

# Contents

<b>1. INTRODUCTION AND CORPORATE PROFILE</b>	<b>2</b>	<b>4. HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT</b>	<b>26</b>
1.1 Overview of the JRA	3	4.1 Human Resource Management	27
1.2 JRA's Strategic Objectives and Mayoral Priorities	5	4.2 Employment Equity	27
1.3 Foreword by the Member of the Mayoral Committee	7	4.3 Skills Development and Training	28
1.4 Foreword by the Chairperson	8	4.4 Performance Management	28
1.5 Report by the Managing Director	9	4.5 HIV/AIDS on the Workplace	28
1.6 Statement of Responsibility	11	4.6 Employee Benefits	29
<b>2. PERFORMANCE HIGHLIGHTS</b>	<b>12</b>	4.7 Supply Chain Management and Black Economic Empowerment	29
2.1 Financial Performance	13	<b>5. AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION</b>	<b>30</b>
2.1.1 Revenue	13	<b>6. FUNCTIONAL AREA SERVICE DELIVERY REPORTING</b>	<b>62</b>
2.1.2 Results of Operations	13	<b>FIGURES</b>	
2.1.3 Cash Flow	13	Figure 1: JRA's Corporate Structure	4
2.1.4 Balance Sheet	13	Figure 2: JRA's Geographic Area of Responsibility	5
2.2 Capital Projects	13	Figure 3: 2005/6 Financial Year Gravel Roads Maintained compared to 2004/05 Financial Year Results	16
2.3 Expanded Public Works Programme	15	Figure 4: Kilometres of Gravel Roads Surfaced	16
2.4 Achievements and Performance against the IDP and City's Scorecard	15	Figure 5: Traffic Controlled Intersections Working on Any One Day	17
2.4.1 Key Performance Area 1: Service Delivery Performance	16	Figure 6: Disabling Injuries	18
2.4.2 Key Performance Area 2: Customer Perspective	18	<b>TABLES</b>	
2.4.3 Key Performance Area 3: Internal Business Processes	18	Table 1: JRA's Asset Replacement Value (January 2006)	5
2.4.4 Key Performance Area 4: Environment	19	Table 2: Contribution to the Mayor's Strategic Agenda	6
2.5 Statement on Amounts Owed by Government Departments and Public Entities	19	Table 3: Revenue Mix	13
2.6 Recommendation and Plans for 2006/07 Financial Year	19	Table 4: 2005/06 Financial Year Capital Projects	14
<b>3. DIRECTORS' REPORT AND GOVERNANCE</b>	<b>20</b>	Table 5: Statement on Amounts Owed by Government Departments and Public Entities	19
3.1 Corporate Governance Statement	21	Table 6: Attendance of Board Meetings by Non-Executive Directors	22
3.2 Board of Directors	21	Table 7: Remuneration Received by Non-Executive Directors (1 July 2005 to 30 June 2006)	23
3.3 Board Committees	21	Table 8: Remuneration Received by the MD and General Executive Managers (1 July 2005 to 30 June 2006)	23
3.3.1 Tenders and Service Delivery Committee	21	Table 9: Proposed Employment Equity Targets and Actual	27
3.3.2 Audit and Risk Committee	22	Table 10: Functional Area Service Delivery Reporting	63
3.3.3 Remuneration Committee	22		
3.4 Director's Remuneration	23		
3.5 Company Secretarial Function	23		
3.6 Risk Management and Internal Controls	23		
3.7 Internal Audit Function	24		
3.8 Response to the Auditor-General Report	24		
3.9 Corporate Ethics and Organisational Integrity	25		
3.10 Sustainability Report	25		
3.11 Corporate Social Responsibility Report	25		

# **Introduction and corporate profile**





## 1.1 Overview of the JRA

The Johannesburg Roads Agency (Pty) Ltd (JRA) commenced its business on 1 January 2001 with the City of Johannesburg being the sole shareholder. The JRA's core competencies are the planning, design, construction, operation, control, rehabilitation and maintenance of the municipal road and stormwater infrastructure in the City of Johannesburg. The main responsibilities include the construction and/or maintenance of bridges/culverts, traffic signals/traffic signal systems, footways, road signage, road markings and railway sidings.

According to *Figure 1*, over the page, the company's structure comprises of the following business units:

- △ Business, Strategy & Development (BSD);
- △ Business Mobility & Networks (BMN);
- △ Business Implementation (BI);
- △ Corporate Services (CS), including Systems Support and the Company Secretariat;
- △ Finance; and
- △ the Managing Director's (MD) office, including Capital Development, and Audit and Risk Management.

The Corporate Management Team (CMT) forms the backbone of collective management of the JRA, which serves to align the operational synergies/activities of the different Business Units.

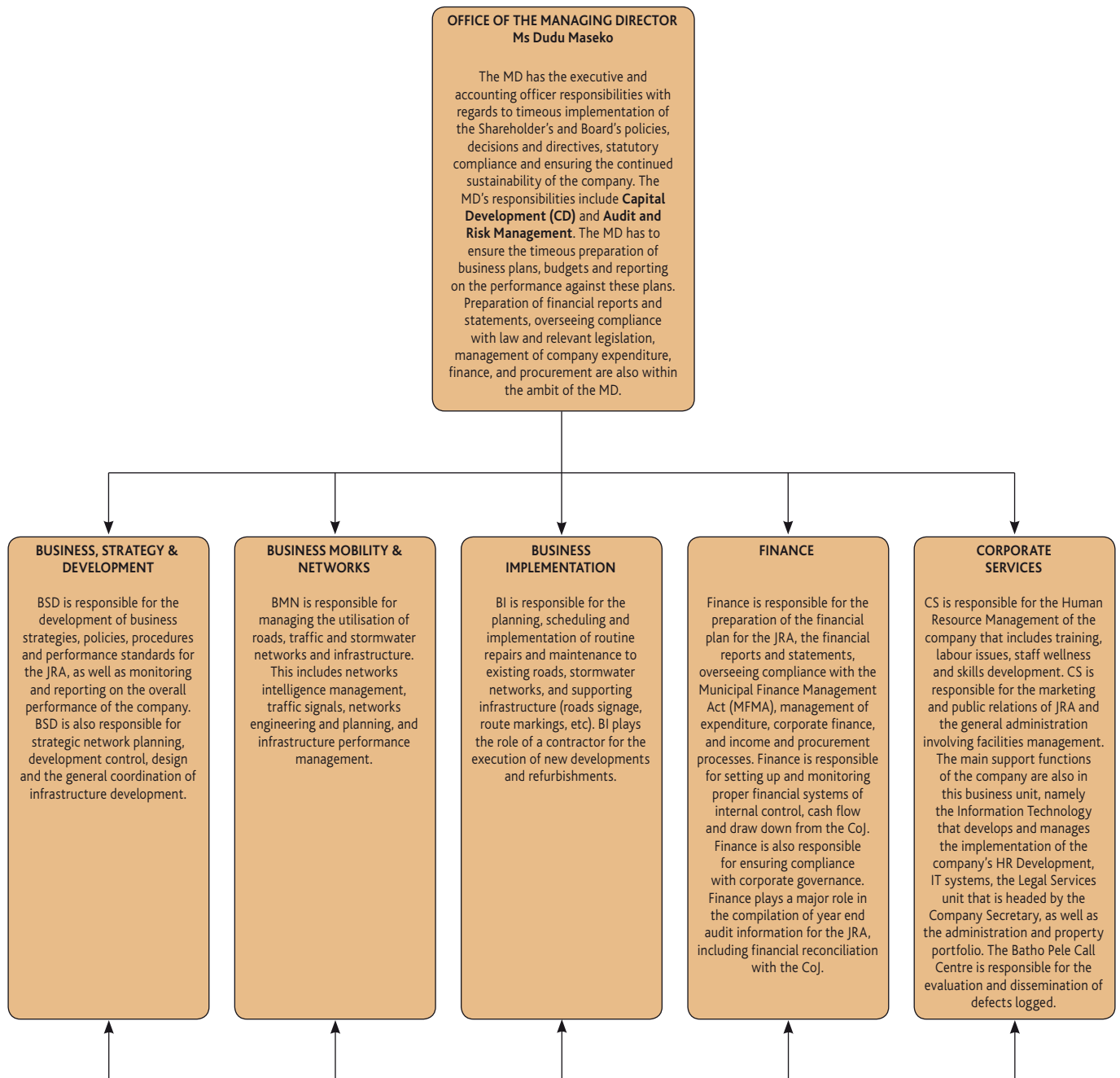
*Figure 2*, over the page, graphically shows the JRA's area of jurisdiction and the new administration regions. The names of the administration regions are subject to amendment.

The JRA has a total length of 9 247km of roads under its control, of which 918km are gravel roads, serving a resident population of 3 225 780 (2003). The under investment in maintenance of infrastructure has resulted in a maintenance backlog of approximately R2.5 billion. This includes work such as structural reinforcement of the road pavements, upgrading of stormwater and traffic signal installation.

The JRA is responsible for ensuring that stormwater (either stormwater that soaks into the ground or the run-off into streams, rivers and floodplains) is conveyed in a safe manner that does not compromise asset value, the environment, ecology, life, health

Figure 1:

## JRA's Corporate Structure

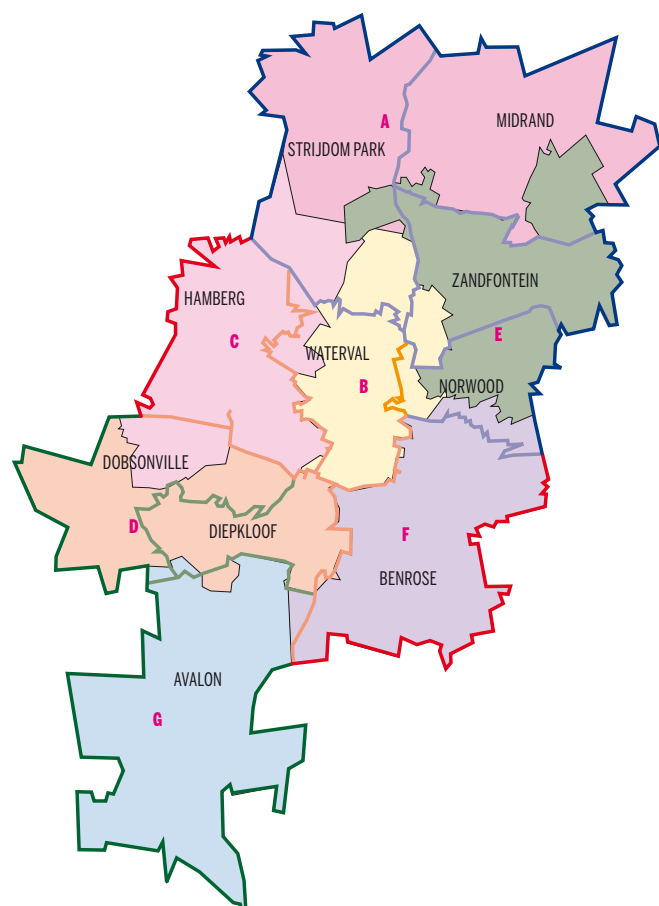


Koma Road, Phase II,  
Soweto



Figure 2:

### JRA's Geographic Area of Responsibility



or property. The JRA has 3 943km of closed stormwater and an extensive open drainage system under its control. This responsibility extends into assisting the City to develop, amongst other things, township establishment principles and policies for stormwater runoff. There are currently approximately 470 bridges and 41 major culverts in the City of Johannesburg. Furthermore, JRA manages and maintains 1 848 traffic signal controlled intersections including pedestrian crossings.

In total, the asset replacement value of assets under the management and control of JRA is approximately R28 393 billion (see Table 1).

Table 1:

### JRA's Asset Replacement Value (January 2006)

Category		Replacement Value
Roads	Motorways	R848m
	Major arterial	R4 434m
	Local	R12 541m
Kerbing		R2 320m
Bridges		R2 138m
Stormwater	Pipes	R3 466m
	Nodes	R679m
Footways		R1 598m
Traffic signals	Complex	R80m
	Simple	R277m
Overhead gantries/cantilever		R3m
Road signage	Major arterial	R8m
	Local	R25m
<b>Total</b>		<b>R28 393m</b>

## 1.2 JRA's Strategic Objectives and Mayoral Priorities

The JRA has adopted the following strategic objectives:

- △ 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
- △ management of storm water systems.

The JRA adopted an approach designed to identify and manage value-adding activities towards the achievement of its strategic objectives across all Business Unit lines, and to eliminate silo thinking and execution. Table 2, over the page, shows in summary format how each of JRA's objectives address one or more of the Mayoral Strategic Thrusts.

The Nelson Mandela Bridge



Table 2:

### Contribution to the Mayor's Strategic Agenda

MAYORAL PRIORITIES/THRUSTS	JRA STRATEGIC OBJECTIVES							
	(1) Improve quality of assets	(2) Improve mobility of traffic	(3) Improve customer satisfaction	(4) Enhance safety of infrastructure user	(5) Revenue maximisation	(6) Internal capacity building	(7) New infrastructure development	(8) Management of storm water systems
(1) Deepen democracy and promote good governance	✓	✓	✓	✓	✓	✓	✓	✓
(2) Ensure basic service delivery	✓	✓		✓			✓	✓
(3) Enhance Batho Pele and customer care			✓					
(4) Address job creation and accelerate economic development							✓	✓
(5) Target poverty and advance human development						✓		
(6) Consolidate inner city regeneration	✓							
(7) Consolidate HIV/AIDS initiatives						✓		
(8) Create sustainable human settlements			✓				✓	✓
(9) Enhance integrated transport		✓	✓					
(10) Ensure financial sustainability					✓			
(11) Improve community safety				✓				
(12) Promote strategic planning and management	✓						✓	✓
(13) Develop and implement strategic projects	✓	✓		✓			✓	✓
(14) Prepare for FIFA 2010 World Cup	✓						✓	✓
(15) Advance sustainable development agenda						✓	✓	✓



Executive Mayor  
Clr. Amos Maseko



MMC for Transport  
Clr. Rehana Moosajee

### 1.3 Foreword by the Member of the Mayoral Committee

The 1st March 2006 elections heralded the beginning of the second term of democratic local government in South Africa. For the City of Johannesburg, the new political term also brought exciting new changes aimed at accelerating service delivery to the citizens of our beautiful city.

The annual report for 2005/06 straddles two political terms of office. It is, therefore, appropriate for me to acknowledge the foundation laid by the Member of the Mayoral Committee (MMC) Councillor Christine Walters, who exercised political oversight over JRA in the period 5th December 2000 to 1st March 2006.

It was MMC Walters, together with the Community Development portfolio committee that had the task of setting up JRA and going through the process associated with such a mammoth task. It was during her tenure that the City's Executive Mayor, Councillor Amos Maseko, was able to deliver on the Soweto Gravel Roads Programme – a real landmark for the City of Johannesburg.

The better part of the contents of this report was achieved during MMC Walters' term of office.

The only constant in life is change – the new political term brought many changes for the JRA. These included:

- △ the establishment of transportation as a new stand alone department, with JRA now being part of this portfolio;
- △ the appointment of a new MMC;
- △ the appointment of the JRA's MD, Mr Mavela Dlamini, as the City Manager;
- △ the separation of powers between the executive and legislature – giving rise to the formation of the Section 79 portfolio committee, that now plays an oversight role; and
- △ the creation of transport as a sector in a new round of ward committee elections.

The JRA team has coped extremely well with these changes.

The infrastructure that JRA is responsible for providing includes building and provision of new roads; maintenance of existing roads; traffic signals; and stormwater. The infrastructure that JRA is

responsible for is vital to the quality of life of the citizens of Johannesburg.

The two worlds in one city are clearly evident in the infrastructure that JRA is responsible for. You can drive from a dusty gravel road in Orange Farm onto a world class freeway system and onto the well-maintained roads of Sandton. In responding to the needs of our citizens, the JRA must be able to cater for the varying demands that exist in relation to road infrastructure. The economic success of Johannesburg, increasing private car ownership patterns and rapid urbanisation, all mean that like all other entities in the city, JRA is trying to manage competing needs, deal with historical backlog and provide acceptable levels of maintenance, so that the asset of the city is enhanced.

The Mayoral priorities for this term of office mean that JRA must continue to play a trendsetting role in providing roads infrastructure to the citizens of the City of Johannesburg. In doing that, the board, management and valuable employees of JRA must focus on the following:

- △ use the resources they have in a way that inspires confidence in the people of this city;
- △ be responsive to the needs of the communities;
- △ work in a collaborative way with other city departments and municipal owned entities (MOEs); and
- △ that working for the JRA is considered to be a privilege and that wearing a JRA uniform makes one truly proud.

I believe that the foundation has been laid in the 2005/06 financial year. This annual report should give all citizens of the city a reason to be proud.

Chairperson of the board  
Mrs Noluthando Orleyn



## 1.4 Foreword by the Chairperson

Another year has come to an end. I would like to thank my fellow Directors with whom I serve on the Board, the Management and staff of the Company for yet another good year. Through our commitment as a collective, we were able to discharge the brief entrusted on the JRA by our sole shareholder and parent municipality, the City of Johannesburg by delivering much needed service to the community.

A lot has happened in the year under review. Amongst many developments is a new local government that was elected in March 2006. With this came the change in the leadership of the City, particularly the establishment of the new Transportation sector within which the JRA falls. The JRA is now under the Transportation sector headed by Councillor Rehana Moosajee, a member of the Mayoral Committee. The MD of the JRA, Mr Mavela A.V. Dlamini, was appointed as the City Manager. On behalf of the Board, the JRA Management and the staff, I would like to congratulate both the new MMC and the former MD on their respective appointments. We look forward to working with them both in their respective capacities.

In the past year, the JRA has been able to strengthen its position with various stakeholders. Our ability to meet the expectations of a broad and multi-interest customer base often required innovative and continuous inventive approaches when interacting and executing our activities. We cemented our performance by ensuring that all the objectives in our corporate scorecard and the business plan were met, and exceeded our expectations with the budget that we had.

The JRA always factored its mandate and the aspirations of the Shareholder into the strategic plans. Our operations departments were very effective in implementing the key deliverables defined in the strategic plan and our detailed EPWP. The momentum set in the previous financial year increased during this period and resulted in us, once again, delivering on those programmes that served as the Mayoral priorities.

The favourable financial position we have achieved will strengthen our position going forward. In spite of the portfolio growth and certain constraints, we have been able to cement our position through increased productivity and efficiencies. All departments comprising the Finance, CS, BI, BSD, BMN, Capital Development (CD) and Audit and Risk (AR) continued to perform at high standards collectively.

With constant guidance and vigilance, the Board of Directors, through its Audit Committee, dedicated itself to ensuring that all the issues that were raised by the Auditor General in last year's audit were rectified. Processes were put in place to ensure that the entity's internal controls were above board and that the Company complied with good Corporate Governance principles, best practices and legislation. The Board is keen to maintain its record of getting a clean audit, as has been the case since inception of the Company. With this in mind the Board mandated the Audit Committee to review and capacitate the Company's Audit and Risk Section. I am pleased to report that this mandate was discharged successfully. Our Audit and Risk Section is now running at full and efficient capacity.

Amongst much crucial legislation that the Company has to comply with, is the Municipal Finance Management Act (MFMA), Act 56 of 2003. In May 2005 the Supply Chain Management Regulations were gazetted in terms of that Act. The regulations introduced a drastic change in the way procurement of goods and services was to be carried out. As a result the Company's procurement processes and procedures had to be amended to align therewith. Albeit these regulations required drastic changes to policy and procedures that could under normal circumstances have resulted in delays in the procurement processes. Notwithstanding, the JRA responded and adapted swiftly thereto with minimum disruptions to service delivery.

As will appear more fully in Chapter 2, the Company has also been consistent in achieving its key performance indicators (KPIs) in terms of the Company's scorecard and did so within its budget. This is as much attributable to the commitment to service delivery as it is to eagerness to the changing of the lives of the residents of the City of Johannesburg. Through the Service Delivery Committee and the Audit and Risk Committee, the Board of Directors kept a vigilant oversight on these aspects and assisted management where necessary.

Finally, at our last Annual General Meeting (AGM), Dr Reuben Washington Nyabeze was appointed to the JRA Board. Dr Nyabeze brings a wealth of knowledge from an Engineering perspective to the Board. On behalf of the Board, I would like to take this opportunity to welcome him to the JRA family. We look forward to working with him on the Board.

As we enter the new year we hope to build on the achievements of the past year and look forward to the year ahead with even more determination.

Managing Director  
Ms Dudu Maseko



## 1.5 Report by the Managing Director

Back in the Year 2000: The City of Johannesburg (called differently then) announced that “We have a plan” – The iGoli 2002 Plan – that proposed a complete overhaul of the Johannesburg’s institutions. This plan focused on the following critical areas:

- △ establishment of municipal owned service delivery entities (utilities, agencies and corporatised entities);
- △ introduction of a new model of political governance focusing on sound governance and management practices;
- △ improvement of quality and coverage of service delivery;
- △ establishment of a streamlined core administration and eleven regions with a view of the enhancement and restoration of financial viability and stability for the City; and
- △ making the City to work.

In 2001, the City of Johannesburg announced that “we are implementing the plan”. The JRA is one of the agencies that was established and commenced with its activities of rolling down this new programme.

Reflections: One of the political leaders at the time mentioned that “It cannot be business as usual”. Indeed, the JRA has lived up to that challenge over the past five years. Much as one would have wanted to reflect on the five years for this exercise, this performance overview focuses only on the 2005/06 financial year.

The JRA’s Mandate and the City’s Philosophy: It has always been critical to reflect on why the JRA was established within the City’s broad plan. It is indeed a tall mandate that can be briefly summarised as follows:

- △ the case for change had to focus on two areas, namely institutional capacity and sound financial and business sense;
- △ getting the basics right in the provisioning of service;
- △ the Service Delivery Agreement (SDA) outlines all JRA’s specific activities that are refined and grouped into four, i.e. roadway, stormwater management, traffic management and mobility, and related road infrastructure activities;
- △ implementing service delivery through the six mayoral strategic thrusts;

*“There is a sense of hope that a new world can be built in which economic development, social development and environmental protection as interdependent and mutually reinforcing components of sustainable development can be realized through solidarity and cooperation within and between countries and through effective partnerships at all levels”.*

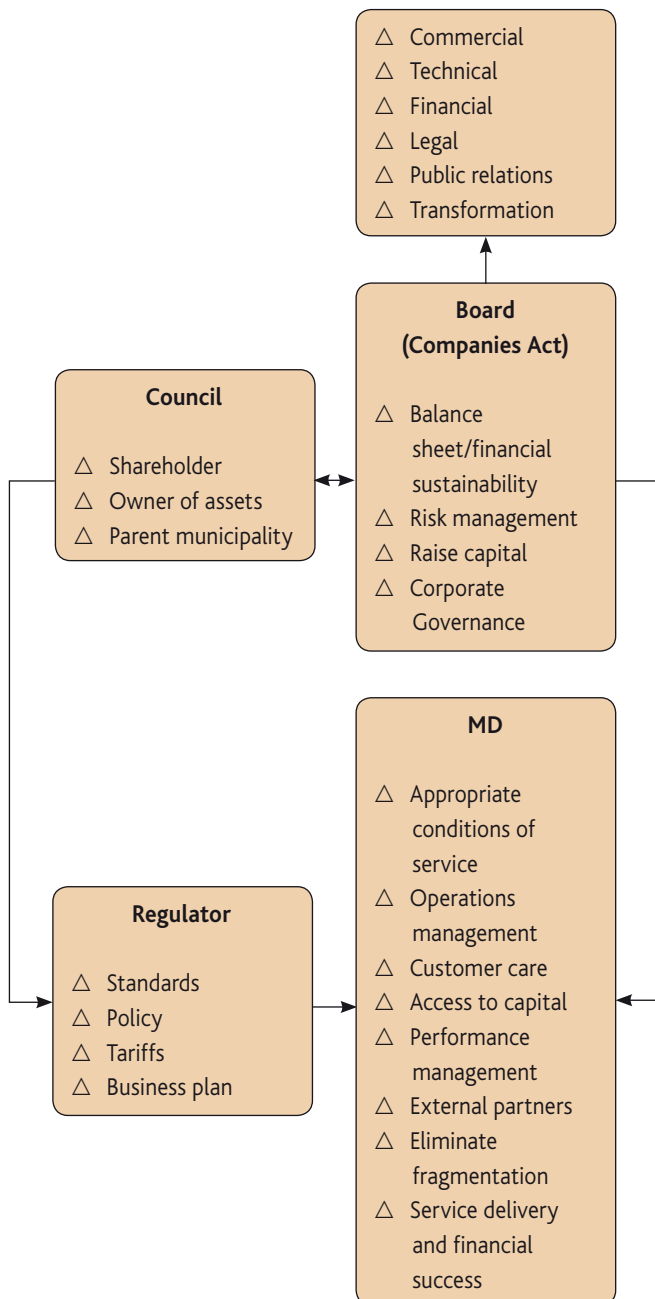
*This challenge requires the JRA (and others) to focus on enhancing **triple bottom line reporting** that promotes the concept of sustainable cities as was stated in the UN City Summit Habitat Agenda (Chapter 1, June 1996, page 14):*

- △ generally improving the quality of life of our communities through various strategies of which the key is Human Development and other key poverty alleviation activities;
- △ sound financial management and other sources of funding; and
- △ the sustainability of the company.

Ribbon cutting ceremony – gravel roads upgrades



### The interrelationship between the various components of a public utility.



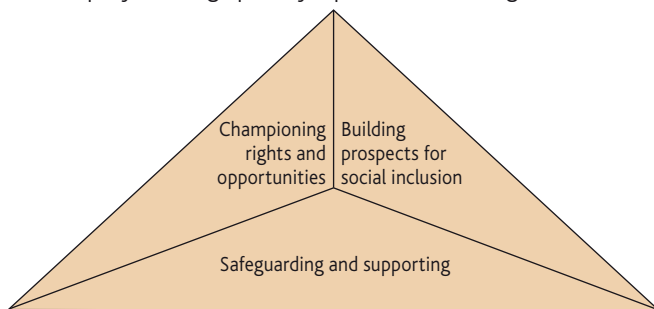
**Corporate Social Responsibility:** The JRA prides itself with the Corporate Social Responsibility (CSR) programme that has gone a long way in ensuring that we remain a focused and caring company within our area of operation. This program is also a key deliverable of the Executive Mayor's strategic thrusts. Key to the programme of CSR is the question of environmental degradation and the ability to sustain human life particularly those of vulnerable communities, supporting initiatives and solutions that deal with poverty alleviation, job creation and preservation of future resources. Two key deliverables are worth noting:

- △ **Support for Orphanages:** Continuous supporting of orphanages for children who are HIV positive. These organisations are listed below:
  - Elter for AIDS orphans (Hillbrow);
  - Fhatani Home Based Community Development (Claim Street);
  - Sakhisizwe Aids Care Initiative (Orange Farm);
  - Bethesda House – The Salvation Army (Soweto);
  - Jordan House Methodist Care (Jeppestown);
  - Kizito HIV/AIDS Home (Soweto);
  - Nazareth House (Yeoville);
  - Emseni Chronic Care (Hillbrow); and
  - The New Jerusalem Place.
- △ **The June 16 Trail:** The June 16 Trail project was born during preparations for celebrations of "10 Years of Democracy in South Africa". As the City of Johannesburg is its parent municipality, JRA was expected to contribute through its core functions their own activities to mark this significant period. This project seeks to mark the route that Soweto students took/ planned on 16 June 1976 (and related days). It is known that some of the routes that were planned may have not been used during that fateful day. The routes would all converge at the Hector Peterson Memorial. The end goals would be to enable people to walk and commemorate this significant occurrence. Approved walks would target schools and tourists. Walks across Soweto would be organised for youth planning to get a feel of what really happened at the time during the year. An annual march on 16 June will be encouraged to mark the history of the march. Along the route, other plans will include heritage aspects as well.



**Conclusion:** The JRA with the advent of change since the new political leadership inception from March 2006 has to make new adjustments. Like all six year olds, the company will be faced with new challenges:

- △ being part of the transport sector brings a different flavour on the focus of JRA's activities;
- △ the company has to move to its next phase of development, from establishment to stabilisation, innovation and growth;
- △ specific attention has to be given to the issue of company sustainability;
- △ the challenge of becoming a world class company within the vision of a world class African City and the Vision 2030 remains a key focus;
- △ special delivery projects like the Gautrain rapid rail project and the 2010 FIFA Soccer World Cup Tournament; and
- △ the City of Johannesburg development strategy as we move forward needs to inform the new business imperatives for the company. This is graphically represented in the figure below:



It is the three key elements shown in the figure above that challenge the JRA to look at roads infrastructure and maintenance as a means to an end – which can contribute significantly to eradication of poverty in the first instance and the development of a "sense of being valued and pride in our communities" (Executive Mayor Clr A Masedo).

The question then becomes how the JRA carries its development mandate within the four basic sustainability principles (vs. dwindling resources):

- △ strong economy;
- △ clean environment;
- △ social equity; and
- △ engagement.

## 1.6 Statement of Responsibility

The JRA Board of Directors is responsible for the preparation, integrity and fair presentation of the annual financial statements of the company and the entire business operations. The financial statements presented in Chapter 5 have been prepared in accordance with SA Generally Acceptable Accounting Practices (SA GAAP) and include amounts based on judgement and estimates made by management.

The directors are responsible for the preparation of the other information in this annual report and are responsible for both its accuracy and its consistency with the financial statements. The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the JRA will not be a going concern in the foreseeable future based on the forecast and available cash resources. Reference is made to the Report of the Directors contained in Chapter 3 with regard to the appropriateness of the going concern assumption for the preparation of the financial statements.

The Auditor-General, who was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board, has audited the financial statements. The directors believe that all representations made to the Auditor-General during their audit are valid and appropriate. The financial statements were approved by the Board of Directors on 13 December 2006 and signed on its behalf by Ms Susan Grant.

# Performance highlights



Energy saving project – LED lights



Soweto gravel roads program for footways



## 2.1 Financial Performance

The JRA has achieved a net surplus of R15 069 573 with an operating surplus of R5 977 754. The gross revenue year-on-year increased by 8,2%.

### 2.1.1 Revenue

The JRA posted a revenue of R397,6m for the financial year, i.e. an increase of 8,2% over the previous year. The subsidy from the Shareholder, the City of Johannesburg, made up 82% of total revenue received, this being an increase of 5,6% over the previous year. Other revenue increased by 21,4% to R70,9m. *Table 3* shows the mix of revenue.

Table 3:

#### Revenue Mix

Source	Amount
Subsidy – City of Johannesburg	R326m
Advertising	R21m
Jobbings	R34m
Reinstatements	R7m
Asphalt sales	R9m
Maintenance of robots	R0,6m
<b>Total</b>	<b>R397, 6m</b>

### 2.1.2 Results of Operations

The operating expenditure increased by 5,7% year-on-year. The main area of expenditure being payroll costs decreased from 53,3% to 49,3% as a percentage of total costs. The impact of increased revenue had the result of increasing material costs as a result of higher than expected average oil price, as well as material expenditure incurred to realise additional revenue. The other major categories of expenditure trends are in line with inflation.

### 2.1.3 Cash Flow

A Council grant to the value of R326m was received in the reporting period that covered 81% of operational costs. Interest income earned of R10m (2005: R8m) covered 2.7% 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 with cash on hand being R116m. This was due to effective cash flow management.

### 2.1.4 Balance Sheet

Fixed assets increased by a net of R8,8m to R54,8m at cost. This increase was due to the replacement of aging and obsolete equipment. The net current asset base has improved from R11,4m to R29,2m at year-end. The increase in the Trade and Other Receivables at year-end was as a direct result of the increased Capex programme undertaken by the JRA on behalf of the City of Johannesburg. This was also evident by the increase in Trade Payables over the previous year, as the JRA merely acts as a conduit through which the shareholder realises infrastructure developments.

## 2.2 Capital Projects

The Board of Directors approved the 2005/06 Capital Budget for the JRA on the 27th of June 2005. *Table 4* indicates the allocated budget per project and information with regard to the projects' start and end dates. Some projects commencing during the 2005/06 financial year will continue into the next financial year before completion is reached. Projects were originally approved for implementation to a total value of R204 900 000. These projects varied in size and extent, some projects being more complicated than others and some only being payments made to developers for infrastructure development. Additional funding was motivated and sourced for a number of projects totalling R105 600 410. This funding was received in the form of Municipal Infrastructure Grants (MIG). The revised budget for the 2005/06 financial year therefore totalled R310 500 410 (inclusive of VAT).

The successful completion of the Soweto Highway Extension (Modise, Vincent and Van Onselen Roads) – a further phase of the upgrading of gravel roads to surfaced road standards – and the rehabilitation of the Robinson Stormwater Canal were some of the notable highlights during the year under review. The capital budget for the 2005/06 financial year was spent to within 0.1% of the originally allocated budget.

Table 4:

## 2005/06 Financial Year Capital Projects

Project	Start date	End date	Capex allocation (including MIG)
Bez Valley stormwater rehabilitation	Feb 06	Oct 06	R5 000 000
Boundary Road Land Acquisition (Cosmo City)	Jul 05	Jan 07	R4 000 000
Braamfontein Spruit	Feb 06	Jun 06	R5 000 000
Modise, Vincent, Van Onselen (Soweto Highway)	2004/05	May 06	R9 500 000
Crownwood Road, Langlaagte	Feb 06	Oct 07	R10 000 000
Design of future schemes	Jul 05	Jun 06	R1 500 000
Emergency stormwater projects	Jul 05	Jun 06	R5 000 000
Environmental compliance	Jul 05	Jun 06	R500 000
Implementation of Stormwater Masterplan Proposals – Alexandra	Jul 05	Jun 06	R2 000 000
Koma Road (Bendile to Old Potch Road), including Bendile Intersection	2004/05	Jul 06	R32 200 410
Mobility related projects	Jul 05	Jun 06	R25 650 000
N17 – Nasrec Road to beyond New Canada Road	Jul 05	Nov 08	R16 000 000
N-S Flagship Project Regina Mundi to Parktown (JRA Portion)	2004/05	Jun 06	R28 400 000
Operational capital	Jul 05	Jun 06	R10 250 000
Rehabilitation M1, M2 Motorways	May 06	Jun 06	R5 500 000
Replacement of motorway expansion joints	May 06	Dec 06	R3 000 000
Ivory Park and Kaalfontein gravel roads upgrading	Jul 05	Jun 06	R26 000 000
Ivory Park gravel roads upgrading	Jul 05	Jun 06	R7 000 000
Kaalfontein gravel roads upgrading	Jul 05	Jun 06	R7 000 000
Orange Farm gravel roads upgrading	Jul 05	Jun 06	R9 500 000
Diepsloot gravel roads upgrading	Jul 05	Jun 06	R5 500 000
Roads and stormwater masterplanning	Jul 05	Jun 06	R2 000 000
Structural repairs: Robinson Canal Sub 9.1, 9.3 and 9.4	Feb 06	Oct 06	R7 000 000
Soweto Paving of Sidewalks	May 06	Oct 06	R4 000 000
Upgrading Crownwood Road (including Rand Show Rd)	Feb 06	Oct 07	R5 000 000
Bram Fischerville roads and stormwater Phase 1	Jul 05	Jun 06	R10 000 000
Orange Farm roads and stormwater Phase 1	Jul 05	Jun 06	R7 000 000
Rehabilitation (resurfacing) of roads in and around Alexandra	Jul 05	Jun 06	R7 000 000
Construction of footways (kerbing and paving) in Soweto Phase 1	May 06	Oct 06	R4 900 000
Soweto Development roads and stormwater Phase 2 A	Jul 05	Jun 06	R6 900 000
Soweto Development roads and stormwater Phase 2 B	Jul 05	Jun 06	R4 900 000
Soweto Development roads and stormwater Phase 2 C	Jul 05	Jun 06	R4 900 000
Construction of Klipspruit Valley Road K43 – Stage 3	Jan 06	Dec 07	R22 200 000
Stormwater projects (Mobility related projects)	Jul 05	Jun 06	R5 000 000
Upper Jukskei pollution trap	2004/05	Sept 06	R1 200 000



EPWP  
Women Project



EPWP Youth  
Project

## 2.3 Expanded Public Works Programme

The JRA EPWP programme remains the driving force and strategy towards eradicating poverty through job creation. Job creation programmes within the JRA are part of the mayoral strategic thrust activities and an attempt to contribute towards the creation of 1 000 000 jobs through EPWP as announced by President Thabo Mbeki. The JRA has created 500 sustainable jobs this year through various programmes, produced 93 graduates through the EPWP learnerships programme. Hundred learnerships will be graduating in October 2006. Ten Closed Corporations have been formed as part of the BEE support and business incubation programme. About 60% of this programme has been taken up by youth, women and people with disabilities.

The achievement of the service delivery units hinges on the professional support provided by both the Finance and Corporate Services teams. Key strategic reviews for both units have been a key focus on a 50/50 customer care. The philosophy is to increase the momentum on increased value of the JRA employee, i.e. "Happy employees make happy communities".

The JRA continuous improvement ethos continues to be a focus of service delivery and service excellence. It is this key focus which allows the JRA to constantly look at new service delivery mechanisms i.e. seeking better methodology to serve our communities.

The key challenges for the JRA remains balancing the needs and priorities of the community against available resources within the City's past, present and future programmes.

The new maintenance strategy is focused on theme maintenance. This focused theme maintenance plan will bring together communities understanding on planned maintenance and completed work. This focus will also mobilise communities through Letsema/enhance community education on JRA activities and to build understanding on both community needs and priorities as presented within the IDP's process vs. approved COJ deliverables and available resources.

Special projects like the Gautrain and 2010 World Cup games have been incorporated into the main stream JRA activities. This will ensure that the JRA role is played at its maximum, as it has successfully done with the WSSD in 2003. Special teams and fora, capacity building and support has been set up for key outputs in partnership with the COJ programmes, as well as other stakeholders/fora on both the Gautrain and 2010 projects.

The JRA will continue to tirelessly work towards building and retaining internal capacity in order to meet its key challenges within the scarce skills areas like IT. A focus on IT systems and general company retention strategy is underway.

The Corporate Social Responsibility also focuses on JRA employees and provides for extended services through the Value Programme and extended services of HIV/AIDS & internships to employees families.

My sincere appreciation and gratitude goes to all JRA Board members and strategic support and guidance for the Business community flavour and transformational leadership skills which they bring to the company. All the JRA employees are specially thanked for their commitment to serve our community through service provisioning and contributions towards the improvement of the quality of life of our communities during the previous years, the current 2005/06 year and in the future.

## 2.4 Achievements and Performance against the IDP and City's Scorecard

The JRA's 2005/06 Integrated Development Plan (IDP) Scorecard was revised and agreed upon during 2004. It was specifically aligned with the Joburg 2030 Strategy, IDP and the Mayoral Priorities and Strategic Objectives. It was included into JRA's 2005/06 business plan. The scorecard comprises of clear Key Performance Areas (KPAs) and measurable Key Performance Indicators (KPIs). Each KPI has a baseline and annual target. In some instances the annual estimate comprises of an aggregation of the estimates achieved in each quarter, while in other instances a constant estimate must be achieved.

### 2.4.1 Key Performance Area 1: Service Delivery Performance

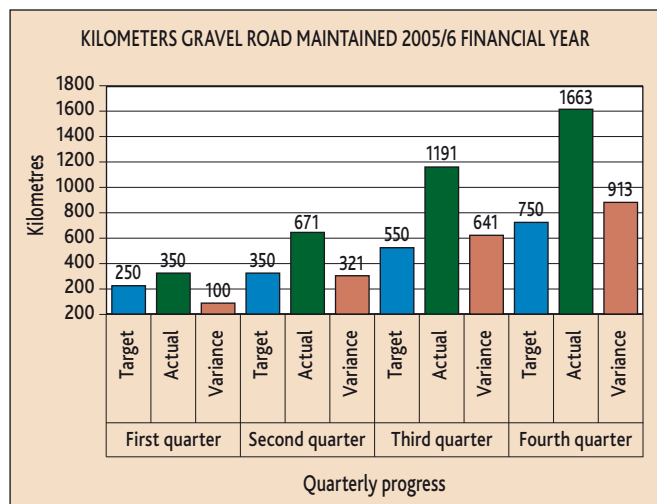
#### KILOMETRES OF GRAVEL ROADS MAINTAINED

Financial Year	Base	Annual Estimate	Actual	Variance
2005/06	850km	750km	1 663km	913km
2004/05	850km	850km	1 384km	534km

The actual estimate achieved for this financial year was 1 663km versus an estimate of 750km, reflecting a positive variance 913km. This compares well against the results for the 2004/05 financial year, during which an actual estimate of 1 384km was achieved compared to an estimate of 850km, resulting in a positive variance of 534km. It is interesting to note from the results listed above, the annual estimate this year was decreased from 850km (2004/05 financial year) to 750km (2005/06 financial year). *Figure 3*, over the page,

Figure 3:

#### 2005/6 Financial Year Gravel Roads Maintained compared to 2004/05 Financial Year Results



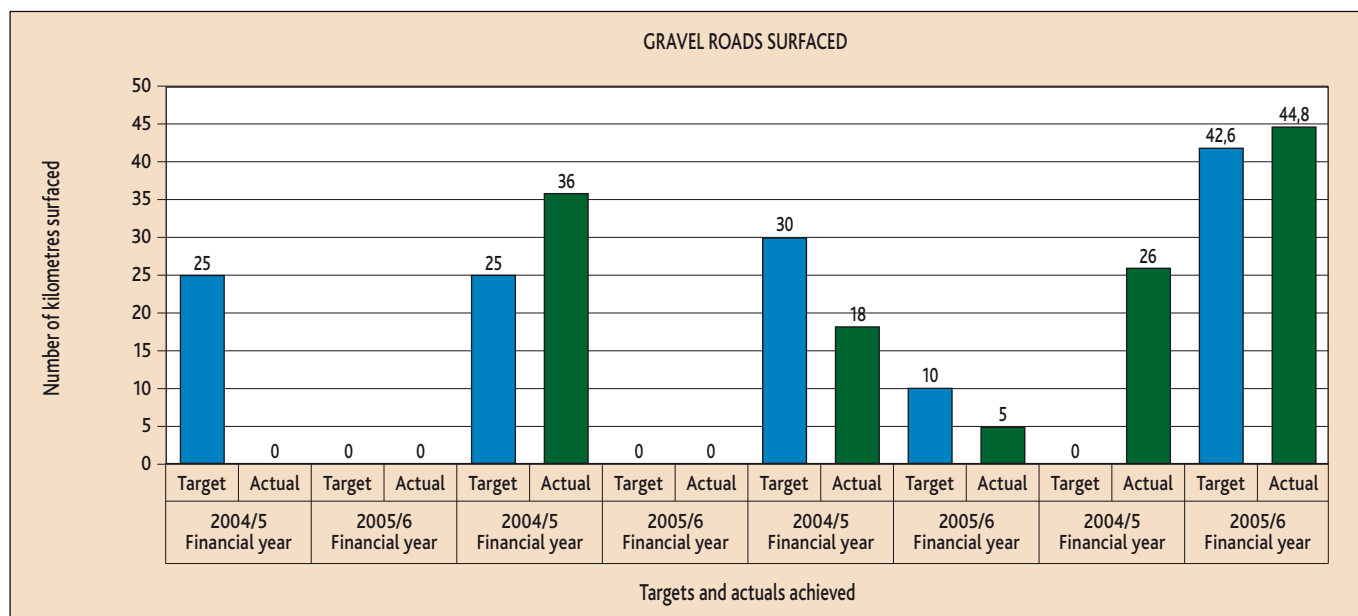
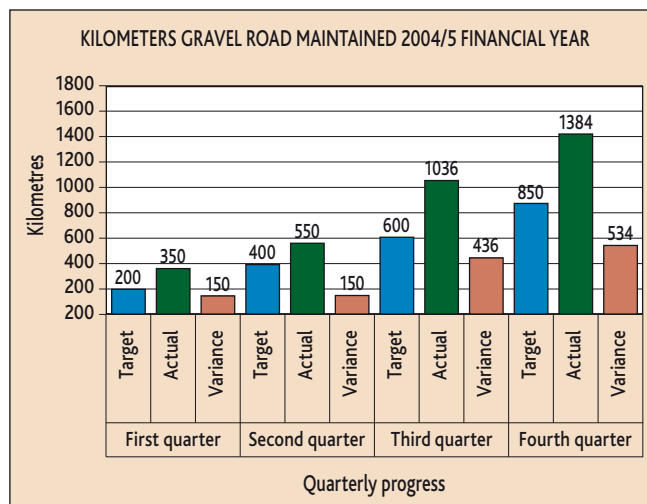
#### KILOMETRES OF GRAVEL ROADS SURFACED

Financial Year	Base	Annual Estimate	Actual	Variance
2005/06	750km	42.6km	44.8km	2.2km
2004/05	183km	80km	80km	

Results for the 2005/06 financial year indicate that an actual estimate of 44.8km was achieved measured against an annual estimate of 42.6km, reflecting a positive variance of 2.2km. Results for the 2004/05 financial year indicate that an actual estimate of 80km was achieved compared against the required annual estimate of 80km. *Figure 4* graphically illustrates the quarterly performance on kilometres of gravel roads surfaced for both the 2004/05 financial year and 2005/06 financial year.

Figure 4:

#### Kilometres of Gravel Roads Surfaced



## LANE KILOMETRES OF ROADS RESURFACED

Financial Year	Base	Annual Estimate	Actual	Variance
2005/06	80km	142km	132km	- 10km
2004/05	0km	80km	137km	+ 57km

Results for the 2005/06 financial year show that an actual of 132km was resurfaced against an annual estimate of 142km, resulting in a negative variance of 10km. The increased asphalt manufacturing costs due to bitumen increases meant reduced asphalt due to a restricted budget. The budget was fully spent. By contrast, results for 2004/05 financial year indicate that an actual estimate of 137km was achieved compared against an annual estimate of 80km, resulting in a positive variance of 57km.

## KERB INLETS CLEANED

Financial Year	Base	Annual Estimate	Actual Estimate	Variance
2005/06	47 846	56 000	55 534	- 466
2004/05	47 846	56 000	48 670	- 7 330

Results for the 2005/06 financial year show that an actual estimate of 55 534 kerb inlets (KIs) was cleaned compared against an annual estimate of 56 000, reflecting a negative variance of 466 kerb inlets cleaned. This was mainly due to abnormal storms experienced during the reporting period. On the other hand, results for the 2004/05 financial year show that an actual estimate of 48 670 KIs were cleaned measured against the annual estimate of 56 000, resulting in a negative variance of 7 330.

## COMPLETED REINSTATEMENTS AS A PERCENTAGE OF TOTAL ORDERS

Financial Year	Base	Annual Estimate	Actual Estimate	Variance
2005/06	75%	100%	81%	- 19%
2004/05	0%	5%	5.2%	+ 0.2%

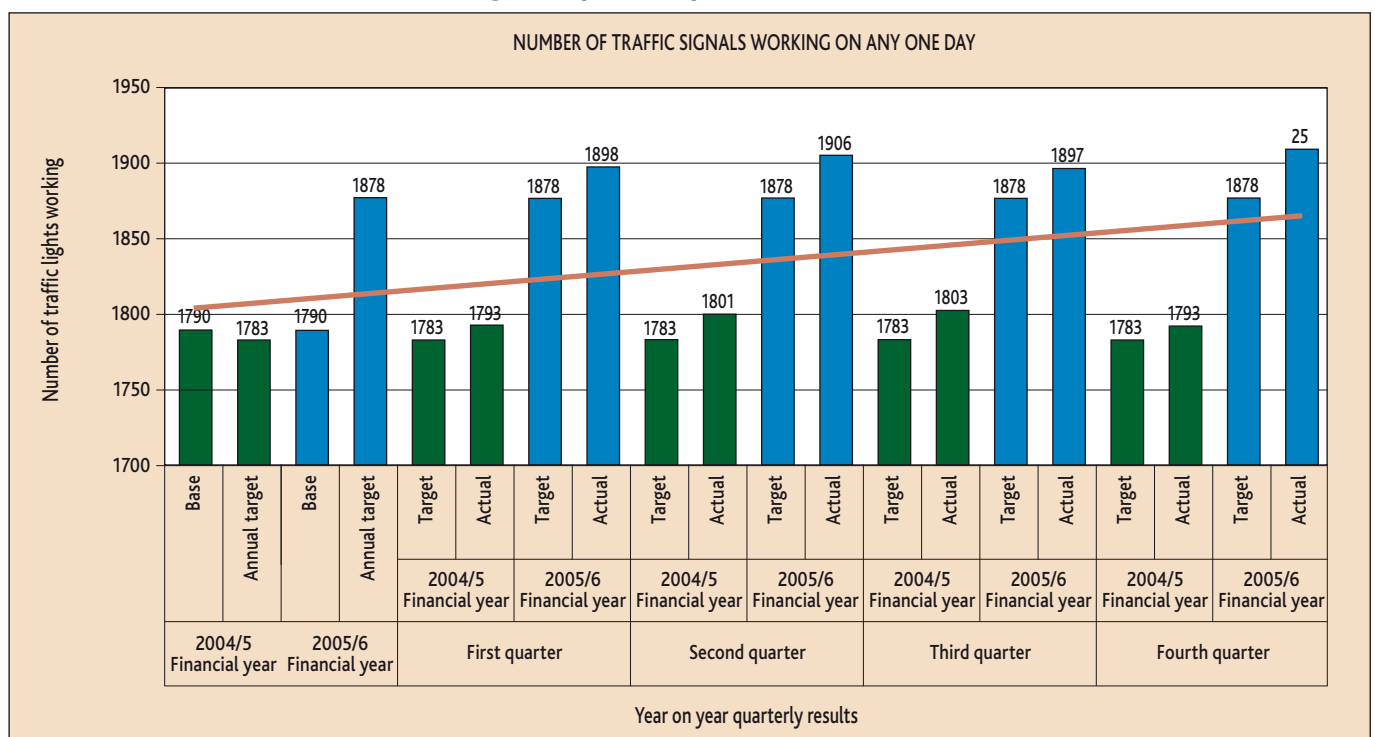
It must be noted that the KPI for the 2004/05 financial year that reads "outstanding reinstatements as a percentage of total orders" was amended. For the 2005/06 financial year, it reads as "completed reinstatements expressed as a percentage of total orders". Results for the 2005/06 financial year indicate that an actual estimate of 81% was achieved measured against an annual estimate of 100%, resulting in a negative variance of 19%. This was mainly due to the fact that depots had to focus their attention on fixing potholes and addressing stormwater related incidents. In addition, more orders were received than initially planned for. Results for the 2004/05 financial year on the other hand show that an actual estimate of 5.2% reinstatements as a percentage of total orders received remained outstanding, resulting in a positive variance of 0.2%. In other words, an actual estimate of 95.2% was achieved compared against an annual estimate of 95%.

## TRAFFIC SIGNALS

Results for the 2005/06 financial year indicate that an actual estimate of 1 910 was achieved measured against an annual estimate of 1 878, reflecting a positive variance of 32. Results for the 2004/05 financial year show that an actual estimate of 1 793 was achieved measured against an annual estimate of 1 783, reflecting a positive variance of 10. *Figure 5*, below, illustrates the year-on-

Figure 5:

### Traffic Controlled Intersections Working on Any One Day



year progress made with regards to traffic controlled intersections working on any one day, primarily indicating a positive trend.

## LANE KILOMETRES OF ROAD MARKINGS PAINTED

Financial Year	Base	Annual Estimate	Actual Estimate	Variance
2005/06	1 522km	1 600km	1 703km	+ 103km

Results for the 2005/06 financial year indicate that an actual estimate of 1 703km was achieved compared against an annual estimate of 1 600km, resulting in a positive variance of 103km. The quantities are estimated at the beginning of a financial year based on the suburb to be done. However, when the workforce physically goes through the suburb, it is then only found that in some cases more work than planned is necessary, but in other cases that almost no painting is required.

### 2.4.2 Key Performance Area 2: Customer Perspective

#### SERVICE DEFECTS RESOLVED WITHIN SERVICE DELIVERY AGREEMENT TIMEFRAMES

Three KPIs relate to service defects resolved within SDA timeframes, i.e. potholes, traffic signals and kerb inlets.

**Potholes:** An actual estimate of 67% was achieved measured against an annual estimate of 90% and baseline of 82%. Hence, a negative variance of 23% of the total potholes reported was not attended to within the required SDA timeframe.

**Traffic Signals:** An actual estimate of 100% compared against an annual estimate of 90% and baseline of 91% was achieved within the required SDA timeframe.

**Kerb Inlets:** An actual estimate of 17% was achieved compared against an annual estimate of 90% and baseline of 4%. Hence, a significant negative variance of 73% resulted.

The under-performance regarding potholes and kerb-inlets is mainly due to the lack of capacity. The appointment of staff was authorised.

### 2.4.3 Key Performance Area 3: Internal Business Processes

The JRA has selected two specific indicators to monitor occupational health and safety, i.e. the number of disabling injuries sustained and the number of job related fatalities.

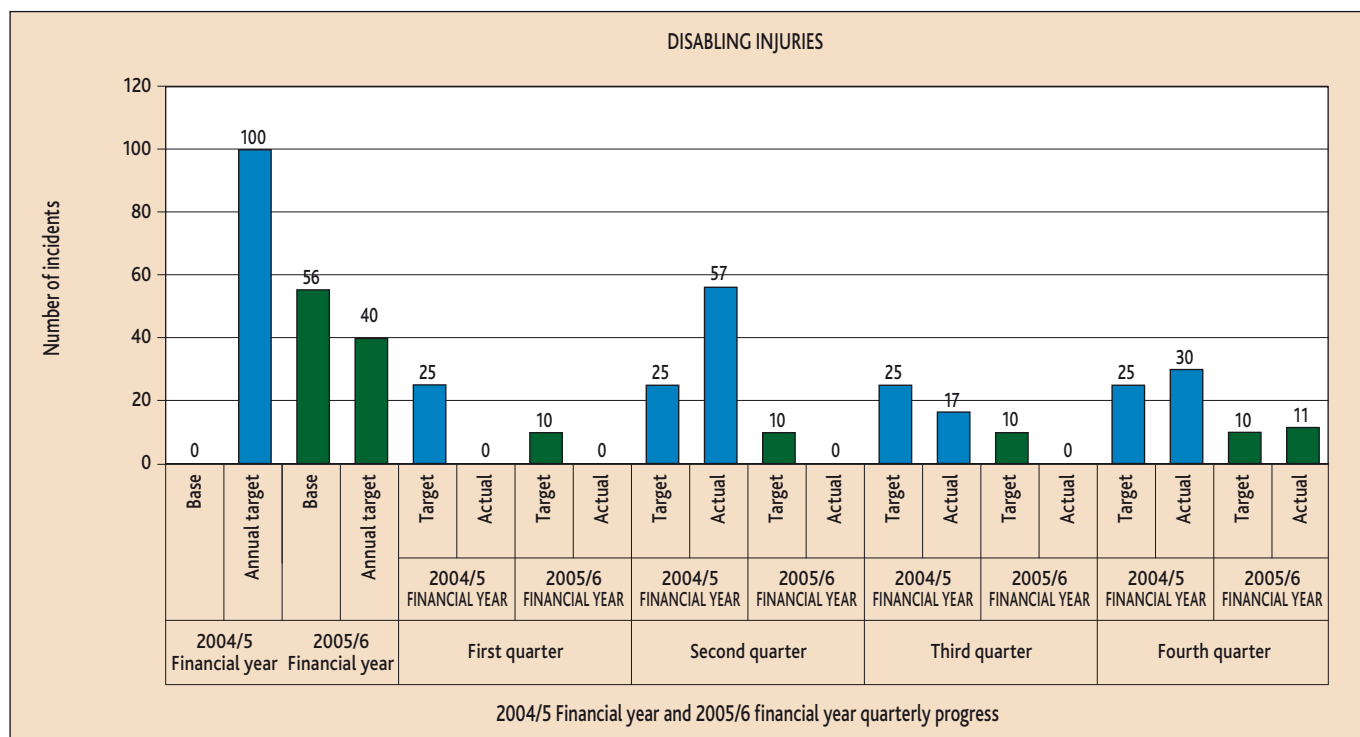
#### DISABLING INJURIES

According to *Figure 6*, results for the 2005/06 financial year indicate that 11 disabling injury incidents were reported measured against an annual estimate of 40 and baseline of 56. No injuries were reported during the first three quarters of the financial year, except for the last quarter during which 11 incidents were reported measured against a quarterly estimate of 10. The 2005/06 financial year results were on the overall positive.

Results for the 2004/05 financial year indicated that an actual estimate of 104 injuries was reported, measured against an annual estimate of 100 and baseline of zero. Hence, a negative variance of 4 injuries resulted. The quarterly results reflected that no data was provided in the first quarter, 57 compared to an estimate of 25 was reported in the second quarter, 17 compared to 25 in the third quarter, and 30 incidents compared to 25 in the fourth quarter.

Figure 6:

#### Disabling Injuries



## JOB RELATED FATALITIES

Financial Year	Base	Annual Estimate	Actual	Variance
2005/06	0	0	1	- 1
2004/05	2	0	1	- 1

The results for both the 2005/06 financial year and 2004/05 financial year showed that one fatality occurred in the respective years. A contract worker engaged on the "As and When Truck" contracts was killed in September 2005 on the M1 near Corlett Drive. He was doing Level 1 work in a coned-off area wearing a safety vest. It is alleged that an impatient motorist swerved into the emergency lane and struck the worker who died on the scene.

## NUMBER OF SUSTAINABLE JOBS CREATED

Financial Year	Base	Annual Estimate	Actual	Variance
2005/06	87	96	132	+ 36
2004/05	87	96	1876	+ 1780

The results for the 2005/06 financial year show that an actual estimate of 132 jobs were created measured against an annual estimate of 96 and a baseline of 87, resulting in a positive variance of 36 jobs. This included creating jobs for 50 woman in Diepsloot. The results for the 2004/05 financial year show that 1 876 jobs were created measured against an annual estimate of 96 and baseline of 87

## HIV AND AIDS PROGRAMMES

Results for both the 2005/06 financial year and 2004/05 financial year indicate that an actual estimate of 100% was achieved compared against an annual target of 100% and baseline of 100%. A policy was developed to ensure more alignment towards the City's vision on managing the epidemic in the workplace. Management was constantly encouraged to comply with the code of good practice on managing HIV/AIDS and incapacity through conducting inter alia health talks at depots. The SLAs with the City are progressing steadily.

## DISASTER MANAGEMENT PLAN

An actual target of 90% was achieved in the 2005/06 financial year measured against an annual target of 100% and baseline of 0%. A business continuity strategy has been crafted as part of addressing disaster management.

### 2.4.4 Key Performance Area 4: Environment

## ENVIRONMENTAL MANAGEMENT SYSTEM

Results for the 2005/06 financial year indicate that an actual estimate of 25% was achieved measured against an annual target of 25% and baseline of 25%. The JRA has embarked on the introduction of an Environmental Management System (EMS) in support of the Coj's Environmental Framework. Due to the nature of its work, the JRA has an enormous impact on the environment. 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, legal requirements and the establishment of an EMS Management Team) was completed. Phase two (i.e. implementation and training) and phase three (i.e. monitoring structure and processes) will be concluded during the 2006/07 financial year.

## 2.5 Statement on Amounts Owed by Government Departments and Public Entities

Table 5 contains a summary of amounts owed by Government Departments and Public Entities.

Table 5:

### Statement on Amounts Owed by Government Departments and Public Entities

Name of Department	Amount owed	Account status	Comment
Johannesburg Development Agency (Pty) Limited	R1 384 107	Current	Current
City Power Johannesburg (Pty) Limited	R3 149 590	More than 120 days overdue	Delays in processing of payments
Johannesburg Water (Pty) Limited	R3 176 377	Overdue	Substantial payments received after year end
Pikitup Johannesburg (Pty) Limited	R866 571	Current	Settled after year end
Johannesburg City Parks (Pty) Limited	R2 294 594	Current	Disputed
Johannesburg Property Company (Pty) Limited	R4 563 126	Current	Substantial payments received after year end

## 2.6 Recommendation and Plans for 2006/07 Financial Year

The budget allocation for 2006/07 will be focused on the following key activities:

- △ gravel roads;
- △ maintenance of existing infrastructure;
- △ stormwater management; and
- △ intelligent transport systems (ITS).

# Director's report and governance





Soweto gravel roads

### 3.1 Corporate Governance Statement

The Board of Directors and Executives of the JRA recognises, adheres 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 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 respect 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 past year also saw the introduction of the supply chain management regulations issued in term of the MFMA. In terms of the regulations, the procurement process is left to the Accounting Officer (in some instances with the use of certain committees) to finalise. Consequently the role and terms of reference of the Service Delivery Committee of the Board had to be amended accordingly. 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.

### 3.2 Board of Directors

The JRA has a unitary Board that consists of executive and non-executive directors. A non-executive director, Noluthando Dorian Orley, chairs the Board. The Board meets at least quarterly and retain full control over the company. The Board remains accountable to the City of Johannesburg, the sole member 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 6* provides a reflection of the attendance of Board meetings held during the 2005/06 Financial Year.

### 3.3 Board Committees

The following board committees, chaired by non-executive directors, have been established:

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

#### 3.3.1 Tenders and 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 actions plans.

Table 6:

## 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 (2)
Noluthando Dorian Orleyn	4	3	Not applicable	1
Dawood Coovadia	6	3	4	Not applicable
Letepe Michael Maisela	6	Not applicable	3	1
Lehlohonolo Ebenezer Moahloli	7	2	4	Not applicable
Khunjulwa Sigenu	6	Not applicable	4	Not applicable
Rueben Washington Nyabeze	1	1	Not applicable	Not applicable
Susan Margaret Grant	6	4	Not applicable	2
Grant Craig Dunnington	6	3	4	Not applicable
Kirankumar Dhirahjlal Fakir	5	Not applicable	2	0
Judy M Parfit	2	Not applicable	Not applicable	1

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 Tenders and Service Delivery Committee are:

- △ Sue Grant (Chairperson);
- △ The Managing Director;
- △ Noluthando Orleyn;
- △ Lehlohonolo Moahloli;
- △ Grant Dunnington; and
- △ Dawood Coovadia.

### 3.3.2 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 2005/06 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 and assesses the integrity and the quality of risk control systems, and ensures that risk policies and strategies are effectively managed.

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

### 3.3.3 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, director's remuneration, service contracts and related matters. The committee met two times during the year under review.

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

- △ Letepe Maisela (Chairperson);
- △ Judy Parfitt;
- △ Sue Grant;
- △ Kiran Fakir; and
- △ Noluthando Orleyn.

### 3.4 Director's Remuneration

Table 7 contains a summary of Board members' remuneration, whereas Table 8 shows remuneration received by the MD and General Executive Managers (GEMs).

Table 7:

#### Remuneration Received by Non-Executive Directors (1 July 2005 to 30 June 2006)

Non- Executive Directors	Fees paid	Retainer	Total
D Coovadia	R50 250	R15 000	R65 250
GC Dunnington	R57 750	R15 000	R72 750
SM Grant	R74 250	R15 000	R89 250
KD Fakir	R30 000	R15 000	R45 000
ND Orleyn	R42 750	R30 000	R72 750
LM Maisela	R37 500	R7 500	R45 000
LE Moahloli	R50 250	R7 500	R57 750
K Sigenu	R37 500	R7 500	R45 000
JM Parfitt	R14 250	R15 000	R29 250
WRR Nyabeze	R7 500	Nil	R7 500
<b>Total</b>	<b>R402 000</b>	<b>R127 500</b>	<b>R529 500</b>

Table 8:

#### Remuneration Received by the MD and General Executive Managers (1 July 2005 to 30 June 2006)

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

### 3.5 Company Secretarial Function

The Articles of Association of the Company provides for the appointment of a Company Secretary. The primary function of the Company Secretary is to act as the link between the Board and management and to facilitate good relationships with the shareholder. 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. It is the responsibility of the Company Secretary to provide guidance to the Directors of the Company and management on all matters of corporate governance and legislation compliance.

### 3.6 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. Enterprise risk management 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:

- △ Risk Management Committee convenes every month to review and monitor progress on risk management; and
- △ 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 on the progress already being made in managing risks. The JRA went live on the 11th of August 2006.

### 3.7 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.

In addition to the execution of the 2005/06 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's "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.

### 3.8 Response to the Auditor-General's Report

Management have responded in writing to all audit queries raised by the Auditor-General. The detailed management letter is available for review on request.

### 3.9 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.

### 3.10 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 sustainability. The JRA recognises that a "bottom line" should not solely reflect the economic return on investment to shareholders, but also on positive and balanced non-financial returns to its stakeholders. Other assets, 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's 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.

### 3.11 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:

- △ Batho Pele: Promote projects/programmes that are aimed at improving customer service.
- △ 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.

# Human resources and organisational management





## 4.1 Human Resource Management

The JRA's vision is to be the employer of choice in its field. The JRA acknowledges that its human resources is one of its most important resources fundamental to its success. A strategic and professional approach to human resources processes enables the JRA to attract, select, appoint and place human resources with the appropriate skills, knowledge and attitudes to fulfil its strategic objectives, its mandate and thereby supporting the JRA's vision. The JRA's overall objective as set out in its employment policy is to ensure that the company's employment practices and remuneration policies motivate and retain talented employees, and create an attractive environment for all employees. The employment policy is periodically reviewed to ensure that it remains relevant and practical for the changing needs of current and potential employees.

The total staff complement of the JRA is 1794, of which 1503 are permanent employees, 176 are 5 year fixed term employees, 97 are interns, and 13 are on short-term contracts of less than 1 year.

## 4.2 Employment Equity

The JRA has employment policies that it believes are appropriate to the business and the market in which it trades. Equal employment opportunities are offered to all employees. The JRA firmly endorses the four key areas of employment equity identified by the Employment Equity Act, namely:

- △ elimination of discrimination in decision-making;
- △ promotion of employee diversity;
- △ reduction of barriers to advancement of the disadvantaged; and
- △ introduction of measures and procedures for transformation.

Table 9 contains a performance report in respect of the Employment Equity and Affirmative Action plans and programmes.

The JRA's conviction to ensure participation of previously disadvantaged companies and individuals is demonstrated by the degree of procurement spent on the designated companies and individuals.

Table 9:

### Proposed Employment Equity Targets and Actual

Categories	Target – Male				Target – Female			
	African	Coloured	Indian	White	African	Coloured	Indian	White
Executives management	1	-	1	1	1	1	-	1
Operations managers	4	2	1	2	2	2	2	2
Middle management	23	7	7	7	7	7	7	7
Professionals/skilled	30	15	15	7	15	15	15	15
Technicians	59	9	9	9	9	9	9	9

Categories	Number of PDI Employees	% PDI Employees Compared to Total Employees
Executives management	3	75%
Operations managers	2	50%
Middle management	34	51%
Professionals/skilled	20	59%
Technicians	12	57%

Mayoral Tour and  
Community Imbizo,  
Ivory Park



### 4.3 Skills Development and Training

The JRA is committed to the maintenance of standards by supporting and training staff through its skills development programme. The JRA's skills and implementation plan is compliant to the expectations and the requirements of the SDA. Skills interventions are aimed at addressing employment equity in terms of gender, i.e. women development. The JRA also concentrates on internships. Negotiations with the Department of Labour and the Construction, Education and Training Authority (CETA) are at an advanced stage with regards to the implementation of learnerships. Various technical, computer and ABET training programs were carried out during the reporting period. The June 16 Trail phase two project commenced in March 2006 with another intake of 50 (youths) and 50 (veterans).

### 4.4 Performance Management

All JRA's 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's 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 employee's 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 underperformance the employee is exposed to training, and if underperformance 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.

### 4.5 HIV/AIDS on the Workplace

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.



## 4.6 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
- △ South African Municipal Workers Union National Fund.

## 4.7 Supply Chain Management and Black Economic Empowerment

The MFMA requires that all municipalities and municipal entities should establish Supply Chain Management Units, and implement Supply Chain Management (SCM) policies that are in line with the National Treasury regulations. The JRA has established SCM policies in its procurement activities, and implemented committee systems in order to comply with the requirements of the MFMA. Such policies have been approved by the Board of Directors of the JRA as required by the legislation. The JRA's level of compliance is, therefore, in line with requirements of the MFMA.

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 2005/06 financial year was 53% exceeding the target by 13%.

# **Audited statements and related financial information**



## General Information

Country of incorporation and domicile	South Africa
Nature of business and principle activities	Construction and maintenance of roads, traffic signals and stormwater infrastructure.
Directors	K Sigenu M A V Dlamini (Resigned: 30 April 2006) D Coovadia G C Dunnington K D Fakir S M Grant L M Maisela L E Moahloli N D Orleyn (Board Chairman) J M Parfitt W R R Nyabeze (Appointed: 27 February 2006) G D Maseko (Managing Director) (Appointed: 1 October 2006)
Registered office	66 Sauer Street Johannesburg Gauteng 2001
Business address	66 Sauer Street Johannesburg Gauteng 2001
Postal address	Private Bag X70 Braamfontein Johannesburg 2017
Holding company	The City of Johannesburg Metropolitan Municipality
Bankers	ABSA Bank Limited
Auditors	The Auditor General
Secretary	Adv. Thulani Makhubela
Company registration number	20001028993/07

## Report of the Auditor General

### To the shareholder of Johannesburg Roads Agency (Proprietary) Limited

We have audited the annual financial statements of Johannesburg Roads Agency (Proprietary) Limited set out on pages 32 to 61 for the year ended June 30, 2006. These annual financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these annual financial statements based on our audit.

#### Scope

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

#### Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the company at June 30, 2006 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP), and in the manner required by the Companies Act of South Africa.

#### Accounting and secretarial duties

Without qualifying our opinion, we draw your attention to the fact that with the written consent of all shareholder, we have performed certain accounting and secretarial duties.

#### Supplementary information

Without qualifying our opinion, we draw your attention to the fact that with the supplementary information set out on pages 49 to 50 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion on it.

**The Auditor General**

## Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act, Act 56 of 2003, and the South African Companies Act, 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 (SA GAAP) and the prescribed Standards of Generally Recognised Accounting Practices (GRAP). The external auditors are 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 Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent SA GAAP Statement as follows:

Standard of GRAP	Replaced Statement of SA GAAP
GRAP 1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP 2: Cash flow statements	AC 118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in estimates and errors

The financial statement are 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, the board of directors sets 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 June 30, 2007 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.

Although the board of directors is 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.

The annual financial statements set out on pages 9 to 50, which have been prepared on the going concern basis, were approved by the board of directors on 13 December 2006 and were signed on its behalf by:

### **G D Maseko**

(Managing Director) Appointed: 1 October 2006

### **N D Orleyn**

(Board Chairperson)

In my capacity as Company Secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the period ended 30 June 2006, the Company has lodged with the Registrar of Companies all such returns as are required of a private company in terms of this Act and that all such returns are true, correct and up to date.

### **Advocate T Makhubela**

(Company Secretary)

## Directors' Report

The Directors of the Johannesburg Roads Agency hereby present their report for the 12 months ended 30 June 2006. This report forms part of the audited financial statements for the said period.

### 1. Incorporation

The past financial year has been both challenging and exciting for the Johannesburg Roads Agency. Besides placing more emphasis on the betterment of the lives of the citizens of Johannesburg through improved service delivery, we have also concentrated on enhancing mobility for economic growth. At the beginning of 2006 a new local government was elected. This brought with it new strategic focal points. The Johannesburg Roads Agency responded positively to these and other challenges. We continue to refine our operating and strategic framework to involve an ever improving work environment, efficiency and customer responsiveness.

### 2. The Year at a Glance

The JRA team performed formidably well with the changes brought by the new political term. These included the establishment of transportation as a new stand alone sector with JRA now being part of this portfolio; the appointment of Councillor Rehana Moosajee as the new MMC; the appointment of JRA's MD, Mr Mavela Dlamini, as the City Manager; and the formation of the Section 79 portfolio committee playing an oversight role.

Various key initiatives geared towards assisting and harnessing the resources of the civil society were run by the JRA during the period under review. Due to the nature of its construction and asset maintenance activities, JRA is well placed to address the employment of local community workforce in the areas where construction takes place. This leads to skills transfer and job creation. JRA as a caring company prides itself with the Corporate Social Responsibility programme. This programme is also a key deliverable of the Executive Mayor's strategic thrusts. Key to the programme was the ability to sustain human life particularly those of vulnerable communities, supporting initiatives and solutions that deal with poverty alleviation, job creation and preservation of future resources. Two key deliverables were the continuous supporting of various orphanages for children who are HIV positive, and marking the June 16 trial route that Soweto students took/planned on 16 June 1976.

The successful completion of the Soweto Highway Extension (i.e. Modise and Vincent and Van Onselen Roads) and the rehabilitation of the Robinson Stormwater Canal were some of the notable capital development highlights. This is a further phase of the upgrading of gravel roads to surfaced road standards.

Special delivery projects such as the Gautrain and 2010 World Cup games have been incorporated into the main stream JRA activities. The development of infrastructure promoting and enhancing public transport usage also received particular priority.

The Expanded Public Works Programme (EPWP) remained the driving force and strategy towards eradicating poverty through job creation. The JRA has outpaced itself by creating a sustainable 500 jobs this year through various programmes and produced

93 graduates through the EPWP learnerships programme. Ten Closed Corporations have been formed as part of the BEE support and business incubation programme. Approximately 60% of this programme has been taken up by youth, women and people with disabilities.

### 3. Managing Mobility

The road network, for which the JRA is responsible, is the vital backbone for the City's economic and social life. The utilisation and management of the network is paramount in driving the City's Strategic Vision. JRA aims to provide road users with safe and reliable journeys. This means ensuring the right level of investment to keep the roads well maintained. It further means investing in improvements to the network to ease congestion. JRA also has a responsibility to ensure that the impact of its network on the environment is kept to a minimum.

Hence JRA has adopted a strategic approach whereby the company is moving out of the framework of being primarily a roads development entity. The "Managing Mobility" Corporate Strategy examines the strategic elements of traffic management and the development of the supporting traffic management systems. The programme focuses on making better use of the available road network, and to provide an improved service through a number of relatively small scale and focused traffic management systems, services and improvements. This approach represents good value for money, for example simple and inexpensive schemes such as installing new controllers/traffic signal heads and synchronising traffic signals to improve traffic signal operation often provide significant improvements in safety and traffic flow.

### 4. Key Challenges

JRA must be able to cater for the varying demands and often competing needs that exist in relation to road and stormwater infrastructure. More specifically, the following challenges have surfaced:

- △ The 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.
- △ JRA has accepted that the communities it serves demand a greater emphasis on lower levels of maintenance to make the roads visually more acceptable, and hence is attempting to improve on its level one maintenance programmes, whilst keeping a balance with normal less visible maintenance.
- △ A particular concern is the cumulative growth in salary increases, which exceeds the percentage growth in subsidy being allocated by the City. This "funding gap" is being covered by using money that should be used for maintaining the constantly deteriorating roads infrastructure.
- △ A key challenge facing the JRA is the provision of access to disadvantaged communities and eradicating the current infrastructure maintenance backlog amounting to approximately R2.5 billion.

- △ Upgrading of traffic lights, replacing obsolete traffic control systems, and reconfiguring traffic flow in accordance with current flow patterns remain a priority.
- △ Stormwater 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.
- △ Partnerships with developers need to be further strengthened to ensure that an equitable share of the cost of infrastructure development gets allocated to developers.
- △ 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.
- △ The JRA continues striving to integrate service delivery with the Gauteng Transport Department to minimise inter-governmental duplications and disparities in service delivery/standards.

## 5. Financial Results

The results of the company and the state of its affairs are set out in the attached financial statements. The JRA is in a strong financial position and well within its budget limitations. The directors are of the opinion that the company will be a going concern in the period ahead. 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 1,121,130 (2005: R 3,367,900).

## 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, stormwater 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 met its mandate successfully for the reporting period as outlined in its business plan and available budget. The JRA's 2005/06 Scorecard is aligned with the Joburg 2030 Strategy, Integrated Development Plan and the Mayoral Priorities. The Scorecard was included in the JRA's 2005/06 business plan. The Scorecard comprises of Key Performance Areas and measurable Key Performance Indicators (KPIs). Each KPI has a baseline and annual target.

Projects: initiatives promoting the following criteria (i.e. the Mayoral Strategic Outcomes) received preference during the reporting period:

- △ Batho Pele: Projects/programmes that are aimed at improving customer service.
- △ Service Delivery Excellence: Visible service delivery projects.
- △ Job Creation and Economic Growth: Skills development projects aimed at sustainable economic growth and empowerment of the disadvantaged group, including women.
- △ Safety and Security: Support of safety initiatives, such as scholar patrol projects and raising awareness of road safety in schools.
- △ HIV/AIDS: Support for NGOs and HIV/AIDS homes financially and otherwise.
- △ Inner City: Special projects aimed at the Inner City rejuvenation.

## 8. Legal Form and Shareholding of the JRA

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

- △ Local Government Municipal Structures Act, No. 117 of 1998
- △ Local Government Municipal Systems Act, No. 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, No 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:

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.

### Name

K Sigenu

M A V Dlamini (Resigned: 30 April 2006)

D Coovadia

G C Dunnington

K D Fakir

S M Grant

L M Maisela

L E Moahloli

N D Orleyn (Board Chairperson)

J M Parfitt

W R R Nyabeze (Appointed: 27 February 2006)

G D Maseko (Managing Director) Appointed: 1 October 2006

## 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 has adopted a three-pronged approach to realise its strategic focus, namely:

- △ Basic Service Delivery: The first and primary focus of the company is to concentrate on the basics of properly operating, maintaining and improving the roads, footways, sidings and stormwater infrastructure of the City, and managing traffic mobility.
- △ Commercial Ventures: Without detracting from its primary focus area, the company is seeking to utilise its core capabilities to expand its commercial activities and generate additional revenue.
- △ Strategic Positioning/Renewal: The company is seeking to establish itself as a key player in the longterm management of mobility in support of the City's vision of being a World-Class African City.

In pursuit of the strategic focus areas described above, 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 stormwater 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 Unit lines, 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. There are other 'contracts', known collectively as Service Level Agreements (SLA) that JRA is in the process of negotiating with the City and other municipal entities to ensure deliverables can be measured by all concerned and further define the role of each party.

## 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 6 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 secretary of the company, Adv. Thulani Makhubela was in office for the full financial year ending 30 June 2006 to undertake the secretarial functions.

Business address 66 Sauer Street  
Johannesburg  
2001

Postal address Private Bag X70  
Johannesburg  
2017

## 15. Holding Entity

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

## 16. Acknowledgements

The directors appreciate the enormous 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 leader in the roads services industry. With the commitment, integrity and creativity of all the stakeholders the JRA can pave the road to sustainability and excellence.

## 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 of Financial Position

	Note(s)	2006 R	2005 R
Assets			
Non-Current Assets			
Property, plant and equipment	2	70,819,680	73,074,045
Intangible assets	3	8,078,469	7,150,341
Employee benefit asset	6	80,360,000	79,686,000
		159,258,149	159,910,386
Current Assets			
Inventories	8	1,669,768	1,177,474
Loans to shareholder	4	175,464,957	130,889,913
Trade and other receivables	9	103,356,436	71,109,333
Related party receivables	25	22,419,770	26,780,141
Cash and cash equivalents	10	7,113	15,805
		302,918,044	229,972,666
Total Assets		462,176,193	389,883,052
Net assets and liabilities			
Net assets			
Contribution from owner	11	1,000	1,000
Accumulated surplus / (deficit)		66,420,738	65,299,608
		66,421,738	65,300,608
Liabilities			
Non-Current Liabilities			
Loans from shareholder	4	37,653,393	33,110,242
Finance lease obligation	12	1,883,797	1,418,886
Retirement benefit obligation	7	76,673,000	75,021,000
Deferred tax	5	2,468,046	1,410,111
		118,678,236	110,960,239
Current Liabilities			
Loans from shareholder	4	2,593,063	3,926,341
Finance lease obligation	12	623,915	694,080
Trade and other payables	14	187,869,957	121,637,020
Provisions	13	18,113,831	23,253,686
Related party payables	25	10,953,567	9,665,000
Bank overdraft	10	56,921,886	54,446,078
		277,076,219	213,622,205
Total Liabilities		395,754,455	324,582,444
Total Net assets and Liabilities		462,176,193	389,883,052

## Statement of Financial Performance

	Note(s)	2006 R	2005 R
Revenue	15	394,604,350	365,363,972
Cost of sales		(278,511,744)	(262,219,548)
Gross surplus		116,092,606	103,144,424
Other income		8,721,291	10,066,851
Operating expenses		(129,210,305)	(119,428,148)
Operating surplus/(deficit)	16	(4,396,408)	(6,216,873)
Investment income	17	12,080,091	10,535,614
Finance costs	19	(5,504,618)	(421,488)
Surplus before taxation		2,179,065	3,897,253
Taxation	20	(1,057,935)	(7,265,153)
Net surplus for the period		1,121,130	(3,367,900)

## Statement of Changes in Net Assets

	Contribution from owner R	Accumulated surplus/(deficit) R	Total net assets R
Opening balance as previously reported	1,000	88,069,073	88,070,073
Adjustments			
Prior year adjustments (Refer to Note 29)		(19,401,565)	(19,401,565)
<b>Balance at July 1, 2004 as restated</b>	<b>1,000</b>	<b>88,069,073</b>	<b>88,070,073</b>
Surplus for the year		(3,367,900)	(3,367,900)
		(3,367,900)	(3,367,900)
<b>Balance at July 1, 2005</b>	<b>1,000</b>	<b>65,299,608</b>	<b>65,300,608</b>
Surplus for the year		1,121,130	1,121,130
		1,121,130	1,121,130
<b>Balance at June 30, 2006</b>	<b>1,000</b>	<b>66,420,738</b>	<b>66,421,738</b>

## Cash Flow Statement

	Note(s)	2006 R	2005 R
Cash flows from operating activities			
Cash receipts from customers		372,364,150	450,796,696
Cash paid to suppliers and employees		(329,415,020)	(427,225,257)
Cash generated from operations	22	42,949,130	23,571,439
Interest income		10,648,323	9,927,576
Finance costs		(9,849,808)	(4,593,844)
Net cash from operating activities		43,747,645	28,905,171
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(5,293,449)	(18,538,281)
Purchase of other intangible assets	3	(3,653,889)	(7,150,130)
Loans to shareholders		(44,575,044)	(56,553,413)
Post retirement benefit asset raised		(674,000)	(79,686,000)
Related parties – debtors		4,360,371	(17,898,830)
Net cash from investing activities		(49,836,011)	(179,826,654)
Cash flows from financing activities			
Related parties creditors		1,288,567	9,665,000
Proceeds from shareholders loan		4,543,151	100,177,363
Repayment of shareholders loan		(1,333,279)	(73,951,619)
Finance lease payments		(894,573)	(533,136)
Net cash from financing activities		3,603,866	35,357,608
Total cash movement for the period		(2,484,500)	(115,563,875)
Cash at the beginning of the period		(54,430,273)	61,133,602
Total cash at end of the period	10	(56,914,773)	(54,430,273)

## Accounting Policies

### 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) (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standard Board replacing the equivalent GAAP Statements as follows:

Standard of GRAP	Replaced Statement of SA GAAP
GRAP 1: Presentation of financial statements	ACC 101: Presentation of financial statements
GRAP 2: Cash flow statements	ACC 118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	ACC 103: Accounting policies, changes in estimates and errors

The financial statement are based upon appropriate policies consistently applied and supported by reasonable and prudent judgments and estimates.

The recognition and measurement principles in the above GRAP and SA 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 & 3 has resulted in the following significant changes in the presentation of the financial statements:

1. Terminology differences:	Standard of GRAP	Replaced Statement of SA GAAP
	Statement of financial performance	Income statement
	Statement of financial position	Balance sheet
	Statement of changes in net assets	Statement 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

2. The cash flow statement can only be prepared in accordance with the direct method.
3. Specific information such as:
  - (a) receivables from non-exchange transactions, including taxes and transfers;
  - (b) taxes and transfers payable;
  - (c) trade and other payables from non-exchange transactions; must be presented separately on the statement of financial position
4. The amount and nature of any restrictions on cash balances is required to be disclosed.
 

These accounting policies are consistent with the previous year.

### 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 doubtful debts

For receivables 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 are included in note 1.8 & 18 – Impairment of assets.

#### Provisions

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

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

A provision is recognised when:

- (a) the company has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

### 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 5 – Deferred tax.

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

#### Cost model

Property, plant and equipment is held for use in the production or supply of goods or services or for administrative purposes are stated in the statement of financial position at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost, less 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: hardware	3 years
IT equipment: mainframe	6 years
Tools and loose gear	5 years

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

The residual value is the net amount that the enterprise expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

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

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.

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

Property Plant and Equipment that meets the definition of an asset and is less than R 2,000 is expensed when incurred in the Statement of Financial Performance.

### 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.

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

Computer software is capitalised to computer equipment where it forms an integral part of computer hardware.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other Intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

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

Amortisation 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 statement of financial position when the company becomes party to the contractual provisions of the instrument.

#### Loans to (from) group companies

These included loans to parent 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 and 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 loans 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 loan 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 surplus or deficit 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.

#### 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.

## 1.5 Tax

### Current tax assets and liabilities

The tax currently payable is based on taxable income for the year. Taxable income differs from surplus as reported in the statement of financial performance, because it includes income and expenses that are taxable or tax deductible in other years and it further excludes items that are never taxable or tax deductible.

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

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

### 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 profit and is accounted for using the balance sheet 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 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 surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable 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 sold, 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 profits 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.

### Tax expenses

Income tax represents the sum of the current tax and deferred tax.

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

- △ a transaction or event which is recognised, in the same or a different period, directly in equity, or
- △ a business combination.

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

## 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 on 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 on the remaining balance of the liability.

### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

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

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

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

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

### 1.8 Impairment of assets

The company assesses at each reporting date whether there is any indication that an asset may 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 annually.
- △ tests goodwill acquired in a business combination for impairment annually.

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 pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An 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.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. 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 reporting 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.

To the extent that, at the beginning of the financial year, 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.

Gains or losses 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 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

Provisions are not recognised for future operating deficits.

If the company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- △ has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- △ has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### 1.12 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 reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

When 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.

### 1.13 Borrowing costs

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

## Notes to the Annual Financial Statements

	2006			2005		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	18,643,715		18,643,715	18,643,715		18,643,715
Land and Buildings	42,804,038	(3,641,918)	39,162,120	42,804,038	(2,785,837)	40,018,201
Plant and machinery	38,849,397	(36,059,204)	2,790,193	39,559,113	(32,146,244)	7,412,869
Furniture and fixtures	3,910,182	(2,959,059)	951,123	3,796,133	(2,322,714)	1,473,419
Office equipment leased	4,687,477	(2,422,075)	2,265,402	3,398,158	(1,500,316)	1,897,842
Office equipment owned	1,445,215	(1,132,390)	312,825	1,230,723	(955,454)	275,269
IT equipment: hardware	13,308,402	(8,917,124)	4,391,278	9,573,184	(7,924,746)	1,648,438
Tools and loose gear	133,422	(79,361)	54,061	97,844	(59,231)	38,613
IT Equipment: mainframe	3,730,902	(1,481,939)	2,248,963	2,697,958	(1,032,279)	1,665,679
<b>Total</b>	<b>127,512,750</b>	<b>(56,693,070)</b>	<b>70,819,680</b>	<b>121,800,866</b>	<b>(48,726,821)</b>	<b>73,074,045</b>

Reconciliation of property, plant and equipment – 2006

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	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 leased	1,897,842	1,289,319		(921,759)		2,265,402
Office equipment owned	275,269	214,492		(176,936)		312,825
IT equipment: hardware	1,648,438	3,879,924	(4)	(1,137,080)		4,391,278
Tools and loose gear	38,613	35,578		(20,130)		54,061
IT Equipment: mainframe	1,665,679	1,032,944		(449,660)		2,248,963
	73,074,045	6,582,768	(4)	(8,110,952)	(726,177)	70,819,680

Reconciliation of property, plant and equipment – 2005

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17,293,715			1,350,000		18,643,715
Buildings	27,037,727	15,162,000		(1,350,000)	(831,526)	40,018,201
Plant and machinery	12,596,519	2,204,718			(7,388,368)	7,412,869
Furniture and fixtures	2,038,450	61,552			(626,583)	1,473,419
Office equipment leased	1,774,481	699,359			(575,998)	1,897,842
Office equipment owned	496,293	24,697			(245,721)	275,269
IT equipment: hardware	3,659,427	286,858	(18,119)		(2,279,728)	1,648,438
Tools and Loose Gear	58,182				(19,569)	38,613
IT Equipment: mainframe	1,316,883	798,456			(449,660)	1,665,679
	66,271,677	19,237,640	(18,119)		(12,417,153)	73,074,045

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.

At year end computer equipment with a nett book value of zero and a cost of R 1,605,079 was retired from active use, but not yet disposed of.

	2006			2005		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
<b>3. Intangible assets</b>						
Computer software	12,024,167	(3,945,698)	8,078,469	8,370,277	(1,219,936)	7,150,341
Reconciliation of intangible assets – 2006						
			Opening balance	Additions	Amortisation	Total
Computer software			7,150,341	3,653,889	(2,725,761)	8,078,469
Reconciliation of intangible assets – 2005						
			Opening balance	Additions	Amortisation	Total
Computer software			998,935	7,150,130	(998,724)	7,150,341
<b>4. Loans to/(from) shareholder</b>						
The City of Johannesburg Metropolitan Municipality This loan is unsecured, bears no interest and has no fixed terms of repayment.				(30,353,780)		(24,173,746)
The City of Johannesburg Metropolitan Municipality 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.				(9,892,676)		(12,862,837)
The City of Johannesburg Metropolitan Municipality This loan represents a treasury loan account. The loan is unsecured, interest is accrued monthly. This is a sweeping account which is swept on a daily basis.				175,464,957		130,889,913
				135,218,501		93,853,330
Current assets				175,464,957		130,889,913
Non-current liabilities				(37,653,393)		(33,110,242)
Current liabilities				(2,593,063)		(3,926,341)
				135,218,501		93,853,330
<b>5. Deferred tax</b>						
Deferred tax asset (liability)						
Deferred tax				(2,468,046)		(1,410,111)
Reconciliation of deferred tax asset (liability)						
At beginning of the year				(1,410,111)		(2,449,496)
Increase (decrease) in tax losses available for set off against future taxable income				(1,057,935)		957,735
Tax rate adjustment						81,650
				(2,468,046)		(1,410,111)
Recognition of deferred tax asset						
A company shall only disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:						
the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the surplus arising from the reversal of existing taxable temporary differences; and						
the company has suffered a deficit in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.						

	2006 R	2005 R
<b>6. Employee benefit asset</b>		
Gratuity Liabilities	56,399,000	57,000,000
Post-retirement medical aid liabilities	16,160,000	15,400,00
Leave Pay	7,442,000	6,955,000
Housing subsidy after retirement	359,000	331,000
	80,360,000	79,686,000
This receivable has arisen due to the quantification of the employee liabilities which the City of Johannesburg has undertaken to settle on behalf of the company.		
<b>7. Retirement benefits</b>		
Defined benefit plans		
Post-retirement liability		
Post-retirement gratuity plan	50,552,000	51,167,000
Post-retirement medical aid plan	25,891,000	23,466,000
Post-retirement housing subsidy plan	230,000	388,000
	76,673,000	75,021,000
<b>7.1. Post-Retirement Gratuity Plan</b>		
Johannesburg Road Agency (Proprietary) Limited provides gratuities on retirement or prior death (i.e. for those members that have died prior to retirement date) in respect of staff who have service with the City of Johannesburg Metropolitan Municipality or Johannesburg Roads Agency (Proprietary) Limited when they were not members of any of the retirement funds and who meet certain service requirements in terms of the City of Johannesburg Metropolitan Municipality conditions of employment. The gratuity amount is based on one month's salary per year of non-retirement funding service.		
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 City of Johannesburg Metropolitan Municipality before 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 against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of AC 116 (Employee benefits) cannot be offset against the liability. It has however been included in the assets of the company.		
Carrying value		
Present value of the defined benefit obligation-partially or wholly funded	50,552,000	51,167,000
Movements for the period		
Opening balance	51,167,000	47,018,000
Benefits paid	(3,901,000)	(1,621,000)
Net expense recognised in the statement of financial performance	3,286,000	5,770,000
	50,552,000	51,167,000
Net expense recognised in the statement of financial performance		
Interest cost	4,183,000	4,621,000
Actuarial (gains) losses	(897,000)	1,149,000
	3,286,000	5,770,000

	2006 R	2005 R
Notional loan account with The Johannesburg Metropolitan Municipality		
Opening balance	57,000,000	52,900,000
Interest received		4,100,000
Payments against account	(601,000)	
	56,399,000	57,000,000
Key assumptions used		
Assumptions used on last valuation on 30 June, 2006.		
Discount rates used	9.00%	8.50%
Expected rate of return on assets	9.00%	8.50%
Expected increase in salaries	6.00%	5.50%
<b>7.2 Post-Retirement medical aid plan</b>		
Johannesburg Roads Agency (Proprietary) Limited has by way of past practice, 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 over 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 and is subject to a maximum of R 1 953 per month. The maximum increases annually on 1 July in accordance with the general cost of living salary 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 City of Johannesburg Metropolitan Municipality before 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 (i.e. for those members interest of R 1 287 000 (2005: R 1,400,000) and against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of AC 116 (Employee benefits) cannot be offset against the liability. It has however been included in the assets of the company.		
Carrying value		
Present value of the defined benefit obligation-partially or wholly funded	25,891,000	23,466,000
Movements for the period		
Opening balance	23,466,000	20,207,000
Benefits paid	(527,000)	(333,000)
Net expense recognised in the statement of financial performance	2,952,000	3,592,000
	25,891,000	23,466,000
Net expense recognised in the statement of financial performance		
Current service cost	566,000	718,000
Interest cost	2,020,000	2,076,000
Actuarial (gains) losses	366,000	798,000
	2,952,000	3,592,000
Notional loan account with The Johannesburg Metropolitan Municipality		
Opening balance	15,400,000	14,000,000
Interest received	760,000	1,400,000
	16,160,000	15,400,000
Key assumptions used		
Assumptions used on last valuation on 30 June, 2006.		
Discount rates used	9.00%	8.50%
Expected rate of return on assets	9.00%	8.50%
Rate of increase in employer post-retirement medical contribution subsidy payments	6.75%	6.00%

	2006 R	2005 R
<b>7.3 Housing subsidies after retirement</b>		
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 member's 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 relate to their service with the City of Johannesburg Metropolitan Municipality before 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 (i.e. for those members interest of R 28,000 (2005: R 31,000) and against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of AC 116 (Employee benefits) cannot be offset against the liability. It has however been included in the assets of the company.		
The plan is a post-retirement gratuity benefit plan.		
Carrying value		
Present value of the defined benefit obligation-partially or wholly funded	230,000	388,000
Movements for the period		
Opening balance	388,000	343,000
Net expense recognised in the statement of financial performance	(158,000)	45,000
	230,000	388,000
Net expense recognised in the statement of financial performance		
Current service cost	6,000	5,000
Interest cost	33,000	35,000
Actuarial (gains) losses	(197,000)	5,000
	(158,000)	45,000
Notional loan account with The Johannesburg Metropolitan Municipality		
Opening balance	331,000	300,000
Interest received	28,000	31,000
	359,000	331,000
Key assumptions used		
Assumptions used on last valuation on 30 June, 2006.		
Discount rates used	9.00%	8.50%
Expected rate of return on assets	9.00%	8.50%
<b>8. Inventories</b>		
Raw materials	743,906	411,995
Consumables	925,862	837,535
	1,669,768	1,249,530
Provision for obsolete inventory		(72,056)
	1,669,768	1,177,474

		2006 R	2005 R
<b>9. Trade and other receivables</b>			
Trade receivables		11,033,941	(48,380)
Provision for bad debts		(6,612,702)	(4,307,344)
Deposits		150,000	
Outstanding City of Johannesburg Metropolitan Municipality Claims		98,785,197	75,465,057
		103,356,436	71,109,333
Capital expenditure	9.1	362,083,011	348,584,737
Capital funding		(263,297,814)	(273,119,680)
		98,785,197	75,465,057
<b>9.1 Capital expenditure</b>			
The Johannesburg Roads Agency had undertaken the implementation of capital projects on behalf of The City of Johannesburg Metropolitan Municipality. In terms of the Service Delivery Agreement all capital projects relating to the construction of roads, bridges, stormwater and traffic signals is managed by the Johannesburg Roads Agency. The following were undertaken during the periods presented:			
Access routes		21,557,124	16,366,862
Bridges		10,863,651	22,816,442
Capital expenditure for Johannesburg Roads Agency financed by the City of Johannesburg Metropolitan Municipality		7,763,038	9,527,612
Dam		10,694,728	
Footway		4,949,920	10,022,696
Investigation		4,152,083	1,837,728
Major roads		240,507,033	92,902,924
Stormwater		26,988,847	26,919,387
Traffic signals		26,265,249	38,161,175
Upgrading		8,341,338	130,029,911
		362,083,011	348,584,737
<b>10. Cash and cash equivalents</b>			
Cash and cash equivalents consist of:			
Cash on hand		7,113	3,425
Bank balances ( Trust Account)			12,380
Bank overdraft ( Salaries Account)		(5,754,893)	(6,625,608)
Bank overdraft ( Operating Account)		(51,166,993)	(47,820,470)
		(56,914,773)	(54,430,273)
Current assets		7,113	15,805
Current liabilities		(56,921,886)	(54,446,078)
		(56,914,773)	(54,430,273)
The following bank accounts are held at ABSA Public Sector Gauteng West – Trust Cheque (Account no: 40 5439 8803), Operating Cheque (Account no: 40 5439 8772) , Salaries Cheque (Account no: 40 5439 8811).			
In terms of the sale of business agreement the City of Johannesburg Metropolitan Municipality and all the municipal owned entities have got a consolidated treasury arrangement whereby all bank accounts are swept on a daily basis.			

	2006 R	2005 R			
<b>11. Contribution from owner</b>					
Authorised					
1000 Ordinary shares of R1 each	1,000	1,000			
Issued					
1000 Ordinary shares of R1 each	1,000	1,000			
<b>12. Finance lease obligation</b>					
Minimum lease payments due					
– within one year	813,529	934,159			
– in second to fifth year inclusive	2,075,365	1,581,328			
	2,888,894	2,515,487			
less: future finance charges	(381,182)	(402,521)			
Present value of minimum lease payments	2,507,712	2,112,966			
Present value of minimum lease payments due					
– within one year	623,915	694,080			
– in second to fifth year inclusive	1,883,797	1,418,886			
	<b>2,507,712</b>	<b>2,112,966</b>			
Non-current liabilities	1,883,797	1,418,886			
Current liabilities	623,915	694,080			
	2,507,712	2,112,966			
It is company policy to lease certain office equipment under finance leases. The average lease term is 5 years and the average effective borrowing rate is 13% (2005: 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 2.					
<b>13. Provisions</b>					
Reconciliation of provisions – 2006					
	<b>Opening balance</b>	<b>Additions</b>	<b>Utilised during the year</b>	<b>Discounting effect</b>	<b>Total</b>
Bonuses	11,103,686	12,216,443	(14,173,350)	83,053	9,229,832
Leave pay benefits	12,150,000	6,138,811	(9,404,812)		8,883,999
	23,253,686	18,355,254	(23,578,162)	83,053	18,113,831
Leave pay has not been discounted, due to the fact that inflation has already been taken into account as current salaries are used.					
<b>14. Trade and other payables</b>					
Trade payables	1,115,431				1,024,995
VAT	902,289				
Retentions	43,896,133				47,723,784
Accruals	134,049,285				71,745,101
Other payables	7,906,819				1,143,140
	187,869,957				121,637,020

	2006 R	2005 R
<b>15. Revenue</b>		
Classes comprise the follow:		
Subsidy: City of Johannesburg Metropolitan Municipality	326,498,070	307,821,421
Jobbings	32,006,118	26,524,317
Advertising	20,369,922	21,473,960
Asphalt sales	8,678,718	1,743,807
Reinstatements	6,435,946	6,982,103
Maintenance of robots: Gauteng Province	615,576	624,464
Railway Sidings		119,133
Road Closures		74,767
	394,604,350	365,363,972
<b>16. Operating profit after taking the following into account</b>		
Operating lease charges		
Motor vehicles		
Contractual amounts	21,425,515	22,187,651
Equipment		
Contractual amounts	185,520	315,569
Lease rentals on operating lease		
Contractual amounts	395,999	664,762
Surplus (deficit) on sale of property, plant and equipment	(4)	(18,119)
Impairment on property, plant and equipment	726,177	
Amortisation on intangible assets	2,725,762	998,724
Depreciation on property, plant and equipment	8,110,950	12,229,110
Employee costs	198,569,646	201,754,835
Amount expensed in respect of retirement benefit plans:	20,038,210	20,323,676
<b>17. Investment income</b>		
Interest revenue		
Interest and amortised cost adjustments on fair value adjustment on revenue	2,102,162	1,978,541
Interest on fair value and amortised cost adjustments on receivables	12,218	
Investment income	9,965,711	8,557,073
	12,080,091	10,535,614
<b>18. Impairment of assets</b>		
Material impairment losses (recognised) reversed		
Property, plant and equipment	726,177	
The impairment loss recognised relates to the asphalt plant & the slurpy machine. The useful lives of these assets were revised from 5 years to 15 years as from initial recognition due to new evidence becoming available. This led to the revised carrying amounts of the assets being higher than the recoverable amount. The recoverable amounts of the plant and machinery were based on its fair value less costs to sell.		
<b>19. Finance costs</b>		
Interest paid loans	1,709,389	1,627,178
Interest of finance lease	361,259	273,119
Interest on fair value and amortised cost adjustments on payables	821,382	(3,835,254)
Interest on fair value adjustment of purchases	2,612,588	2,356,445
	5,504,618	421,488

	2006 R	2005 R
<b>20. Taxation</b>		
Major components of the tax expense/income		
Deferred		
Deferred tax for the year	1,057,935	7,265,153
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting surplus	2,179,065	3,897,253
Tax at the applicable tax rate of 29% (2005: 29%)	634,929	1,130,203
Tax effect of adjustments on taxable income		
Change in tax rate		(81,649)
Prior year (over)/under provision	426,006	6,216,599
	1,057,935	7,265,153
<b>21. Auditors' remuneration</b>		
Fees	247,280	457,556
<b>22. Cash generated from (used in) operations</b>		
Surplus (deficit) before taxation	2,179,065	3,897,253
Adjustments for:		
Depreciation of property, plant and equipment and amortisation of intangible assets	10,836,712	13,415,877
(Surplus)/deficit on sale of assets	4	18,119
Interest received	(12,080,091)	(10,535,614)
Finance costs	5,504,618	421,488
Impairment losses/reversals on property, plant and equipment	726,177	
Movements in retirement benefit assets and liabilities	1,652,000	7,453,000
Movements in provisions	(5,139,855)	3,018,913
Changes in working capital:		
Inventories	(492,294)	108,939
Trade and other receivables	(30,815,331)	86,041,217
Trade and other payables	70,578,125	(80,267,753)
	42,949,130	23,571,439
<b>23. Commitments</b>		
Authorised capital expenditure		
Already contracted for but not provided for		
• Construction and maintenance of roads	50,943,644	
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	116,333,341	29,083,334
– in second to fifth year inclusive	11,382,117	116,333,341
– later than five years		11,382,117
	127,715,458	156,798,792

	2006 R	2005 R
Operating lease payments represent rentals payable by the company for certain of its office equipment. Leases are negotiated for an average term of five years, installments are fixed. No contingent rent is payable.		
<b>24. Contingencies</b>		
Legal claims that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on attorneys best estimates of the possible amount payable.		
Certain employees have taken legal action against the City of Johannesburg Metropolitan Municipality and the Johannesburg Roads Agency (Proprietary) Limited with regard to the amount of service gratuity owed to employees.		
The Independent Municipal and Allied Trade Union (IMATU) has taken legal action against the City of Johannesburg Metropolitan Municipality and the Utilities, Agencies and Companies (UAC's) with regards to age discrimination faced by members. The amount represents an actuarial valuation of the possible liability.		
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 485103.		
• 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 not yet finalised.		
• Aharoni ZVI Itamar v COJ 1JRA ( Public liability claim) Amount involved R 600 179.		
• Ferox Investment v COJ 1JHB Property Co 1JRA 1Ad Outpost (Billboard illegally erected) Amount involved not yet finalised.		
<b>25. Related parties</b>		
Relationships		
Parent company	The City of Johannesburg Metropolitan Municipality	
Fellow subsidiaries	Pikitup Johannesburg (Proprietary) Limited	
	City Power (Proprietary) Limited	
	Johannesburg Development Agency (Proprietary) Limited	
	Metropolitan Trading Company (Proprietary) Limited	
	Johannesburg Water (Proprietary) Limited	
	Johannesburg City Parks (Proprietary) Limited	
	Johannesburg Property Company (Proprietary) Limited	
	Johannesburg Fresh Produce Market (Proprietary) Limited	
	Johannesburg Civic Theatre (Proprietary) Limited	
Members of key management	The directors are responsible to ensure that the entity adhere's to the strategic objectives set by the shareholder. Refer to Annexure A for related transactions.	
Related party balances		
Receivables from related parties		
Johannesburg Development Agency (Pty) Limited	1,384,107	2,500,000
Metropolitan Trading Company (Proprietary) Limited		155,000
City Power Johannesburg (Proprietary) Limited	3,149,590	1,417,000
Johannesburg Water (Proprietary) Limited	3,176,377	2,820,000
Pikitup Johannesburg (Proprietary) Limited	866,571	5,212,000
Johannesburg City Parks (Proprietary) Limited	2,294,594	5,657,000
Johannesburg Property Company (Proprietary) Limited	4,563,126	
City of Johannesburg Metropolitan Municipality	6,985,404	9,019,141
	22,419,769	26,780,141

	2006 R	2005 R
Payables to related parties		
The City of Johannesburg Metropolitan Municipality	(5,213,971)	(8,001,000)
Johannesburg Water (Proprietary) Limited	(232,794)	(15,000)
Pikitup Johannesburg (Proprietary) Limited	(139,907)	(1,329,000)
Johannesburg City Parks (Proprietary) Limited	(224,105)	(320,000)
City Power (Proprietary) Limited	(5,142,790)	
	(10,953,567)	(9,665,000)
Related party transactions		
Income from related parties		
The City of Johannesburg Metropolitan Municipality: Subsidies	(326,686,000)	(309,200,000)
The City of Johannesburg Metropolitan Municipality: Other	(10,704,170)	(8,295,000)
Pikitup Johannesburg (Proprietary) Limited	(5,266,863)	(5,213,000)
City Power Johannesburg (Proprietary) Limited	(2,483,202)	(2,249,000)
Johannesburg Property Company (Proprietary) Limited	(20,740,534)	(20,260,000)
Johannesburg Water (Proprietary) Limited	(5,358,039)	(2,933,000)
Johannesburg City Parks (Proprietary) Limited	(12,844,968)	(6,978,000)
Johannesburg Fresh Produce Market (Proprietary) Limited	(410,229)	
Johannesburg Development Agency (Proprietary) Limited	(4,630,035)	
	(389,124,040)	(355,128,000)
Expenses from related parties		
The City of Johannesburg Metropolitan Municipality: Hostel Charges	3,479,013	3,617,000
The City of Johannesburg Metropolitan Municipality: Insurance	1,973,000	1,223,000
The City of Johannesburg Metropolitan Municipality: Other		3,048,000
Johannesburg Fresh Produce Market (Proprietary) Limited	480	1,000
Johannesburg Civic Theatre (Proprietary) Limited	18,041	31,000
City Power Johannesburg (Proprietary) Limited	5,638,404	1,402,000
Johannesburg Water (Proprietary) Limited	72,870	388,060
Pikitup Johannesburg (Proprietary) Limited	1,133,907	1,792,000
Metropolitan Bus Company (Proprietary) Limited	14,048	
Johannesburg Development Agency (Proprietary) Limited	221,225	
Johannesburg zoo (Proprietary) Limited	2,800	
Johannesburg City Parks (Proprietary) Limited	458,910	329,000
	13,012,698	11,831,060
Compensation to directors and other key management		
Short-term employee benefits	791,049	1,129,012
<b>26. Directors' emoluments</b>		
Refer to Annexure A for emoluments paid.		
<b>27. Prior period errors</b>		
<b>27.1 Payables</b>		
The correction of the prior period error relates to the present value of trade and other payables to fair value upon initial recognition and the subsequent recognition at amortised cost using the effective interest rate. This prior period error has been determined in accordance with AC 133 (Recognition and measurement of financial instruments).		

	2006 R	2005 R
The correction of the error(s) results in adjustments as follows:		
Statement of Financial Position		
Decrease in trade payables – 2004		1,369,423
Increase in opening retained earnings		(1,369,423)
Decrease in trade payables – 2005		4,172,357
Increase in taxation – 2005		(1,190,384)
Statement of Financial Performance		
Increase in income tax expense		1,190,384
Decrease in finance cost		(4,172,357)
<b>27.2 Receivables</b>		
The correction of the prior period error relates to the present value of trade and other receivables to fair value upon initial recognition and the subsequent recognition at amortised cost using the effective interest rate. The prior period error has been calculated in accordance with AC 133.		
The amount owed by Johannesburg Water (Proprietary) Limited was overstated in the prior period with an amount of R 328 850 because the Johannesburg Roads Agency (Proprietary) Limited incorrectly invoiced Johannesburg Water (Proprietary) Limited with an amount of R 328 850.		
The correction of the error(s) results in adjustments as follows:		
Statement of Financial Position		
Decrease in receivables – 2004		(1,218,476)
Decrease in opening retained earnings		(1,218,474)
Increase in receivables – 2005		279,643
Decrease in taxation – 2005		(193,869)
Statement of Financial Performance		
Increase in interest received		(279,645)
Decrease in income tax expense		193,689
<b>27.3 Provision for bad debts</b>		
The correction of the prior period error relates to the present value of provision for bad debts of trade and other receivables to fair value upon initial recognition and the subsequent recognition at amortised cost using the effective interest rate. The prior period error has been calculated in accordance with AC 133.		
The correction of the error(s) results in adjustments as follows:		
Statement of Financial Position		
Decrease in provision for bad debts – 2004		138,626
Increase in opening retained earnings		(138,626)
Increase in provision for bad debts – 2005		(41,624)
Decrease in taxation – 2005		14,051
Statement of Financial Performance		
Decrease in bad debts expense		(156,414)
Decrease in income tax expense		(14,051)
Increase in finance cost		198,038

	2006 R	2005 R
<b>27.4 Provision for bonuses</b>		
The correction of the prior period error relates to the discounting of the bonus provision to present value as at the reporting date in order to take the time value of money effect into account. Previously the service bonus provision was not discounted to its present value at the reporting date, as per the requirements of AC 130.		
The correction of the error(s) results in adjustments as follows:		
Statement of Financial Position		
Decrease in provision for bonuses – 2004		97,345
Increase in opening retained earnings		(97,345)
Decrease in provision for bonuses – 2005		353,072
Increase in taxation – 2005		(101,000)
Statement of Financial Performance		
Decrease in salaries expense		(492,136)
Increase in income tax expense		101,000
Increase finance cost		139,065
<b>27.5 Finance leases</b>		
The correction of the prior period error relates to the accounting of finance leases previously incorrectly accounted for as operating leases. The correction of the prior year error has been calculated in accordance with the requirements of AC 105.		
The correction of the error(s) results in adjustments as follows:		
Statement of Financial Position		
Increase in carrying value of finance lease asset – 2004		1,824,436
Increase in interest accrued – 2004		(18,566)
Increase in finance lease liability 2004		(1,946,743)
Decrease in opening retained earnings • 2004		140,873
Increase in finance liability – 2005		(166,223)
Increase in finance lease asset – 2005		699,359
Increase in accumulated depreciation – 2005		(575,998)
Increase in taxation – 2005		62,386
Increase in interest accrued – 2005		(639)
Statement of Financial Performance		
Increase in finance charges		272,820
Increase in depreciation		575,998
Decrease in rental – office equipment expense		(805,316)
Decrease in taxation expense		(62,386)
<b>27.6 Property, plant &amp; equipment</b>		
The correction of the prior period error relates to the reassessment of the useful lives of property, plant & equipment. The useful lives of property, plant and equipment were not reassessed annually as per the requirements of AC 123.		
The cost of Property, plant and equipment was also restated in the current year against the City of Johannesburg Shareholders loan due to assets previously brought in at zero book value when the Johannesburg Roads Agency (Pty) Ltd was formed in 2001.		
Land with a cost price of R1 350 000 was incorrectly disclosed in the 2005 financial year as Buildings which has now been corrected, refer Note 2.		
The correction of the error(s) results in adjustments as follows:		

	2006 R	2005 R
Statement of Financial Position		
Decrease in opening retained earnings		19,650,119
Increase in accumulated depreciation – 2004		(19,650,119)
Increase in property, plant & equipment – 2004		80,833,782
Increase in opening retained earnings – 2004		(80,833,782)
Increase in accumulated depreciation 2005		(7,660,775)
Increase in taxation asset 2005		2,000,676
Statement of Financial Performance		
Decrease in income tax expense		(2,000,676)
Increase in depreciation on property, plant & equipment		7,660,775
<b>27.7 Intangible assets</b>		
The correction of the prior period error relates to the reclassification of computer software (application software) to intangible assets. Previously computer software (application software), which meets the definition of an intangible asset per AC 129, was included in and accounted for as property, plant & equipment.		
The correction of the error(s) results in adjustments as follows:		
Statement of Financial Position		
Decrease in property, plant & equipment		(12,082,347)
Increase in Intangible assets		12,082,347
Decrease in accumulated depreciation		221,212
Increase in accumulated amortisation		(221,212)
Statement of Financial Performance		
Increase in amortisation		998,724
Decrease in depreciation		(998,724)
<b>28. Reclassification of comparative figures</b>		
During the year the requirements of SAICA Circular 9/2006 transactions giving rise to adjustment in revenue and purchases were applied to income and expenditure. The application of the circular entails the discounting of income and expenditure, using a market related interest rate, to account for deferred settlement terms. The discounting results in a split between income and its implicit interest and expenditure and its implicit finance cost.		
Expenditure – Portion reclassified to finance cost		
Operating expenditure	1,645,041	2,006,489
Cost of sales	872,641	349,956
Total finance cost	2,517,682	2,356,445
Income: Portion reclassified to interest received		
Other income	84,214	90,808
Revenue	3,417,828	3,260,162
Total interest received	3,502,042	3,350,970

	2006 R	2005 R
<b>29. Risk management</b>		
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 and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.		
Interest rate risk Deposit and all attract interest at rate 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 surplus (deficit).		
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 anyone 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.		
<b>30. Going concern</b> 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.		

## Detailed Statement of Financial Performance

This statement does not form part of the annual financial statements and is unaudited.

	2006 R	2005 R
Revenue		
Revenue	394,604,350	365,363,972
Cost of sales		
Opening inventory	(837,535)	
Purchases	(43,960,717)	(34,700,216)
Cost of sales	(234,639,354)	(228,356,867)
Closing inventory	925,862	837,535
	(278,511,744)	(262,219,548)
Gross surplus	116,092,606	103,144,424
Other income		
Rental income	156,822	306,606
Training income	919,106	582,272
Sundry income	7,645,363	9,177,973
Interest received	12,080,091	10,535,614
	20,801,382	20,602,465
Expenses (Refer to page 50)	(129,210,305)	(119,428,148)
Operating surplus	7,683,683	4,318,741
Finance costs	(5,504,618)	(421,488)
Surplus before taxation	2,179,065	3,897,253
Taxation	1,057,935	7,265,153
Surplus for the period	1,121,130	(3,367,900)

	2006 R	2005 R
Operating expenses		
Advertising	(1,277,330)	(543,752)
Auditors remuneration	(247,280)	(457,556)
Bad debts	(2,148,943)	(4,424,901)
Bank charges	(148,378)	(146,475)
Commission paid	(1,299,336)	(735,439)
Conferences and seminars	(525,967)	(228,177)
Consulting fees	(6,528,509)	(6,068,262)
Consumables	(543,347)	(369,758)
Depreciation, amortisation and impairments	(11,562,889)	(13,227,834)
Employee costs	(47,680,031)	(45,436,646)
Entertainment	(230,510)	(289,664)
Hostel charges	(3,479,032)	(3,612,887)
Insurance	(4,469,659)	(4,508,672)
Lease rentals on operating lease	(581,519)	(980,331)
Legal expenses	(754,883)	(503,017)
Levies	(858,034)	(503,354)
Loss on disposal of assets	(4)	(18,119)
Magazines, books and periodicals	(30,479)	(30,105)
Medical expenses	(14,292)	(15,770)
Minor assets not capitalised (Items less than R 2,000)	(241,256)	(188,404)
Printing and stationery	(1,730,897)	(1,579,448)
Promotions	(1,802,919)	(992,239)
Protective clothing	(1,142,491)	(883,897)
Repairs and maintenance	(7,310,147)	(5,026,378)
Safety	(42,598)	(119,323)
Security	(4,663,863)	(3,398,150)
Software expenses	(6,574,021)	(7,012,478)
Staff welfare		(59,240)
Strategic planning	(104,178)	(37,901)
Subscriptions	(10,514)	(12,594)
Telephone and fax	(10,243,418)	(8,299,224)
Training	(2,051,493)	(1,742,931)
Travel - local		(16,534)
Travel – overseas	(13,746)	(17,585)
Utilities	(10,791,412)	(7,935,092)
Workshop charges	(106,930)	(6,011)
	(129,210,305)	(119,428,148)

## Annexure A (Part 1)

(This Annexure forms part of the audited 2006 Annual Financial Statements)

### Disclosure of remuneration for the financial year ended 30 June 2006

Services rendered as director of company	Directors fees	Basic salary	Bonuses and performance related payments	Travel allowances	Substance allowances	Contributions to pension funds in respect of services as directors	Other contributions to pension funds	Contributions to medical aids	Contributions to insurance schemes	Commission	Profit sharing	Gains made on the exercise of share options	Monetary value of any other material benefits received	Compensation for loss in respect of office of director	Compensation for loss in respect of other office	Amounts paid in respect of acceptance of office	Total
Members of the accounting authority – Executive director's remuneration 2006																	
Dawood Coovadia	80,250.00																80,250.00
Grant Craig Dunnington	87,750.00																87,750.00
Susan Margaret Grant	104,250.00																104,250.00
Kirankumar Dhirajlal Fakir	60,000.00																60,000.00
Nolutando Dorian Orieyn	102,750.00																102,750.00
Letepe Michael Maisele	60,000.00																60,000.00
Lehlonolo Ebenezer Moshloli	72,750.00																72,750.00
Khunjulwa Sigenu	60,000.00																60,000.00
Judith Mary Parfitt	44,250.00																44,250.00
Washington Rueben Rudo Nyabeze	14,250.00																14,250.00
<b>Total</b>	<b>686,250.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>686,250.00</b>
Members of the accounting authority – Executive director's remuneration 2005																	
William J Brunjes	231,127.78																231,127.78
LA Pit	52,026.00																52,026.00
Kirankumar Dhirajlal Fakir	72,272.48																72,272.48
Susan Margaret Grant	130,136.00																130,136.00
Judith Mary Parfitt	64,919.68																64,919.68
Grant Craig Dunnington	157,440.85																157,440.85
Dawood Coovadia	195,014.88																195,014.88
Nolutando Dorian Orieyn	130,539.54																130,539.54
Khunjulwa Sigenu	5,625.00																5,625.00
Lehlonolo Ebenezer Moshloli	5,625.00																5,625.00
Letepe Michael Maisele	6,187.50																6,187.50
<b>Total</b>	<b>1,050,916.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,050,916.00</b>

## Annexure A (Part 2)

(This Annexure forms part of the audited 2006 Annual Financial Statements)

### Disclosure of remuneration for the financial year ended 30 June 2006

#### Details of directors service contracts

- Directors' service contracts with notice periods in excess of one year and with provisions for predetermined compensation on termination of the contracts exceeding one year's salary and benefits in kind, giving reasons for such notice period, and
- The unexpired term of any director's service contract of a director proposed for election or re-election at the forthcoming annual general meeting, or if any director proposed for election or re-election does not have a director's service contract.

	Basic salary	Bonuses and performance related payments	Travel allowance	Subsistence allowance	Contributions to pension funds	Contributions to medical aids	Contribution to insurance schemes	Commission	Profit sharing	Gains made on the exercise of share options	Monetary value of any other material benefits received	Compensation for loss of office	Amounts paid in respect of acceptance of office	Total
<b>Chief Executive Officer or person in charge of the public entity – 2006</b>														
Marvela Alford Velaunwa Dlamini	848,832.00													848,832.00
Maseko Gwendoline Duduzile	124,148.10													124,148.10
<b>Total</b>	<b>972,980.10</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>972,980.10</b>
<b>Chief Executive Officer or person in charge of the public entity – 2005</b>														
Marvela Alford Velaunwa Dlamini	931,439.00	152,290.00												1,083,729.00
<b>Total</b>	<b>931,439.00</b>	<b>152,290.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,083,729.00</b>
<b>Chief Financial Officer – 2006</b>														
Ramdas Ishwar	631,301.40													631,301.40
<b>Total</b>	<b>631,301.40</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>631,301.40</b>
<b>Chief Financial Officer – 2005</b>														
Ramdas Ishwar	586,757.00	73,321.88												660,078.00
<b>Total</b>	<b>586,757.00</b>	<b>73,321.88</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>660,078.00</b>
<b>Persons serving on senior management – 2006</b>														
Maseko Gwendoline Duduzile	620,740.50													620,740.50
Van Der Westhuizen Hendrina Jacoba	76,902.74	15,000.00												91,902.74
Agalenz Alan	727,887.36													727,887.36
Mikhonta Yusi Patrick	622,027.92													622,027.92
Smit Frederick Carel	236,700.64													236,700.64
Schmidt Ester	250,762.50	19,908.83												270,671.33
<b>Total</b>	<b>2,535,021.66</b>	<b>34,908.83</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,569,930.49</b>
<b>Persons serving on senior management – 2005</b>														
Maseko Gwendoline Duduzile	696,483.00	76,613.00												773,096.00
Agalenz Alan	677,735.00	64,384.83												742,119.83
Mikhonta Yusi Patrick	595,000.00	39,220.42												634,220.42
Smit Frederick Carel	655,000.00	108,893.75												763,893.75
<b>Total</b>	<b>2,624,218.00</b>	<b>289,112.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,913,330.00</b>

# Functional area service delivery reporting



JRA Energy Saving Project  
– LED Lights roll out



The Executive Mayor  
Clr. A. Maseko  
with JRA Roads  
Ambassadors



Some of the noticeable projects/initiatives are:

- △ **Stormwater Management Plan:** The JRA has finalised its second draft Integrated Stormwater Management Plan (ISMP). Action plans are currently being developed. The JRA has appointed two consultants to continue with stormwater inflow of rapidly developing areas in the City of Johannesburg, and one consultant to commence with the capacity analysis of the major stormwater system.
- △ **Disaster Management Plan:** The JRA's Disaster Management Plan will be completed during the first quarter of the 2006/07 financial year. A Disaster Management Plan covering information technology has already been developed.
- △ **Environmental Management System Roll-out:** The JRA has embarked on the introduction of an EMS in support of the City's Environmental Framework. Due to the nature of its work, the JRA has an enormous impact on the environment. 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) will commence in the 2006/07 financial year.

- △ **OHS (Occupational Health and Safety) 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.

Table 10 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.

Table 10:

### Functional Area Service Delivery Reporting

Function: Transportation									
<b>Strategic Objectives:</b>									
<ul style="list-style-type: none"> <li>△ improve the quality of its assets;</li> <li>△ improve the mobility of traffic;</li> <li>△ improve customer satisfaction;</li> <li>△ enhance safety of road users;</li> <li>△ revenue maximisation;</li> <li>△ internal capacity building;</li> <li>△ develop new Infrastructure; and</li> <li>△ management of storm water systems.</li> </ul>									
Key Performance Indicator	Annual Target	2005/06 Financial Year Performance							
		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
Kms of gravel roads maintained	750	250	350	350	671	550	1191	750	1663
Kms of road upgraded from gravel to surfaced	42.6	0	0	0	0	10	5	42.6	44.8
Completed potholes expressed as a % of reported potholes	95%	95%	95%	85%	95%	95%	96%	95%	96%
Lane km of roads resurfaced	142	29	18	58	42	97	61	142	132
Number of KIs cleaned each year	56 000	14 000	12592	28 000	28394	42 000	46 400	56 000	55 534
Lane km of road markings painted	1 600	400	289	400	746	400	290	400	378

## LIST OF ACRONYMS AND ABBREVIATIONS

AGM	Annual General Meeting
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
EMS	Environmental Management System
EPWP	Expanded Public Works Programme
GAAP	Generally Acceptable Accounting Practices
GEM	General Executive Manager
IDP	Integrated Development Plan
ISMP	Integrated Stormwater 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, 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

