



Johannesburg Roads Agency (SOC) Ltd
(Registration number 2000/028993/30)
Annual Financial Statements
for the year ended 30 June 2024

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Construction and maintenance of roads, traffic signals and stormwater infrastructure
Chief Finance Officer (CFO)	L Mashau
Directors	Mr S C Clark Board - Chairperson (Appointed 31 July 2024) Mr Z Nyathi - Chief Executive Officer Ms O Mokgosi - Appointed 31 July 2024 A Smit Appointed 31 July 2024 B Nimmerhoudt - 25 August 2023 Dr. R Govender -Appointed - 11 March 2023 A Francis - Appointed - 11 March 2023 C Cilliers (Board Chairperson) Appointed 11 March 2023- Resigned June 2023 C Lourens - Appointed - 11 March 2023 E Botha (Board Chairperson) Resigned (14 February 2024) K Mofokeng - Appointed 11 March 2023 T Goldsmith - Appointed - 11 March 2023 T Phetla -Retired - 11 March 2023 V Mamogobo -Appointed - 11 March 2023 Z Xaba - Appointed - 11 March 2023
Registered office	75 Helen Joseph Street Corner Harrison Street Johannesburg Gauteng 2001
Business address	75 Helen Joseph Street Corner Harrison Street Johannesburg Gauteng 2001
Postal address	Private Bag X70 Braamfontein Johannesburg 2017
Controlling entity	The City of Johannesburg Metropolitan Municipality

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

General Information

Bankers	Standard Bank Limited
Auditors	The Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
Secretary	Phumla Thandeka Majola
Company registration number	2000/028993/30

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Index

	Page
Board of Director's Responsibilities and Approval	4
Directors' Report	5 - 8
Company Secretary's Certification	9
Statement of Financial Position	10
Statement of Financial Performance	11
Statement of Changes in Net Assets	12
Cash Flow Statement	13
Statement of Comparison of Budget and Actual Amounts	14 - 15
Significant Accounting Policies	17 - 41
Notes to the annual financial statements	42 - 85

Abbreviations used:

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Board of Director's Responsibilities and Approval

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

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

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

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

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

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

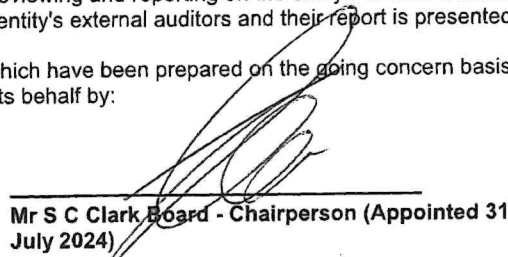
Although the directors are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 5.

The annual financial statements set out on page 4 - 86 which have been prepared on the going concern basis, were approved by the directors on 31 August 2024 and were signed on its behalf by:



Mr Z Nyathi - Chief Executive Officer



Mr S C Clark Board - Chairperson (Appointed 31 July 2024)

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Directors' Report

The directors submit their report for the year ended 30 June 2024.

1. Incorporation

The entity was incorporated on 17 November 2000 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The entity is engaged in construction and maintenance of roads, traffic signals and stormwater infrastructure and operates principally in South Africa.

The net deficit of the entity was R 10,419,398 (2023: deficit R 428,144,678) after taxation of R 30,447,713 (2023: R 116,852,752)

3. Going concern

We draw attention to the fact that at 30 June 2024, the entity had an accumulated deficit of R (550,708,525) and that the entity's total liabilities exceed its assets by R (104,600,060).

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

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

The approved adjusted operating budget for the 30 June 2024 financial year is R1 445 980 000.00 and the approved adjusted capital budget for the 30 June 2024 financial year is R 809 234 000.00

4. Subsequent events

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

5. Directors' interest in contracts

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

6. Accounting policies

The policies in the annual financial statements were prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

7. Share capital / contributed capital

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Directors' Report

8. Directors

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

Name	Nationality	Changes
E Botha (Board Chairperson).	South African	Appointed 25 August 2023 - Resigned 14 February 2024
S C Clark	South African	Appointed 31 July 2024
Z Nyathi - Chief Executive Officer	South African	01 June 2023
L Mashau - Chief Financial Officer	South African	Appointed 01 May 2023
T Goldsmith	South African	Appointed 25 August 2024
A Francis	South African	Appointed 11 March 2023
A Puka	South African	Appointed 11 March 2023 resigned 28 June 2023
Dr. R Govender	South African	Appointed 11 March 2023
D Nyamazane	South African	Appointed 11 March 2023
C Lourens	South African	Appointed 11 March 2023
S Mtamzeli	South African	Appointed 11 March 2023
Mahanuke - Chief Executive Officer	South African	Appointed 01 August 2022 and dismissed June 2023
A Francis - Appointed	South African	Appointed 11 March 2023
V Mamogobo	South African	Appointed 11 March 2023
K Mofokeng (Appointed 01 March 2023	South African	
T Motlounq	South African	Chairperson (Afrit Chairperson - August 2022) (Board Chairperson - October 2022) - Retired 11 March 2023
B Nimmerdhout	South African	Appointed 25 August 2023
H Mtimkhulu	South African	Retired 11 March 2023
N Mkhize	South African	Retired 11 March 2023
L Nel	South African	Appointed 01 November 2022 - 31 May 2023
Z Xaba	South African	Appointed 11 March 2023

9. Secretary

The secretary of the entity is Phumla Thandeka Majola:

Business address

75 Helen Joseph Street
Corner Harrison Street
Johannesburg
2001

Postal address

Private Bag X70
Braamfontein
Johannesburg
2017

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Directors' Report

10. Corporate governance

General

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

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

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

Board of directors

The Board:

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

Chairperson and chief executive

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

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

Remuneration

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

Executive meetings

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

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

Audit, Finance, Risk and IT - AFRIT Committee

For the first sitting of the financial year for the committee the chairperson was Ms A Francis. The committee met 8 times during the financial year to review matters necessary to fulfil its role.

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

Internal Audit

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Directors' Report

11. Controlling entity

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

12. Bankers

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

13. Auditors

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

14. Meetings

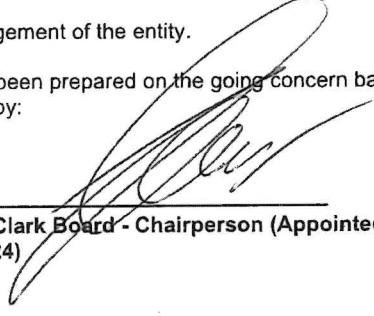
The board met on 12 separate occasions during the financial year. The board was scheduled to meet at least 6 times per annum. There were also 8 Audit, Finance, Finance, Risk and IT meetings, five (4) Remuneration Social, Ethics Committee and four (4) service delivery meetings that were held during the the period 01 July 2023 to 30 June 2024.

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

The annual financial statements set out on page 4-86 which have been prepared on the going concern basis, were approved by the directors on 31 August 2024 and were signed on its behalf by:



Mr Z Nyathi - Chief Executive Officer



Mr S C Clark Board - Chairperson (Appointed 31 July 2024)

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



Phumla Thandeka Majola
Company Secretary
30 November 2024

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand

	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	64,675,252	47,598,381
Loans to shareholders	4	176,261,383	206,577,735
Receivables from exchange transactions	5	670,331,631	445,989,037
Cash and cash equivalents	7	440,099,353	477,928,572
		1,351,367,619	1,178,093,725
Non-Current Assets			
Property, plant and equipment	8	211,962,299	131,633,302
Intangible assets	9	2,185,035	2,725,315
Loans to shareholders	4	53,224,798	52,791,366
		267,372,132	187,149,983
		1,618,739,751	1,365,243,708
Total Assets			
Liabilities			
Current Liabilities			
Current tax payable	14	-	101,910,949
Finance lease obligation	11	15,256,549	16,266,515
Payables from exchange transactions	12	1,405,921,077	1,107,632,083
Provisions	13	264,909,185	268,263,575
		1,686,086,811	1,494,073,122
Non-Current Liabilities			
Employee benefit obligation	6	37,252,999	39,357,000
		1,723,339,810	1,533,430,122
Total Liabilities			
Net Assets			
		(104,600,059)	(168,186,414)
Share capital / contributed capital	15	1,000	1,000
Reserves			
Reserve for own shares / Share repurchase reserve	16	446,107,465	372,101,714
Accumulated surplus		(550,708,525)	(540,289,126)
		(104,600,060)	(168,186,412)
Total Net Assets			

* See Note 39

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand

	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Asphalt Sales and DCP Testing		46,095	177,999
Jobbings		17,841,634	17,630,059
Reinstatement income and wayleave fees		47,265,216	12,721,358
Management Fees		21,885,410	14,674,345
Rental income		12,206,854	10,370,172
Recoveries		-	87
Other income - Proceeds from road closures		93,870,040	11,056,486
Insurance Claims		-	13,043
Interest received - investment	21	19,729,663	21,913,035
Total revenue from exchange transactions		212,844,912	88,556,584
Revenue from non-exchange transactions			
Transfer revenue			
Subsidy - The City of Johannesburg Metropolitan Municipality		1,310,111,970	1,258,837,000
Total revenue	17	1,522,956,882	1,347,393,584
Expenditure			
Employee related costs	24	(415,877,072)	(402,117,723)
Depreciation and amortisation	25	(34,367,593)	(39,565,387)
Impairments loss		-	(3,718,642)
Finance costs	22	(24,025,026)	(12,979,015)
Lease rentals on operating lease		(52,121,470)	(65,055,531)
Call centre charges		(8,210,000)	(7,715,400)
Cost of road maintenance	18	(812,152,707)	(781,340,720)
General Expenses	38	(156,174,699)	(347,772,617)
Total expenditure		(1,502,928,567)	(1,660,265,035)
Surplus (deficit) before taxation		20,028,315	(312,871,451)
Taxation	23	30,447,713	116,852,752
Deficit for the year		(10,419,398)	(429,724,203)

* See Note 39

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

	Share capital / contributed capital	Reserves for own shares / Share repurchase reserve	Accumulated surplus / deficit	Total net assets
Figures in Rand				
Balance at 01 July 2022	1,000	345,776,292	(110,564,923)	235,212,369
Changes in net assets	-	26,325,422	-	26,325,422
Assets Financed by COJ	-	26,325,422	-	26,325,422
Net income (losses) recognised directly in net assets	-	-	(429,724,203)	(429,724,203)
Surplus for the year	-	-	(429,724,203)	(429,724,203)
Total recognised income and expenses for the year	-	26,325,422	(429,724,203)	(403,398,781)
Total changes	-	26,325,422	(429,724,203)	(403,398,781)
Opening balance as previously reported	1,000	372,101,714	(512,870,937)	(140,768,223)
Adjustments	-	-	(27,418,190)	(27,418,190)
Correction of errors	-	-	(27,418,190)	(27,418,190)
Restated* Balance at 01 July 2023 as restated*	1,000	372,101,714	(540,289,127)	(168,186,413)
Changes in net assets	-	74,005,751	-	74,005,751
Assets financed by COJ	-	74,005,751	-	74,005,751
Net income (losses) recognised directly in net assets	-	-	(10,419,398)	(10,419,398)
Surplus for the year	-	-	(10,419,398)	(10,419,398)
Total recognised income and expenses for the year	-	74,005,751	(10,419,398)	63,586,353
Total changes	-	74,005,751	(10,419,398)	63,586,353
Balance at 30 June 2024	1,000	446,107,465	(550,708,525)	(104,600,060)
Note(s)	15	16		

* See Note 39

Cash Flow Statement

Figures in Rand

	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Subsidies and other income		1,278,884,625	1,325,480,547
Interest income		19,130,292	22,125,612
		<u>1,298,014,917</u>	<u>1,347,606,159</u>
Payments			
Cash paid to suppliers and employees		(1,150,611,310)	(1,347,694,030)
Finance costs		(37,846,115)	-
Taxes paid	45	(132,358,662)	(44,130,291)
		<u>(1,320,816,087)</u>	<u>(1,391,824,321)</u>
Net cash flows from operating activities	27	(22,801,170)	(44,218,162)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(114,341,601)	(31,001,151)
Net movement in amount within entities in the group - Notional Loans and sweeping accounts		26,317,767	71,064,693
Net cash flows from investing activities		(88,023,834)	40,063,542
Cash flows from financing activities			
Finance lease payments		(1,009,966)	(15,541,226)
Movement in contribution from the owner		74,005,751	26,325,422
Net cash flows from financing activities		72,995,785	10,784,196
Net increase/(decrease) in cash and cash equivalents		(37,829,219)	6,629,576
Cash and cash equivalents at the beginning of the year		477,928,572	471,298,995
Cash and cash equivalents at the end of the year	7	440,099,353	477,928,571

The accounting policies on pages 17 to 41 and the notes on pages 42 to 85 form an integral part of the annual financial statements.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Jobbings	18,412,600	29,580,954	47,993,554	17,841,634	(30,151,920)	1
Reinstatement income	19,387,000	(4,210,164)	15,176,836	47,265,216	32,088,380	2
Management fees	32,256,700	(5,188,000)	27,068,700	21,885,410	(5,183,290)	3
Rental income	5,110,000	7,077,000	12,187,000	12,206,854	19,854	4
Other Income	694,700	10,031,310	10,726,010	93,916,135	83,190,125	5
Interest received	22,468,000	247,900	22,715,900	19,729,663	(2,986,237)	6
Total revenue from exchange transactions	98,329,000	37,539,000	135,868,000	212,844,912	76,976,912	
Revenue from non-exchange transactions						
Transfer revenue						
Developers' contribution	53,101,000	(53,101,000)	-	-	-	
Subsidy - The City of Johannesburg Metropolitan Municipality	1,323,633,000	(13,521,000)	1,310,112,000	1,310,111,970	(30)	
Total revenue from non-exchange transactions	1,376,734,000	(66,622,000)	1,310,112,000	1,310,111,970	(30)	
Total revenue	1,475,063,000	(29,083,000)	1,445,980,000	1,522,956,882	76,976,882	
Expenditure						
Employee related costs	(955,186,000)	(20,079,000)	(975,265,000)	(996,679,196)	(21,414,196)	8
Depreciation and amortisation	(66,794,000)	-	(66,794,000)	(34,367,593)	32,426,407	9
Repairs and maintenance	(6,989,040)	-	(6,989,040)	(4,964,197)	2,024,843	10
Internal transfers	(36,636,000)	2,074,000	(34,562,000)	(32,235,026)	2,326,974	11
Contracted services	(209,272,960)	47,874,000	(161,398,960)	(34,039,789)	127,359,171	12
Other Expenditure	(200,195,000)	(776,000)	(200,971,000)	(400,642,766)	(199,671,766)	13
Total expenditure	(1,475,073,000)	29,093,000	(1,445,980,000)	(1,502,928,567)	(56,948,567)	
Surplus before taxation	(10,000)	10,000	-	20,028,315	20,028,315	
Taxation	-	-	-	(30,447,713)	(30,447,713)	14
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(10,000)	10,000	-	(10,419,398)	(10,419,398)	

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Comments are provided on variances in excess (Over or under budget) of 10%. The comparison is between actual amounts as at 30 June 2024 and the 2023/2024 Annual Approved Adjustment Budget.

1. Jobbing's Income: Jobbing's Income is related to JRA customers paying JRA funds in advance for services to be rendered at a later stage, and its accounted for as income when the job is finalised by JRA. Recognition of this revenue is reliant on developer's progress which varies from project to project.

2. Reinstatement Income: is above the Adjustment Budget for the year. This is as a result of reaction based and fluctuating demand during the year and the nature of the work performed by JRA is driven mainly by billings from Joburg Water (SOC) Ltd

3. Management Fees: These are amounts charged by JRA to COJ's Departments and City Entities for undertaking Capital projects on behalf of these Departments and Entities. The main reasons for the underperformance is that the fee rate has remained stagnant at only 2,5% of the Capital projects actual spend. In addition, the funding source of capital projects on behalf of COJ was allocated to JRA during adjustment budget process. JRA did not earn management fees on these projects as well. JRA also had to pay management fees

4. Rental Income: The rent received by JRA is for subleasing some floors to COJ Transportation and Rea Vaya this item was withing budget so no further explanation required..

5. Other income: This is due to an increase in income from Road closure, DCP Testing and withdrawals from developers contribution bank account. In the prior years JRA incurred expenditure related to Developers Contribution and had not withdrawn from the bank account. In the year under review JRA with drew the balance that was owed to JRA.

6. Interest Received: Interest received is for interest earned on the loans to the Shareholder (inter Company sweeping bank and post retirement Assets). There has been a negative cash balance as a result of recognising the interest from the developers contribution bank account as a liability instead of an income.

7. Developers contribution: Developers contributions are funds that are paid by the COJ Planning Department relating to contributions made by the developers to compensate for the increase usage of the infrastructure network. The amount received by JRA is determined by COJ. This line item is now accounted for as aliability and thats why there actual amounts shown.

8. Employee Costs: The Employee costs are over the Adjustment Budget and is mainly due to the additional work done on reinstatements on behalf of Joburg water.

9. Depreciation and Amortisation: The depreciation of the assets was less than the budget as the useful lives were revised when the asset verification was done.

10. Repairs and Maintenance: The repairs and maintainance of JRA was under budget due to delays in procurement of spares and appointment of service providers to perform maintenance work.

11. Internal Transfers: The internal transfer costs are expenditure relating to COJ and its Entities and they were within budget.

12. Contracted Services: It is under budget due to contracted services budget not being fully utilized by year end with road maintenance and work being undertaken mostly by internal JRA teams.

13. Other Expenditure: Other operating expenditure for the financial year is over the budget mainly due to increase in fleet leasing line item and material that was used in the additional re-instatements that was done for Joburg Water.

14. Taxation: The JRA has had previous years assessment revised and some are currently under dispute by JRA through the Alternate Dispute Resolution (ADR) process. This has resulted in taxation charged by SARS for the periods under the ADR process.

The accounting policies on pages 17 to 41 and the notes on pages 42 to 85 form an integral part of the annual financial statements.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Presentation of Annual Financial Statements

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

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

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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

Available-for-sale financial assets

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

If all of the declines in fair value below cost were considered significant or prolonged, the entity would suffer an additional deficit in its 2024 annual financial statements, being a reclassification adjustment of the fair value adjustments previously recognised in other comprehensive income and accumulated in equity on the impaired available-for-sale financial assets to surplus or deficit.

Allowance for slow moving, damaged and obsolete inventory

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [i.e. production estimates, supply demand], together with economic factors.

Provisions

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

Taxation

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

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

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

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

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

Effective interest rate

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

Allowance for doubtful debts

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

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

Commitments

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

Events after reporting date

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.5 Intangible assets (continued)

Intangible assets are derecognised:

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

1.6 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.6 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.6 Financial instruments (continued)

Classification

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

Class	Category
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost
Loan3	Financial asset measured at amortised cost
Other receivables1	Financial asset measured at amortised cost

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

Class	Category
Loan1	Financial liability measured at amortised cost
Loan2	Financial liability measured at amortised cost
Loan3	Financial liability measured at amortised cost

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

Class	Category
Residual interest1	Measured at fair value
Residual interest2	Measured at cost

Initial measurement of financial assets and financial liabilities

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Reclassification

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.6 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.6 Financial instruments (continued)

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

Presentation

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

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

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

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

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

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

1.7 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.7 Tax (continued)

Tax expenses

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

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

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

1.8 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.9 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.9 Inventories (continued)

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

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

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

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

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

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

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

1.11 Share capital / contributed capital

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

Ordinary shares are classified as equity (net assets).

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.12 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

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

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

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

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

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

Other post retirement obligations

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.12 Employee benefits (continued)

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

Post-employment medical aid liabilities

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

Housing Subsidies

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

Retirement Gratuities

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficit.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.13 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

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

1.14 Commitments

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

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

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.15 Revenue from exchange transactions

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.15 Revenue from exchange transactions (continued)

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.15 Revenue from exchange transactions (continued)

Interest received and other income

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

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

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

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

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

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

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

1.16 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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

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

Developer's Contribution

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

Recognition

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

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

Measurement

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

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

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

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

1.17 Cost of road maintenance

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

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

Contract costs comprise:

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.18 Investment income

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

1.19 Borrowing costs

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

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

1.20 Translation of foreign currencies

Foreign currency transactions

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

At each reporting date:

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

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

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

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

1.21 Value Added Tax (VAT)

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

1.22 Comparative figures

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.24 Irregular expenditure (continued)

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

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

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

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

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

1.25 SCM Deviations

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

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

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

(i) in an emergency;

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

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

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

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

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

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

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

1.26 Research and development expenditure

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

An asset arising from development is recognised when:

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

1.27 Budget information

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.27 Budget information (continued)

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

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

The approved budget covers the fiscal period from 01/07/2023 to 30/06/2024.

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

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

1.28 Related parties

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

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

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

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

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

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

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

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

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

1.29 Events after reporting date

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

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.29 Events after reporting date (continued)

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

1.30 Use of estimates

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

1.31 Offsetting

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

1.32 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.32 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.33 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective Date
• GRAP 1 (Amended) Presentation of Financial Statements (Materiality related changes)	01 April 2023
• GRAP 25 (as revised) Employee Benefits	01 April 2023
• Grap 21 - Impairment of non-Cash Generating Assets (Revised Standards) (Effect of Past Desisions on materiality)	01 April 2023
• Grap Improvements to the standards of GRAP 2020	01 April 2023

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2024 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective Date
• GRAP 104 (as revised) Financial Instruments	01April 2025
• Grap 103 Heritage Assets	Not yet effective
• Grap 1 - Presentaion on Financial Statement (Revised Standard) Changes related to going concern	Not yet effective

3. Inventories

Inventories	66,461,372	48,817,862
Consumable stores	5,442,265	5,261,111
	<hr/>	<hr/>
	71,903,637	54,078,973
Inventories (write-downs)	(7,228,385)	(6,480,592)
	<hr/>	<hr/>
	64,675,252	47,598,381

3.1 Detailed inventory type

Other Material	2,162,650	21,861,094
Road Maintenance	31,508,434	5,910,738
Raw Material	6,556,829	19,776,859
Traffic Signal	26,233,460	1,269,172
	<hr/>	<hr/>
	66,461,373	48,817,863
	<hr/>	<hr/>
Inventories recognised as an expense during the year	69,207,145	64,955,433

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

	2024	2023
4. Loans to (from) shareholders		
Notional loans	53,224,798	52,791,366
(The notional loans relate to the employees obligations)		
City of Johannesburg Metropolitan Municipality	176,261,383	206,577,735
Sweeping Account		
This account is swept on a daily basis. The interest rate varies daily based on a call rate quoted by the City Of Johannesburg Metropolitan Municipality banker). The interest rate varies daily based on a call rate quoted by the City Of Johannesburg Metropolitan Municipality banker.		
Notional Loans (Employee Benefit)		
A number of employees are entitled to receive a gratuity benefit on retirement or exit before retirement from employment in respect of any periods of employment with the Municipality during which they were not members of a retirement fund. Gratuity benefits accrue according to employees' conditions of service. Notional Loans are therefore a loan to shareholder because the employee benefits account belongs to COJ. when an employee retires from JRA, JRA pays the employee and recoup the monies paid from COJ.		
	229,486,181	259,369,101
Non-current assets	53,224,798	52,791,366
Current assets	176,261,383	206,577,735
	229,486,181	259,369,101
Notional loans		
Loans at beginning of the year	52,791,367	51,800,628
Receipts	4,368,036	3,517,902
Repayments	(3,934,605)	(2,527,163)
	53,224,798	52,791,367
Sweeping account		
Loans at beginning of the year	206,577,735	277,266,217
Receipts	2,894,770,055	2,200,079,143
Repayments	(2,925,086,410)	(2,270,767,625)
	176,261,380	206,577,735
5. Receivables from exchange transactions		
Trade debtors	25,308,399	24,611,709
Eskom Deposits	1,075,503	1,017,466
Operating lease- Deposit (Head Office)	6,999,073	6,904,801
Interest Recievable	2,984,235	3,234,998
Prepayments and developers income debtor	544,164	135,401
Outstanding Metropolitan Municipality Claims	86,224,383	83,309,658
Allowance for bad debts	(83,518,513)	(86,880,349)
Sundry Debtors	5,750	766,329
Staff Debtors - Subsidised Education	2,061,220	2,130,850
Related Party receivables	628,647,417	410,758,174
	670,331,631	445,989,037

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

5. Receivables from exchange transactions (continued)

5.1 Analysis of receivables

Gross receivables	753,850,144	533,081,962
Allowance for bad debts	(83,518,513)	(86,880,349)
	670,331,631	446,201,613

Analysis of related party debtors

Gross Related party debtors	628,647,417	410,758,174
Financial asset receivables included in receivables from exchange transactions above	(628,647,417)	(410,970,750)

Total receivables from exchange transactions

670,331,631 445,989,037

Statutory receivables general information

5.2 City of Johannesburg Metropolitan Municipality Claims - CAPEX Projects

Relating specifically to Statutory Receivables

Capital expenditure	784,028,224	688,415,682
USDG Amounts Claimed	(196,526,240)	(13,162,463)
City of Johannesburg Amounts Claimed	(539,048,392)	(501,636,849)
JRA Funded from Developers Contribution - JRA Expense	(48,453,592)	(173,616,370)
	-	-

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

Receivables past due but not impaired

5.3 Capital Expenditure

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

Bridges	95,567,513	14,290,815
Capitalised Expense for JRA financed by COJ	74,075,160	27,153,177
Gravel Roads	192,920,727	126,153,505
Stormwater	148,667,158	104,656,232
Traffic Signals	86,963,768	109,223,686
Rehabilitation, reconstruction of roads and reconstruction	185,321,418	306,670,634
Softwares	512,482	-
Total	784,028,226	688,148,046

Trade and other receivables pledged as security

No trade and other receivables were pledged as security at 30 June 2024.

Trade and other receivables impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2024, R 281,935,220 (2023: R 235,840,853) were past due but not impaired.

The ageing of these loans is as follows:

1 month past due	31,841,538	3,843,162
2 month past due	42,329,694	3,638,175
3 month past due	131,934,457	119,022,056

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

5. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(86,880,349)	(2,205,073)
Amounts written off as uncollectible	2,959,242	-
Debts written off/ (Addition to provision)	-	(84,675,276)
	(83,921,107)	(86,880,349)

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

6. Employee benefit obligations

Defined benefit plan

The defined benefit plan, to which is managed by the City of Johannesburg Metropolitan Municipality where the Johannesburg Roads Agency claims from the funds used from the City of Metropolitan Municipality.

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

The actuarial valuation was performed for the year ended 30 June 2024 on the long term employee benefit liability with reference to GRAP 25.

Post retirement benefit plan

Employee benefit obligation

Post - retirement medical aid plan	7,055,000	7,552,000
Post - retirement housing subsidy plan	4,781,000	5,206,000
Post - retirement gratuity	25,417,000	26,599,000
	37,253,000	39,357,000

Employee benefit (Notional Accounts)

Post-retirement medical aid plan	36,567,062	33,772,662
Post - retirement gratuity	16,657,736	19,018,705
	53,224,798	52,791,367

Post retirement medical aid plan

Post retirement benefit medical aid

Post - Retirement medical aid plan	7,552,000	8,486,000
Unrecognised Acturial gain/losses	(269,546)	(784,812)
Net expense recognised in the statement of financial performance	(227,454)	(149,188)
	7,055,000	7,552,000

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

Interest Cost	681,000	740,000
Benefits Paid	(908,454)	(889,188)
	(227,454)	(149,188)

Notional loan account

Opening Balance	33,772,662	31,624,938
Interest Recieved	2,794,400	2,147,724
	36,567,062	33,772,662

Post retirement housing subsidy plan

Opening Balance	5,206,000	5,814,000
Acturial gain/losses	(1,066,000)	(1,298,000)
Net expense recognised in the statement of financial performance	641,000	690,000
	4,781,000	5,206,000

Net expense recognised in the statement of financial performance

Current Service cost	128,000	143,000
Interest cost	513,000	547,000
	641,000	690,000

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

6. Employee benefit obligations (continued)

Post retirement gratuity plan

Opening balance	26,599,000	32,675,000
Actuarial (gains)/Losses	(447,307)	(4,813,682)
Net expense recognised in the statement of financial performance	(734,693)	(1,262,318)
	25,417,000	26,599,000

Net expense recognised in the statement of financial performance

Interest costs	2,485,000	2,805,000
Benefits paid	(3,219,693)	(4,067,318)
	(734,693)	(1,262,318)

Notional loan account

Opening balance	19,018,705	20,175,690
Interest received	1,573,636	1,370,178
Payment against the account	(3,934,605)	(2,527,163)
	16,657,736	19,018,705

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

6. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.38 %	9.74 %
Consumer price inflation	4.47 %	5.42 %
Normal salary inflation	5.47 %	6.42 %
Medical cost trend rates	5.47 %	6.42 %
Net effective discount rate	3.71 %	3.12 %
Net effect discount rates	3.71 %	3.12 %

The notional accounts earned interest at a rate of 8.27% as specified by the City Of Johannesburg.

Discount rate

We used the nominal and real zero yield curves as at 30 June 2024 supplied by the JSE to determine our discount rate and consumer price inflation. To determine the discount rate to use, we have used the implied duration obtained to match it with a point on the yield curve.

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

Medical aid inflation

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

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

Normal Salary Inflation rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields and the real yield curve at the implied duration assumed. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. Furthermore, an assumed salary increase of 5.1% was used, effective 1 July 2024. The next salary increase is expected to take place on 1 July 2025.

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows early and ill-health retirements.

Mortality Rates

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

Decrements

Withdrawals

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

6. Employee benefit obligations (continued)

Other assumptions

Ages:

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

Spouses and Dependents

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

Medical aid membership

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

Sensitivity analysis

Recalculated liabilities using the following assumptions:

-A 1% increase/decrease in the medical and salary inflation rate assumptions used.

-A 20% increase/decrease in the assumed level of mortality.

Mortality Rates

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

Accrued liability	+20% Mortality Rate	Valuation Assumption	+20 Mortality Rate
Post - Retirement Medical Aid	7,686,000	7,055,000	6,543,000
Post - Retirement Housing Subsidies	4,933,000	4,781,000	4,636,000
Retirement Gratuities	25,386,000	25,417,000	25,448,000
	38,005,002	37,253,000	36,626,998
% change	2 %		- -1.7%

Medical and Salary Inflation

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

6. Employee benefit obligations (continued)

Accrued Liability

	-1% in medical/salary inflation.	Valuation assumption	+1% in medical/salary inflation
Post - Retirement medical aid	6,894,000	7,055,000	7,184,000
Post - Retirement Housing Subsidies	4,589,000	4,781,000	4,983,000
Retirement Gratuities	24,578,000	25,417,000	26,290,000
	36,061,000	37,253,000	38,457,000

% change

-3.2%

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balance - Developer's Contribution	440,099,353	477,928,572
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This bank account is for money received from COJ for Developers contribution and it can only be used for funding projects identified by COJ. Under current liabilities there is a equivalent liability for this money.

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
Standard Bank - Developers Contribution Account - 021156	440,099,353	477,928,572	471,298,995	440,099,353	477,928,572	471,298,995

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

8. Property, plant and equipment

	2024		2023	
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation
Land	17,293,715	-	17,293,715	17,293,715
Buildings	96,262,842	(24,466,151)	71,796,691	82,209,321
Plant and machinery	146,249,521	(125,438,158)	20,811,363	158,267,602
Furniture and fixtures	15,723,659	(11,728,270)	3,995,389	22,488,952
Motor vehicles	63,105,538	(22,410,243)	40,695,295	97,923,760
Office equipment	4,815,135	(2,372,611)	2,442,524	10,845,076
IT equipment	58,513,027	(43,803,717)	14,709,310	74,448,475
Infrastructure	40,087,080	-	40,087,080	-
Tools and loose gear	181,434	(50,502)	130,932	1,110,638
Total	442,231,951	(230,269,652)	211,962,299	464,587,539
				(332,954,237)
				131,633,302

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Land	17,293,715	-	-	-	17,293,715
Buildings	59,372,963	14,053,631	-	(1,629,903)	71,796,691
Plant and machinery	8,747,970	14,962,500	(463)	(2,898,644)	20,811,363
Furniture and fixtures	4,250,563	1,006,778	(26,776)	(1,235,176)	3,995,389
Motor vehicles	15,697,420	43,640,424	-	(18,642,549)	40,695,295
Office equipment	2,915,273	580,533	(759)	(1,052,523)	2,442,524
IT equipment	23,199,542	-	(164,366)	(8,325,866)	14,709,310
Infrastructure	155,856	40,087,080	(196)	(35,383)	40,087,080
Tools and loose gear	131,633,302	114,341,601	(192,560)	(33,820,044)	211,962,299

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	17,293,715	-	-	-	-	-	17,293,715
Buildings	56,848,013	7,760,049	-	(8,960)	(1,507,497)	(3,718,642)	59,372,963
Plant and machinery	16,919,326	-	-	-	(8,171,356)	-	8,747,970
Furniture and fixtures	4,307,643	1,872,268	(1,592)	8,960	(1,936,821)	-	4,250,563
Motor vehicles	32,277,101	-	-	-	(16,579,681)	-	15,697,420
Office equipment	3,803,931	263,199	(760)	-	(1,151,097)	-	2,915,273
IT equipment	11,587,958	20,946,949	(112,083)	-	(9,223,282)	-	23,199,542
Tools and loose gear	98,300	158,686	-	-	(101,130)	-	155,856
	143,135,987	31,001,151	(114,435)	-	(38,670,864)	(3,718,642)	131,633,302

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

8. Property, plant and equipment (continued)

Reconciliation of the work in progress

The below capital work in progress is included in their respective asset classes for both 2024 and 2023. The remaining work-in-progress relates to expenditure already incurred in the construction of capital assets by the entity.

2024 Work in progress reconciliation

Details	R
Buildings	11 843 736.47
Accumulated Impairment	-3 718 642.00
Carrying amount	8 125 094.00
Plant and Equipment	14 962 500.00
Infrastructure Assets - Electricity	40 087 080.00

2023 Work in progress reconciliation

Details	R
Buildings	8 127 956.64
Accumulated impairment	-3 718 642.00
Carrying amount	4 409 314.64
Plant and Equipment	4 631 332.36

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

8. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Motor vehicles

40,695,295

15,697,420

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)
Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

9. Intangible assets

	2024		2023			
	Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation	Accumulated amortisation and impairment	Carrying value
Computer software, other	14,835,510	(12,650,475)	2,185,035	14,835,510	(12,110,195)	2,725,315

Reconciliation of intangible assets - 2023

Computer software, other

Opening balance	2,725,315
Amortisation	(540,280)
Total	2,185,035

Reconciliation of intangible assets - 2023

Computer software, other

Opening balance	3,613,220
Amortisation	(887,905)
Total	2,725,315

Pledged as security

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

10. Deferred tax

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

Deferred tax asset \ (liability)

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

Finance lease liabilities	(4,119,268)	(4,554,624)
Provision for legal claims	(58,688,654)	(58,211,998)
Provision for impairment of debtors	(22,549,999)	(999,793)
Provision for leave pay	(14,963,827)	(11,971,992)
Provision for bonuses	(15,362,946)	(16,901,803)
Retirement benefit liability	(10,058,310)	(11,019,960)
Retirement benefit assets	14,370,695	15,539,432
Provision for 13th Cheque	(6,992,329)	(5,044,859)
Income recieved in advance	(131,741,636)	(63,746,764)
Fixed Assets-owned and leased	17,940,348	30,740,333
	<u>232,165,926</u>	<u>126,172,028</u>
	-	-

Recognition of deferred tax asset

No deferred tax asset was provided for due to the improbability of future taxable profits to offset these amounts. The deferred tax asset had it been raised it would have been 2024: 232 165 926 (2023: R126 172 0289)

11. Finance lease obligation

Minimum lease payments due

- within one year	15,256,549	17,143,530
	15,256,549	17,143,530
less: future finance charges	-	(875,447)
Present value of minimum lease payments	<u>15,256,549</u>	<u>16,268,083</u>

Present value of minimum lease payments due

- within one year	<u>15,256,549</u>	<u>16,266,515</u>
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It is entity policy to lease certain [property]motor vehicles and equipment under finance leases.

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

12. Payables from exchange transactions

Trade payables	352,709,564	298,743,889
Payments received in advanced	15,298,439	11,589,280
Developers Contribution	449,185,009	487,359,238
Accrual staff 13th pay cheque	25,897,516	18,017,354
Retentions	128,369,907	122,593,779
Payroll Accruals	11,757,378	5,181,104
Capital Creditors and accruals	66,860,369	57,919,467
Debtors Reclassification	23,448,536	23,647,875
Accrued Leave pay	55,421,582	42,757,114
Value Added Tax	3,102,848	8,723,819
Related party payables	273,869,929	31,099,164
	<u>1,405,921,077</u>	<u>1,107,632,083</u>

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

13. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Total
Legal Proceedings	207,899,994	109,390	-	208,009,384
Employee performance bonus	60,363,581	53,410,372	(56,874,152)	56,899,801
	268,263,575	53,519,762	(56,874,152)	264,909,185

Reconciliation of provisions - 2023

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

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

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

14. Current tax payable

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

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

As at 30 June 2024, the current tax is as per table below

Current Tax Payable	2024	2023
Opening Balance	101,910,949	22,726,039
Tax levied on re-assessment of prior year tax periods	30,447,713	116,852,752
Interest and penalties charged	16,430,972	6,462,448
Tax paid during the year	(148,789,634)	(44,130,290)
	-	101,910,949

15. Share capital / contributed capital

Authorised

xxx Ordinary shares of xxx each or par value of xxx

1,000 1,000

Reconciliation of number of shares issued:

Reported as at 01 July 2023

1,000 1,000

Issued

Ordinary

1,000 1,000

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

16. Contribution from owner

This is an investment from the City Of Johannesburg Metropolitan Municipality. The funding from the City Of Johannesburg Metropolitan Municipality is utilised to purchase assets and fund other operating costs based on the budget allocation.

Opening balance		
Contributions made during the year	372,101,714	345,776,292
	74,005,751	26,325,422
	446,107,465	372,101,714

17. Revenue

Aphalt Sales & DCP Testing		
Jobbings	46,095	177,999
Reinstatement income and wayleave fees	17,841,634	17,630,059
Management Fees	47,265,216	12,721,358
Rental income	21,885,410	14,674,345
Recoveries	12,206,854	10,370,172
Other income-Proceeds from road closures	-	87
Insurance claims income	93,870,040	11,056,486
Interest received - investment	-	13,043
Subsidy - The City of Johannesburg Metropolitan Municipality	19,729,663	21,913,035
	1,310,111,970	1,258,837,000
	1,522,956,882	1,347,393,584

See the table below for the breakdown of the revenue categories. the totals above include Investment income (Note 21) as well as other revenue from note 19

See below the breakdown of total revenue:

Total Revenue breakdown

Revenue from exchange transactions	212,844,912	88,769,161
Revenue from non-exchange transactions	1,310,111,970	1,258,837,000
	1,522,956,882	1,347,606,161

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

Gautrain maintenace fee	-	-
Asphalt sales and DCP testing		
Jobbings	46,095	177,999
Reinstatement income and wayleave fees	17,841,634	17,630,059
Management fees	47,265,216	12,721,358
Rental income	21,885,410	14,674,345
Recoveries	12,206,854	10,370,172
Other income road closures	-	87
Insurance claims	93,870,040	11,056,486
Interest received - investment	-	13,043
	19,729,663	21,913,035
	212,844,912	88,556,584

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

Taxation revenue

Transfer revenue

Subsidy - City of Johannesburg Metropolitan Municipality

	1,310,111,970	1,258,837,000
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Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

18. Cost road maintenance

Direct labour costs of road maintenance	580,802,124	517,673,715
Raw materials	69,207,145	64,955,433
Direct expenses - Costs of road maintenance	162,143,438	198,711,572
	812,152,707	781,340,720

19. Other revenue

Rental income - COJ Transport	12,206,854	10,370,172
Recoveries - Telephone	-	87
Other Income - Proceeds from road closures	93,870,040	11,056,486
Insurance Claims	-	13,043
	106,076,894	21,439,788

20. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Operating lease charges

Head office Building		
• Lease expense - Straight-lined	52,121,470	65,055,531
• Recovered from sublease - Transport Department	(12,206,854)	(8,720,217)
	39,914,616	56,335,314

Impairment on intangible assets	-	3,718,642
Amortisation on intangible assets	541,196	887,905
Depreciation on property, plant and equipment	33,826,397	38,677,482
Employee costs	415,877,072	402,117,723
Employee costs - Road Maintenance and related infrastructure	580,802,124	517,673,715

21. Investment revenue

Interest revenue

Interest - Loan to shareholders	19,549,491	21,800,560
Interest recieved from debtors	85,901	54,557
Interest received from building deposit	94,271	57,918
	19,729,663	21,913,035

Interest earned from shareholders is as a result of the positive sweeping account balance in JRA's favour. It is also as a result of interest earned from Notional loan accounts.

The interest on ESKOM deposits is earned from the JRA's accounts with ESKOM where a deposit is held by ESKOM.

Interest is also earned on the deposit of the JRA Head Office building that is currently leased by the entity.

22. Finance costs

Interest on Sweeping Account	1,708,957	-
Finance leases	4,521,074	6,516,567
SARS Interest on late payment of tax	17,794,995	6,462,448
	24,025,026	12,979,015

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

23. Taxation

Major components of the tax expense

Current

Local income tax - recognising income tax for prior periods 30,447,713 116,852,752

Deferred

Deferred tax expense - -

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting surplus (deficit) 20,028,315 (312,871,451)

Tax effect of adjustments on taxable income

Re-assessment of prior year returns 101,910,948 154,520,594

Non- deductible interest and penalties 16,430,972 6,462,448

Tax paid during the year (148,789,633) (44,130,290)

Income tax expense (30,447,713) 116,852,752

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

24. Employee related costs

Basic	268,951,011	253,970,162
Bonus	27,163,195	52,921,910
Medical aid - company contributions	10,065,859	9,415,642
UIF	2,052,285	2,662,693
WCA	6,361,946	4,724,792
SDL	3,507,654	3,202,299
Other payroll levies	139,099	112,792
Leave pay provision charge	18,784,128	12,957,021
Defined contribution plans	34,345,973	27,044,045
Travel, motor car, subsistence and other allowances	17,502,132	16,199,708
Overtime payments	12,838,800	7,736,177
Long-service awards	8,500	35,000
13th Cheques	6,390,673	5,388,874
Acting allowances	5,780,108	3,029,640
Housing benefits and allowances	1,374,154	1,325,617
Subsidised education benefit	611,555	1,244,470
Employee related costs: interns stipend	-	146,881
	415,877,072	402,117,723

Remuneration of key management

Annual Remuneration	12,296,097	20,745,666
Car Allowance	1,272,000	1,610,595
Performance Bonuses	717,856	2,412,106
Contributions to UIF, Medical and Pension Funds	1,356,361	2,638,706
	15,642,314	27,407,073

Remuneration of non-executive directors

Annual Remuneration	1,812,000	1,467,537
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Reconciliation of employee costs

Annual Remuneration -Road maintenance and related infrastructure	580,802,124	517,673,715
Employee Costs - Indirect costs	415,877,072	402,117,723
	996,679,196	919,791,438

25. Depreciation and amortisation

Property, plant and equipment	33,826,397	38,677,482
Intangible assets	541,196	887,905
	34,367,593	39,565,387

26. Auditors' remuneration

Fees	4,288,239	4,017,007
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Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

	2024	2023
27. Cash used in operations		
Deficit	(10,419,398)	(429,724,203)
Adjustments for:		
Depreciation and amortisation	34,367,593	39,565,387
Interest received	(19,729,663)	(22,125,612)
Finance costs	24,025,026	12,979,015
Impairment loss	-	3,718,642
Tax expense	-	116,852,752
Taxation expense cash component	-	(44,130,290)
Movements in operating lease	-	(503,746)
Movements in post retirement notional assets and liabilities	-	(8,000,934)
Movements in provisions	6,001,613	23,295,581
Movement in loans to shareholders - Intercompany sweeping bank account	-	(65,055,531)
Other non-cash items	(1,638,952)	603,358
Changes in working capital:		
Inventories	(17,076,871)	8,179,218
Receivables from exchange transactions	(224,342,594)	54,694,676
Payables from exchange transactions	288,932,991	186,024,301
Current Tax Liability	(101,910,949)	79,184,910
Finance Lease obligation	(1,009,966)	224,314
	(22,801,170)	(44,218,162)
28. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• JRA Property, plant and equipment	35,976,736	16,372,371
• Construction of property, plant and equipment on behalf of COJ	685,791,506	488,204,674
	721,768,242	504,577,045
Total capital commitments		
Already contracted for but not provided for	721,768,242	504,577,045
Authorised operational expenditure		
JRA operating expenditure commitments at the end of the financial year .		
• Other operating expenses (Multi Awards)	28,550,130	85,885,880
Total operational commitments		
Already contracted for but not provided for	28,550,130	85,885,880
Total commitments		
Total commitments		
JRA capital expenditure commitments	35,976,736	16,372,371
COJ related capital expenditure commitments	685,791,506	488,204,674
Authorised JRA operational expenditure commitments	28,550,130	85,885,880
	750,318,372	590,462,925

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

28. Commitments (continued)

Operating lease-as leasee (printers and copiers)

Minimum lease payments due

- within one year

8,199,864

1,005,845

Operating leases - 75 Helen Joseph Street Building

Minimum lease payments due

- within one year

49,453,582

33,519,564

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

29. Contingencies

2024.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

29. Contingencies (continued)

Contingent Liabilities.

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

PK Ramashu VJ // JRA. JV claims damages against the JRA for the latter's failure to perform its obligations in terms of the service level agreement allegedly concluded between the JRA and JV under tender no: JRA/21/84. The estimated contingency is R 36 137 497.80

JRA // Kganelwa Tsatsi. Application by JRA to review the Arbitration Award to reinstate Ms Tsatsi with full benefits from the date of her dismissal (4th of February 2020) till 13th June 2022 and be paid R 3 246 064.50

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

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

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

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

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

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

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

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

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

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

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

29. Contingencies (continued)

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

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

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

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

Babette Jane Kartz and another v CoJ, the City Manager and JRA - The Applicant has filed an Application for compelling the CoJ/JRA/Mayor to comply with their legal duty to attend to the stormwater drainage system at or around 84 and 86 Dennis Road, Athol.

Mandla Mpofu // JRA and COJ - Applicant has approached the High Court for an Order compelling the JRA to complete hydrological and hydraulic studies on the stormwater system around his property on ERF 1569 Extension 2, 11 Kiaat Place, Winchester Hills after his property was eroded during flooding that occurred despite the City approving his building plans to build his house in the said area. Applicant believes that this is due to the inadequate JRA stormwater system the amount claimed is indicated as none.

Yellow Star Properties 1055 (PTY) LTD // JRA applicant filed an application following alleged damages caused by the stormwater from their neighbour flooding their property. They thus want the Court to order the JRA to build a stormwater drain away from the plaintiff's boundary wall, and also build weep holes on the plaintiff's neighbour's boundary to allow the natural flow of the stormwater.

Infinite Blue Trading 29 cc t/a Motau Projects // JRA Applicant filed an urgent application for the court to stop JRA from repudiating contract number JRA/20/63 as JRA had written to them stating that they will no longer procure from them following an audit finding that said they did not qualify for the appointment due to irregularities

Gizelle Theron & Another // COJ, JRA & the Municipal Manager Applicants approached Court for an Order compelling JRA to fix sinkholes allegedly caused by JRA's stormwater system in their property

Contingent assets

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

2023.

Contingent liabilities

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

29. Contingencies (continued)

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

JRA // Kganelwa Tsatsi. Application by JRA to review the Arbitration Award to reinstate Ms Tsatsi with full benefits from the date of her dismissal (4th of February 2020) till 13th June 2022 and be paid R6 000 000.00.

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

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

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

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

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

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

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

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

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

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

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

29. Contingencies (continued)

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

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

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

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

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

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

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

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

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

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

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

Mandla Mpofu // JRA and COJ - Applicant has approached the High Court for an Order compelling the JRA to complete hydrological and hydraulic studies on the stormwater system around his property on ERF 1569 Extension 2, 11 Kiaat Place, Winchester Hills after his property was eroded during flooding that occurred despite the City approving his building plans to build his house in the said area. Applicant believes that this is due to the inadequate JRA stormwater system the amount claimed is indicated as none.

Contingent assets.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

29. Contingencies (continued)

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

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

Executive directors

2024

	Emoluments	Other benefits*	Total
Z Nyathi (Acting CEO)	279,119	2,791	281,910
L Mashau - Chief Financial Officer	1,833,020	265,256	2,098,276
	2,112,139	268,047	2,380,186

2023

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

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

Non-executive directors

2024

	Directors' fees	Committees fees	Total
E Botha - Board Chairperson	104,000	-	104,000
T Goldsmith Re-Appointed - 06 August 2024	94,000	8,000	102,000
D Nyamazane - Appointed - 01 March 2023	188,000	18,000	206,000
V Mamogobo - Appointed - 01 March 2023	116,000	8,000	124,000
	-	-	-
A Francis - Apointed 13 July 2023	228,000	20,000	248,000
B Nimmerdout - Appointed 07 August 2023	72,000	8,000	80,000
Dr R Govender - Appointed - 01 March 2023	186,000	20,000	206,000
	-	-	-
C Lourens - Appointed - 01 March 2023	122,000	8,000	130,000
S Mtanzeli - Appointed 01 March 2023	116,000	8,000	124,000
K Mofokeng - Appointed 01 March 2023	110,000	8,000	118,000
Z Xaba - Appointed 01 March 2023	116,000	8,000	124,000
S Kleinbooi - Appointed 01 March 2023	132,000	8,000	140,000
N Khosa (AFR&IT)	46,000	10,000	56,000
D Martin (AFR&IT)	16,000	2,000	18,000
T Kwela (AFR&IT)	32,000	-	32,000
	1,678,000	134,000	1,812,000

2023

	Directors' fees	Committees fees	Total
E Botha (Board Chairperson) After year end	16,000	-	16,000
C Cilliers - Chairperson (01 March 2023 - June 2023)	136,000	28,000	164,000
R Daniels	-	3,186	3,186
M Thindisa - Chief Financial Officer	108,000	64,000	172,000
D Martin (AFR&IT)	-	16,000	16,000
A Francis - Appointed 01 March 2023	112,000	16,000	128,000

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

	2024	2023
30. Directors' and prescribed officers' remuneration and other benefits paid, payable or receivable (continued)		
A Phuka (01 March 2023 - Resigned June 2023)	6,420	1,931
Dr R Governder - Appointed 01 March 2023	84,000	70,000
D Nyamazane - Appointed 01 March 2023	108,000	48,000
C Lourens - Appointed 01 March 2023	24,000	8,000
N Khoza (AFR&IT)	-	16,000
T Mongatane	-	40,000
K Parenyana	-	40,000
C Cilliers	-	40,000
A Puka	48,000	-
D Nyamazane	24,000	18,000
Dr R Govender	36,000	24,000
S Kleinbooi	36,000	24,000
Z Xaba	36,000	8,000
A Francis	36,000	8,000
V Mamogobo	24,000	16,000
S Mtamzeli	36,000	8,000
T. Kwela (AFR&IT)	36,000	8,000
C Lourens	-	8,000
K Mofokeng	36,000	8,000
	36,000	8,000
	978,420	489,117
		1,467,537

31. Risk management

Financial risk management

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

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

Liquidity risk

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

Credit risk

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

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

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

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

Market risk

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

31. Risk management (continued)

Interest rate risk

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

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

32. Going concern

We draw attention to the fact that at 30 June 2024, the entity had an accumulated deficit of R (550,708,525) and that the entity's total liabilities exceed its assets by R (104,600,060).

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

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

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

33. Events after the reporting date

1. Appointment of new Board Chairperson

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

34. Fruitless and wasteful expenditure

Opening balance as previously reported	66,632,277	55,792,643
Interest charged and overdue balances	17,791,796	6,463,159
Eskom and Telkom non-compliance	17,088	11,261
Salary pffered to Mahanuke	-	535,758
Arbitration costs	-	64,170
Interest charged on courts awards	-	46,644
Impairment loss	-	3,718,642
Closing balance	84,441,161	66,632,277

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

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)
Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

	2024	2023
	17,791,796	6,463,159
	17,088	11,261
	-	3,718,642
	-	535,758
	-	64,170
	-	46,644
	17,808,884	10,839,634

34. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

Interest charged on late payments and penalties - SARS
Interest charged on overdue balances - ESKOM
Impairment loss
Salary offered to Mr Mahanuke
Arbitration Costs
Interests charged on court awards

35. Irregular expenditure

Opening balance as previously reported
Add: Irregular expenditure - (Non-compliance with laws and regulations) - current
Add: Irregular expenditure - (Overspending of approved budget) - current
Less: Amount written off - current

417,706,728 806,768,968
217,935,237 184,552,812
31,742,793 246,484,511
(384,489,120) (820,099,563)
282,895,638 417,706,728

Closing balance

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

35. Irregular expenditure (continued)

Details of irregular for the current year 2024

Aberdare - Bid Advert issued without local content requirements. Non-compliance with PPPFA 2017 Reg 8(2)	4,462,719
Avis/Zeda - Non-compliance with regulation 32 of MFMA. Contract spend/participation more than the original contract.	328,723
Bayete - Non compliance with conditions of the contract. (12 Months contract).	39,732,441
Bayete - Non compliance with conditions of the contract. (Month to month contract).	16,901,771
Buzaphi Construction - Bidder was irregularly appointed as a result of unfairly disqualifying Shonisani Rambau for unsubstantiated poor performance.	13,297,467
Infinite Blue - Bidder did not meet all the minimum pre-compliance requirements and was further evaluated and awarded.	26,350,347
Maleha Construction CC - Bidder did not meet all the minimum pre-compliance requirements and was further evaluated and awarded.	17,368,858
Kelvata Trading 104CC - Bid advert issued without local content requirements	592,612
Matamba Supply Services - Bidder did not meet all the minimum pre-compliance requirements and was further evaluated and awarded.	37,075,915
Mediac - Yellow WIP	1,056,132
Afrirent	44,509,405
Calliper	571,371
Step Up Engineering	15,665,676
Unikeys Trading and Projects	10,600
Nomas Trading	11,200
	<u>217,935,237</u>

The amount for overspending for the financial year end June 2024 is R 31 742 793 and this amount is made out of an overspent on Opex of R 56 948 567 - 25 205 774.30 which was a saving on Capex and on this overspent there were no non-cash items included.

Details of irregular for the year 2023

Aberdare - Bid Advert issued without local content requirements. Non-compliance with PPPFA 2017 Reg 8(2)	90,070
Afri-rent	38,146,216
- Non-compliance with regulation 32 of MFMA	
Avis/Zeda - Non-compliance with regulation 32 of MFMA. Contract spend/participation more than the original contract.	2,104,103
Bayete - Non compliance with conditions of the contract. Irregular expenditure from a non-compliant regulation 36 (Deviation by JPC on behalf of JRA).	56,757,498
Internet Solutions / Dimension Data - The contract has expired but the services are still continuing	20,230
Telkom - Irregular due to expired contract.	335,919
Matamba Supply Services - Bidder did not meet all the minimum pre-compliance requirements and was further evaluated and awarded.	9,603,159
Maleha Construction CC - Bidder did not meet all the minimum pre-compliance requirements and was further evaluated and awarded.	26,937,238
Buzaphi Construction - Bidder was irregularly appointed as a result of unfairly disqualifying Shonisani Rambau for unsubstantiated poor performance.	10,479,298
Kelvata Trading 104CC - Bid advert issued without local content requirements	6,126,747
Infinite Blue - Bidder did not meet all the minimum pre-compliance requirements and was further evaluated and awarded.	33,952,334
	<u>184,552,812</u>

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

36. Deviation from supply chain management regulations

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

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

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

37. Deviation Awarded

Sole Supplier

SABS - Appointment of service provider for the renewal of annual subscription for material laboratory testing systems standards	7,382	6,003
TimMut Connect	466,024	-
	-	-
	473,406	6,003

Emergency

Buzaphi	32,888,564	-
Emandwaleni Holdings (Pty) Ltd	198,145	-
	-	-
Sunnyside Park Hotel	72,000	-
Luthongwa Trading	413,680	-
Kanu Equipments SA	575,773	-
HTE Construction	3,677,393	-
	37,825,555	-

Impracticality

Afrikan Native Travel	119,759	-
Sunnyside Park Hotel	178,170	-
TN Molefe Construction (Pty) Ltd	37,851,355	-
IMESA	-	76,600
Megaphase Trading 380 (Pty) Ltd	16,825,995	-
Inter Municipal Sports of South Africa (Impracticality)	-	10,000
Gothatso Services (Pty) Ltd	713,000	-
Telkom	-	3,763,482
Zambezi Pride	112,917	-
Town Lodge Polokwane	-	289,500
Sincrolec Controls	-	-
	55,801,196	4,139,582

Deviation Expenditure Reconciliation

Sole supplier	473,406	6,003
Emergency	37,825,555	-
Impracticality per regulation 36	55,801,196	4,139,582
	94,100,157	4,145,585

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

38. General expenses

Advertising	326,601	293,877
Assessment rates & municipal charges	2,307,544	-
Auditors remuneration	4,288,239	4,017,007
Bank charges	83,647	91,237
Consulting and professional fees	34,039,789	147,370,012
Consumables	668,440	2,124,210
Directors Fees	2,250,870	2,090,370
Entertainment	238,077	133,923
Insurance	16,413,669	23,000,631
Conferences and seminars	471,648	657,728
IT expenses	42,682,899	14,093,321
Magazines, books and periodicals	270,800	1,129,742
Printing and stationery	1,142,310	9,027,419
Promotions	978,775	32,762
Repairs and maintenance	4,964,197	6,735,935
Security (Guarding of municipal property)	9,767,689	2,965,153
Software expenses	8,806	-
Staff welfare	226,882	603,009
Subscriptions and membership fees	538,329	500,995
Telephone and fax	5,284,778	18,126,478
Training	2,125,120	287,265
Travel - local	233,429	76,169
Assets expensed	185,181	114,329
Electricity	13,669,501	16,138,676
Gas	-	5,818,359
Sewerage and waste disposal	324,677	841,758
Water	8,545,161	6,826,976
Legal Expenses	4,069,938	-
Provision for bad debts	67,703	84,675,276
	156,174,699	347,772,617

39. Prior-period errors

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

Statement of financial position

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

39. Prior-period errors (continued)

2023

	Note	Prior year Audited Amount	Correction of error	Restated Amount
Trade and other receivables	5	462,525,159	(16,536,123)	445,989,066
Trade and other payables	12	1,089,477,580	18,154,503	1,107,632,083
Property plant and equipment	8	126,569,809	5,063,492	131,633,301
Intangible Assets	9	516,372	2,208,943	2,725,315
Retained Earnings		512,870,936	27,418,190	540,289,126

Details of errors - 2023

1. Statement of Financial Position

Trade and other receivables

There was a VAT dispute between SARS and JRA where JRA was said it under declared on its VAT submission in prior years. This mean JRA owed SARS but did not raise the liability instead JRA disclosed a Contigent liability. After further engagement with SARS, JRA acknowledged the debt and paid the balance. This therefore suggested that JRA could not have a refund of R 15 853 249 in the Prior year anymore hence the liability now. There was also a change in the supplier refund account that was incorrectly posted to the debtor account to the value R 470 297 instead of an expense account and it is now reversed. An additional R 212 576 relating to interest earned from a debtor that has been written off which relates to the prior year.

Trade and other payables

The change in accounting policy on Developers Contribution meant that the Developers Contribution Bank account must balance to the Developers Contribution Liability account. However the relaity is that as at year end some entries were accrued and there could not reflect in the bank account namely :

Invoice issued to COJ for DC in June for the value of R 6 195 686.11 was due but due not paid as at June 2023 hence not in the Developers Contribution Bank account.

A June Interest receivable of R 3 234 998.12

The re-instated VAT amount of R 8 723 818.43

Property plant and equipment

The restatement of the property plant and equipment was affected by recalculation of depreciation as result of inconsistent useful life review of R4 057 198 and the asset that was expensed and now capitalized for the value of R1 006 294

Intangible Assets

Recalculation of amortisation as a result of inconsistent review of usefull life.

Additional Disclosure change on the receivables from exchange transactions

Reconciliation of provision for impairment of trade and oher receivables

Prior year audited amount was R 3 570 691

Restated amounts R 86 880 349

2. Statement of financial performance

Depreciation and amortisation

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

39. Prior-period errors (continued)

Depreciation recalculation for an amount of R 1 039 317.00 as result of inconsistent useful life review was done and that is why the adjustment was done.

General Expenses

The reason for a change of -R1 006 294 in the general expense account is that capital expenditure was incorrectly expensed in the prior year and now it has been capitalised.

3. Notes to the financial statement

Notional loans was incorrectly included in the note of financial instruments. According to GRAP 104 employer right and obligations under employee benefits plans are excluded R52 791 367.

Statement of financial performance

2023

	Note	Prior year Audited Amount	Correction of error	Restated Amount
Interest recieved from eskom deposits		267,134	(212,577)	54,557
Depreciation and amortisation	25	38,526,070	1,039,317	39,565,387
General Expenses		348,778,910	(1,006,294)	347,772,616
Surplus for the year		387,572,114	(179,554)	387,392,560

Cash flow statement

2023

	Note	Prior year Audited Amount	Correction of error	Restated Amount	Restated
Cash flow from operating activities					
Cash paid to suppliers and employees	27	1,347,326,653	(999,570)	1,346,327,083	-
Other 2		-	-	-	-
		1,347,326,653	(999,570)	1,346,327,083	-
Cash flow from investing activities					
Purchase of property plant and equipment		(30,001,580)	(999,570)	31,001,150	-

Errors 2023

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

39. Prior-period errors (continued)

Disclosure Notes

Financial Instruments

Financial Assets

2023 Audited amounts	R 1 183 969 584
Adjustment	R -52 791 367
Restated Amounts	R 1 131 178 217

Financial Liability

2023 Audited Amounts	R 1 236 099 237
Adjustment	R -207 899 994
Restated Amount	R 1 028 199 243

40. Comparative figures

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

41. Segment information

General information

Identification of segments

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

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

Aggregated segments

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

Types of goods and/or services by segment

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)
Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

41. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

Revenue	Regional Operations	Mobility & Freight	Infrastructure Development	Total
Revenue from exchange transactions	50,370,317	8,201,569	29,569,430	88,141,316
Sundry Income	-	-	87,474,782	87,474,782
Interest revenue				19,729,663
Revenue from other non-reportable segments				1,327,983,923
Total revenue reconciling items				1,347,713,586
Entity's revenue				1,523,329,684

Expenditure

Cost of road Maintenance	(630,034,759)	(97,616,292)	-	(727,651,051)
Other operating expenses	(50,039,485)	(9,517,644)	(48,042,468)	(107,599,597)
Total segment expenditure	(680,074,244)	(107,133,936)	(48,042,468)	(835,250,648)
Total segmental surplus/(deficit)				688,079,036
Interest expense				(24,025,026)
Income tax expense				(30,447,713)
Cost of road maintenance - non-reportable segments				(643,652,893)
Entity's surplus (deficit) for the period				(10,046,596)

2023

Revenue	Infrastructure Development	Regional Operations	Mobility & Freight	Total
Revenue from exchange transactions	27,579,175	17,618,198	591,781	45,789,154

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)
Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

41. Segment information (continued)

Revenue from other non-reportable segments

1,516,096,670
1,561,885,824

Entity's revenue

Expenditure

Cost of road maintenance

Other operating expenses

- (656,915,950) (100,241,383) (757,157,333)
(43,763,025) - (43,763,025)

Total segment expenditure

(43,763,025) (656,915,950) (100,241,383) (800,920,358)

Total segmental surplus/(deficit)

760,965,466

Cost of road maintenance - non-reportable segments

Operating expenses from non-reportable segments

Taxation

(195,067,628)
(626,018,895)
(116,852,752)

Entity's surplus (deficit) for the period

(176,973,809)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

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

Information about geographical areas

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

42. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Loans to shareholders - Intercompany Sweeping Account	-	176,261,383	176,261,383
Loans to directors, managers and employees	-	-	-
Trade and other receivables from exchange transactions	-	670,295,670	670,295,670
Cash and cash equivalents	440,099,353	-	440,099,353
	440,099,353	846,557,053	1,286,656,406

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1,285,087,311	1,285,087,311
Finance Lease Obligation	15,256,549	15,256,549
	1,300,343,860	1,300,343,860

2023

Financial assets

	At fair value	At amortised cost	Total
Loans to Shareholders	-	206,577,735	206,577,735
Trade and other receivables from exchange transactions	-	446,671,910	446,671,910
Cash and cash equivalents	477,928,572	-	477,928,572
	477,928,572	653,249,645	1,131,178,217

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	1,011,932,728	1,011,932,728
Finance Lease Obligation	16,266,515	16,266,515
	1,028,199,243	1,028,199,243

Financial instruments in Statement of financial performance

2023

	At amortised cost	Total
Net losses on financial instruments	-	-
Interest income	19,729,663	19,729,663
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(24,025,026)	(24,025,026)
	(4,295,363)	(4,295,363)

2023

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

42. Financial instruments disclosure (continued)

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	22,125,612	22,125,612
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(12,979,015)	(12,979,015)
	9,146,597	9,146,597

43. Change in estimate

Property, plant and equipment

2024

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

The effect on the current and future period will be a decrease in the depreciation charge of R8, 047,177.39 in the current period and equal increase in the depreciation charge of R 8,047,177.39 over the next period as per the above information.

2023

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

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

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

44. Related parties

Relationships

Directors

Controlling entity

Other members of the group

Refer to directors' report note

The City of Johannesburg Metropolitan Municipality

Johannesburg Property Company (SOC) Ltd

Johannesburg City Power (SOC) Ltd

Johannesburg City Parks and Zoo (NPO) Ltd

Johannesburg Development Agency (SOC) Ltd

Johannesburg Metro Trading Company (SOC) Ltd

Johannesburg Metropolitan Bus Service (SOC) Ltd

Johannesburg Civic Theatre (SOC) Ltd

Johannesburg Social Housing Company (SOC) Ltd

Johannesburg Water (SOC) Ltd

Johannesburg Pickup (SOC) Ltd

Johannesburg Fresh Produce Market (SOC) Ltd

Johannesburg Tourism (SOC) Ltd

Related party balances

Amounts included in Trade receivable regarding related parties

The City of Johannesburg Metropolitan Municipality	573,117,457	394,856,565
Johannesburg City Power (SOC) Ltd	349,641	349,641
Johannesburg Water (SOC) Ltd	55,180,319	14,144,080
Johannesburg City Parks and Zoo (NPO) Ltd	-	12,155
	628,647,417	409,362,441

Amounts included in Trade payables regarding related parties

The City of Johannesburg Metropolitan Municipality	194,978,511	26,620,059
Johannesburg City Power (SOC) Ltd	39,185,656	-
Johannesburg Theatre	204,380	-
Johannesburg City Parks and Zoo (SOC) Ltd	153,806	2,416,373
Johannesburg Property Company (SOC) Ltd	109,474	109,474
Johannesburg Development Agency (SOC) Ltd	-	919,154
Johannesburg Water (SOC) Ltd	42,071	17,980
Johannesburg Metro Trading Company (SOC) Ltd	39,532,499	1,016,124
	274,206,397	31,099,164

Commitments with other related parties

The City of Johannesburg Metropolitan Municipality - Owners contribution	(446,107,465)	(372,101,714)
The City of Johannesburg Metropolitan Municipality - Post Retirement benefits	53,224,798	52,791,367
The City of Johannesburg Metropolitan Municipality - Specialised Vehicle Finance Lease	(15,256,549)	(16,268,083)
The City of Johannesburg Metropolitan Municipality - Intercompany Sweeping Account	176,261,383	206,577,735
	(231,877,833)	(129,000,695)

Income from related party transactions

The City of Johannesburg Metropolitan Municipality - Subsidies	1,310,111,970	1,258,837,000
The City of Johannesburg Metropolitan Municipality - Other	63,698,776	17,422,662
The City of Johannesburg Metropolitan Municipality - Interest from sweeping account	15,181,454	18,282,658
The City of Johannesburg Metropolitan Municipality - Management fees	22,258,212	14,674,345
The City of Johannesburg Metropolitan Municipality - Interest on employee benefits	4,368,036	3,517,902
Johannesburg City Parks and Zoo (SOC) Ltd	4,283	12,155
Johannesburg Water (SOC) Ltd	42,753,555	8,691,040
	1,458,376,286	1,321,437,762

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements

Figures in Rand

2024

2023

44. Related parties (continued)

Purchases /Expenditure from related parties

The City of Johannesburg Metropolitan Municipality	14,417,132	11,754,413
Johannesburg Water (SOC) Ltd	6,500,468	4,705,487
Johannesburg Civic Theatre (SOC) Ltd	451,554	47,964
Pikitup Johannesburg (SOC) Ltd	235,087	782,364
Johannesburg City Parks and Zoo (SOC) Ltd	14,718	905,423
Johannesburg Metro Trading Company (SOC) Ltd	10,079,000	650,000
Johannesburg City Power (SOC) Ltd	5,317,487	7,731,752
	37,015,446	26,577,403

Key management information

Class	Description	Number
Non-executive board members	Board Members	11
Independent Audit Committee	Non Board Members	3
Executive Directors excluding acting during the year	Board members	2
Senior Management excluding acting during the year	Head of Departments	4

45. Tax paid

Balance at beginning of the year	(101,910,949)	(22,726,039)
Current tax for the year recognised in surplus or deficit	(30,447,713)	(116,852,752)
Adjustment in respect Non - deductible interest and penalties	-	(6,462,448)
Balance at end of the year	-	101,910,948
	(132,358,662)	(44,130,291)