,491)
Repairs and maintenance		(6,354,719)	(7,310,147)
Safety		(70,862)	(42,598)
Security		(4,941,430)	(4,663,863)
Subscriptions		(36,329)	(10,514)
Telephone and fax		(7,929,895)	(10,243,418)
Training		(1,939,985)	(2,051,493)
Travel - local		(1,585)	-
Travel - overseas		(6,888)	(13,746)

Statement of Performance

	Note(s)	2007	2006
Utilities		(9,948,259)	(10,791,412)
Workshop charges		(91,589)	(106,930)
		(138,560,524)	(130,855,703)
Operating surplus	17	15,864,167	7,283,460
Finance costs	23	(4,691,659)	(5,504,618)
Surplus before taxation		11,172,508	1,778,842
Taxation	24	3,427,201	(712,204)
Surplus for the year		7,745,307	2,491,046

CHAPTER SIX: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

Section 1: Products/Service Areas

The JRA in terms of the Service Delivery Agreement (SDA) with the COJ is responsible for the construction, maintenance, and management of infrastructure networks associated with roads, storm-water, footways, railway sidings and traffic mobility management. Table 17 contains a depiction of the JRA's main products/service areas.

Table 17: Product/Service Areas

Product/Service Area	Discussion and Interpretation
Traffic regulatory infrastructure	<ul style="list-style-type: none"> Traffic signalling (robots) Road markings Road signs Regulatory operating system
Road infrastructure	<ul style="list-style-type: none"> Road Road reserves (footways or %pavement+; bridges, verge or %edge/border/grass pavement+; culvert, guard rails, fencing and billboards) Infrastructure development and maintenance
Rail siding infrastructure	<ul style="list-style-type: none"> Rail Rail reserves (bridges, verge or %edge/border/grass pavement+;

Discussion and Interpretation

<p>Storm-water management</p>	<p>t, guard rails and fencing)</p> <ul style="list-style-type: none"> Storm-water catchments development developed and maintenance.
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Section 2: Functional areas highlights on progress

Some of the noticeable projects/initiatives are:

- Stormwater Management Plan:** This is a long term plan whose implementation will be multi year. The plan includes implementation of new storm water channels and the upgrade and maintenance of our existing channels. Implementation of the plan is currently under way.
- Disaster Management Plan:** In terms of the Disaster Management Act a Disaster Management Plan is an essential aspect of the business. The JRA’s Business Continuity Framework was completed during the first quarter of the year. The framework incorporates the Disaster Management Plan and the Disaster Recovery Plan. This plan aligns and complements the City of Johannesburg’s plan. Toward the end of the year discussions were commenced with regarding the establishment of a Disaster Management Centre for the City of Johannesburg Council and its municipal-owned entities.
- Environmental Management System Roll-out:** Phase one of the EMS was completed in this financial year. This can now be managed and monitored through the EMS. The roll-out is divided into three phases, the first of which (i.e. policy, aspects and impact schedules, KPIs and targets, and a legal review) has been completed. Phase two (i.e. implementation and training) and Phase three (i.e. monitoring, controls and auditing) commenced in the 2006/07 financial year and every aspect on delivery is still in order.
- Occupational Health and Safety (OHS) Act Compliance:** The City’s OHS Team was appointed by the JRA to carry out a safety assessment/audit. The audit was conducted against the requirements as set out in the OHS Act, specifications and relevant guidelines. A Policy and Compliance Manual was prepared to assist management with its reporting structures. Uncompromised service excellence and compliance is emphasised within the whole of JRA offices, depots and their scope of operational areas.

Table 18 provides information on the functional area provided by JRA to develop and maintain municipal road and stormwater infrastructure in the City of Johannesburg, including bridges/culverts, traffic signals/traffic signal systems, footways, road signage, road markings and railway sidings.



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delivery reporting

Function: Transportation	
	<p>Strategic Objectives:</p> <ul style="list-style-type: none"> • improve the quality of it's assets; • improve the mobility of traffic; • improve customer satisfaction; • enhance safety of road users; • revenue maximisation; • internal capacity building; • develop new Infrastructure; and • management of storm water systems.