

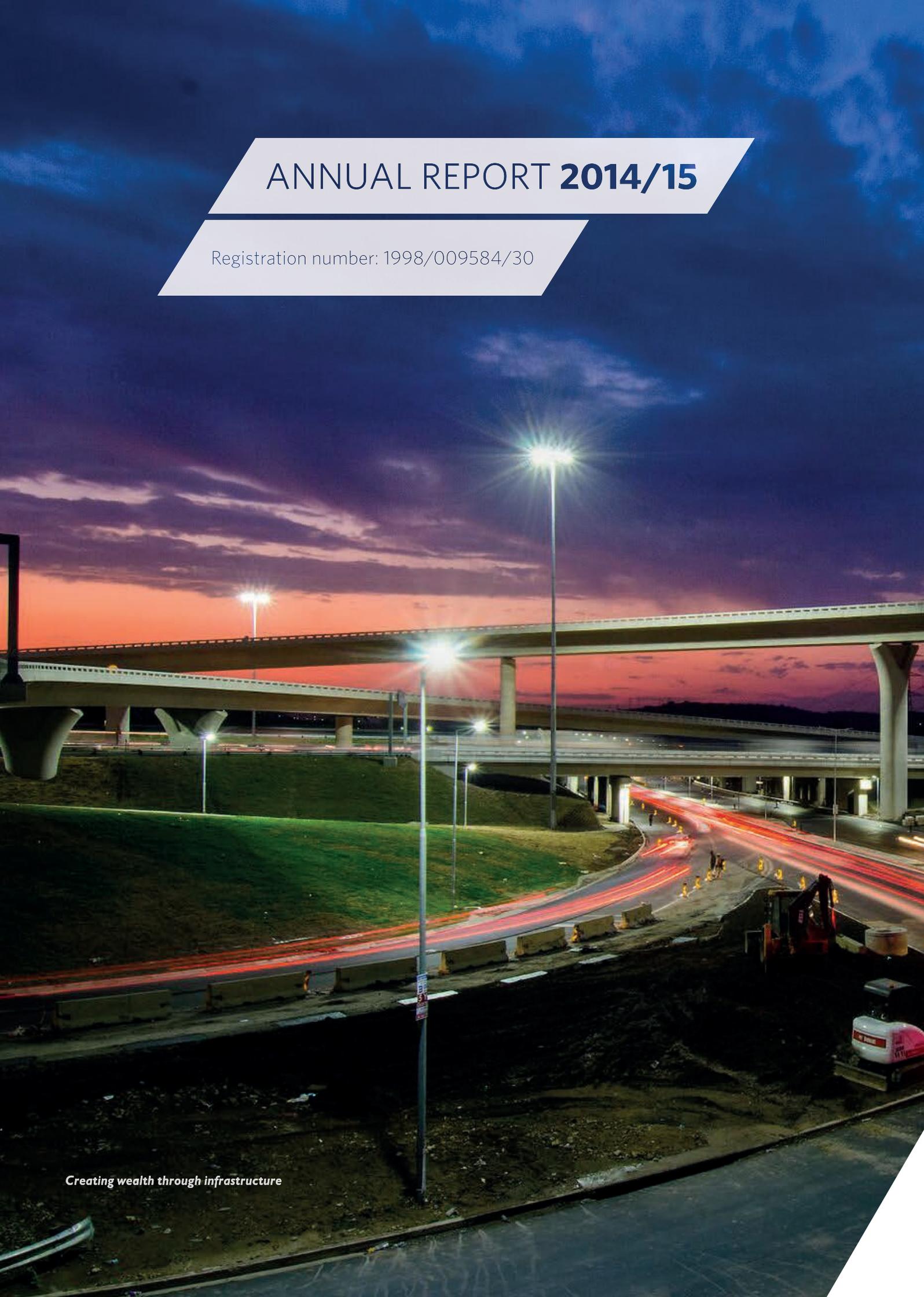


THE SOUTH AFRICAN NATIONAL ROADS AGENCY SOC LTD **ANNUAL REPORT 2015**



ANNUAL REPORT **2014/15**

Registration number: 1998/009584/30



Creating wealth through infrastructure



VISION

To be recognised as a world leader in the provision of a superior primary road network in southern Africa.

MISSION

As the custodian of a public good, we are committed to the advancement of the southern African community through:

- A highly motivated and professional team.
- State-of-the-art technology.
- Proficient service providers.
- Promoting the user-pays principle.

CORE VALUES

EP²IC

E-xcellence

P-roactiveness

P-articipativeness

I-ntegrity

C-are



THE SOUTH AFRICAN NATIONAL ROADS AGENCY SOC LIMITED

The South African National Roads Agency SOC Limited (SANRAL) was established in 1998 as an independent, statutory company registered in terms of the Companies Act (2008). The South African government, represented by the Minister of Transport, is the sole shareholder and owner of SANRAL.

SANRAL has a distinct mandate - to finance, improve, manage, maintain and upgrade the national road network. We are committed to carrying out our mandate in a manner that protects and preserves the environment through context-sensitive solutions.

The South African national road network consists of 21 403km of roads. This network seamlessly connects major cities, towns and rural areas, supporting economic growth and social development and contributing to job creation in the country.

SANRAL has two primary sources of income. Non-toll roads (85 percent of the total national road network) are funded

from allocations made by the National Treasury. Toll roads (15 percent of the total national road network) are funded either through public-private partnerships or capital market borrowings.

SANRAL adds value to developmental initiatives in the fields of transport, education, health and development of communities. We take pride in our role as a partner in the development of all South African communities and see this as closely aligned with our core function.

SANRAL makes a significant contribution towards road safety by maintaining and improving the road environment and by identifying and addressing road safety concerns. We also align with local and international road safety authorities to learn more and improve the safety of the national road network for road users.

We will continue to actively participate in communities across South Africa and support the development of the country's human capital through our support for education.

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CHAIRPERSON'S REPORT

The past year brought great challenges and achievements, which the Board and SANRAL's executive team faced with integrity, honour and pride. As incoming Chairperson and a member of the Board, the past year has been an amazing and thought-provoking one. I have seen the organisation grow in leaps and bounds in just a few short years, not only in terms of the size of the road network it manages, but in the style of leadership and continuous commitment by its people to the delivery of road infrastructure to the people of South Africa.

I have seen projects born from deep faith and determination come to fruition in all the provinces of South Africa. I can honestly say that this has been one of the most humbling experiences of my tenure at SANRAL - the constant need to deliver to our people. I have experienced the highs of having a number of our pedestrian bridges being awarded local and international accolades; I have been honoured to be part of SANRAL being awarded the Best Employer in 2014 by the international Top Employers Institute; and, through it all, I have been honoured to have had colleagues with me to support projects throughout South Africa.

This past year saw SANRAL engaging with the community at a number of events together with our honourable Minister and Deputy Minister of Transport to celebrate our 20 years of democracy and government's delivery of infrastructure, as well as its continued commitment to improving the lives of South Africans.

SANRAL is universally acknowledged as having set the standard as a disciplined and efficient state-owned entity. In this same vein, the SANRAL Board took its tenure seriously

to ensure that the organisation was productive during the year. We are satisfied that targets as agreed with the Minister of Transport were achieved and that SANRAL continued to seek the achievement of financial and non-financial targets, technological solutions and innovations. The Board is particularly pleased that the principles of good governance, ethical conduct and accountability, risk management and compliance - both within SANRAL and in our interaction with service providers - continued to be maintained without compromise.

It has been an honour to work with a great and respected statesperson such as the Minister of Transport, Ms Dipuo Peters. I would therefore, on behalf of the Board, wish to thank her for her guidance, direction and support. We also thank her for her continued guidance in the implementation of e-tolling as part of the Gauteng Freeway Improvement Project. Our sincere gratitude also goes to the Deputy Minister, Ms Sindisiwe Chikunga, and her team for their support.

Since 2013, the Board has committed to engaging positively with all its stakeholders. We are satisfied that this process is already bearing some fruit and that SANRAL will continue with its efforts to be a transparent and engaging organisation. We are also satisfied with the communications team's efforts to create momentum in profiling SANRAL's activities, entrenching stakeholder engagements and activations, and projecting SANRAL as a caring and interactive organisation.

The Board continues to support SANRAL's initiatives to empower small and medium contractors, which ultimately results in job creation, skills transfer, training and awareness of issues directly affecting their communities. It is our hope that the SANRAL Training Academy in Port Elizabeth will continue to grow from its current stance of training graduates and move towards embracing small contractors.

With that being said, SANRAL does promote transformation by ensuring that small, medium and micro enterprises (SMMEs) are exposed to work experience on larger contracts that would otherwise not have been possible. During the year under review, we awarded 223 contracts worth R14.4 billion for new works, rehabilitation and improvement, periodic and special maintenance, routine road maintenance, community development, supervision and other activities.

Furthermore, SANRAL spent R2.9 billion on contracts with SMMEs, of which more than R1.7 billion went to 765 black-owned firms. In terms of job creation, 19 820 average equivalent full-time jobs were created. These figures refer to a combination of toll and non-toll roads.

It should be noted that the decision to toll is made after careful thought, research and consideration. SANRAL carries

out feasibility studies, traffic studies, socioeconomic benefit analysis and environmental impact assessments. These assessments include engagements with communities prior to making a recommendation on tolling. It is a proud fact that SANRAL carries out these assessments in every project that we undertake nationally.

At present, SANRAL continues to run one of the longest open-road tolling systems in the world. We are still one of the first countries internationally to successfully implement interoperability of the electronic toll collection system on the Gauteng open-road tolling system and the N1/N4 network, which is managed by SANRAL's concessionaire, the Bakwena Platinum Corridor Concessionaire. SANRAL continues to work on the roll-out of interoperability to other toll plazas nationwide.

The Board is encouraged by SANRAL's efforts to create jobs and grow the economy. SANRAL continues to support civil engineering students at tertiary level to reach their full potential. During the year under review, we achieved this by granting bursaries at a cost of about R11 million to 105 students. SANRAL is passionate about mathematics and science and continues to attract learners to its scholarship programme. These learners who excel academically are supported from grades 10 to 12. During the past year SANRAL awarded scholarships to 172 learners to the value of about R2.3 million.

SANRAL's Community Development Unit continued to fund and manage a number of educational projects.

SANRAL sponsors the University of Witwatersrand Targeting Talent Programme, the University of the Free State School of Open Learning's Integrated Computer Technology Laboratory and Family Math and Family Science Project, as well as the Nelson Mandela Metropolitan University's Science, Technology, Engineering and Mathematics Pipeline Project.

SANRAL co-funds the Targeting Talent Programme, where a total of 50 high school learners participate in a two/three-year programme that focuses on content enrichment and psychosocial development. The learners also participate in up to three contact sessions per year. It is pleasing to note that, although the sessions are challenging, the majority felt that they benefited from, and were satisfied with, the programme.

The Integrated Computer Technology Laboratory at the University of the Free State (UFS) was set up to assist learners to qualify for admission and students entering science-related studies and careers. During the year, 387 learners from grades 9, 10, 11 and 12 from 28 different schools attended this UFS programme. The University continued to roll out its highly successful Family Math and Family Science Project in the Free State and the Eastern and Northern Cape.

During 2014, 11 495 learners, 233 teachers, 546 student teachers and 4 547 parents from predominately rural communities received training and education in maths and science concepts.

The aim of the Science, Technology, Engineering and Mathematics Pipeline Project run by Nelson Mandela Metropolitan University is to operate as a workforce continuum from school into higher education by preparing learners for careers in these fields. It also focuses on career exploration to expose learners to occupations in the science and engineering fields. This enables learners to make informed career choices. In 2014/15, a total of 1 603 individuals from 27 schools in the Nelson Mandela Bay Municipality participated and benefited from the programme.

SANRAL is very passionate and serious about road safety. Apart from the number of engineering infrastructure projects we implement, we also continue to roll out the road safety education project at schools. During the year, road safety education material targeting grades 1 to 12 was delivered to 326 schools. This material reached 153 193 learners and 1 446 teachers, the latter of which 608 attended workshops. The past year also marked the second of SANRAL's three-year behavioural research study. The activities and outcomes of the methodology of the study are insightful. Please read more about this in the road safety section on page 46.

On behalf of the Board, I would like to express our sincere gratitude to the Chief Executive Officer, the executive team and staff members of SANRAL. Your dedication and determination is noteworthy of praise and appreciation. We wish you every success in executing the mandate of SANRAL. My sincere gratitude and thanks to my colleagues on the Board for their support, contribution and strategic guidance during the year. Your valued support will continue to ensure that SANRAL maintains its reputation as one of the best run state-owned companies.

SANRAL is an implementing arm of government and the Board will continue to support the organisation to ensure that it delivers on its mandate with integrity and efficiency to benefit South African road users.

"Without education, your children can never really meet the challenges they will face. So it's very important to give children education and explain that they should play a role for their country." ~ Nelson Mandela



Roshan Morar
Chairperson



CHIEF EXECUTIVE OFFICER'S REPORT

Roads, as enabling infrastructure, provide a base for a multitude of productive activities that contribute to expanding the economy, creating jobs and promoting mobility. As such, the road network plays a central role in South Africa's ability to achieve faster gross domestic product growth, as well as promoting security, safety and social development.

Because roads are part of our daily lives, we often take them for granted. But it costs money to plan, build and maintain roads. No modern society can move forward without a sustainable approach to developing and maintaining this infrastructure. If South Africa is unable to commit adequate investment to build and maintain its roads, the economy will suffer and rapidly fall behind, and the opportunities associated with regional growth and investment will be lost.

Despite challenging circumstances, SANRAL continued to maintain and expand the national road network during 2014/15, while supporting its broader commitments to social development.

SANRAL is responsible for maintaining South Africa's national road network in a manner consistent with the sustainable development of the economy. The agency has two primary sources of income. Non-toll roads (85 percent of the total national road network) are funded from allocations made by the National Treasury. Toll roads (15 percent of the total national road network) are funded either through public-private partnerships or from borrowing on capital markets.

NEW COST STRUCTURE FOR THE GAUTENG FREEWAY IMPROVEMENT PROJECT

Public debate over the Gauteng Freeway Improvement Project continued. Yet, despite various uncertainties, revenue collected exceeded forecasts during the reporting period as a whole. During the first several months of the financial year, matters were settling down, with 1.3 million e-tag holders paying for the use of these roads. SANRAL's monthly bond auctions were well subscribed to, demonstrating investor confidence in the system and the agency.

In July 2014, the Premier of Gauteng appointed an advisory panel to examine the effect of road toll fees on the provincial economy. The appointment of the panel immediately raised questions about the policy commitment to the "user-pays" principal. This caused some hesitation on the part of compliant road users. It also led to a loss of confidence by investors, raising a question of whether SANRAL would meet its debt obligations. As a result, SANRAL experienced a dramatic decline in revenue from the Gauteng tolls and subsequent bond auctions were unsuccessful. There could be no clearer indication that policy uncertainty can have a severe impact on SANRAL's ability to achieve its mandate.

SANRAL, led by Minister Dipuo Peters, participated in the panel hearings over three days. At our insistence, the hearings were open to the media and were streamed live for broadcasting.

The panel found that the Gauteng Freeway Improvement Project responds to the needs of the country's industrial and commercial centre, providing a boost to the economy of a transforming society. From its inception in 2005, the project has been based on the user-pays principle, an approach affirmed in the National Development Plan. Given the enormous demands on public finances, using tax-based revenues to maintain and build roads is simply not sustainable.

Six court judgments have affirmed SANRAL's use of the "user-pays" principle and confirmed that the agency has acted lawfully at all times. In terms of the percentage of the total financing burden falling on road users in various income brackets, the panel found that the gazetted tariffs had the least impact (0.4 percent) on low-income earners. Alternative models investigated by the panel had impacts ranging from 1.3 percent to 2.7 percent. Ensuring the least impact on low-income earners is a SANRAL priority. The campaign against the Gauteng Freeway Improvement Project, however, does not appear to be considering the real needs of the poor in the province. According to the Ipsos survey quoted in the report, 34 percent of those surveyed said the tariffs were reasonable, 27 percent were neutral and 38 percent said the tariffs were unreasonable.

The panel confirmed that SANRAL has always acted lawfully. It also made several recommendations. To address public concerns further, the Cabinet established an Inter-Ministerial Committee to review and, where feasible, implement these recommendations.

The Inter-Ministerial Committee has introduced a new dispensation that further reduces the cost of travel and retains the exemptions for the mode of travel used by 68 percent of commuters, and for the poor. Road users will pay for a portion of the costs, and the national and provincial governments will bridge the shortfall in SANRAL's revenue. The model introduces a uniform tariff for all user categories and reduces existing monthly caps for all vehicle classes. It simplifies the system by introducing a monthly cap for non-compliant users and 30 free gantry passes a year for infrequent users, offering a 60 percent discount on outstanding tariffs owed to SANRAL and linking the non-payment of toll fees to the renewal of vehicle licences.

CONSTRUCTION WORKS

During the reporting period SANRAL awarded more than 200 contracts worth about R14.4 billion, of which about 50 percent was earned by black economic empowerment construction companies for a range of activities such as rehabilitation, new roads, maintenance and so on. We spent nearly R3 billion on contracts with SMMEs and trained more than 4 000 people in road construction projects, creating nearly 20 000 jobs.

SANRAL also awarded 45 contracts worth about R903 million to professional consulting engineering companies to design and supervise road and bridge works, of which about 40 percent was undertaken by black-owned companies.

SUSTAINABLE DEVELOPMENT

Sustainability is central to all SANRAL activities. In particular, the persistent levels of inequality in South Africa have forced us to rethink our development role. SANRAL strives to create opportunities that enable communities to become economically independent by actively involving them in infrastructure construction and providing them with a stake in the project's success. SANRAL works to restore some measure of economic balance through its targeted programme and procurement policies, which support SMMEs and broad-based black economic empowerment (B-BBEE).

During 2014/15, there were 33 community development projects in design and under construction to the value of approximately R318 million and directly employing 1 815 people. We are pleased to see the increase in the number of women-owned contractors – 175 were involved in these and other projects.

SANRAL is privileged to have a dedicated team that produces work of a high standard. We will maintain and develop this high-performance structure by providing mentoring, training and support within the organisation. In addition to our core values of excellence, proactiveness, participativeness, integrity and care, we will emphasise the importance of leadership, teamwork and cooperative governance. These values contribute to our efforts to attract and retain talent.

Developing local human capital is a priority for SANRAL. During 2014/15, we continued to provide scholarships to learners in grades 10 to 12 at various schools, bursaries to university students and internships in the field of civil engineering. We partnered with the University of the Witwatersrand, the University of the Free State and Nelson Mandela Metropolitan University to support grade 10 to 12 learners in the fields of mathematics, science and information and communications technology (ICT). During the reporting period, we established an academy to train new graduates joining SANRAL in all aspects of civil engineering and to prepare them for their professional examinations.

We also expanded our long-term support to nurture South Africa's engineering and scientific talent by sponsoring the SANRAL Chair in Mathematics and Science at the University of the Free State, in addition to our support for two existing chairs – at the University of Stellenbosch in Pavement Engineering and at the University of Cape Town in Transportation. The new chair was officially launched during the reporting period.

FUNDING

Most South Africans would agree that improving the country's road network will bolster the movement of goods and people, facilitate trade, boost tourism and benefit each individual – from creating jobs to enabling people to enjoy more leisure time. However, government cannot fund the required upgrades without diverting funding from other priority areas such as health, education, safety and security, or social grants.

The fuel levy is not an option to fund road maintenance and development. There are three main reasons why this is the case.

First, the fuel levy is a tax and the National Treasury will not allocate this for building roads. In particular, it cannot be used to fund the Gauteng Freeway Improvement Project, which is only 201 kilometres in extent, at the expense of the country's total road network, which is 750 000km.

Second, the fuel levy is not a sustainable funding mechanism. As the number of hybrid vehicles running on a combination



of electricity and liquefied petroleum gas increases, the remaining number of petrol and diesel vehicles will bear a disproportionate share of the fuel levy. Tolls are the only way to ensure that all vehicles using roads contribute.

Third, fuel levies place an unfair burden on the poor who cannot afford to upgrade to more fuel-efficient vehicles, or electric and hybrid models. Just to raise the R197 billion required to meet the national maintenance backlog would require the fuel levy to be R3.60 a litre (2014), with adjustments made according to the consumer price index for a 10-year period.

In short, current fuel levies are low. They distort tax structures, are economically inefficient, lead to excessive road use and enable subsidisation of the wealthy by the poor. Moreover, government spends more on roads and transport-related matters, such as public transport subsidies, than it raises through the fuel levy. During 2014/15 the general fuel levy and motor vehicle licence fees contributed R53.2 billion to the fiscus, while government allocated R56.3 billion to roads and other transport-related matters.

Government would have to raise more debt if it used the fuel levy to fund additional road construction. The initial capital works to address the required upgrades and maintenance backlog would have to be paid for through loans raised by government or SANRAL, or through public-private partnerships. If taken by government, the loans would have to be repaid by increasing taxes, raising the fuel levy or reallocating expenditure from other areas. Moreover, the present state of government finances precludes the state

from raising funds through loans to pay for road upgrades. The loans would have to be repaid using tolls if the project is financed by SANRAL or through a public-private partnership.

The new toll dispensation in Gauteng brings certainty to the use of the user-pays principle as an instrument to fund roads in the future. It also allows SANRAL to re-enter financial markets to fund the toll-road portfolio. We remain steadfast in our conviction that the selective application of this principle, with appropriate protection for the poor, will enable us to deliver a sustainable national road network that supports socioeconomic development.

THE FUTURE

We cannot predict the future, but we can analyse current trends and guide future outcomes. Our challenge is to remain a focused, learning organisation that nurtures its talent and delivers on its mandate to the people of South Africa. As an ethical, knowledge-based organisation, we will continue to innovate and to be of service to the nation.

We will endeavour to improve the condition of the national road network, despite the financial constraints that we face, and assist our colleagues in the public sector in their endeavours as well. In the spirit of cooperative governance, we extended our assistance to the metropolitan councils of Tshwane and Johannesburg and the Eastern Cape province with their build programmes in the year under review. We also incorporated 1 400km of roads from the North West Province and 1600km from Limpopo.

As coordinators for Strategic Infrastructure Project 4 we will continue collating the information received and encouraging the implementation of various projects. We remain committed to promoting education and training in mathematics, science and technology and sponsoring research and development.

Relying solely on the fiscus to fund the maintenance backlog and upgrades and improvements to the road network is not sustainable. Notwithstanding the challenges regarding the user-pays principle, SANRAL will continue to engage with its stakeholders to debate the merits of a direct user charge versus an indirect charge such as the fuel levy. We have to use all available resources prudently to maintain the road network, and above all show respect for the rule of law, working together as a nation to ensure equity in the development of our roads.

ACKNOWLEDGEMENTS

During the reporting period, outgoing acting Chairperson Ms Nyamane handed over the reins to the incoming Board led by Mr Morar. I extend my sincere appreciation to the outgoing Board, which supported us during challenging times, and I offer a warm welcome to the new Board. We look forward to its guidance and wisdom in meeting our mandate. Our thanks go to Minister Peters and Deputy Minister Chikunga for their collective leadership, support and encouragement.

We offer a special word of thanks to Minister Peters for her unfaltering and inspired leadership in uncertain times, and her counsel, which led to the resolution of challenges faced in the Gauteng Freeway Improvement Project and the resultant new dispensation. We would like to express our sincere gratitude to the honourable Deputy President of South Africa, Mr Cyril Ramaphosa, for his wise leadership of the Inter-Ministerial Committee in bringing certainty to the future of the project with the new dispensation and the role of the private sector in the financing of economic infrastructure.

We also extend our thanks to our industry partners and particularly to the investor community for their continued support during difficult times. We appreciate the role of internal auditors and specifically that of the Auditor-General's office in the governance of SANRAL. Thank you.

I am indebted to all my colleagues for their passion and commitment to serving others. Their individual and collective contributions, both large and small, strengthen our philosophy of "equal worth".

Finally, to our road users, thank you for your support and feedback. We reaffirm our commitment to serving you with excellence and integrity.



Nazir Alli
Chief Executive Officer



From left standing: Allyson Lawless, Matete Matete, Zibusiso Kganyago, Nazir Alli (CEO), Roshan Morar (Chairperson), Christopher Hlabisa
From left seated: Daphne Mashile, Marissa Moore

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR

Nazir Alli (CEO)

BSc (Civ Eng) CEng FSAICE MICE FSAAE GradDip
Company Direction M.Inst.D

Marissa Moore

BA Hons (Social Science) MA (Industrial Sociology) Post
Graduate Certificate in Business Management

NON-EXECUTIVE DIRECTORS

Roshan Morar (Chairperson)

CA(SA) CFE

Allyson Lawless

BSc (Civ Eng) MSc DIC DEng (hc) PrEng
CEng FEng FSAICE

Christopher Hlabisa

BTech (Civil) MDP PrTechEng Tech MSAICE

Daphne Mashile

Small Business Management Diploma

Matete Matete

BSc (Hons) Transportation Planning MBA

Zibusiso Kganyago

BCom Diploma in Advanced Property Practice



From left standing: Ismail Essa, Mbulelo Simon Peterson, Alice Mathew, Nazir Alli (CEO), Kobus van der Walt
From left seated: Logashri Sewnarain, Inge Mulder, Heidi Harper, Koos Smit

EXECUTIVE MANAGEMENT

Chief Financial Officer: Inge Mulder

BCompt (Hons) CTA CA(SA)

Company Secretary and Risk Officer: Alice Mathew

BSc MBA FCIS

Corporate Services Executive: Heidi Harper

BA (Social Science) MBA IPM

Engineering Executive: Koos Smit

BSc (Civ Eng) PrEng

REGIONAL MANAGEMENT

Eastern region: Logashri Sewnarain

BSc (Civ Eng) PrEng PrCPM MSAICE FAARB

Northern region: Ismail Essa

BTech (Civ Eng) MBA PrCPM AMSAICE

Southern region: Mbulelo Simon Peterson

BSc (Maths and Applied Maths) BSc (Civ Eng)

MBA PrEng MSAICE

Western region: Kobus van der Walt

BEng (Civ) PrEng

OUR PRINCIPAL TASKS

- Strategically plan, design, construct, operate, rehabilitate and maintain South Africa's national roads to support socioeconomic development.
- Generate revenue from the development and management of assets.
- Undertake research and development to enhance the quality of life of all South Africans, with particular emphasis on their social and economic wellbeing.
- Advise the Minister of Transport on matters relating to South Africa's roads.
- Finance, plan, construct, provide, operate and maintain roads in neighbouring countries at the request of the Minister of Transport and those countries.

OUR OBJECTIVES

- Manage South Africa's national road network effectively.
- Provide safe roads.
- Carry out government's targeted programmes, promoting transformation.
- Maintain cooperative working relationships with relevant departments, provinces, local authorities and Southern African Development Community member countries.
- Achieve and maintain good governance practice.
- Achieve financial sustainability.
- Undertake research, embrace innovation and pursue best practice.
- Safeguard SANRAL's reputation through effective stakeholder communication.

FUNDING THE ROAD NETWORK

SANRAL manages two separate funding portfolios for toll and non-toll roads. Each of these operations is funded separately and there is no cross-subsidisation between the two portfolios. Non-toll roads are funded by the national fiscus through government allocations, while toll operations are either funded by SANRAL and operated on its behalf, or roads are concessioned to private parties through public-private partnerships.







SECTION 1

THE NATIONAL ROAD NETWORK..... 14

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SECTION 1: THE NATIONAL ROAD NETWORK

SANRAL takes pride in helping to set and achieve international benchmarks for road infrastructure and related technology. SANRAL's work involves multi-year projects, so planning, constructing infrastructure, raising capital and spending typically extend beyond one reporting period. Many of the projects mentioned in this report are due for completion in 2015/16 or the years to follow.

The agency has effectively fulfilled its mandate to manage and maintain the 21 403 kilometre (km) national road network while supporting SMMEs and black-owned businesses and transferring skills. The road network is expected to grow to 35 000km in the medium to long term. SANRAL's asset preservation and expansion strategy ensures that funds are managed effectively based on an accurate assessment of the state of the network to identify where expenditure is needed.

REPORTING PERIOD HIGHLIGHTS

Highlights for the reporting period include the following:

- Awarded 223 contracts worth R14.4 billion for new works, rehabilitation and improvement, routine and special maintenance, community development, supervision, additional expenditure, extension of contracts and other activities.
- Spent R2.9 billion on SMME contracts - more than R1.7 billion went to 765 black-owned enterprises.
- Trained 4 064 people (including 1 694 women) in road building and other skills.
- Created the average equivalent of 19 820 full-time jobs.
- Spent R1.9 billion to operate 1 899km of toll roads and R467 million to strengthen and improve roads and to build new facilities along these roads.
- Responded to over 40 000 incidents via SANRAL's freeway management system, including about 6 900 crashes.
- A number of non-toll projects received national and international accolades.

1.1 SUSTAINABILITY REPORTING

The 1987 World Commission on Environment and Development's report, Our Common Future, defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". A sustainability

report is "an organisational report that gives information about economic, environmental, social and governance performance".

The history of corporate sustainability reporting is linked to that of environmental reporting. While the understanding of sustainable development has changed over the years since the World Commission's report was published, SANRAL is committed to the basic principle that development needs to meet current and future demands. To this end, it implements a comprehensive assurance model involving agency staff and internal and external auditors. The organisation's Audit and Risk Committee monitors the adequacy and effectiveness of the assurance model. SANRAL also commissions extensive environmental impact assessments before implementing any infrastructure development. Initiatives promoting social and environmental benefits are discussed in Section 2.

1.2 FUNDING

Government has indicated that the roads under SANRAL's jurisdiction may increase by a further 13 597km over time. During 2014/15, 1 670km of provincial roads were declared national roads. This has financial implications for SANRAL. It will meet these additional maintenance costs by:

- Using funding from the national fiscus.
- Collecting tolls, enabling the move towards implementing the user-pays principle.
- Engaging with the private sector to finance sections of toll roads.

About 85 percent of the national road network's roads are not tolled. These roads are maintained, upgraded and expanded through tax-based revenue allocated from the national fiscus. The remaining 15 percent of the network is funded through tolls, either directly by SANRAL through the state toll roads or by the private sector through public-private partnerships. In such partnerships, the private sector collects tolls for its own account and in return it designs, constructs, finances, operates and maintains the road in accordance with strict performance requirements over the concession period (usually 30 years), after which it returns the road to SANRAL in a specified condition.

Section 1

The National Road Network







Section 1

The National Road Network

SANRAL's world-renowned public-private partnerships

SANRAL has pioneered the notion of public-private partnerships in South Africa and benefited from substantial improvements over the years. Its three current agreements are with the N3 Toll Concession (RF Pty) Ltd (N3TC), the N1-N4 Bakwena Platinum Corridor Concessionaire (Bakwena) and the N4 Trans African Concessions (TRAC). These partnerships have reduced the cost of transport, provided safer and more reliable road infrastructure and contributed to growing the economies of South Africa and its neighbours. The concessionaires will return the roads to government free of debt and in a specified condition at the end of the concession period. SANRAL can then operate these roads for several years without having to invest in maintenance and upgrades.

1.3 TECHNOLOGICAL INNOVATION

SANRAL operates its intelligent transport system in Cape Town, Gauteng and KwaZulu-Natal. The system provides real-time information about traffic flow and incidents to local radio stations, which pass the information on to hundreds of thousands of motorists. The system highlights accident trends and identifies high-risk locations by analysing incident data. The sections below provide detailed information for each region.

GAUTENG FREEWAY MANAGEMENT SYSTEM

Gauteng's freeway management system facilitated a coordinated response to about 16 000 incidents, including 3 500 crashes, in 2014/15. SANRAL's on-road services, incident and medical response units, and light and heavy towing units responded to about 8 000 incidents.

The incident and medical response units secure the scene and provide medical assistance. The time taken to detect incidents continues to decline – the average time during the year under review was 4 minutes. The average response time was 10 minutes and the medical response unit attended to an average of 225 patients a month within the critical "golden hour". The light and heavy towing units detect and promptly remove stranded and broken-down vehicles.

The system disseminates real-time traffic information to motorists using variable message signs (VMSs), Twitter (about 23 000 followers), radio stations and the i-traffic website (about 10 000 daily visitors). It shares information about accident trends and high-risk locations with relevant stakeholders (traffic, law enforcement and emergency services) in continued efforts to reduce the number and effect of incidents. These stakeholders meet for monthly debriefings and updates to improve coordination and cooperation.

Gauteng's freeway management system comprises 207 closed-circuit television (CCTV) cameras and 60 VMSs. SANRAL has commissioned 81 vehicle-detector stations that will provide data on lane occupancy, traffic flow/speed per lane and vehicle classification (small, medium and large). This data will enable the system to calculate travel times, which will be posted to the i-traffic website and the VMSs.

KWAZULU-NATAL FREEWAY MANAGEMENT SYSTEM

The KwaZulu-Natal freeway management system covers about 120km of the busiest sections of the N2 and N3 freeways. Its traffic management centre also monitors the Tongaat mainline, the King Shaka ramp and the Mariannhill mainline toll plazas and helps manage vehicle queues during busy holiday periods. SANRAL aims to extend the network on the N3 between Camperdown and Cedara in the next reporting period. The traffic management centre dealt with an average of 9 600 traffic incidents, including 1 100 crashes, in 2014/15. Stationary, mostly heavy, vehicles accounted for about 55 percent of incidents, while about 22 percent were traffic congestion incidents. About 12 percent of the incidents were crashes, of which more than 70 percent involved light vehicles in single or multiple vehicle collisions. Most crashes occurred between the EB Cloete system interchange and Nandi Drive on the N2.

The system has enhanced motorist safety by quickly detecting and verifying incidents, alerting emergency services faster than before and providing real-time warnings of incidents. The average incident detection time is impressive at 2.2 minutes. Locating provincial road traffic inspectorate officers in the traffic management centre has enhanced the management, response coordination and rapid clearance of incidents. The system disseminates real-time traffic information and incidents through VMS messages (800 a month), Twitter (42 000 followers), email and SMS. Traffic information is also provided to local radio stations.

KwaZulu-Natal's freeway management system comprises 140 cameras, 26 VMSs and 57 radar vehicle-detector stations. All communicate via a high-speed fibre optic system linked to a traffic management centre at the SANRAL offices in Pietermaritzburg. The surveillance devices were operational for more than 97 percent of the time during 2014/15.

CAPE TOWN FREEWAY MANAGEMENT SYSTEM

Cape Town's freeway management system facilitated the coordinated response to nearly 15 000 incidents, including 2 300 crashes, during 2014/15. The detection and accident clearance times continue to decrease - the average detection time during the reporting period was less than 2.5 minutes.

Improved coordination between emergency services, particularly with the South African Police Service, has reduced clearance times for fatal accident scenes. Managers and supervisors of responding services are able to use visual information from incident scenes to train and debrief on-scene personnel. This information is also used to monitor and evaluate personnel behaviour when they are on scene. In addition to improving safety practices and resource allocation, this real-time information allows senior management to help those working on scene make decisions about road closures and so on.

The system disseminates real-time traffic information using VMS (more than 4 040 a month), Twitter (nearly 30 000 followers), Facebook (combined with Twitter more than 120 000 unique social media users) and local radio stations. It will soon be possible to calculate and disseminate information about travel times and road conditions to the i-traffic website and the VMSs.

The system has facilitated allocating resources for engineering and enforcement requirements, as well as identifying areas with high pedestrian activity and coordinating law enforcement and educational activities.

The Western Cape's freeway management system comprises 236 CCTV cameras and 52 VMSs. All were operational for more than 97 percent of the reporting period. To enhance the system, 79 vehicle-detector stations and 10 environmental-sensor stations are being commissioned.

Table 1: SANRAL i-traffic Twitter handles

Region	Twitter account
Cape Town	@CapeTownFreeway
Gauteng	@ittrafficgp
KwaZulu-Natal	@i_trafficKZN

www.i-traffic.co.za



1.4 ENGINEERING OVERVIEW

TOLL ROAD NETWORK

South Africa needs to improve its road system to support economic growth and to meet increasing demands on existing infrastructure. Toll roads are a response to these needs and SANRAL will continue to selectively expand toll roads to enable the road network to grow sustainably. The current toll road network accounts for 15 percent of the national road network (3 120km of roads). SANRAL manages 1 832km of these roads and concessionaires manage and fund 1 288km.

South Africa's first multi-lane free-flow electronic toll collection system was introduced in 2013 and SANRAL has expanded this principle of interoperability into the Bakwena Platinum Corridor. Bakwena was the first to introduce electronic toll collection in South Africa, but this was previously controlled by booms in the plaza lanes, not a free-flow collection system. SANRAL plans to roll out electronic toll collection and interoperability to all its toll plazas.



SANRAL spent about R1.9 billion to operate 1 899km of toll roads in 2014/15 (see Table 2) and R467 million to strengthen and improve these roads and to build new facilities (see Table 3).

Table 2: Toll roads, operational expenditure, 2014/15

Description	Number of projects	Length (km)	Cost (R 000)
Toll operations and routine maintenance	63	1 832	1 828 432
Periodic maintenance	8	66	166 304
Special maintenance	5	1	3 215
Total	76	1 899	1 997 951

NOTE: Operational expenditure excludes any accruals made at year-end. Expenditure related to contracts awarded in previous financial years but incurred during 2014/15 is included. Periodic and special maintenance is in addition to routine maintenance of the road network. Length indicates the actual length of road maintained or constructed during 2014/15.

Table 3: Toll roads, capital expenditure, 2014/15

Description	Number of projects	Length (km)	Cost (R 000)
Strengthening roads	6	1	7 134
Improving roads	18	27	179 606
New facilities	25	27	280 642
Total	49	55	467 382

NOTE: Capital expenditure excludes any accruals made at year-end. Expenditure related to contracts awarded in previous financial years but incurred during 2014/15 is included. Length indicates the actual length of road maintained or constructed during 2014/15.

Major toll road projects

Before designing and building a road, preliminary work is needed, including pre-feasibility studies, declaring the toll road and conducting an environmental impact assessment. This work contributes to long project gestation periods and, as a result, SANRAL has a range of ongoing projects during any one financial reporting period. SANRAL, through its service providers, contracts work to SMMEs, employs local labour, provides training and transfers skills during the implementation stage of each of its projects. Some of SANRAL's major projects are profiled below.

N1-N2 Winelands Toll Highway Project

Many sections of the N1 and N2 need to be upgraded and rehabilitated. Some parts of the road are cracked with uneven surfaces, which, combined with current traffic volumes, causes congestion, slower travelling times and increased risk of accidents. The volume of traffic is expected to increase.

The project will improve the N1 through the following measures:

- Widening 35km of road and upgrading infrastructure.
- Constructing/upgrading eight interchanges (Stellenberg, Okavango, Brighton Road, Joostenbergvlakte, Koelenhof, Klampmuts, New Florence, New Worcester).
- Rehabilitating and overlaying asphalt on 91km of road.
- Constructing approach roads and completing the second Huguenot Tunnel.
- Extending the integrated freeway management system.
- Installing VMSs.

The planned upgrades to the Huguenot Tunnel (in operation since 1988) address concerns around traffic volumes and safety. The upgrade will include refurbishing the south bore, improving the ventilation system and fire-detection mechanisms, and ensuring compliance with international safety standards. The project will accommodate live traffic through the construction area.

The project will improve the N2 through the following measures:

- Constructing 13km of new road.
- Widening 55km of existing road and upgrading infrastructure.
- Constructing/upgrading eight interchanges (New Victoria Road, New Onverwacht, New Firlands, New Pineview, New Grabouw East, New Kromco, New Houwhoek, New Hermanus Ramp).
- Rehabilitating and overlaying asphalt on 22km of road.
- Building a new 500m tunnel in Somerset West.
- Improving capacity at Sir Lowry's Pass and providing an arrestor bed.
- Extending the integrated freeway management system.
- Installing VMSs.

This project will:

- Create about 5 000 jobs during the construction phase, with at least 72 percent of the total direct jobs going to low-income workers, and a further 600 direct jobs every year thereafter.
- Potentially generate between 1 300 and 2 100 indirect jobs during the initial construction period.
- Cater for specialised jobs in tunnel operations.
- Enable training programmes in construction related, basic life and entrepreneurial skills.
- Enable training programs in road safety.
- Ensure that SMMEs are development for Design and Construction works.
- Ensure that 80% of Maintenance works being awarded to subcontractors.

Court Proceeding

During March 2012, the City of Cape Town launched a review application in the Western Cape High Court, Cape Town. In terms of its review application the City of Cape Town seeks to have all the decisions taken in



respect of the Winelands Project reviewed and set aside. The hearing for the review application was set down from 11 August 2015 to 14 August 2015.

Gauteng open-road tolling – electronic tolling (e-toll)

The e-toll project, which is part of the Gauteng Freeway Improvement Project, has been operating for more than a year, and it has been more than two years since electronic payment was approved for the Bakwena Platinum Corridor project. More than 1.3 million vehicles have registered e-toll accounts.

The Premier of Gauteng's June 2014 appointment of an advisory panel to investigate the social and economic effects of the e-toll system on the province led to a decline in e-toll registrations and payments. The public and rating agencies perceived this move as a hesitation in government to implement the user-pays principle. As a result, SANRAL's financial position regarding the Gauteng Freeway Improvement Project has deteriorated dramatically. Cabinet tasked the Deputy President to engage with stakeholders to find an acceptable solution for the public and government. This process was still under way at the end of 2014/15.

Operations

The project reached a "steady state" of operation during 2014/15. As the initial rush of registrations abated, temporary customer service outlets closed down and temporary staff were offered permanent operational positions. The project employed about 900 people in total.

Misinformation from SANRAL detractors, the postal worker strike, and third-party and connectivity issues continue to challenge customer service delivery.

Collection system

The e-toll collection system performed extremely well in a challenging environment. Continuous maintenance and improvements to the system ensured that it was available and able to meet customer needs during 2014/15.

Cooperative governance

SANRAL cultivated a relationship with the Gauteng Department of Community Safety and provided access to e-toll technology, data and resources, which allowed the department to enforce traffic laws through vehicle check points on the e-roads. The Department of Justice was also able to use the e-toll data to prosecute a case involving the duplication of a vehicle number plate.

The future of the Gauteng Freeway Improvement Project

Further phases of this project are on hold. Delays in collecting tolls, reduced toll fees and uncertainty about a future funding model have resulted in increased traffic. If these issues are resolved, implementing phase 2 and 3 will take between five and eight years.

N2: Upgrade between the Umdlotti interchange and the Tongaat Toll Plaza

This project is located on the N2 between the Umdlotti interchange and the Tongaat Toll Plaza, about 30km north of Durban within KwaZulu-Natal's eThekweni Municipality.

This section needs improved capacity earlier than expected due to the increase in traffic volumes, mainly from the King Shaka International Airport and Dube Tradeport facility, which opened in May 2010. SANRAL awarded the consulting engineering services for this project in October 2009. Construction started in October 2011 and is due for completion in May 2015. The cost of the project is R422 257 000.

The scope of works includes:

- Adding two new lanes to the existing carriageways between the Umdlotti interchange and the King Shaka International Airport interchange.
- Adding one new lane to the existing carriageways between the King Shaka International Airport interchange and the Tongaat Toll Plaza.

- Using an incremental launching system to add the lanes to the outside of the carriageway at the Umdloti River Bridge and approaches.
- Widening existing bridges.
- Constructing a 5km median barrier wall and providing street lighting over the full length of the carriageway.

This project has:

- Employed 334 local labourers at a cost of R46 484 191.
- Trained 90 local people at a cost of R116 705.
- Contracted work worth R53 378 593 to 12 black-owned SMMEs.

N1: Upgrade between Ventersburg and the Holfontein interchange

Section 17 of the N1 between Ventersburg and the Holfontein interchange in the Free State's Fezile Dabi District Municipality is in poor condition and requires full rehabilitation. Current and estimated traffic volumes are beyond the road's capacity. The project entails building a new four-lane divided dual carriageway.

SANRAL awarded the consulting engineering services for this project in July 2012 and construction, estimated to cost R600 million, is due to start in 2015/16.

The scope of works includes:

- Constructing a new southbound carriageway to the east of the existing road.
- Upgrading and rehabilitating the existing carriageway to form the northbound carriageway.
- Providing right-turn slots at district road intersections linked to the N1 and constructing gravel access roads to provide access to the intersections.
- Closing off section 17 and providing access at formal secondary road intersections.
- Rehabilitating existing structures and building culverts, concrete-lined drains, kerbs and other ancillary works.

The new carriageway will be built first to allow uninterrupted use of the existing road. Once complete, traffic will be switched to the new carriageway and the old one upgraded.

Contract targets are:

- Spend 12 percent of the contract value on work done by SMMEs, of which 10 percent should be spent on women-owned companies.
- Spend 6 percent of contract value on labour, of which 30 percent should be for women and 30 percent for youth.
- Spend R2.5 million on training.

N1: Upgrade between the Holfontein interchange and Kroonstad

The section of the N1 between the Holfontein interchange and Kroonstad (45km) in the Free State's Fezile Dabi District Municipality needs full rehabilitation. It also lacks capacity to deal with current and predicted traffic volumes – a new four-lane divided dual carriageway is needed.

SANRAL awarded the consulting engineering services in July 2012. The project, estimated to cost R559 847 160, started in February 2015 and is due for completion in February 2018.

The scope of works includes:

- Upgrading and rehabilitating the carriageway to form the northbound arm.
- Constructing a new southbound carriageway to the east of the existing road.
- Providing right-turn slots in the median and redirecting farm access to formal secondary road intersections.
- Constructing gravel access roads to formalised intersections.
- Rehabilitating existing structures and constructing culverts, concrete-lined drains, kerbs and ancillary works.
- Ensuring that there is safe and uninterrupted use of the existing carriageway by first constructing the new carriageway.

CONCESSIONAIRES

SANRAL has entered into partnerships with three private companies to develop, fund, operate and maintain three sections of the national toll-road network, totalling 1 288km. These partnerships are outlined below.

Bakwena Platinum Corridor Concessionaire (Pty) Ltd

Bakwena, in its 13th year of operation, is responsible for designing, financing and constructing a 385km toll road between Pretoria and Bela-Bela on the N1 and between Pretoria and the Botswana border on the N4. It is also responsible for the road's ongoing operation and maintenance. These sections form part of the important Trans-Kalahari link between Walvis Bay and Maputo. Bakwena created 1 058 jobs during 2014/15.

In August 2014, Bakwena completed the construction of an additional carriageway (more than 32km) on the N4 between the R512 West and the Marikana interchange. By November 2014, it had also built a second carriageway with bridges and lengthened existing bridges. The contract value for this project was more than R380 million and 28 SMMEs (black owned) sub-contractors were used, exceeding the 15 percent target. Bakwena and the contractor ran a formal training programme during this project.

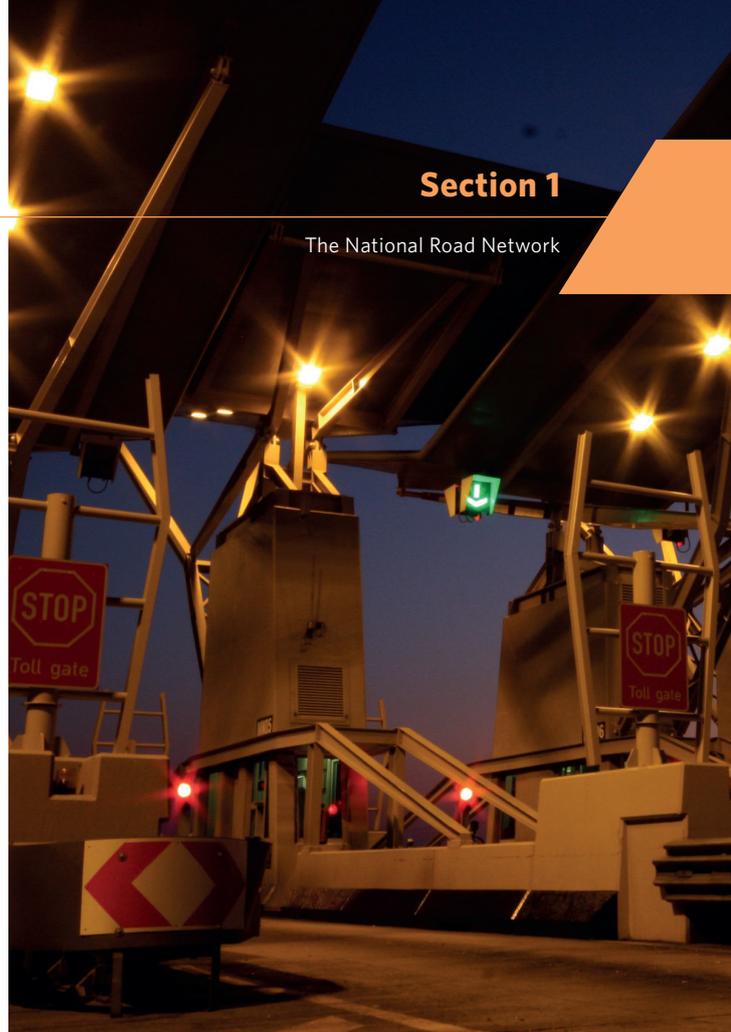
Bakwena was also involved in the following projects during 2014/15:

- Rehabilitating concrete slabs on the road surface at every toll plaza on the N1 and N4 toll route, including rehabilitating paving where required and peripheral repairs and upgrades. The contract is due for completion in June 2016 at an estimated cost of R67 million, including latent defects. The contractor is a small business.
- Rehabilitating the N1 between Pienaarsrivier and Bela-Bela, including deep milling of the slow lane, building a 200 millimetre stabilised sub-base in some areas, installing a subsurface drain to help manage the high water table and improving the grade of the super elevation. The project also involves one of the largest applications of GlassGrid technology, a geotextile, in the world. The project started in January 2014 and was completed in April 2015.
- Repairing bridges damaged by accidents or vandalism in the Proefplaas interchange, B175 at Lynette Street, B2187 at Willem Cruywagen and B2189 in the R80 interchange.
- Upgrading the N1 between the Zambezi interchange and the Pumulani Plaza, including the provision of a third lane and widening the Zambezi Bridge to accommodate three lanes. The project finished in December 2014 at a cost of R130 million.
- Completing the second phase of the rehabilitation of the N4 between Swartruggens and Rustenburg. This project was completed in December 2014 at a cost of R165 million.

Bakwena linked the upgraded toll-collection system to SANRAL's transaction clearing house in June 2012, and when SANRAL went live with Gauteng open-road tolling in December 2013, there were about 60 000 SANRAL e-tags already connected. The system recorded more than 150 000 transactions in the month before going live and allowed system operators to resolve start-up issues. Introducing open-road tolling e-tags on the Bakwena route has increased average electronic toll collection from 12 percent to 31 percent and improved plaza capacity, particularly commuter plazas.

The project employs a "wide-area network" that links all 17 plazas on the N1 and N4 to the transaction clearing house through a SANRAL optic fibre link with redundant links via Neotel and Telkom ADSL. This interface facilitates the download of a validation list for e-tags (within four hours) and the upload of toll transactions, customer account details, customer queries and requests for technical assistance (within 24 hours).

The commuter plaza's capacity has increased by 20 percent as a result of increased e-tag usage. The Zambezi and Doornpoort plazas now have two dynamic lanes for exclusive e-tag usage and 50 percent of all vehicles during peak periods have e-tags. The final phase of the upgrade was completed in



March 2015 and included the following features:

- Automated banking interface to carry out full reconciliation with the transaction clearing house.
- New automated lane controllers.
- Touch-screen technology in toll booths.
- New validation cameras.
- 27 lanes converted to manual/dynamic and dynamic lanes with the ability to operate in both manual and fully automatic dynamic modes.
- VMS signage in manual/dynamic and dynamic lanes.

N3 Toll Concession (RF Pty) Ltd

N3TC is responsible for designing, constructing, financing, operating and maintaining a 415km section of the N3 from Cedara in KwaZulu-Natal to Heidelberg in Gauteng as a toll highway. The total contract value is about R922 million – contracts worth R63 million have been completed, a R445 million contract is ongoing and a R414 million contract has been awarded.

The project scope includes:

- Rehabilitating the N3 highway between Mooi River and Estcourt (28km) and Sand River and Keeversfontein (9km). This project is due for completion in October 2015 at an estimated cost of R445 million. Rehabilitation includes reconstructing sections of the slow (truck) lane and resurfacing the entire road with asphalt. More than 15 percent of the work was contracted out to 12 black-owned sub-contractors and suppliers.
- Rehabilitating the N3 highway between Harrismith and Warden (55km). This project is due for completion in May 2017 at an estimated cost of R414 million. It

includes reconstructing a section of the slow (truck) lane and resurfacing the entire road with asphalt.

During 2014/15, these projects:

- Created about 6 100 jobs.
- Contracted 17 percent of contract value to black-owned sub-contractors.
- Gave 95 percent of maintenance work to previously disadvantaged contractors.

Trans African Concessions

TRAC manages the N4 East that links Gauteng with Maputo in Mozambique and is responsible for rehabilitating the existing carriageways, among other improvements to the road. The project deadlines and values are indicated below for each portion of work.

The project scope includes:

- Rehabilitating and overlaying the existing carriageway and extending climbing lanes between Crocodile Gorge and Karino. The project, with a value of R289 million, started in February 2013 and was completed in December 2014. Of the 313 personnel on site, three were women.
- Rehabilitating the existing carriageway between Moamba and Matola in Mozambique. The project, with a value of about R326.1 million, is 99 percent complete. Nineteen of the 246 personnel on site are women.
- Constructing a new load-control centre to monitor overloading on the Moamba-Matola route. The project started in January 2015 and is expected to be complete in July 2015. The project has a value of R49 million.
- Rehabilitating the existing carriageway between the Middelburg and Arnot interchanges and constructing a new eastbound carriageway between the Arnot interchange and Wonderfontein. The project, valued at R276.5 million, is expected to be complete in July 2016. Of the 227 personnel on site, five are women.

EMPOWERMENT, TRAINING AND JOB CREATION

Contracts

SANRAL awarded 223 contracts worth R14.4 billion for new works, rehabilitation and improvement, periodic and special maintenance, routine road maintenance, community development, supervision, additional expenditure, extension of contracts and other activities during 2014/15.

The agency spent a total of R2.9 billion on contracts with SMMEs, of which more than R1.7 billion went to 765 black-

owned enterprises. During the reporting period 175 women-owned contractors were involved in projects. SANRAL's skills development programmes trained 4 064 people of which 1 694 were women. SANRAL's projects created the average equivalent of 19 820 full-time jobs.

Table 4: Contracts awarded, 2014/15

	Awards	Amount (R)
Non-toll	182	11 100 554 479
Toll	41	3 373 750 705
Total	223	14 474 305 185

NOTE: All amounts exclude construction price adjustment, contingencies and VAT.

Socioeconomic development

SANRAL is committed to promoting economic growth through skills training to reduce unemployment, encourage people to become economically active and stimulate small business activity. The following tables provide an overview of the agency's contribution in this regard.

Table 5: Breakdown of empowerment value of work performed, 2014/15

Road type	Non-black SMMEs		Black SMMEs	
	Number	Total value (R)	Number	Total value (R)
Non-toll roads	697	886 532 530	583	1 584 336 883
SANRAL Toll roads	235	278 967 228	182	196 434 286
Total	932	1 165 499 758	765	1 780 771 168

Table 6: Training undertaken, 2014/15

Road type	Male	Female	Total	
	Trainees	Trainees	Trainees	Total value (R)
Non-Toll roads	2 021	1 189	3 210	7 048 606
SANRAL Toll roads	349	505	854	1 600 499
Total	2 370	1 694	4 064	8 649 105



Table 7: Full time jobs created, 2014/15

Road Type	Project Type	Person Hours Worked			Average Equivalent	Total Rand Value
		Male	Female	Total	Full-time Jobs	
Non-Toll Roads	Other	62 379	18 414	80 793	40	5 594 737
	Improvement	5 965 416	1 320 976	7 286 392	3 643	309 598 205
	Strengthening	3 271 428	917 299	4 188 727	2 095	177 361 361
	New Facilities	1 924 209	624 312	2 548 521	1 274	131 656 925
	Routine Ad-Hoc	225 387	56 655	282 042	141	11 442 233
	Routine Operations	9 776 444	1 862 071	11 638 515	5 819	650 524 859
	Special Maintenance	94 140	27 963	122 103	61	8 924 887
	Periodic Maintenance	1 456 677	344 655	1 801 332	901	88 098 167
	Sub-Total	22 776 080	5 172 345	27 948 425	13 974	1 383 201 374
	SANRAL Toll Roads	Other	35 532	15 462	50 994	26
Improvement		2 406 344	2 440 507	4 846 851	2 423	432 367 259
Strengthening		19 764	5 841	25 605	13	3 813 884
New Facilities		79 344	15 471	94 815	47	14 670 814
Routine Ad-Hoc		1 188	126	1 314	1	1 144 672
Routine Operations		4 115 914	2 504 171	6 620 085	3 310	225 113 502
Special Maintenance		801	126	927	1	670 703
Periodic Maintenance		40 023	10 836	50 859	25	3 659 403
Sub-Total	6 698 910	4 992 540	11 691 450	5 846	698 195 533	
Total		29 474 990	10 164 885	39 639 875	19 820	2 081 396 907

NON-TOLL NETWORK

SANRAL effectively manages the non-toll road network (about 18 238km) with funds from the national fiscus. It receives a variable allocation from the National Treasury and uses this to maintain and improve the non-toll road network according to priorities identified through SANRAL's road asset management system. SANRAL spent R3.6 billion during 2014/15 to maintain non-toll roads and R6.7 billion to strengthen, improve and provide new facilities on these roads.

Table 8: Non-toll roads, operational expenditure, 2014/15

Description	Number of projects	Length (km)	Cost (R 000)
Routine maintenance	108	18 283	1 569 687
Periodic maintenance	89	659	1 657 913
Special maintenance	30	192	424 793
Total	227	19 134	3 652 393

NOTE: Operational expenditure excludes any accruals made at year-end. Expenditure related to contracts awarded in previous financial years but incurred during 2014/15 is included. Length indicates the actual length of road maintained or constructed during the financial year. Periodic and special maintenance is in addition to routine maintenance of the road network.

Table 9: Non-toll roads, capital expenditure, 2014/15

Description	Number of projects	Length (km)	Cost (R 000)
Strengthening	55	377	2 949 335
Improvements	79	310	2 280 239
New facilities	61	262	1 503 691
Total	195	949	6 733 265

NOTE: Capital expenditure excludes any accruals made at year-end. Expenditure related to contracts awarded in previous financial years but incurred during 2014/15 is included. Length indicates the actual length of road maintained or constructed during the financial year.

Major non-toll road projects in 2014/15

SANRAL reviews the state of the entire network and uses national fiscus funds to address urgent needs. It also undertakes particular projects, all of which have an emphasis on community engagement through generic skills training focused on road safety, first aid, life skills and HIV/AIDS education, entrepreneurship, flagger duties, tool use and traffic management. Where possible, projects employ engineering students and make use of local labour, particularly women. Select projects are profiled below.

N2: Improvement to the Mount Edgecombe interchange

The existing N2/M41 Mount Edgecombe signalised interchange to the north of Durban is being upgraded to a four-level, free-flow systems interchange. This interchange connects Phoenix and Umhlanga with Durban and the North Coast via the N2. The expansion of Umhlanga and La Lucia-Ridge, as well as the anticipated expansion of Cornubia, has necessitated this upgrade because the current interchange cannot cope with vehicle volumes. An additional 40 000 vehicles enter and leave the N2 from the M41 each day, resulting in severe congestion.

SANRAL and KwaZulu-Natal's Department of Transport are jointly funding this project, which is worth about R816 million (excluding escalation costs). Construction began in April 2013 and is due for completion in December 2016.

The scope of works includes:

- Constructing free-flow ramps and using the incremental launch method on two of the ramps to minimise traffic-flow interruptions. One of these ramps, at 26m high and 947m long, will be the longest incrementally launched bridge in South Africa; it will be constructed by simultaneously launching from both ends.
- Building five major bridge structures, including a pedestrian bridge.
- Widening a bridge to accommodate the widened M41 westbound carriageway.
- Extending two underpass structures and building soil-nail-retaining walls, mechanical stabilised earth walls and reinforced concrete retaining walls.





Since inception the project has:

- Employed 464 people, of which 384 are from the local area, and spent R36 million on wages.
- Trained 248 people to erect scaffolds and operate construction equipment, among other skills, as well as provided safety-related training courses. About R265 000 has been spent on training.
- Contracted 11 sub-contractors for work to the value of R16 million performed by four SMMEs.

N3: Periodic maintenance from Candella Road to Paradise Valley

This periodic maintenance project entails replacing the existing distressed asphalt layers with high-performance asphalt material, *Enrobés à Module Elevé (EME)*, and a final surface of ultra-thin friction course overlay on an 8.5km stretch from Candella Road to Paradise Valley on the N3 highway.

The project aims to increase skid resistance and reduce spray on the road, which will improve safety, reduce operating costs for drivers and protect the road pavement structure. It involves a research and development component related to SANRAL's perpetual pavement concept, which aims to reduce future construction-related traffic disruptions by using innovative products and construction methodologies that require reduced maintenance.

The project also complements SANRAL's "green roads" initiative, which aims to reduce the long-term environmental impacts and carbon footprint of road construction activities. The contractor works at night between 20:00 and 5:00 to reduce disruptions to the traffic on this key commuter route. Construction started in July 2013 and is projected to finish in June 2015 at a contract value of approximately R201 million.

The project has to date:

- Employed about 50 people from the local community.
- Created 158 job opportunities and spent R7.06 million on salaries and wages.
- Sub-contracted work to 50 small and local companies to the value of R9.6 million.
- Provided construction-related and industry-accredited training courses worth R194 266 to 27 people.

N2: Rehabilitation between Murchison and the Marburg interchange

The contract entails the upgrading and improvement of an 11.2km stretch of the N2, including concrete sidewalks, between Murchison and the Marburg interchange in KwaZulu-Natal's Ugu District Municipality. The previous lane additions are still not able to adequately cope with the high volume of heavy vehicles using the road, such as sugar

cane and timber trucks. The accident rate on the road is unacceptably high. The project will reduce travelling times between Kokstad and Port Shepstone, reduce local traffic congestion, reduce road accidents and improve the safety and experience of pedestrians.

The project, which started in January 2013 and is scheduled for completion in July 2015, is worth about R433 million.

The scope of works includes:

- Widening the existing two-lane road to four lanes.
- Building 2.3m-wide sidewalks with guardrails.
- Milling the existing asphalt base to use as a 40 percent component of the new base. This technique uses 50 percent less bitumen and offers significant cost savings and environmental benefits.
- Improving stormwater drainage and installing sub-soil drains.
- Providing taxi rank and bus facilities at Murchison and along the road.
- Reconstructing a bridge and widening two others over the Boyozi River.
- Installing traffic and street lights at six intersections.
- Investigating the feasibility of installing speed humps between Murchison and Marburg.

To date, the project has:

- Employed an average of 133 people from the local community each month during the peak construction period of 25 months at a total cost of R36.39 million.
- Trained 344 permanent employees to the value of R710 384.
- Contracted work to 13 SMMEs to the value of R58 million – the black-owned enterprise target of 13.6 percent has been surpassed at 16.2 percent.

The project was delayed due to local service delivery protests, the challenges of working in a confined area with high traffic and pedestrian volumes, as well as the relocation of many services. However, it is near completion and has reduced accident levels due to the additional capacity provided by the extra lanes as well as the introduction of median barriers and protected sidewalks.

N8: Rehabilitation from Kloofeind to the Haldon Road interchange

This road safety project, which started in March 2014 and is expected to be completed in November 2015, starts just before the Kloofeind turn-off – when coming from Kimberley/Petrusburg – and ends at the N1 interchange just west of Bloemfontein in the Free State. The contract value is R195 957 282 and work is ahead of schedule.

The scope of works includes:

- Rehabilitating the pavement structure.
- Improving the vertical alignment in some areas.

- Adding surfaced shoulders.
- Providing additional drainage culverts to accommodate a 1:20 return period.
- Extending existing drainage culverts to accommodate the wider roads.
- Upgrading the intersection with right-turning lanes.
- Replacing existing road signs and providing a climbing lane.
- Relocating services and upgrading farm access where needed.

The project has:

- Created 121 jobs (24 women) at a cost of R6 863 040 by the end of February 2015, with an estimated R6 123 000 still to be spent.
- Trained 195 people to the value of R424 200 in NQF 3 and 4, flagging, first aid, traffic control, tool use, welding and general safety.
- Contracted work to six SMMEs (four owned by women) to the value of R34 182 501 till the end of February 2015 and an estimated R39 551 665 to be spent thereafter.

N2: Construction of the Kwabhoboza interchange

The at-grade N1 and provincial road P237/P484 intersection in KwaZulu-Natal's Mtubatuba Municipality is busy and dangerous to both drivers and pedestrians. The project, which commenced in June 2014 and is scheduled for completion in April 2016, will upgrade the intersection to a diamond interchange. The contract cost is R196 635 712. The project is 40 percent complete and is expected to improve pedestrian and motorist safety and reduce accident levels.

The scope of works includes:

- Constructing a new underpass to the N2-30, with ramps leading to and from cross-roads.
- Lifting the existing vertical alignment of the N2-30.
- Constructing a concrete bridge pass over the cross road.
- Realigning the P237 over the N2-30 for 1km and two internal access roads.
- Providing taxi lay-bys and pedestrian facilities within the interchange precinct.
- Providing for future widening of the N2-30 to a six-lane, undivided carriageway.
- Extending and constructing new drainage structures.
- Installing a pedestrian fence on the road reserve within the KwaMsane community.
- Installing road signage and markings.

The project has to date:

- Employed 32 local labourers to the value of R698 405. This figure is set to increase once the earthworks and layerworks are complete.
- Trained 23 local labourers at a cost of R79 892.
- Contracted seven SMMEs at a cost of R925 468 – the target for black-owned enterprise use is 12 percent and current commitments are 3.2 percent.

Work has been delayed on the project due to Eskom relocating services, challenges around land acquisition and community protests because there is no formal structure in place to employ local labour. The Mtubatuba Local Municipality has been placed under administration.

N2: Construction of non-motorised traffic facilities from Sitilo to Phongolo Town

The section of the N2 that stretches from Sitilo to Phongolo Town in KwaZulu-Natal is bordered by growing residential developments. It is a main access road connecting small communities to the clinic, hospital and schools and there is conflict between different modes of transport and high serious accident rates due to the direct, but illegal, access to the national road, increased pedestrian movement along the national road, students cycling to and from school and many public transport drop-off zones encouraging pedestrian activity across the N2 highway.

The project started in April 2013 and was completed in January 2015 at a cost of R19 635 712.

The scope of works included:

- Constructing non-motorised traffic facilities on the N2, including a pedestrian walkway (15km), which entailed widening the Rietspruit River Bridge.
- Upgrading the provincial road D1931, which serves as an access road from the highway to Selinde Primary School and surrounding farms.

The project has to date:

- Employed 50 local labourers to the value of R3 824 400.
- Trained 24 local labourers at a cost of R21 847.
- Contracted five black-owned SMMEs at a cost of R4 598 588.

D911 and D912: Upgrade using labour-intensive construction in the uMuziwabantu Local Municipality

The D912 (5.5km) links provincial route P327 and P59 to Harding and the N2 to Port Shepstone in the uMuziwabantu Local Municipality, KwaZulu-Natal. The project aims to capacitate and support local authorities to build, maintain and improve local transport infrastructure, in line with the national policy imperative to partner with the relevant authorities to build or improve access roads that feed into the national road network. The project will make the road safer for pedestrians; transfer infrastructure, construction-related and life skills through structured training programmes; develop resources; and capacitate and engage local SMMEs and labour to keep money within the community.

Construction started in July 2012 and was completed at the end of March 2015. The total cost is R61 773 017.





The scope of works included:

- Selecting and providing accredited NQF Level 2 (construction roadworks) and NQF Level 4 (supervision of construction processes) training to 40 local adult learners.
- Managing and mentoring these learners through the work process.
- Constructing a 12.53km-long and 5m-wide all-weather surfaced road and building three portal culvert river crossings.
- Identifying the life-skills needs of the community and designing and implementing appropriate programmes.

Since inception, the project has:

- Employed 213 people (103 women, 171 young people) at a cost of about R20 million – more than 29 percent of overall costs.
- Engaged 20 local SMMEs in the scope of works to the value of R24 305 371 – these SMMEs originated from the adult learners who were assisted in registering companies, undertaking statutory and regulatory registrations, and tendering for work packages. Depending on the quality of their work, these learners could qualify for an upgrade to a Construction Industry Development Board contractor grading of 3CEPE.
- Built community relations by establishing the construction manager's site office in the local tribal authority building, which was repaired and upgraded as a result. The contractor also surfaced the parking lot and installed drains in a local school in return for use of their classrooms to train students in construction theory. Road safety presentations were given to four local junior schools and crèches.

N11: Rehabilitation between Nkunzi River and One Tree Hill

The project, which started in May 2011 and concluded in April 2015, upgraded the N11-3/R68 intersection starting at the Nkunzi River Bridge. The total length rehabilitated was 14.6km along the R68.

The scope of works entailed:

- Demolishing and rebuilding 10 major culvert structures and 79 minor pipe culverts.
- Rehabilitating 14.2km of national road.

Initially the project employed a stop/go system to allow for construction of the two alternate sections. This was revised and the road widened first to allow for two-way traffic while the adjacent carriageway was built up. The project has:

- Employed about 76 people from the local community on a monthly basis.
- Created 123 job opportunities to the value of R19.2 million.
- Contracted work to 19 SMMEs, with these contracts totalling R29.9 million.
- Trained 101 people in construction-related activities at a cost of R418 547.

N2: Improvements to the Pacaltsdorp interchange and a new pedestrian bridge

The project comprises the widening of the existing Pacaltsdorp interchange bridge and the existing two-lane provincial main road in the city of George in the Western Cape. It aims to increase the capacity of this road and ensure that the interchange functions more efficiently, while the new pedestrian bridge will improve safe access for the community residing on the south side to the commercial/industrial district on the northern side of the N2.

The project is funded by SANRAL (50 percent), the Western Cape provincial government (40 percent) and George Municipality (10 percent) at a total cost of about R82.4 million. A project management team with representatives from each funder oversees the project's execution. Construction started in April 2013 and was concluded in the first quarter of 2015.

The scope of works includes:

- Widening the existing Pacaltsdorp interchange bridge.
- Converting the two-lane provincial George Main Road into a four-lane dual carriageway.
- Constructing turning lanes at both ramp terminals at the interchange.
- Building sidewalks and a traffic median island.
- Rehabilitating the existing asphalt surfacing.
- Relocating traffic signals, providing street lights and replacing road markings and signs.
- Building a new pedestrian bridge over the N2 freeway about 880m from the interchange bridge and a new paved and lit walkway about 1 500m in length along the N2 road reserve boundary.

The project has:

- Created 143 work opportunities, with R6 687 364 spent on labour as of October 2014.
- Contracted 18 SMMEs, including 10 black-owned enterprises, to the value of R9 047 925.
- Trained five people in cable stressing, one sub-contractor and three workers in supervisory skills, and a young trainee engineer in bridge structures. General training focused on steel fixing, scaffolding, basic concrete skills, laying of kerbs and channels, and flagger skills.

The new pedestrian bridge, inspired by the shape of a seagull in flight, consists of a self-anchored stress-ribbon arch structure comprising four spans. The in-situ concrete deck, with walkway width of 2m, extends over the reinforced concrete arches. The bridge has structural steel handrail units bolted into the concrete deck.

N7: Upgrade from Melkbosstrand Road intersection to Malmesbury

The N7 is a strategic national route important to the economy of South Africa. SANRAL incorporated the N7

highway from the Western Cape provincial government in 2005/06 and initiated a study to evaluate the current capacity and projected traffic growth on the road. The study projected that the section of the road running between the Melkbosstrand Road intersection and Malmesbury – both towns, as well as Atlantis, are economic growth nodes – warranted a second carriageway and that improvements would likely decrease the high accident rate along this section of the road. The project is a phased upgrading of this section with safety improvements for the Hopefield intersection.

During phase 1, now complete, a second carriageway and two new interchanges were constructed at the Melkbosstrand and Philadelphia intersections. This phase came in under budget at about R360 million. More than R66 million was spent on creating jobs and R44 million on SMME sub-contracts.

Phase 2, which is still in the design stage, involves the dualling of the N7 from the new Atlantis interchange to the farm Leliefontein and, if approved, a new interchange at the Klein Dassenberg Road intersection. The location of the interchange was finalised following an extensive public participation process. Construction is expected to start in July 2015 and costs for phase 2 are estimated at R900 million.

Phase 3, which has been divided into stages, is the dualling of the N7 highway between Leliefontein and Malmesbury. The contract for the first stage – upgrading the existing Darling interchange and constructing a 4km dual carriageway from Malmesbury towards Abbotsdale – has been awarded to the value of R505 million. The final stage will complete the dual carriageway freeway from the N1 to Malmesbury.

N7: Upgrade from Cederberg t-junction to Kransvleikloof

Section 3 of the N7 stretching between Citrusdal and Clanwilliam is an undivided, surfaced, two-lane single carriageway, which was built in 1957. The cross-section comprises two 3.5m lanes with 0.2m paved shoulders and gravel shoulders that vary between 1m and 1.5m on either side. The southern limit of the project is the Cederberg/Algeria Road t-junction and the northern limit is Kransvleikloof, about 20km away. The projected cost is R362.2 million, and construction started in August 2013 and is expected to conclude in the first quarter of 2016.

The scope of works includes:

- Realigning and widening the cross-section to at least 12.4m.
- Constructing climbing lanes on steep sections with a 20-year life expectancy.
- Building seven major culverts and one new bridge at Kransvlei River crossing.
- Ensuring that the new bridge deck can accommodate three lanes and has surfaced shoulders and a right-turn refuge lane on the approach to Paleisheuvel intersections.



To date, the project has:

- Employed 312 local labourers.
- Contracted 18 SMMEs, of which 10 are black-owned enterprises.
- Spent R126 472 on training, with a further R238 314 allocated.

N7: Realignment of the N7 between Kransvleikloof and Clanwilliam

The N7 improvement project encompasses realigning about 4km of the N7 around the Clanwilliam Dam between Kransvleikloof and Clanwilliam, necessitated by the Department of Water Affairs and Sanitation's implementation of a waterworks project to raise the Clanwilliam dam wall, which will increase the yield and assurance of water supply to users downstream of the dam. When the dam is full at its new level, sections of the N7 close to the dam and a section on the Cederberg/Algeria intersection could be flooded. These N7 projects promise great economic benefits to the region and the country.

The Department of Water Affairs and Sanitation will cover all costs relating to the realignment of the road affected by the raising of the dam wall. SANRAL will cover any costs related to SANRAL infrastructure. The project started in October 2013 and is expected to finish in January 2016. The estimated cost is R330 million.

The scope of works includes:

- Constructing a single, continuous 10-span bridge about 380m in length.
- Realigning the road, including through major rock cutting and section filling for about 5km.

- Building a temporary underpass and detour road next to the existing N7 highway close to the dam.
- Constructing a safety barrier next to the Department of Water Affairs' future construction site.
- Widening several pipe and in-situ box culverts and building two in-situ underpasses.
- Constructing rest areas/viewpoints of the dam.
- Undertaking structural strengthening of the Graafwater Bridge.
- Upgrading the N7/TR55 diamond interchange, including reconstructing road approaches at bridge B4152.
- Building new access roads to the new dam wall and associated buildings and facilities.
- Installing erosion protection works and undertaking ancillary road improvements, new road signs and markings.

As of May 2015, the project has spent R14.7 million on contracts with black-owned/SMME sub-contractors.

N7: Construction and upgrading from Clanwilliam to Trawal Truck Inn

This project comprises the widening of the N7 between Clanwilliam and the Trawal Truck Inn (about 42km) en route to Klaver. Construction started in August 2013 and the project was completed in April 2015 at a cost of about R170 million.

The scope of works includes:

- Widening the existing north and southbound carriageways to 2m by 3.7m wide lanes, with 1m surfaced shoulders, shoulder roundings and adequate drainage.
- Upgrading three intersections, one entrance at the Truck Inn and seven rest areas, and moving or improving access at others.

- Constructing about 11km of climbing/passing lanes with surfaced shoulders.
- Repairing shallow and deep patches, as well as rut filling and fixing cracks.
- Improving drainage in the underlying layerworks.
- Cadastral surveying, erecting new fencing and dismantling existing fencing at all newly acquired road reserves.
- Relocating and reinstating Telkom overhead services at proposed cuttings and fills.
- Placing fog and texture slurry on existing surfaces.
- Excavating earthworks involving hard and soft cuttings and fills.
- Managing and rehabilitating borrowpits.
- Structurally lengthening existing culverts in some places.
- Removing, refurbishing and re-instating all guardrails and signage. Constructing the final seal.
- Placing road markings, studs and additional signage.

To date, the project has:

- Trained 30 people in handyman skills and 120 people in HIV/AIDS awareness.
- Given 69 people driving lessons and enabled them to get their licences.

N7: Construction and upgrading the N7 between the Citrusdal and Cederberg intersections

The project comprises widening the N7 between the Citrusdal and the Cederberg intersections (27km), which is currently a narrow two-lane cross-section with narrow variable-width gravel shoulders, and constructing two new bridges, among other improvements.

Construction started in May 2012 and is expected to finish in August 2015. The projected cost is R449 million.

The scope of works includes:

- Constructing 2 bridges, 11 in-situ culverts, 12 precast culverts and extending 5 existing culverts.
- Building a reinforced retaining wall.
- Upgrading and/or relocating numerous accesses, entrances and rest areas.
- Clearing, grubbling and felling large trees.
- Opening up a quarry and borrowpits.
- Crushing quarry, borrowpit and cutting material.
- Constructing earth- and layerworks (blasting involved).
- Improving drainage facilities.
- Protecting against erosion by installing gabions and reno mattresses, concrete downchutes, stone-pitching and concrete-lined drains.
- Reinstating fencing where widening has taken place.
- Erecting new guardrails and replacing existing road signs.



To date, this project has:

- Trained 5 traffic control officers, 16 people in slurry application and 14 in sub-surface drainage.
- Trained 60 people in roadside safety for construction workers and 60 flaggers/stop-go and radio controllers.

R21: Isando Pedestrian Bridge

The upgrading of the Isando Pedestrian Bridge was part of the Gauteng Freeway Improvement Project and involved replacing two ageing pedestrian bridges with one new one.

One of the bridges was hardly used because it was in an inconvenient location and the other one was overused due to increasing pedestrian traffic from the Isando railway station. Both required substantial maintenance and it was more cost-effective to demolish them and construct one wider bridge. The project was completed six months behind schedule in February 2014 at a cost of R46 million. The delay was caused by the discovery of unknown underground services, including electrical cables serving part of the OR Tambo International Airport. The design had to be reengineered to accommodate this.

The new bridge – known as the “walking wonder” due to the leaning, cigar-shaped towers to support cable-stays and the main span – has been designed for a 100-year lifespan and to accommodate a 7 percent annual increase in use. Up to 10 000 pedestrians use the bridge every day and this number is expected to double once the new midfield terminal is opened at the airport. Besides the pleasing aesthetics of the bridge, it is the first cable-stay bridge to use lock-coiled cables in the country. The cable-stay anchors are hidden in the structure. The bridge has received a number of awards, including commendations from the Steel Awards and Consulting Engineers South Africa Awards. It has received an award from the Institute of Municipal Engineering of Southern Africa and has been nominated for the Fulton Awards for 2015.

The project:

- Created 1 261 work opportunities and 115 full-time equivalent jobs.
- Surpassed its target of 4.2 percent spent on labour to reach 13 percent of the contract value.
- Surpassed its target for spending on SMME sub-contractors by nearly 8 percent to reach 19 percent of the contract value.

R71: The Moria Project

The project aims to improve safety at the Moria interchange on the R71 between Polokwane and Tzaneen by upgrading the existing road to a “modified trumpet A” interchange. About 17 200 vehicles use this road each day and this number increases substantially during the Easter pilgrimage to Moria (about 1 million people visit the city). The new interchange

aims to reduce queuing times and improve safety, including reducing accidents, for motorists and pedestrians on this busy road. Construction started in April 2014 and will be completed in August 2015, at a cost of nearly R141 million.

To date, the project has:

- Contracted nine SMMEs (of which eight are black owned). The project has spent R7 206 089 on SMMEs/black-owned enterprises, with an anticipated total spend of R9 120 000 by project completion.
- Employed 220 people on the site during peak construction and created 71 local jobs at a wage spend of R7 425 118. The anticipated total to be spent on labour is R8 500 000.
- Trained 66 people (32 women) in, among other subjects, construction site safety, operational health and safety, construction regulations and environmental management, at a cost of R52 607.

N1: Musina Ring Road

This project, which involves constructing a new 8km section to the N1 as a ring road to the west of Musina, aims to improve travelling conditions for motorists between Gauteng and Zimbabwe. Besides facilitating easy driving, the ring road will also stimulate development of Musina to the west, provide an alternative route to through traffic (especially heavy traffic), reduce noise and air-pollution levels within the central business district and improve safety. The ring road will be a freeway that is only accessible at the Musina and Nancefield interchanges. All other roads will cross over or under the ring road.

The scope of works includes:

- Building the Musina interchange and Toynton Road
- Constructing the Mac Transco Railway Line Road-over-Rail Bridge
- Realigning and constructing Harper Road
- Moving waste and closing the landfill.

The project is expected to start towards the end of 2015 and last between 30 and 36 months. All public participation and environmental criteria have been complied with and land acquisition is in an advanced stage, as are discussions with the Department of Water and Sanitation regarding landfill site issues. SANRAL expects to appoint a contractor by mid-2015 at an estimated cost of approximately R600 million.

N1/R71: Polokwane Ring Road

This project is phase 2 of an ongoing contract to upgrade the N1 in and around Polokwane. Traffic volumes through the central business district cause congestion, pavement damage and noise and air pollution, making the safety of motorists and pedestrians an increasing concern. The project aims to provide a continuous route with an improved and safer road

for all users. In phase 1, completed in 2011, the northern section of the new Polokwane Eastern Ring Road was completed. This project realigns section 27 of the N1 to the south of Polokwane to give preference to traffic flow on the N1-27 ring road. It will be developed as a four-lane, divided dual carriageway.

Besides alleviating safety and pollution concerns, the project also aims to stimulate development to the east of Polokwane and, through access roads, ease heavy traffic volumes en route to the Peter Mokaba Soccer Stadium. The completed ring road will provide an alternative route for through traffic, particularly heavy vehicles, and reduce truck traffic in the central business district.

The scope of works includes:

- Realigning and upgrading a 4.2km stretch of the N1-27
- Constructing a 10.4km divided dual carriageway
- Constructing parclo interchanges on the R37 and P977 roads.

The project has complied with all environmental and permit requirements and is ready to begin construction. Land acquisition is largely complete. A contractor should be appointed in August 2015 and construction is expected to start in September 2015 and last for 36 months.

N1: New Limpopo Bridge and infrastructure proposal at Beit Bridge

The New Limpopo Bridge at the border between South Africa and Zimbabwe was built and operated by a concessionaire from June 1994 to June 2014, when the agreement lapsed. It was operated as a toll road with three classes of toll: motorcycles at US\$3, light motor vehicles at US\$6 and heavy vehicles above 3 tons at US\$17. Tolls were charged in both directions with monies going to the concessionaire and no fees accruing to the South African government because it was not party to the original agreement.

The border post and the N1 leading up to it become congested during peak periods. The proposed solution to easing this congestion is twofold. First, the South African Revenue Service modernisation programme that aims to reduce processing times by pre-clearing commercial vehicles is being implemented. Second, a western ring road is proposed to split the streams of traffic and ease congestion. Northbound commercial vehicles will use this road and light/passenger vehicles will continue to use the N1, as will southbound traffic.

As the northbound N1 is a declared toll road right up to the Beit Bridge border, South Africa can legally impose a toll for southbound traffic. All physical infrastructure is in place to do so. The following issues need to be considered:

- Currently, South Africa does not levy a cross-border charge for foreign vehicles entering the country.

- Both South Africa and Zimbabwe need to consider future maintenance costs for the bridge.
- The possibility of a one-stop border post facility that will eliminate duplicate processes and increase efficiency.
- Interdepartmental coordination within South Africa and with Zimbabwean counterparts will be essential for the success of the project.
- There will have to be infrastructural development at the border post and in border towns and their precincts (as per the minutes of the bilateral meeting held on 15 June 2014 at Beit Bridge).

South Africa and Zimbabwe will have to agree on a strategy and make the necessary legislative amendments before adopting and implementing a master plan for the surrounding area. Economic benefits will accrue and increase once the master plan has been finalised. There are a number of major developments on hold until uncertainty about the future of this project is clarified.

South Africa can collect tolls at the current weighbridge facility to the south of the border post. All vehicles entering the country will need to register with SANRAL and be tagged so it can ensure compliance with staying on the designated route. This will also help the Cross-border Road Transport Agency and the South African Revenue Service monitor foreign vehicles entering the country.

N2: Upgrading the N2 between the Fish River and the Green River

This project reconstructed about 47.5km of section 14 of the N2 between the Fish River and the Green River, running through the town of Peddie in the Ngqushwa Local Municipality of the Eastern Cape. The road is an economic link between Port Elizabeth and East London and serves as an east-west route linking the Western Cape, the Eastern Cape and KwaZulu-Natal.

The project aimed to improve the mobility, safety and motorist experience on this stretch of the road, as well as improve the road drainage and strengthen the pavement structures. The project was completed in February 2015, and minor issues are being addressed.

The scope of works included:

- Expanding the surface width of the single carriageway from 6m to 12.4m with 2.5m surfaced shoulders.
- Providing climbing lanes where needed.
- Building earthworks to improve the road and its cross-section's vertical alignment and in some areas the horizontal alignment.
- Improving the intersections and constructing new pavement structures.
- Building new black top surfacing and new bridges to accommodate the new alignment and cross-section.
- Lengthening the existing culverts and constructing new ones where needed.

- Constructing concrete side drains and installing concrete edging, kerbing, guardrails and fencing.
- Providing new road signs and building surfaced walkways in high-pedestrian areas.

This project has:

- Employed 598 people during peak construction (99 women).
- Spent R38 million on targeted labour and about R137.8 million on targeted SMMEs and black-owned enterprises.
- Spent R510 845 on training all labour employed on the project. The training focused on engineering skills, first aid and general safety on site, erection of gabions and staffing stop/go's.

N2: Improvements between the Keiskamma River and the Green River

The project improved the road and pavement quality of the 23km stretch of N2 running between the Keiskamma and Green rivers. The pavement was designed with a 20-year lifespan and the road realigned both horizontally and vertically. A new bridge was built over the Green River and the Keiskamma River bridge was widened.

Five cattle creeps were provided and existing concrete culverts were lengthened and/or upgraded. The project, which started in April 2011, ended in April 2014. The construction value of the contract was R421 411 784.

While operational, the project:

- Created 400 jobs (310 were local labour jobs) at the peak of construction.
- Trained people in engineering skills, as well as flag and stop/go training, pipe-laying, sub-soil installation, gabion and manhole construction, safety training and project steering committee training.
- Trained SMME sub-contractors in tendering and applying for construction documentation and mentoring them on site. Contracts were issued to five SMMEs to the value of R14 475 400. Direct SMME sub-contracting and business enterprises expenditure was R73 632 251, excluding work done by local SMMEs.

R24: Upgrade from the N4 to Buiten Street in Rustenburg

Mining activities in the Rustenburg area have led to significant development and expansion along the R24 between the N4 interchange and the Buiten Street intersection on the outskirts of the town, which has changed the road's status to an urban arterial. The North West Province identified the need to upgrade the road from a single to a dual carriageway to cater for increased traffic volumes on the road as well as the strain placed on its feeder roads. The road has been incorporated into the SANRAL network and this project forms part of South Africa's Strategic Integrated Project 4.

The road not only links Rustenburg to other towns, but also provides access to the N4, a national route, Rustenburg's industrial area and smallholdings along the roadside. The project started in March 2013 and will finish in October 2015 at an approximate cost of R214.3 million.

The scope of works includes:

- Constructing 5km of a new southbound carriageway comprising two lanes, with one section having three lanes.
- Extending various intersections and accesses to accommodate the new carriageway.
- Rehabilitating the existing road surface.
- Building a new bridge to span the existing carriageway or building a bridge that will span both carriageways, with the possibility of lengthening the existing bridge over the N4 to span both existing and planned carriageways.
- Providing a new in-situ concrete barrier on the existing bridge
- Extending an existing drainage culvert and two service culverts to accommodate the new carriageway.
- Providing road lighting for the new carriageway.

R23: Rehabilitation between Platrand and Standerton

The project aims to rehabilitate and strengthen the R23 in the Lekwa District Municipality in Mpumalanga, which forms part of the province's coal-haulage road network and the road link between the Rand and northern parts of KwaZulu-Natal. The existing road will also be widened to accommodate passing lanes and surfaced shoulders. Several bridges and major culverts will be widened and the vertical alignment of the road over the structures improved, as will the hydraulic capacity of the structures. The project started in July 2013 and is expected to finish in June 2015. The estimated final contract value is R417 million.

R23: Rehabilitation between Standerton and Greylingstad

The project will rehabilitate and strengthen the existing road, widening it to accommodate passing lanes and surfaced shoulders.

Several bridges and major culverts will also be widened and the hydraulic capacity of the structures and vertical alignment of the road improved. The project started in March 2013 and is expected to finish in March 2016. The contract value is estimated at R651 million.

1.5 ROAD NETWORK MANAGEMENT

SANRAL's asset management system uses data collected on pavement and bridge conditions and traffic, including future road usage, to predict future performance and plan for maintenance and rehabilitation.

ROUTINE ROAD MAINTENANCE

SANRAL has operational routine maintenance contracts for every kilometre of the national road network, including patching potholes; sealing open cracks; repairing and cleaning existing drainage systems; repairing and renewing fences, road signs, road studs and guardrails; burning firebreaks; maintaining trees and shrubs to protect the environment; controlling weeds and litter; and assisting in an emergency.

At least 80 percent of this work is allocated to SMMEs, of which 90 percent are black-owned firms. The routine road maintenance contracts are allocated on a point system that rewards skills development and the use of local SMMEs and labour.

BRIDGE MANAGEMENT

The bridge management system aims to ensure public safety on bridges that span more than 2.1m and culverts with openings greater than 5m². SANRAL-accredited inspectors check all bridges and major culverts every five to six years and prioritise repair work based on risk. All bridges and major culverts are also checked to ensure they have sufficient capacity for floods in line with national road standards. Structures that are too small are enlarged or replaced. This aspect of SANRAL's work is particularly important given the potential effects of climate change that may affect these structures. SANRAL also tries to ensure that bridges are visually pleasing.

There are currently 8 735 bridges and major culverts on the national road network, including 660 bridges and major culverts on routes operated by the three concessionaires. This figure is increasing as the national network expands and SANRAL incorporates routes from provinces. The figure also changes when old structures are demolished or abandoned.

Most of the bridges and culverts were inspected in 2011/12 and those on the routes taken over from the provinces in 2012/13. This process established which bridges and culverts needed to be repaired. SANRAL uses the overall condition index to measure risks associated with bridges needing repair.

Exposure measurements have not changed significantly from those in 2013/14, because only the new national routes in Limpopo were inspected during 2014/15 (see Table 10). However, the latest traffic data has been incorporated, which has changed the overall condition index calculation.

Table 10: Bridge condition exposure measurements

Description	2011 /12 Actual	2012 /13 Actual	2013 /14 Actual	2014 /15 Target	2014 /15 Actual
Percentage of travel over or under bridges on national roads with overall condition index higher than 80	96	94	94	90	92

NOTE: The overall condition index is a weighted defects index that gives an overall indication of the need for maintenance of a bridge.

PAVEMENT MANAGEMENT

The pavement management system uses life-cycle cost analysis to drive its maintenance and funding strategies to preserve the national road network given available funding. SANRAL's automated road-survey vehicles, equipped with laser, video and computer-based technologies, gather detailed road condition data. Visual inspections verify the assessments and review suggested solutions. SANRAL allocates available funding to maintain the efficient and safe functioning of the national road network according to the following sequence of priorities:

1. Routine maintenance: Preventative asset-preservation actions, such as cleaning drains, cutting grass, sealing cracks and patching potholes.
2. Periodic maintenance: Preventative asset-preservation actions such as resealing and overlays.
3. Strengthening/improvements: Extensive reconstruction and improvements to extend pavement life and/or add additional lanes to relieve congestion.
4. New construction: Construction of new roads and ancillary services if funding is available.

2014/15 OUTCOMES

Smooth travel exposure

Smooth travel exposure measures the roughness of the road. SANRAL maintained its measurements from the previous year in 2014/15, reflecting the effects of the maintenance undertaken during the reporting period on the roads incorporated from the Eastern Cape and North West provinces during 2012/13. Surface seals were applied to these roads, which resulted in minimal improvements to their roughness.

Section 1

The National Road Network



Table 11: Smooth travel exposure

Description	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of travel undertaken each year on national roads with roughness less than 4.2 (metre/km) according to international roughness index	95	96	95	96

NOTE: Roughness refers to the longitudinal road surface undulations affecting the wear and operating costs of vehicles, road safety and the impact of the vehicle on the road through excitation of vehicle mass.

Low rut exposure

Low rut exposure measures surface depressions that can hold water and cause a vehicle to aquaplane. Measurements for 2014/15 show an improvement from the previous year, reflecting the effects of SANRAL’s maintenance undertaken during the reporting period on the roads incorporated from the Eastern Cape and North West provinces during 2012/13.

Table 12: Low rut exposure

Description	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of travel undertaken each year on national roads with rut depth less than 20 millimetres	99	98	95	99

NOTE: Rut depth refers to surface depressions that can hold water and cause a vehicle to aquaplane.

High texture exposure

High texture exposure measures the surface macro-texture, which affects surface friction at high speeds (more than 60km/hour) under wet conditions.

Measurements for 2014/15 show an improvement from the previous year as a result of SANRAL’s maintenance during the reporting period on the roads incorporated from the Eastern Cape and North West provinces, where surface seals with high macro-texture were typically used.

Table 13: High texture exposure

Description	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual
Percentage of travel undertaken each year on national roads with macro-texture higher than 0.4 millimetres	97	98	95	99

NOTE: Macro-texture refers to visual coarseness of the road surface that affects surface friction at high speeds (>60km an hour) for wet conditions.

SLOPE MANAGEMENT SYSTEM

Rockfalls, landslides, debris-flow settlement and creep, while regarded as sporadic and unpredictable events, are closely linked to geological and geotechnical factors. Human activity plays an important role in environmental and site-specific geological and geographic settings (such as the stratigraphy, structural geology, lithology, seismicity and extreme rainfall and deforested areas), often proving to be a destabilising force in an ever-changing environment.

SANRAL’s slope management system rates risks to assets to ensure they are proactively preserved. Rockfall incidents that pose a safety risk to motorists must also be managed and addressed scientifically and geotechnically within the constraints of available funds. The system was introduced between 2002 and 2005. A review of the system indicates that it needs to be upgraded to be geotechnically relevant to asset management preservation. SANRAL needs to move towards a system that makes provision for the general anticipated geological and geotechnical conditions of a particular region. This would require all management systems to have uniform and standardised maps to provide the essential background information related to geotechnical issues, geohazard identification and asset-preservation strategies. The system needs to assess the geotechnical and stability risks related to newly incorporated roads in order to ensure the most appropriate allocation of funds.

Report on high-tech airborne survey to investigate potentially undermined ground in Ermelo’s Ring Road construction

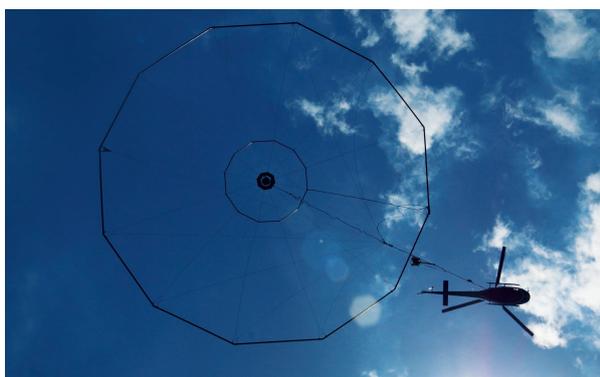
SANRAL investigated the viability of constructing the proposed Ermelo Ring Road, traversing previously mined areas around the town over about 10km. These coal mines are very old, not operational and have been abandoned, which means there is little or no reliable information on the depth and extent of coal extraction.

There have been recent reports of illegal coal extraction and, if suitable shallow-bearing, coal-bearing seams, stopes and coal pillars are present and accessible, it is possible that illegal mining will continue.

This project faced several challenges. The Mine Engineer provided an inaccurate map of suspected mining areas. As a result, SANRAL employed a particular methodology to detect potential cavities, zones of possible mine-induced subsidence or future instability. This process involved airborne and ground geophysics, drilling, borehole geophysics and radioactivity, sonic velocity and borehole cameras to investigate and verify the sub-surface conditions of the planned route. In this scenario, the sub-surface must be fully explored from the shallow to medium-depth range to determine mine-induced risks to the road and

road-reserve infrastructure, as well as potential risks to road users in the short, medium and long term.

While most of the survey area was without anomalies, there were two cavities caused by mining activity - most probably an old access tunnel and mining stope. SANRAL's successful application of methodology that had not previously been applied to road planning and design showed that it is possible to detect undermined and natural cavities. SANRAL is waiting for the Department of Mineral Resources's formal approval to proceed with the road's design.

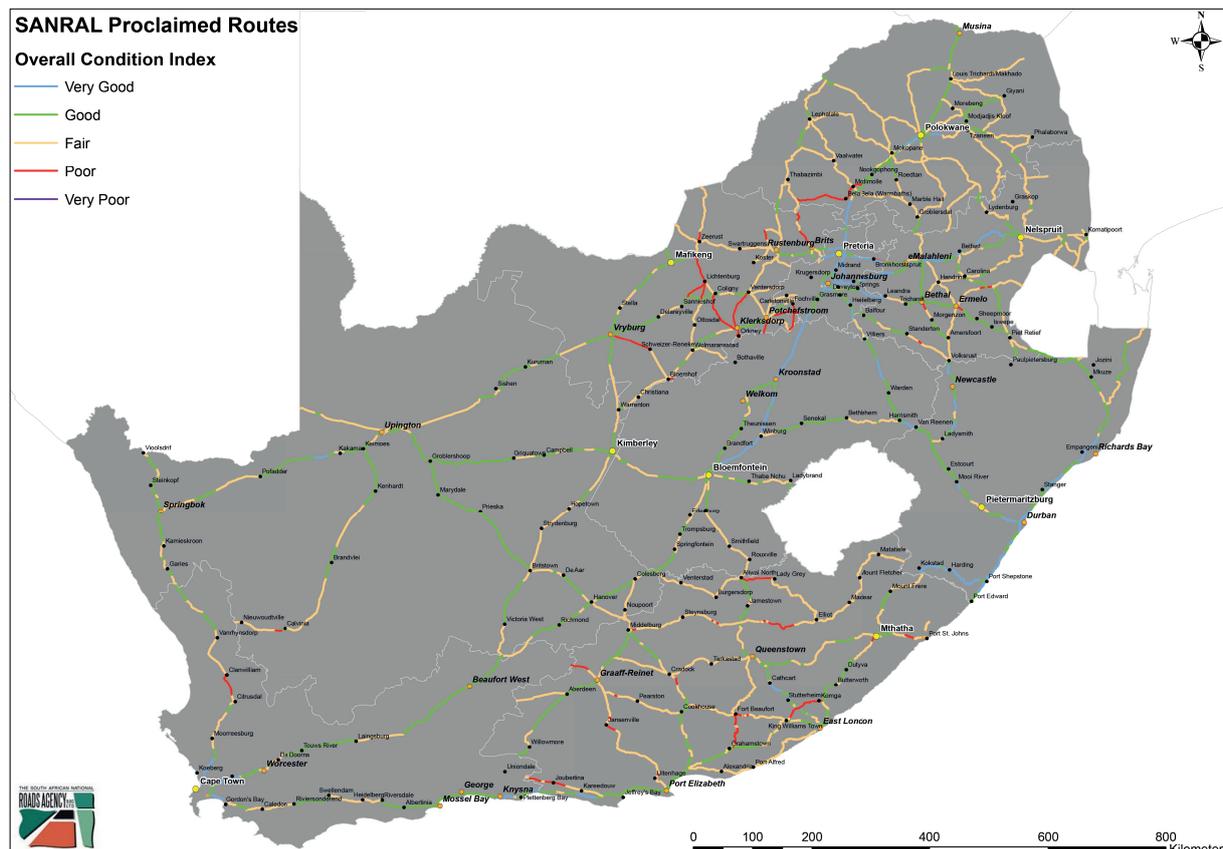


Left: Airborne time domain and magnetics mounted on helicopter platform

PAVEMENT CONDITION

SANRAL uses data on current and projected traffic volume to determine maintenance and repair schedules and to inform revenue projections and funding strategies. See Figure 1 for an overview of the condition of national roads.

Figure 1: Pavement condition of the national road network.



ROAD TRANSPORT MANAGEMENT SYSTEM

The road transport management system is a voluntary, private-sector initiative that promotes self-regulation in the heavy transport industry. It targets consignors, hauliers and consignees and aims to overcome irresponsible loading of vehicles, stop the use of unroadworthy vehicles for transporting goods and promote driver wellness in the interests of road safety.

The initiative, started in 2006, has 146 fleets of trucks (almost 8 000 vehicles) operating in compliance with the adopted standards. Fleet owners report a 90 percent reduction in prosecutable overloading offences, a 75 percent decrease in speeding offences and a 40 percent improvement in fuel consumption (although technological advances have also contributed to this figure). Fleet owners also report that the accident rate has decreased by between 44 percent and 66 percent.

“Smart trucks”

The Minister of Transport is supporting a demonstration project that tests fleets of trucks according to modern, performance-based standards. The current standards are outdated. The “smart trucks” have greater stability when

moving and improved manoeuvrability, can carry higher loads without increasing the hazard potential and use on-board instrumentation to measure loading and detect road-related risks.

They are safe and more economical to own and operate. The trucks are designed using sophisticated computer software that uses simulations to improve the response to a range of situations and emergencies that can occur on the road. A report on amending legislation to cater to this new generation of heavy vehicle will be submitted to the Minister of Transport once the fleet of smart trucks has covered 100 million kilometres.

Overload control

SANRAL owns and runs 13 traffic control centres that are continuously operating. There are 16 satellite weigh stations attached to the control centres that are operated when overloading incidents increase on the N1, N3 and N4. While overload control is not SANRAL's primary function – it falls within the mandate of provincial law enforcement – the agency has permission from the Department of Transport and the National Treasury to involve itself in this field and use some of its funds to protect the road pavement, which is damaged by overloaded heavy vehicles.



In the 2014 calendar year, the SANRAL weighbridges:

- Weighed 1 720 477 heavy vehicles
- Charged 374 205 vehicles
- Arrested 994 drivers
- Issued fines to the value of R45 575 400
- Fined 25 100 unroadworthy vehicles
- Employed 298 traffic officers
- Supported 249 staff employed by the private operators.

SANRAL has upgraded and rehabilitated the traffic control centres at Mantsole and Heidelberg. It is also designing a new centre for a location 10km east of Zeerust on the N4. Construction will start in 2015 at an estimated cost of R100 million.

Bakwena

Bakwena manages two weighbridges: the Mantsole Traffic Control Centre on the N1 north of Tshwane and the Bapong Traffic Control Centre on the N4 west of Tshwane. The North West and Limpopo traffic authorities carry out the relevant enforcement duties. The Mantsole Traffic Control Centre opened in June 1997 and Bakwena has run it since 2005. The concessionaire has also run Bapong since it opened in 2008. Both centres play an important role in managing the overloading of heavy vehicles and protecting the region's pavement structures.

Mantsole Traffic Control Centre weighed 246 947 vehicles in the 2014 calendar year and charged 5 438 vehicles for overloading. Bapong weighed 107 580 vehicles and charged 2 826 for overloading.

N3TC

A public-private partnership between SANRAL, Gauteng Province and N3TC manages the 24-hour Heidelberg Traffic Control Centre on the N3 toll route in Gauteng. In 2014, the centre weighed 127 762 heavy vehicles (including buses) and charged 5 850 with overloading. The number of vehicles weighed and the number of trucks overloading, but within the tolerated levels, decreased by 9.7 percent and 35.1 percent respectively from 2013. The number of vehicles charged with overloading increased by 3.9 percent.

SANRAL constructed and installed the new vehicle-testing station, a dual facility on both sides of the N3, in 2014. The facility comprises the latest vehicle-testing technology, test pits and associated vehicle-inspection equipment, brake-testing devices, eye-testing equipment, security monitoring systems and a new building to house traffic officers and administration staff. The facility will be used to test the roadworthiness of heavy vehicles, buses and minibuses, as well as driver fitness.

SANRAL and the KwaZulu-Natal Department of Transport have finalised a new overload agreement to operate the various N3 corridor weighbridges. A similar agreement was implemented between SANRAL and the Free State in 2014.

SANRAL has awarded a contract to construct the Mooi River Weighbridge and work has started.

TRAC

The N4 Overload Control Project, launched in 2002, is a successful public-private partnership between SANRAL, TRAC and the Gauteng and Mpumalanga provincial governments. It aims to protect infrastructure and enhance safety on the N4 toll route between Pretoria and Komatipoort on the border of Mozambique. The project has:

- Weighed more than 840 000 heavy vehicles at seven load control centres and 11 lay-bys.
- Charged 11 511 vehicles with overloading (1.35 percent of vehicles weighed).
- Created 92 permanent job opportunities and 61 indirect job opportunities through using SMMEs for maintenance and security functions.

The centre at Komatipoort has the best "strike rate" in terms of vehicles weighed and charged.

TRAFFIC MONITORING

Traffic and weigh-in-motion systems measure and collect various traffic and vehicle characteristics, such as traffic counts, operating speeds and wheel loads. This data is used when managing, planning and designing road networks.

SANRAL has shifted from the traditional practice of specifying all elements of traffic or weigh-in-motion monitoring stations to a single deliverable of quality data. It has also stopped using international functional specifications because they are not always applicable locally. The organisation has moved to mandate that future service providers need to have Agrément South Africa certification to participate in these contracts.

New contracts were awarded in October 2014 and an extensive traffic monitoring strategy has been put in place for the next three years to cover the SANRAL network because some of the counts are more than three years old. There are currently 578 long-term traffic monitoring stations and 1 023 planned short-term traffic monitoring stations.

1.6 ROAD SAFETY MANAGEMENT

As part of SANRAL's core business of providing a superior national road network that promotes mobility and economic development in the southern African region, it is always focused on improving road safety for all road users. SANRAL is committed to the Commission of Global Road Safety's Decade of Action for Road Safety, endorsed by the United Nation's Road Safety Collaboration. This initiative was launched in May 2011 with the primary goal of halving road deaths by 2020. Based on the recommendations made in the *World Report on Road Traffic Injury Prevention*, countries are encouraged to focus on road safety management, safer roads, safer vehicles, safer road users and post-crash care. SANRAL focuses on safer roads, safer road users and post-crash care, and hopes to make a meaningful and positive contribution to improving road safety.

SANRAL attended an International Road Federation conference hosted by the African Union in Addis Ababa in March 2015 that focused on road safety challenges in Africa. The organisation shared its best road safety practices and key initiatives with high-level delegations from African countries, placing an emphasis on the role of quality road infrastructure in reducing risks of accidents and road deaths and noting that the road environment should be self-explanatory and forgiving. A special note was made about the importance of changing road-user behaviour and the models that could be used with well-researched and developed road safety awareness and educational campaigns.

Road safety issues are more prevalent in the developing world (Africa has the highest death rate from crashes in the world) and delegates at the conference noted that road safety in Africa is part of the broader development agenda.

The situation is compounded by the combination of user types, including vulnerable pedestrians, poor vehicle condition, underdeveloped road infrastructure, lack of risk awareness and enforcement jeopardised by weak institutional arrangements. As a result of the conference, the International Road Federation will open a dedicated Africa Chapter focused on improving road safety conditions in line with the United Nations Global Plan for the Decade of Action for Road Safety 2011-2020.

SAFER ROADS

SANRAL will continue to focus on improving road safety by providing safe road infrastructure. Although the national road network is recognised as world-class, the continuous expansion of the national road network footprint, changing land-use patterns and the need to provide a more forgiving roadway, indicate that there will always be room for improved and innovative engineering solutions.

SANRAL's approach to safe roads will continue to be both proactive and reactive. It continuously evaluates the national road network against a set of standards and norms when designing, constructing or maintaining roads. Reactively, it identifies and addresses high-incident areas. In many cases, solutions require close partnerships with education and traffic law enforcement entities to achieve a safer road environment.

SAFER ROAD USERS

Most crashes can be attributed to poor road-user behaviour. However, changing this behaviour is a long and slow process. SANRAL is committed to its road safety awareness and educational programmes, which aim to influence road-user behaviour in a positive and sustained manner. More than 40 percent of road deaths in South Africa involve pedestrians. SANRAL's road safety strategy is holistic, encompassing enforcement, engineering solutions, education and social approaches. It works to improve pedestrian routes, enforce speed limits through design and, through social initiatives, train teachers, officials, youth and community groups.

POST-CRASH RESPONSE

There are incident management systems in place throughout the national road network to ensure an optimal and coordinated response. Initiatives are under way to legislate and implement these systems on all major routes, including those that fall under the jurisdiction of provincial and local authorities. An efficient response to an incident is vitally important.

SANRAL uses intelligent transport systems to manage its freeway operations – CCTV surveillance on urban freeways detects and notifies the relevant emergency authorities of incidents to ensure a rapid response. The freeway management systems are deployed in Gauteng, KwaZulu-Natal and the Western Cape and are being expanded and enhanced to provide improved coordination and efficient responses to incidents.



ROAD SAFETY EDUCATION

SANRAL's regional offices identify the locations for road safety education initiatives, which are linked to road safety hotspots and community development projects. The programme conforms to the Department of Education's Curriculum and Assessment Policy Statement. SANRAL holds workshops and provides teachers with road safety manuals and classroom materials, as well as information on the importance of the course and its link to the national curriculum. The materials cover topics such as pedestrian safety, passenger safety – particularly when using public transport – safe cycling practices and how to avoid crashes by standing up to peer pressure and making responsible choices. During 2014/15, road safety education focused on grade 10 to 12 learners and SANRAL developed new material for further education and training students. Road safety education reached 153 193 learners and 1 446 teachers at 51 sites, 608 teachers attended SANRAL workshops.



Table 14: Road safety education, 2014/15

Date	Number of sites	Number of schools	Number of teachers attending workshops	Number of teachers receiving material	Number of learners receiving material
April/May 2014 grades 1-9	8	73	165	583	41 232
April/May 2014 further education and training grades 10-12	29	179	329	625	79 985
July/Aug 2014 further education and training grades 10-12	14	74	114	238	31 976
Total	51	326	608	1 446	153 193

ROAD SAFETY AWARENESS PROGRAMME

With a strong message of "save a life" ChekiCoast is an imaginative campaign launched by SANRAL to promote roads safety among younger audiences on campuses and schools in South Africa. It aims to change attitudes towards road safety among a new generation of road users and thus contribute to a reduction in accidents and road deaths on the country's roads.

Making use of multimedia platforms such as Facebook, Twitter and YouTube the campaign is designed to encourage responsible road behaviour among both drivers and pedestrians. It promotes the concept that roads are shared space and that users therefore share responsibilities to create a safe environment.



The youth generation is reached through creative video clips, music, artwork, comic strips, posters and T-shirt slogans which communicate safety messages in modern ways.

Launched in 2013 at various universities and schools, *ChekiCoast - save a life*, focuses on a number of core road safety messages which are especially relevant to the youth:

- buckle up
- don't drink and drive or drink and walk
- don't text and walk
- be bright at night and
- keep a safe following distance.

The ChekiCoast Facebook page encourages social conversations about road safety issues among its followers. The core message is that everybody is accountable for improving safety on our roads and the page offers practical safety tips which can be shared with family and friends.

ChekiCoast has been rolled-out nationwide and widely advertised in the national print media and on campus radio stations. A T-shirt slogan competition was hosted online supported by communication campaigns via campus newspapers and radio.

During the December holiday period ChekiCoast was extended to national media especially through radio and TV campaigns.

The road safety messages are also interwoven into the storyline of the popular Supa Strika football-themed comic which is published in South African newspapers and in animated versions on electronic and social media.

Some of the country's most popular musicians, entertainers and actors have thrown their weight behind the ChekiCoast campaign and are joining SANRAL during activations on the campuses of tertiary institutions.

At an event hosted at the University of Pretoria prior to the start of the Easter season students were encouraged to commit themselves to responsible road behaviour including not to speed, drink or text while making use of the roads. Thousands of students participated in the event where various safety champions drove home the ChekiCoast messages.

A Road Safety Art competition was launched for school learners which enabled the youth to express their thoughts on responsible road behaviour through the mediums of drawing and design. More than 5 000 entries were received for the competition which encouraged positive attitudes towards road safety among young learners.

The competition was divided into categories for the different grades:

- Grades 1 to 3: "Hey Ho - watch where you go!" (rules of the road; travelling to school and back; safe crossings; pedestrian traffic signals and safe places to play)
- Graded 4 to 6: "Stuck in the Middle with You" (adhering to the rules of the road; saying NO to peer pressure; adhering to the rules and regulations regardless of peer behaviour and correct road safety choices)
- Grades 7 to 9: "We are free to choose our paths, but we can't choose the consequences that come with them." (types of substance abuse; prevention of drug abuse; consequences of your actions; consequences of substance abuse on road safety choices)
- Grades 10 to 12: "Find a purpose to serve, not a lifestyle to live." (A positive role in society; your role as a safe road user; responding correctly to life's responsibilities; conflict resolution in traffic-related situations)

The winners of each category, as well as the overall winner, were announced at a SANRAL award ceremony. Category winners received R5 000 in vouchers and the overall winner was presented with a R25 000 cash prize by SANRAL's CEO, Nazir Alli.

"As SANRAL, we are hopeful that the learners will use the experienced gained in this competition. Responsible road behaviour must be encouraged from an early age. This is what this competition aims to do," Mr Alli said at the awards function.

In June 2014 ChekiCoast was extended to reach long-distance drivers of heavy vehicles - one of the most at-risk categories of road users in South Africa. The objective of this campaign is to increase awareness and educate truck drivers about safety on the roads.

Road safety events at some of the country's busiest truck stops along the highways are organised in collaboration with the national road concessionaires, N3TC, Bakwena and TRAC N4.

Elna Fourie, SANRAL Manager of Road Safety Education and Awareness says the road freight industry is an important sector of the South African economy and that it requires drivers who are well-trained and well-informed about road safety.

SANRAL has a presence at truck stops where it passes out information that is critical to trucker road safety, covering issues such as pre-trip inspection and basic maintenance, driver health, avoiding fatigue and responsible behaviour when sharing the roads safely with other users.

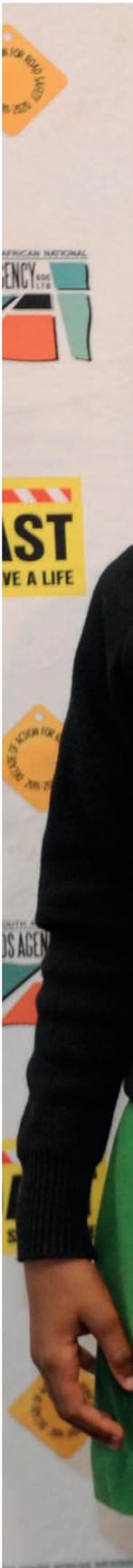
BEHAVIOURAL RESEARCH: THREE-YEAR LONGITUDINAL STUDY

“ Road crashes [are] the leading cause of death and injury and the second most frequent cause of hospitalisation while pedestrian accidents are one of the most prominent causes of premature injury, handicap and death in the modern world.”

(Thompson et al. 1996:8)

SANRAL's three-year longitudinal study aims to determine the road safety behaviour of learners in five sites throughout the country. The study, which combines both qualitative and quantitative methods, is in its second year and aims to:

- Determine the parameters of road safety behaviour.
- Identify the indicators for road safety behaviour.
- Construct comprehensive indicators for road safety behaviour over time.





- Report on the findings of the research to influence a change in road safety behaviour.

In the second year of the study, 795 learners from 30 schools participated in structured observations of a simulation game. At each of the schools a grade 6 class was chosen to play the simulation game. The game included specific learning outcomes and learner engagement to ensure that all dimensions of the theory of planned behaviour (attitude towards behaviour, subjective norms and perceived behavioural control) were addressed. The game, which included pop-up questions that the learners had to answer before they could continue, incorporated both pedestrian and passenger activities. All learners were given a hand-out depicting common risks on the road.

Research and analysis conducted in the second year of the study confirmed that knowledge does not automatically result in a change of behaviour. Some of the study's general observations on learner road safety behaviour include the following:

- As passengers, learners' behaviour is influenced by what they have been taught and consider to be socially acceptable in deciding where to sit in a vehicle.
- As passengers, learners follow the example set by others, which does not mean that it is necessarily correct, although it is perceived as being socially acceptable.
- As pedestrians, learners' knowledge of road traffic signs is determined by what they have been taught and consider to be socially acceptable.
- As pedestrians, learners' behaviour while choosing to walk with their back to traffic is mainly influenced by what they have been taught and consider to be socially acceptable, and the example set by others.
- As pedestrians, learners' behaviour while incorrectly crossing the road is influenced by their belief that they can choose where they want to cross if they perceive no danger to be present.

Almost all learners were able to identify three risks: cattle in the middle of the road, children playing on the railway tracks and cyclists cycling on the wrong side of the road. The study showed that learners contextualise their learning to their own lives. Their awareness of danger is negatively affected when specific occurrences, such as a car driving on the wrong side of a gravel road, are considered acceptable because they happen on a daily basis.

The study made the following recommendations:

Research methods

- The simulation game should remain the same for the third year of the study, with a hand-out provided to all learners.

- There should be a follow-up interview with principals and teachers responsible for the life-skills curriculum. The interviews should focus on perceived changes in road safety behaviour and on identifying initiatives that could assist schools in creating safer road users.

Learner behaviour

- Road safety education should be contextually specific for learners.
- Road safety material should be authentic and engage the attention of learners.
- Learners should be provided with books and games that they can take home – learning should not be restricted to the classroom alone. If learning is perceived as an activity taking place only in the confines of the classroom then the opportunity to involve families in creating safer communities becomes limited.

Road safety education

- Road safety education should focus on how students learn and involve parents, so that adults can set a good example for learners.
- Road safety education will only lead to a change in behaviour if teachers make strong connections with learners' interests and circumstances, perhaps through road safety problem-solving games.
- School leaders, community leaders, municipal authorities and traffic officials should partner with schools to actively demonstrate the significance of behaving appropriately on the road.

Evaluation of knowledge-based approaches has provided little evidence to suggest that they are effective in improving learners' roadside behaviour. Road safety education that is limited to classroom learning and not enforced through community and parental involvement will increase learners' knowledge and awareness, but will not lead to a sustainable improvement in road safety behaviour. Promoting behavioural change relates to the teaching of predetermined skills and behaviour through interactive learning, which should not only be taught, but also adopted by learners.

UNDERSTANDING PEDESTRIAN ACTIVITY ON FREEWAYS

Little is known about the magnitude and extent of pedestrian activity, the motivations of pedestrians or the relation between their activity and the built environment in a developing country such as South Africa. This type of knowledge, such as whether footbridges mitigate at-grade crossing behaviour or whether there is a correlation between the volume of pedestrian activity and the number of accidents, would better inform interventions to reduce pedestrian risk.

SANRAL partnered with the University of Stellenbosch and the University of Cape Town to research and better understand pedestrian activity on Cape Town's busiest freeways. The study used CCTV cameras to monitor pedestrian behaviour on freeways and determine the magnitude and spatial extent of pedestrian activity. It also monitored the surveyors during the survey work. The study results indicate that it is difficult to associate crashes involving pedestrians purely to pedestrian activities. In addition, it shows that use of crossing infrastructure is dependent on its location. Many people cross at at-grade crossings to save time or for fear of criminal incidents around the bridges. "No choice" is the most common reason given by at-grade crossers, indicating an almost fatalistic approach to their crossing choices – having no choice is a direct exoneration of an action that many others would find impossible to understand. The at-grade crossers do not underestimate the risk of crashes, so this decision is not made lightly. "No choice" was also the second most common reason given by the bridge crossers. In both sets of respondents, pedestrians have articulated a powerful message – the crossings they make are in many respects determined by factors beyond their own control.

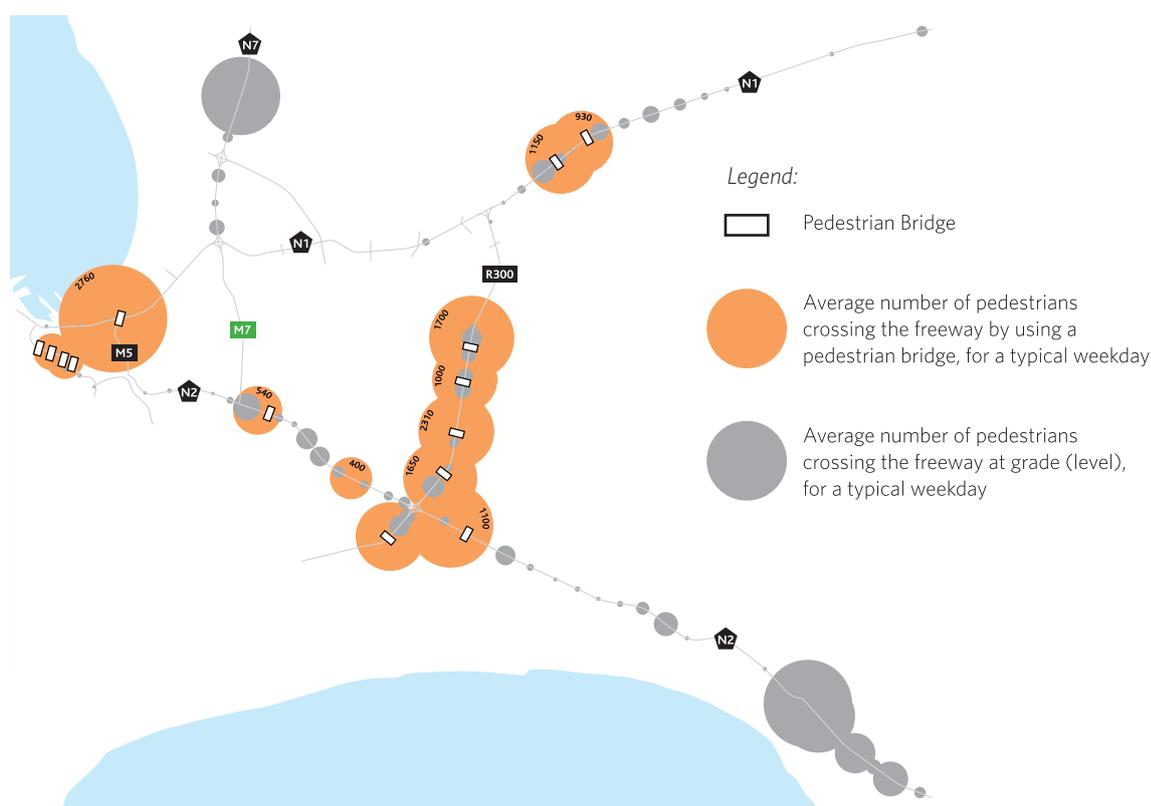


Figure 2: Pedestrians on the network, 2014/15

ROAD SAFETY INFRASTRUCTURE PROJECTS

During 2014/15, SANRAL implemented infrastructural changes and improvements to increase road safety for road users and pedestrians. These projects benefit businesses, sub-contractors and labour in surrounding communities, including training and skills transfer.

Pedestrian hazardous location programme

The programme identifies and catalogues hazardous locations for pedestrians. It also indicates the remedial action required, along with a budget and implementation process if funding is secured.

Different actions are required in different locations and solutions include upgrading roads, building pedestrian bridges or walkways, running road safety education and awareness campaigns or implementing traffic-calming measures.

During 2014/15, SANRAL identified, investigated and recommended remedial measures for 18 locations near the following municipalities: eThekweni, Sisonke District, Umkhanyakude District, Zululand District, Ugu District, Knysna, Siyanda, Kai! Garib, City of Cape Town, OR Tambo District, Nelson Mandela Bay Metropolitan, Buffalo City Metropolitan, Waterberg District, Capricorn District, Dr Kenneth Kaunda District and Vhembe District.

INCIDENT MANAGEMENT SYSTEM

As the implementing agency for the national Department of Transport, SANRAL operates the incident management programme, which focuses on the response and management of incidents on the roads, railways and other modes of transport (harbours, airports and so on). The programme rests on five pillars:

- Establishing structures, programmes and protocols.
- Identifying, allocating and managing resources in each sector.
- Harmonising communication and deploying community technology among participating sectors.
- Training, building capacity and conducting public outreach through structured engagements within systems.
- Reporting on monitoring and evaluation of the incident management programme throughout the country.

SANRAL monitors the five pillars to ensure efficient and sustainable quality service delivery to the South African public. To this end, it has addressed legal requirements by developing the following new areas:

- Amending legislation to accommodate a clause compelling sectors to implement incident management. The clause has been to the state law advisors and is scheduled to go through the parliamentary process. The process has been delayed by the Bargaining Council but was eventually gazetted for public comments in February 2015. In the meantime SANRAL has established a National Technical Committee (all sectors affected and interested in the incident management programme have been nominated to participate in this committee). This structure is a subcommittee of the Committee of Transport Officials and the current presidency and secretariat is SANRAL's responsibility. SANRAL will ensure its functionality within the next five years.
- Engaging sectors to formulate a national resource database to deal with incidents. This may be maintained through the Department of Cooperative Governance and Traditional Affairs and the Department of Transport to ensure efficiency and the availability of up-to-date data. This task will be addressed during 2015/16.
- Rolling out communication technology in major cities, including smart roads with traffic management centres, CCTV deployment and VMS signage. This initiative will continue and the programme will be used by other authorities responsible for road and rail networks to harmonise communication between incident-responding sectors. The programme will continue from 2015 to 2019.
- The National Technical Committee and the Committee of Transport Officials will generate regular progress reports.
- SANRAL formalised incident management training in line with the South African Qualifications Authority's requirements in 2006. It has consulted

with all sectors to ensure efforts to roll out training to registered colleges and higher learning institutions (emergency, non-emergency and law enforcement) are ongoing. SANRAL is finalising the memorandum of understanding with the Transport Education Training Authority to roll out this programme to all affected colleges. This process will gain momentum over the next five years. The organisation continues to build capacity in incident management through structured workshops that use SANRAL-compiled learning material approved by the Transport Education Training Authority. SANRAL is drafting an outreach plan to disseminate information to the public.

SANRAL continues to report on, monitor and evaluate its programmes and engages with the National Transport Commission, the Committee of Transport Officials and other affected structures annually to ensure improvements and efficiency. Legislation prescribes that all authorities responsible for roads, rail and economic modes deploy this incident management programme. The Department of Transport, through SANRAL, will ensure that other sectors and authorities participate in the programme. SANRAL will continue to fulfil its leadership role by collecting and collating information through its designated structures, while each authority and sector will fund their own requirements and prioritise engagements.

Table 15: Proposed five-year plan

2015	Training matters	Finalise all legal requirements and roll out in institutions of learning
2016	Monitoring	Ongoing, report annually
2017	Evaluation	Ongoing, report annually
2018-2019	Five pillars deployment	Ongoing, monitor
2019	Evaluation	Evaluate and audit five-year plan

CONCESSIONAIRE ROAD SAFETY INITIATIVES

Each of SANRAL's concessionaires is contractually required to undertake road safety initiatives with the communities in which they operate.

Bakwena

Bakwena's customer care centre is always open and linked to the road incident management system and the route patrol drivers. Road users in distress can call the 0800 Bakwena (2259362) customer care number for help and the centre will mobilise emergency services when needed and record the various accidents and incidents that take place along the Platinum Corridor.

Bakwena is also involved in various road safety initiatives along the N4 in partnership with the North West Province's road safety and education departments. It supports the road safety curriculum project, based on the national multimedia project, which conducts teacher training workshops and distributes teacher and learner materials. At primary school level, this project also links to edutainment in the form of road safety shows for children living along the Platinum Corridor. Bakwena also targets grade 8 and 9 learners from schools within 3km of the N4, excluding Tshwane and Rustenburg.

It also partakes in the annual safe walks programme, which is linked to international and national road safety days and implemented at primary and secondary schools. This project aims to make learners, teachers and motorists aware of the vulnerability of child pedestrians. During 2014, learners received visibility armbands. Through this project, Bakwena collaborates with the Global Road Safety Partnership, Provincial Road Safety, the South African Police Service and the North West and Gauteng departments of education.

One of Bakwena's flagship projects is the road safety drama project, which started in 2012. Themes focus on alcohol and road safety and training includes peer education through the South African Red Cross Society. The participating learners are challenged to initiate their own outreach programmes.

Bakwena's first aid project aims to build school and community teams to respond to emergencies along the Platinum Corridor. The project, initiated in the Bapong area, has expanded to secondary schools along the Platinum Corridor. The target team size is 18 learners from grades 7, 8 and 9, with two teachers from each school. Learners are trained in first aid levels 1, 2 and 3 and all teachers are trained up to level 3. Learners help out at school sports events.

In the community of Dinokana, the animal visibility and rangers patrol project helps people keep animals away from road crossings and from roaming the N4. It also helps to make them visible, although there are some concerns around this because cattle owners feel that this works in favour of cattle smugglers.

The scholar patrol project has been running for the last four years in eight schools in the Dinokana and Swartruggens areas. The need for upgraded and new equipment was identified in 2014/15 and this will be addressed during 2015/16.

During 2014/15, Bakwena:

- Patrolled 844 334km.
- Took 21 452 calls.



- Assisted 282 motorists and attended 354 accidents.
- Ran workshops for nine schools and 20 teachers in the Hammanskraal area and distributed materials in the Lehurutshe and Bapong areas.
- Trained 14 volunteers from Bakwena in road safety education and inducted them into the project in the Bapong area.
- Involved about 10 000 learners from Dinokana, Swartruggens, Bapong and Hammanskraal in the safe walks programme.
- Involved 200 learners from 13 schools, as well as a teacher from each school, in the road safety drama project, which reached 11 000 learners and community members through outreach programmes.
- Trained 216 learners and 24 teachers from 12 schools in first aid. Formed eight first aid groups in the Dinokana and Zeerust areas.
- Provided 40 rangers with reflective vests as part of the rangers patrol project.

N3TC

The incident management system aims to improve road safety conditions along the N3 toll route. The N3TC Route Control Centre, which is linked to a 24/7 careline, provides road users with direct access to emergency assistance in the event of a crash or breakdown. N3TC runs roadside clinics that offer basic health tests to drivers. Poor vision and diabetes are major health risks and unfortunately medication to treat diabetes, for example, has adverse side effects that compromise driving performance. Some drivers do not appear to be concerned about health issues, which is also

a problem. To address these challenges, additional initiatives have been introduced involving law enforcement agencies to ensure compliance with legislation.

N3TC has entered into a public-private partnership with one of the local municipal authorities along the N3 toll route, Mpofana, which focuses on compliance and enforcement issues – carrying dangerous goods, pedestrian education, vehicle road safety enforcement, use of chevrons and blind-spot operations.

The sustained efforts of the incident management team and the local authorities' impoundment departments have led to a significant decrease in the number of stray animals removed from the N3. The relatively dry winter in 2014 led to an increase in veld fire incidents, some of which were difficult to contain and resulted in serious crashes.

During 2014/15, N3TC:

- Took 113 273 calls through its call centre (14 percent increase from 2013/14).
- Made 1 189 follow-up courtesy calls to customers who had requested assistance.
- Advised 588 motorists registered with its SMS system of incidents and road closures.
- Provided regular updates to its more than 38 000 Twitter followers.
- Tested 486 drivers at its driver wellness roadside clinics. The Mooi River clinic conducted eye tests on 26 drivers, issued one with glasses, referred three for treatment and downgraded the licences of two.



- Initiated 60 roadblocks across four provinces and interprovincial roadblocks checking 4 231 light vehicles in December 2014 alone and impounding 37. More than 1 300 heavy vehicles were checked and 44 impounded; 1 200 buses were checked and 20 impounded.
- Patrolled over 1 276 529km of road and helped 1 484 road users (235 were helped with fuel, a slight decrease from 2013/14).
- Removed 5 710 tyres and other objects from the road and removed 1 036 stray animals from the network.
- Pulled over and fined 151 vehicles for failing to display registration plates and charged those in possession of their plates for defeating the ends of justice.

TRAC

TRAC's emergency roadside support and accident response service is called TRACAssist and is available 24/7 to help with all emergencies, situations and accidents on the N4. The TRACAssist team is staffed by TRAC's 24-hour helpdesk, which operates from Mbombela, the capital of Mpumalanga. The TRAC helpdesk facilitates communication between the TRACAssist teams dispatched along the route, emergency services, law enforcement authorities, road users and all other relevant stakeholders.

One of TRAC's primary road safety projects for the year was the TRAC@Schools initiative, which was officially launched in November 2014. This ongoing project focuses on children aged five to nine at more than 20 schools along the 570km route. The campaign aims to educate learners about road safety and establish a culture of road safety consciousness. Learners watch a pre-recorded video and are encouraged to take the information back to their parents. Learners are also taught about TRAC's 24-hour helpdesk line and toll-free number. TRAC's new life-sized mascot Sipho interacts with the children. The project reached more than 3 000 children in schools between Komatipoort and Tshwane.

During Easter and December, TRAC set up joint operation centres with emergency rescue services and law enforcement authorities along the N4 toll route to facilitate fast reactions to emergencies/incidents. It also ran general public awareness campaigns and road safety initiatives that have proven highly effective. No fatalities were recorded on the N4 toll route during Easter 2014 and 2015.

1.7 LAND PORTFOLIO MANAGEMENT

SANRAL procures and manages land using a contractor employed through a national comprehensive property services provision contract. The contract covers surveying, valuing and general property management services, such as maintenance, security, leases, acquisitions, alienations, dealing with land invasions, land claims, transfers and registrations. It also includes managing offices owned by SANRAL.

The contract runs for five years and a new contractor was appointed in February 2015 to begin 1 March 2015. There is a three-month overlap between contractors to ensure a seamless transfer of duties and operations.

The contract, valued at R943.4 million, is managed in SANRAL's head office and supported by regional managers.

SANRAL acquires land by agreement or, in exceptional cases, by expropriation. All acquisitions, leases and land sales are governed by legislation that requires transactions to be concluded at market value. For decades, the provincial governments and the former Chief Directorate: Roads in the Department of Transport acquired land for roads. Since 1998, this land has been identified and transferred to SANRAL following confirmation of the right to the land. Newly acquired land is transferred as soon as possible. There were 27 652 properties forming national road reserves at the end of 2014/15, which will also be transferred to SANRAL along with the roads.

Training, providing bursaries and mentoring are important features of the property contract. Black empowerment is promoted and all property maintenance sub-contractors and conveyancers are black owned. It remains difficult for the service provider to attract black professional land surveyors and valuers to perform SANRAL work, because there is an abundance of this work available in municipalities. Although the figures have varied during the year, the service provider typically sub-contracts work to 30 valuing companies, 110 conveyancers, 170 maintenance contractors, 170 horticulture contractors and 90 security contractors. The service provider has exceeded its target of sub-contracting 50 percent of its work to sub-contractors. During the financial year, the contract has provided 6 468 person-months – a measurement of the amount of time people devote to a project – of employment and employed 2 333 people directly and 4 134 people through sub-contractors.





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SECTION 2: DEVELOPING COMMUNITIES AND SUSTAINING THE ENVIRONMENT

REPORTING PERIOD HIGHLIGHTS

Highlights for the reporting period include the following:

- Construction-related community development projects realised 1815 job opportunities (659 women, 1 252 youth with a rand value of approximately R214.6 million).
- Spent R2 246 million on work contracted out to SMMEs; R214.6 million of this was allocated to black-owned enterprises.
- Funded 50 learners to attend the University of Witwatersrand Targeting Talent Programme. Trained 546 student teachers and 233 teachers in the Family Math and Family Science Project run through the University of the Free State and reached 1 603 learners through the Nelson Mandela Metropolitan University's Science, Technology, Engineering and Mathematic Pipeline Project. SANRAL awarded seven scholarships to attend the Information and Communication Technology (ICT) Laboratory at the University of Free State's (UFSs) School of Open Learning and received a further 15 applications for 2015. Twenty-eight schools nominated 387 grade 9, 10, 11 and 12 learners to attend sessions at the UFS ICT Laboratory in 2014.
- Won a 2014 University of the Free State Community Engagement Award in the community service learning category.
- Updated SANRAL's generic construction environmental management plan to require contractors to account for energy use on construction projects.
- Recognised for its previous work to eliminate alien vegetation through a new partnership with the Department of Environmental Affairs and the South African National Biodiversity Institute. Undertook South Africa's first environmental/resource economic study for the projected upgrade of the N3 Development Expressway.
- Received the first results from its research partnership with Rhodes University to track the survival rate of the endemic Suurberg cushion bush in the Eastern Cape.
- Completed the pilot solar-power projects at the Dalpark and Diamond Hill plazas and prepared to roll out this renewable energy solution to other plazas.
- Increased the use of reclaimed asphalt to decrease resource use, waste and costs.

2.1 COMMUNITY DEVELOPMENT

Community development addresses concrete and abstract human needs. It requires a learning process where people gain self-sufficiency, dignity, and are empowered to participate in society.

This philosophy is present in all SANRAL projects, which not only provide access and mobility, but also opportunity for human empowerment. SANRAL creates job opportunities for communities and SMMEs, conducts skills training and provides education through its investment in human development.

SANRAL's community development programme focuses on:

- Providing pedestrian facilities and safe access points for communities living next to the national road network.
- Creating jobs and providing access to skills training.
- Developing SMMEs.
- Promoting community participation.
- Developing individuals through a variety of education initiatives.

Community development infrastructure projects

During the year under review, 33 projects were in construction with a total expenditure of R317 984 894. Most of these projects aimed to transfer skills and develop and empower local labour through consultation with the communities concerned. Select projects are profiled here in.

R22: Pedestrian facilities between Manguzi Town and Mozambique border

The project comprises access and pedestrian facilities, including sidewalks, bus shelters, formalised bus/taxi lay-bys, speed humps and signage on the R22 between Manguzi Town, along KwaZulu-Natal's north coast, and the Mozambique border. SANRAL created this project due to the growing residential developments alongside the national road, the road's importance as a link between Mozambique and KwaZulu-Natal and the growing conflict between users of different modes of transport due to an increasing number of learners commuting to and from schools, pedestrian traffic and informal public transport drop-off zones. There have been a number of fatalities reported along this route.





The project started in January 2015 and is expected to finish in January 2016. The scope of works was split to enable lower Construction Industry Development Board Grade 6 civil engineering contractors to tender. The cost of work package A is R15 871 809 and work package B is currently out on tender.

Since inception the project's target for local labour use is 20 percent of total labour, of which 30 percent is contributed by women and 30 percent by youth. The target set for SMME involvement is 40 percent, of which 10 percent is to be by women-owned companies.

N2: Nyhwarha community access roads and pedestrian walkways

The project upgraded existing gravel community access roads and built new pedestrian walkways using labour-enhancing methods alongside the N2 between Dutywa and Mthatha in the Mbhashe Local Municipality, Amathole District. The contract, valued at R45 332 073, started in October 2012 and was finished in March 2015.

The project successfully:

- Upgraded 5.8km of gravel community access roads and built 6.3km of new pedestrian walkways.
- Provided SAQA-accredited learnership training to 97 participants; 71 of them received further training on gabion works and first aid. Learners received ongoing mentorship.
- Gave generic skills training to 71 local people.
- Employed 219 local people (95 women).
- Spent about R6 million on sub-contracting services.
- Spent about R5 million to contract work from local emerging SMMEs.

N2: Maqwathini community access roads

This project involved upgrading about 6km of existing gravel community access roads and the associated concrete open drain alongside the N2 at Kei Cuttings, Mnquma Local Municipality. The project focused on training and mentoring local labour during construction using labour-enhancing methods. The project started in October 2012 and was completed in February 2015 at a cost of R30 121 824.

The project:

- Employed 188 local people (73 women, 164 youth) for the full duration of the project.
- Contracted local SMMEs for various activities, such as making uniforms, catering, office rental, deliveries and so on, to the value of R765 050.
- Provided learners with SAQA-accredited training on road-construction skills.
- Trained 30 local people in generic life-skills training.

N2: Magalakangqa community access roads

This project, located just north of Butterworth in the Mnquma Local Municipality, upgraded about 12.3km of existing gravel community access roads and the associated concrete open drain alongside the N2. The project focuses on using, training and mentoring local labour, as well as using labour-enhancing methods of construction. The project, which started in August 2013, is expected to be finished in June 2015. The contract cost was R49 482 878.

To date the project has:

- Employed 208 local people (80 women, 150 youth) for the full duration of the project.
- Spent about R3 million on works contracted to established SMMEs for the supply of aggregates and close to R3 million on local emerging SMMEs for work such as sewing construction overalls, plant hire, office rental, accommodation and transport.
- Provided 111 adult learners with SAQA-accredited road-construction training.
- Trained 55 local people and 25 of the adult learners in generic first-aid training.

R61: Ngcobo - Community access roads and pedestrian facilities

This project, located near Ngcobo in the OR Tambo District Municipality, constructed about 6.67km of new, surfaced community access roads and about 0.76km of concrete access roads, and upgraded about 0.9km of existing gravel service roads, which were located next to the R61. The project started in July 2013 and is expected to be completed in June 2015 at a cost of R37 560 150.

The project comprised a learnership programme for 80 local learners, of which 60 were identified for the NQF 2 learnership and 20 for the NQF 4 learnership. All learners were young people and 51 percent are women. They started work in February 2014 following the theoretical training. Construction used labour-enhancing methods.

To date the project has:

- Created 110 jobs (eight women, 92 youth).
- Enrolled 80 local learners in NQF-accredited training.
- Trained 30 community members (15 in bricklaying, plastering and carpentry, 15 in plumbing).

R61: St Barnabas to Umngazi River - Community access roads and pedestrian facilities

The project focused on constructing about 8.2km of new surfaced community access roads, as well as about 7.2km of new pedestrian walkways, which are located adjacent to the R61, near Port St Johns between St Barnabas and the Umngazi River, in the OR Tambo District Municipality. The

project also eradicated alien vegetation within the national road reserve. The contract started in October 2012 and was completed at the end of February 2015 at a value of R52 334 186.

The learnership programme focused on training local SMMEs in project management and labourers in construction skills. Both groups were mentored throughout the construction phase. Business owners and supervisors of the selected 15 SMMEs were provided with practical and theoretical training, which was completed in September 2013. Labour-enhancing methods of construction were used.

The project:

- Created 187 jobs (82 women, 115 youth).
- Trained and mentored 15 selected local SMMEs in construction project management.

UNIVERSITY PARTNERSHIPS

SANRAL partners with a number of universities to empower learners. The projects conducted in 2014/15 are profiled below.

University of the Witwatersrand Targeting Talent Programme

SANRAL, among other donors, funds the Targeting Talent Programme, which is implemented by the University of the Witwatersrand's Student Equity and Talent Management Unit. The unit selects grade 10 and 11 learners from various schools across South Africa to attend the two/three-year programme, which focuses on enriching content understanding and psychosocial development. The learners participate in three contact sessions a year, with the exception of grade 12 learners, who attend two sessions so they have time to focus on their final exams. Six of the 44 learners selected to participate in the 2013 programme withdrew, but the unit selected 12 out of the 18 nominated learners from two participating schools in 2014, bringing the total number of SANRAL-funded learners up to the designated cohort of 50.

The first contact session took place between March and April 2014 in Johannesburg, the second between June and July 2014 at the University of the Witwatersrand and the third in October in Johannesburg. All three sessions focused on enriching learners' understanding of mathematics and science, introducing them to new content and helping them prepare for exams. Each session is assessed and students rated the experience highly, in particular noting the well-organised nature of the sessions, the high quality of the lecturing staff, the interactivity of the teaching programme, and the support given to students in sessions and through the additional material they took back to school. Students also indicated that the programme had shown them new ways to study and how to adjust their own attitudes and

behaviour towards studying. They understood previously misunderstood concepts and had increased their critical thinking ability. The programme also helped increase their self-confidence and self-discipline, allowing them to make new friends and learn about different cultures. Complaints, of which there were few, related mainly to transport, food and accommodation; these have been relayed to the relevant external service providers. Students were given assessment reports in October and received feedback, if requested, on areas that need to be improved and how to do this.

University of the Free State School of Open Learning

SANRAL helped fund a strategy project run by the University of the Free State's School of Open Learning. The project aimed to change attitudes towards mathematics and science and to raise the number of achievers in these fields in the Free State, the Northern Cape and the Eastern Cape between 2012 and 2014. The project strategy comprised two main components:

- The ICT Laboratory Programme focused on raising the skill levels and understanding of maths and science concepts among grade 9, 10, 11 and 12 learners. There are two laboratories, one on the university's Bloemfontein campus and one on its QwaQwa campus.
- The Family Math and Family Science Project to demystify the subjects for learners in the formative schooling years.

ICT Laboratory

Twenty-eight schools nominated 387 grade 9, 10, 11 and 12 learners to attend sessions at the ICT Laboratory in 2014. Learners engaged in curriculum-related activities about 10 times during the year, resulting in more than 3 870 exposures.¹ The programme provides a different approach to generating an understanding of scientific principles. It uses ICT to create an alternative learning environment that caters to the so-called "Y-generation" or "techno-clever generation". Apart from conducting experiments and other hands-on activities, learners also attended events, such as the visit to Boyden Observatory, and were exposed to rocket-building and a career-guidance session in which they were officially linked to the university's Unit for Prospective Students.

During 2014, the ICT Laboratory on the QwaQwa campus expanded the programme to 28 grade 9 learners and nine teachers from seven schools attending the training sessions. The laboratories on both campuses also hosted sessions for further education and training physical sciences student teachers from the Faculty of Education.

¹ The term "exposure" is used to give an indication of the magnitude of the programme. For example, if 10 learners do two different activities, the number of learners remains 10, but the number of exposures is 10 learners x 2 activities = 20 exposures.

Table 16: Number of learners and students that attended the programme

	Grade 9 (selected)	Grade 10 (selected)	Grade 11 (selected)	Grade 12 (selected)	Total number of selected learners	Student teachers in physical science students
Main campus	-	68	68	50	186	8
QwaQwa campus	28	61	61	51	201	8
Total	28	129	129	101	387	16
						TOTAL: 403

Table 17: Number of exposures (number of learners x number of two-hour sessions)

	Grade 9 (selected) Number of learners	Grade 10 (selected) Number of learners	Grade 11 (selected) Number of learners	Grade 12 (selected) Number of learners	Total number of exposures of selected learners	Student teachers in physical science
Main campus	-	68 x 10 = 680	68 x 11 = 748	50 x 9 = 450	1 878	8 x 2 = 16
QwaQwa campus	28 x 9 = 252	61 x 10 = 610	61 x 11 = 671	51 x 9 = 459	1 992	8 x 2 = 16
Total	252	1 290	1 419	909	3 870	32
						TOTAL: 3 902

Table 18: Summary of learners and students according to race

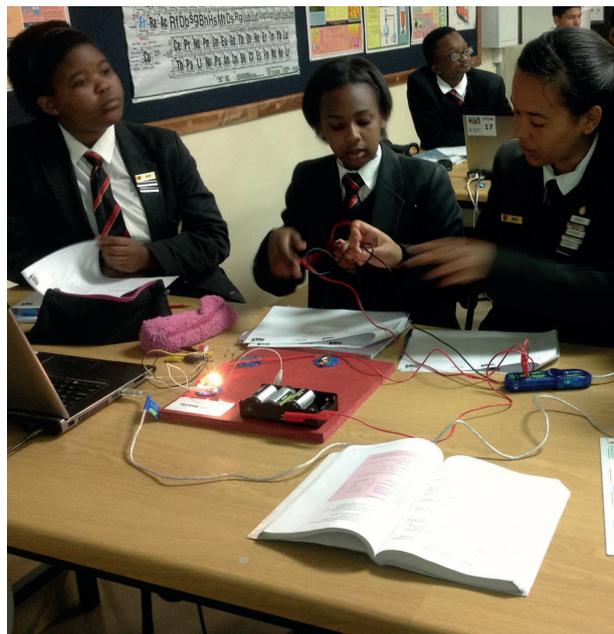
	White	Coloured	Asian	Black	Total
Selected learners (grades 9-12)	118	24	11	234	387
Student teachers in Physical Science students	3	1	-	12	16
Total	121	25	11	246	403

At the end of 2014, the project had:

- Enrolled 403 learners and students in the programme.
- Helped 22 grade 12 learners achieve distinctions for physical science in their final year of study and 13 grade 12 learners achieve five or more distinctions overall.
- Awarded seven scholarships to ICT Laboratory learners and received a further 15 applications for the 2015 SANRAL scholarship, indicating the standard of learners in the programme.
- Awarded 48 SANRAL scholarships to learners who had attended the ICT Laboratory between 2009 and 2012. More than 60 percent of applications were successful.

Family Math and Family Science Project

The School of Open Learning launched its Family Math and Family Science Project in the Free State and the Northern Cape at the beginning of 2009 and extended it to the Eastern Cape during 2012. The project aims to demystify maths and science for learners in the early school years by increasing their understanding and changing their attitudes towards the subjects. This is done by exposing learners to structured activities, which are integrated into the classroom curriculum.



In 2014/15, the project won, along with SANRAL as sponsor, the 2014 University of the Free State Community Engagement Award in the community service learning category.

The initiative reached 11 495 learners, 233 teachers, 546 student teachers and 4 547 parents from predominately rural communities in the Free State, Northern Cape and Eastern Cape provinces in 2014. To achieve this, 16 subject advisors were trained as regional coordinators to train and support local teachers in programme implementation. SANRAL funds the provision of classroom-training material to provide ongoing educator support through the programme.

In the Free State, the programme was coordinated by the provincial Department of Education and was successfully rolled out in 16 schools, reaching 34 teachers and 2 674 learners in the Thabo Mofutsanyana region of the eastern Free State (QwaQwa). In the Northern Cape, the provincial Department of Education coordinated the programme and acted as subject advisor to the 33 participating schools, reaching 77 teachers and 2 574 learners. In the Eastern Cape, programme activities coincided with SANRAL's R61: community development programme, which ran from 2012 to 2014. The project in the Eastern Cape not only trained teachers through a short learning programme of 160 notional hours² at the University of the Free State, but also exposed parents, caregivers and guardians to project activities, contributing towards the creation of "whole school communities". The programme was successfully implemented in 15 schools, reaching 19 teachers, 807 learners and 613 parents.

Teachers from the Eastern Cape's Mthatha and Libode districts were enrolled in an accredited family math short learning programme at the University of the Free State in 2014. As part of their formal training, the participating foundation-phase teachers and respective subject advisors attended two 40-hour contact sessions in March and June/July 2014. The short learning programme aims to develop and enhance the pedagogical content knowledge of foundation-phase teachers regarding the teaching and learning of mathematics concepts using a hands-on and constructivist approach. Holding the training at the university exposed teachers to a tertiary education environment and an effective teaching-and-learning environment.

In addition, all student teachers enrolled at the Faculty of Education for elementary natural sciences, numeracy education and life skills were exposed to this programme and conducted community training sessions themselves (see Table 19).

² Notional hours refer to the amount of time it takes for the average student to achieve learning outcomes.

Table 19: Student teachers' participation at the Family Math and Science training sessions

	Number of numeracy education students	Number of elementary natural sciences students	Number of life-skills students
Main campus	159	166	121
QwaQwa campus	84	-	16
Total:	243	166	137
			TOTAL: 546

Integration with other projects

SANRAL sponsored the roll out of this programme in the Thabo Mofutsanyana region in the eastern Free State and the western, southern and central regions of the Northern Cape. During 2014, Old Mutual and the Rupert Foundation respectively sponsored roll-out programmes for grade 3 and 4 family math in the Thaba Nchu and Botshabelo region of the Motheo District, as well as the Jagersfontein and Jacobsdal region of the Xhariep district in the Free State.

Nelson Mandela Metropolitan University Science, Technology, Engineering and Mathematics Pipeline Project

The project aims to develop human capital and capacity in science, technology, mathematics, engineering and related management fields. It does this by promoting and developing the physical science and mathematics skills of grade 10 to 12 learners in the Port Elizabeth and Uitenhage school districts. The goal is to increase the number of learners qualifying to study towards a degree in science and technology. It operates as a workforce continuum from school into higher education by developing learners' practical skills and preparing them for the challenges they face during their first year at university.

The project transfers skills to prepare learners for individual practical work and experiments, uses experiments to teach concepts, improves theoretical understanding of the subjects and clarifies misconceptions, exposes learners to ICT and fosters interest in physical science as a subject and engineering as a career. The project offers a comprehensive career-guidance programme.

The project targeted three groups in 2014:

- Grade 10 to 12 learners achieving at least 70 percent in physical science and mathematics.
- Grade 10 to 12 physical science classes from functioning schools in marginalised areas.
- Teachers teaching grade 10 to 12 physical science.

The project also exposes learners to occupations in the science and engineering fields, enabling them to make informed career choices.



In 2014, the project:

- Actively collaborated with 27 schools in the Nelson Mandela Bay Municipality.
- Reached 1 603 people through project-related activities.

Table 20: Summary of the number of schools and individuals involved in the Science, Technology, Engineering and Mathematics Pipeline Project activities, 2014

Intervention	Number of learners	Number of schools
ICT afternoon laboratory activities, selected learners	202	14
ICT morning laboratory activities, selected schools	1 269	13
ICT physical science assistance to automotive industry development centre winter school grade 12	30	
Other interventions	102	4

SANRAL granted funding for an extra lecturer and the project was able to reach an additional 487 learners in a

second morning session from schools in marginalised areas around the Missionvale Campus during 2014. This increased awareness of the programme and gave more learners and teachers the opportunity to develop their skills.

Table 21: Number of participants in the Science, Technology, Engineering and Mathematics Pipeline Project, 2010-2014

Year	Number of individuals	% increase
2010	216	-
2011	477	121
2012	1 081	127
2013	1 116	3
2014	1 603	44

Most programme participants were from marginalised communities and 92 percent of participants were previously disadvantaged. Refer to Table 22 for a demographic breakdown of project participants in 2014.

Table 22: Demographic breakdown of project participants, 2014

Grade	Total	Race group					Place of residence
		African	Coloured	Indian	White	Other	
10	586	350	159	20	57	0	Nelson Mandela Metropolitan Municipality
11	551	393	111	7	40	0	
12	364	241	93	9	21	0	
Other	102	30	64	1	6	1	
Total	1 603	1 014	427	37	124	1	
%	-	63%	27%	2%	8%	0%	

The educator-training initiative

The project has developed teachers' skills using experiments. All physical science teachers from the Port Elizabeth and Uitenhage schools were invited to attend sessions on six prescribed curriculum assessment policy statement experiments. This provided them with the knowledge and skills necessary to convey information to learners and the confidence to allow learners to perform experiments. The sessions covered areas such as execution of experiments, required pre-knowledge, reasons for not obtaining good results, worksheet design, report evaluation, requirements for a report on an experiment and teaching strategies. Thirty-one teachers attended the sessions and from their evaluation it is evident that the sessions were of value and the development needs for 2015 could be established. Teachers were invited to a lunch at the end of 2014 and presented with certificates of attendance.

- Thusanang Early Learning Centre, a daycare centre in Groot Marico that cares for 72 children.
- Pink Drive, which provides education and clinical examinations for breast and prostate cancer. The education programme reached 11 secondary schools and 5 392 people, and 1 081 people were examined and 24 referred. Both education initiatives and examinations were conducted at the Mantsole and Bapong traffic control centres for Bakwena's toll booth and weighbridge staff.
- Wheel Well, which provides the opportunity for lower-income families to give a donation within their means in exchange for a child-safety seat. Bakwena encourages its road users to drop off their unused car seats at the N1 and N4 petroports.

CONCESSIONAIRES

The following are a few project highlights of community development initiatives implemented by concessionaires.

Bakwena

Bakwena is passionate about supporting the community in which it operates as the concessionaire for the toll road between Pretoria and Bela-Bela on the N1 and between Pretoria and the Botswana border on the N4.

As part of the Swaruggens Regeneration Project, Bakwena constructed a sidewalk along Jan Van Riebeeck Street in Swaruggens all the way to the township of Borolelo. It also continues to support the Chaneng Business Centre just outside of Rustenburg, which continues to flourish and is increasingly exposed to larger markets. Through its annual charity golf day, Bakwena provides support to and sometimes partners with several beneficiaries, including:

- Mohau House in Kilner Park, which provides residential care for eight children affected by HIV/AIDS.

The company initiated an eye-screening project in 2011, which merged with the integrated school health strategy in 2014. During the reporting period, the project screened 10 462 learners, tested the eyes of 532 and diagnosed the need for glasses for 90. Bakwena partners with Hoya, a spectacle manufacturer, and local optometrists. Preparatory meetings were held in 2014 with the North West Department of Health to discuss a pilot hearing-screening project for 2015. Bakwena, in partnership with Zeerust High School, is also developing long-distance athletes by making additional funds available to students. It also promotes sport (swimming, cycling and athletics) by sponsoring the Groot Marico Bosveld Myl, an annual family festival. The company has contributed over R70 000 to the annual motorcycle Toy Run over the past six years. Bakwena also provides support to individuals in local volunteer disaster management teams that receive intensive and accredited training in first aid, disaster management and basic community health.

N3TC

N3TC operates the N3 toll route from Cedara in KwaZulu-Natal to Heidelberg South in Gauteng. The company runs a successful and well-supported corporate social investment programme, known as the N3TC

Touching Lives Programme, encompassing 92 projects in 2014. Projects include an early-childhood development programme, Singakwenza, which provides training and mentoring to crèche caregivers in disadvantaged areas and runs Waste2Toys workshops that teach teachers how to make educational toys and teaching aids from recycled materials. N3TC focuses on economic development through its Beads of Hope campaign, which provides income-earning opportunities to people in the poverty-stricken Van Reenen area; Tsa Lapeng, a community-based project that trains women from Moholokoeng (Harrismith) in sewing and home business skills; and the Tinyiko Sewing Project. The company also supports the empowerment component of Project Gateway, which operates in Pietermaritzburg.

N3TC supports the Green Map initiative in the Midlands, which aims to promote sustainable living and support the green economy. It also supports a first-of-its-kind youth development internship project pioneered by the Howick/uMngeni Tourism Experience, a community tourism organisation. It supports the Midlands Meander Association, which promotes the diversity and quality of art and craft in the region, and is now able to provide an opportunity for previously disadvantaged artists to join the network, receive training and build their business and marketing skills. N3TC also funds the building and development of single-track mountain-bike trails along the Old Mutual joBerg2c race route.

TRAC

TRAC manages the N4 East, which links Gauteng with Maputo in Mozambique. It supports the Kwena Basin Education Trust and funded the construction of cooking facilities at Pakama Primary to feed hungry learners. TRAC also contributed financially to maintenance upgrades and improvements at the school, including the purchase of a new laptop for the administration office. It has also helped renovate six classrooms, repair 200 desks and erect a fence at Trevo School in Mozambique. A further two blocks are currently being renovated. TRAC built two new classrooms for the Takheleni Primary School in Matsulu, following from its infrastructure upgrades completed in previous years.

All SMMEs that worked on TRACs infrastructure projects attended a comprehensive training programme on the implications of the B-BBEE Act, which included an audit and issuing of B-BBEE certificates.

2.2 ENVIRONMENTAL MANAGEMENT

SANRAL has always recognised that environmental management is an integral component of sustainable road infrastructure development and road management. Basic planning and innovation are needed to sustain a balance between the interests of the road user and the roads authorities on the one hand, and environmental and socioeconomic interests on the other. This is in line with

the National Environmental Management Act (1998, as amended), which defines “environment” as also having social and economic elements.

Over the next few years, SANRAL will focus on the adoption of road infrastructure norms and standards, in partnership with regulators, particularly the Department of Water and Sanitation and the Department of Environmental Affairs. This will simplify some of the regulatory processes.

ENVIRONMENTAL ASPECTS AND IMPACTS

Constructing and operating roads transforms land, potentially affects and uses water resources, emits substances into the air and generates waste, and often results in interaction with local communities. SANRAL therefore has impacts of varying significance – whether adverse or beneficial – on the physical, social and economic environments in which it operates, and it has ways of reducing the negatives and enhancing the positive effects. It will continue to expand its efforts on energy and carbon-emission management.

Environmental approach

SANRAL’s approach to managing the environmental impacts of road construction and operation activities is based on the sustainable development framework, as well as the ISO 14001³ international environmental management standard. The policy is based on continual improvement, which is in line with SANRAL’s core values of excellence, proactiveness, participativeness, integrity and care. It is also committed to compliance with relevant legal requirements as a minimum. SANRAL’s environmental policy addresses its environmental effects and opportunities and provides a framework for the setting and reviewing of environmental objectives and targets.

To give effect to the policy, SANRAL undertakes project-specific environmental impact assessments in accordance with relevant regulations and other legislative requirements. It continues to improve on existing internal guidelines for environmental management of its activities, as well as developing new ones.

One such guideline is a generic construction environmental management plan, which is used for projects that do not require environmental authorisation and thus do not have specific plans. It is also used to augment specific plans due to its general and topical nature. It was updated again in 2014 and now includes a requirement for contractors to account for energy use on construction projects.

³ The ISO 14001 standard is the most important standard within the ISO 14000 series. ISO 14001 specifies the requirements of an environmental-management system for small to large organisations. The system is a systemic approach to handling environmental issues within an organisation. The ISO 14001 standard is based on the plan-check-do-review-improve cycle.





GENERAL AUTHORISATION

A general authorisation replaces the need for a water user to apply for a licence in terms of the National Water Act (1998) for a specified water use provided that the use falls within the conditions set out in the authorisation. Pertinent water uses for SANRAL activities include “altering the bed, banks or characteristics of a watercourse” and “impeding or diverting the flow of water in a watercourse”.

NEW ENVIRONMENTAL IMPACT ASSESSMENT REGULATIONS

The new environmental impact assessment regulations under sections 24 and 44 of the National Environmental Management Act were promulgated at the end of 2014, taking account of transitional arrangements for those applications that were already under way in terms of the 2010 regulations.

The main changes are found in the definitions, a new listing notice was added, thresholds were changed and some of the listings were reworded. The new regulations also introduce timelines for the applicants. To manage the process and timelines effectively, SANRAL, as an applicant for environmental authorisation, will have to plan further ahead and obtain all or most information for environmental assessments before submitting applications. The effect of the new regulations is also particularly relevant for scoping and environmental impact assessment process timelines, which are very short, and for streamlining authorisation processes and timelines for the three lead authorities of environmental, water and mining authorisations.

LIAISON WITH REGULATORY AUTHORITIES

SANRAL continues to maintain and forge mutually beneficial relationships with relevant government departments. It has developed a strong relationship with the Department of Environmental Affairs and created platforms for regular meetings and feedback mechanisms to discuss strategic and project-specific issues. Some of SANRAL's larger projects, including those that fall within government's Strategic Infrastructure Projects, benefit from this cooperation. SANRAL has also gradually become a partner – it is part of reference groups for specific tasks, provides feedback on specific projects and, more recently, jointly developed human capital in the environmental field through a training programme for young environmental personnel.

SANRAL also regularly interacted with the Department of Water and Sanitation to develop and sign a memorandum of understanding to address specific issues pertaining to water-use authorisation requirements for developing road infrastructure. Other regular meetings were held in response to suggestions to address similar issues experienced by other state-owned entities. As a result, the Department of Water and Sanitation tabled a proposal to develop a specific solution for these entities. However, the department has now decided to make use of existing regulatory tools for the state-owned entities, specifically the general authorisation, which is being amended to address some of the major issues experienced by SANRAL and other water users. A workshop was convened in January 2015 to discuss the proposed changes and comments were invited. The draft amended general authorisation will be published for comment in the second quarter of 2015.

MONITORING AND EVALUATING ENVIRONMENTAL PERFORMANCE

The level of environmental performance on a project is determined by feedback from regular site inspections by project teams, environmental authorities and internal and external audit teams (environmental management inspectors) where applicable. During 2014/15, SANRAL conducted joint inspections with the Department of Water and Sanitation to build relationships, clarify issues of mutual concern, understand norms and standards and ensure coherence and consistency in road infrastructure and water-use authorisations and conditions. These were undertaken on section 1 of the R71 from Polokwane to Tzaneen, the TRAC N4 (section 7B from Middelburg to Wonderfontein) and on the R104 (section 1 between Simon Vermoeten Interchange and Bronkhorstspuit).

Road verge vegetation management

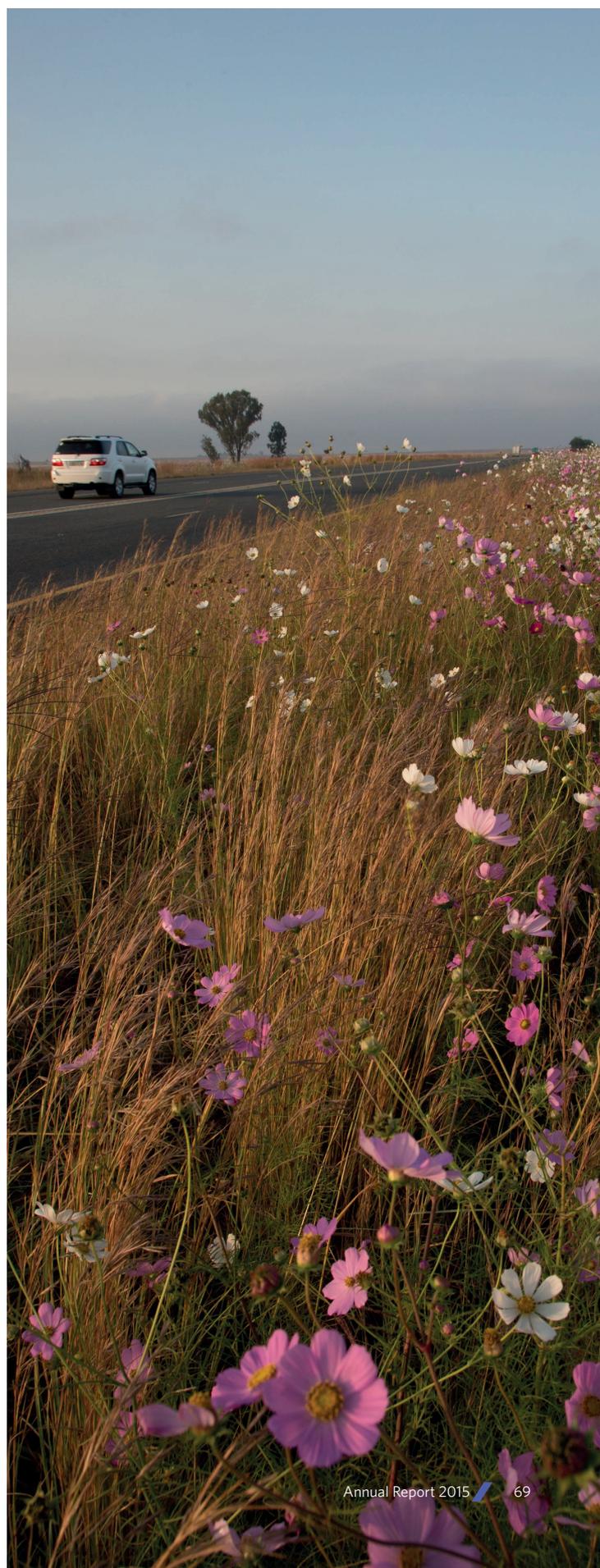
The challenges associated with managing vegetation within road reserves has been part of SANRAL's work since inception, and is about balancing road-user safety, fire risks and biodiversity requirements. While SANRAL has plans in place that are managed primarily under routine road management activities, occasionally there are challenges that require new approaches and partnerships.

New partnerships for alien vegetation management

In 2005, SANRAL started working with KwaZulu-Natal's Invasive Alien Species Programme, focused primarily on eradicating pompom weed (*Campuloclinium macrocephalum*) and famine weed (*Parthenium hysterophorus*). This programme made significant progress, but challenges remained due in part to institutional changes within the partner organisations.

By 2014, the Department of Environmental Affairs' Natural Resource Management Unit and the South African National Biodiversity Institute were responsible for managing alien vegetation. They have also prioritised pompom weed and famine weed. In recognition of SANRAL's previous work with the Invasive Alien Species Programme, these two parties met with SANRAL in March 2015 to discuss road verge vegetation management in KwaZulu-Natal specifically, and how this management can be adapted to better assist the national programmes controlling certain invasive alien plant species. The second meeting is planned for the beginning of May 2015.

Right: This alien vegetation is undesirable.



POMPOM WEED (*CAMPULOCINIUM MACROCEPHALUM*)

This ornamental South American herb belonging to the Asteraceae daisy family is rapidly becoming a serious threat to agriculture and the conservation of grasslands in South Africa. Infestations become conspicuous when the plants are in flower between December and March, transforming the land from green to shades of lavender. The plant initially establishes itself in disturbed areas, such as agricultural sites and roadsides, but quickly invades natural grasslands, open savanna and wetlands. It is aggressive and displaces native species, reducing both the biological diversity and carrying capacity of wetlands and grasslands. It is drought-tolerant and possibly allelopathic, meaning it might have a chemical defence mechanism that inhibits the growth of other species. This weed is listed as a category 1 plant under the Conservation of Agricultural Resources Act (1983). Plants from this category are prohibited on any land or water surface in South Africa and must be controlled or eradicated where possible.

FAMINE WEED (*PARTHENIUM HYSTEROPHORUS*)

Also known as demoina weed and Umbulalazwe in isiZulu, famine weed is a herbaceous plant that can reach up to 2m in height, but usually averages about 1.5m or less. It has a longitudinally grooved stem, and the stems and leaves are covered in short hairs. Famine weed is a category 1 species in terms of the Conservation of Agricultural Resources Act regulations and a category 1b species in terms of the National Environmental Management: Biodiversity Act (2004), and must be controlled. Constant contact with famine weed is associated with skin rashes, watery eyes and hay fever. It is also a serious threat to agriculture, tourism and livestock, and is a major concern in KwaZulu-Natal.

National Environmental Management: Biodiversity Act regulations

New regulations have been promulgated under the National Environmental Management: Biodiversity Act requiring all statutory bodies to draw up species management frameworks for each category 1b species for every area under their jurisdiction. The interactions with the Department of Environmental Affairs and the South African National Biodiversity Institute will help SANRAL design a comprehensive alien invasive species management plan, which will feed into the national strategy.

Plant rescue at the N2/R56 interchange on the N2

Following an environmental assessment process, the Department of Environmental Affairs authorised the construction of the N2/R56 interchange on the N2 in KwaZulu-Natal in March 2013 with a “search and rescue” condition for protected plants. Before the construction activities started, a botanist on a walk-through of the site noted about 500 protected plants that needed to be relocated outside of the development footprint. To achieve this, a qualified botanist supervised the removal and replanting of these protected plants over about three days. The work was undertaken only after receipt of the relevant permits from Ezemvelo KwaZulu-Natal Wildlife. Plants were translocated from the road servitude and from the adjacent privately owned Farm Stafford to the proposed receiver site found on Farm Frontier. The site is located along the drainage line that runs underneath the N2, about 400m from the current N2/R56 interchange.

More than 90 white arum lilies (*Zantedeschia aethiopica*) and 17 arrow-leaved arum (*Zantedeschia albomaculata*) were moved to an area downstream of the drainage line that runs underneath the N2. Both species of arum lilies are protected in terms of the Nature Conservation Ordinance in KwaZulu-Natal. SANRAL continues to monitor these translocated plants. They are now successfully established in the receiver area.

N2 Wild Coast Toll Highway

Following the Department of Environmental Affairs’ decision to grant environmental authorisation for the construction of the N2 Wild Coast Toll Highway, appeals against the authorisation were lodged with the Minister of Water and Environmental Affairs, as provided for in the environmental impact assessment regulations. The minister set aside the appeals in July 2011. This decision is being challenged and it is subject to judicial review by the High Court.

SANRAL and the relevant state entities and biodiversity experts are considering and evaluating the type of biodiversity offset that would be appropriate for the affected area and the associated impact. The process is nearly complete. An in-principle agreement has been reached, but still has to be formalised following finalisation of the appropriate funding mechanism. Application for a water-use licence is also under way. It started with a pre-application meeting and site visit with the Department of Water and Sanitation, followed by intensive site work and reporting by an independent specialist. A draft report is available, which will be discussed in a meeting planned for May 2015 and finalised for submission to the authorities.

ONGOING ENVIRONMENTAL IMPACT ASSESSMENT PROCESSES

N3 Development Expressway

The environmental impact assessment process for the N3 Development Expressway started in 2010. The long planning history includes the assessment and environmental authorisation under the previous legislative regime and pre-consultation meetings with the Department of Environmental Affairs. A total of 13 specialist studies have been undertaken as part of the assessment, including an environmental/resource economics study – a first in the history of road environmental impact assessments in South Africa.

N3 DEVELOPMENT EXPRESSWAY

The 98km route runs from Keeversfontein (just north of the N3 Tugela Toll Plaza) in KwaZulu-Natal via the De Beers Pass area to Warden in the Free State and falls within Strategic Infrastructure Project 2, also known as the Durban-Free State-Gauteng logistics and industrial corridor.

SANRAL has undertaken a comprehensive public participation process, including public open days and meetings held at six different locations in the Free State and KwaZulu-Natal. Interested and affected parties were allocated three months to review the documents, and this has been extended beyond the initial deadline due to the continued high level of interest in the project. Additional meetings and workshops have been planned from May 2015 onwards, including additional workshops falling outside the scope of the regulated environmental impact assessment process.

Ermelo Ring Road

The town of Ermelo is located along three major national routes – the N2, N11 and N17. The N17 follows an east-west alignment through the town and links Johannesburg in the west to Swaziland at the Oshoek border post in the east. The N11 follows a north-south alignment through the town and links with Ladysmith, New Castle, Volksrust, Amersfoort and Hendrina towards the N4. The N2 joins the town from the south-east from Piet Retief and the KwaZulu-Natal north coast, where it ends and links up the N17 (east-west) and the N11 (north-south).

SANRAL is responsible for maintaining, protecting and enhancing the functional integrity of these national routes as class 1 mobility spines. All of these routes are important freight corridors for the transportation of timber, agricultural produce and coal. They also carry private, commuter and tourism traffic. Due to the traffic composition and increasing volumes, the desired mobility and road safety can no longer be maintained. SANRAL is investigating options to provide long-term mobility for through-traffic within the context of the town's spatial planning, environmental constraints, coal-mining history and future planning.

An environmental impact assessment is under way and, while no fatal flaws have been identified along the proposed alternative routes, there are potential environmental impacts, mostly socioeconomic, that may occur during the construction and operation of the ring road. Biodiversity and heritage impacts are among other aspects assessed during the environmental impact assessment. Potential restrictions on undermined areas and the level of detail required and time needed for geotechnical studies will likely delay the assessment's completion until the end of 2015.

RESEARCH AND DEVELOPMENT

Road reserves are important refuges for plants and provide vital corridors for the dispersal of species in modified landscapes and the propagation of species. Although there has been a call for these reserves to be included in conservation-planning efforts, their value tends to be neglected, both internationally and in South Africa. Over the years SANRAL has sought to manage its road reserves in a way that contributes to conservation and/or to a better understanding of some of the species in the area. Some of SANRAL's proactive environmental research initiatives undertaken in the past year are outlined below.

Suurberg cushion bush – lessons from Grahamstown, Eastern Cape

A population of young and mature Suurberg cushion bush (also known as rabbit's ears or bastersuikerbos, *Oldenburgia grandis*) had to be transplanted to make way for the upgrade of the N2 between Grahamstown and the Fish River, despite the proposed upgrade design to widen the existing road on the right only and leave the larger population, consisting of older plants on the left-hand side, undisturbed. The species is endemic to the Suurberg inland from Port Elizabeth to Grahamstown and not much is known about its reproductive biology or transplantability; however, the plant is known to have a very low seed set. SANRAL approached Rhodes University to partner in a research project – the first of its kind – to track the survival of disturbed plants in different size classes and generate knowledge to support the alternative re-establishment of plants from seed. A student was identified to undertake this masters-level research and she started her study at the end of 2014 by documenting the number of plants affected by the upgrade. She has already identified the plant's likely pollinator and propagation method.

Fynbos research nearing completion

SANRAL and the Nelson Mandela Metropolitan University have been investigating the contribution of national road reserves to conservation in the south-eastern portion of the Fynbos Biome along the N2 between Nature's Valley and Port Elizabeth. The study has identified a number of plant species with declining wild populations and the possibility of extinction in the near future.

SANRAL is finalising a fire management plan for the Tsitsikamma section of the N2 to ensure the persistence of fynbos and limit the risk of fires spreading to and from the road reserves. The fire management plan is being developed in consultation with surrounding landowners, including the pine-plantation owners in the area. The local fire protection agency is also involved to advise and ensure practicality of implementation and compliance with the National Veld and Forest Fire Act (1998), as amended. The first phase of controlled test burns is planned for May 2015, after which

burnt areas will be monitored to determine the effect of the proposed fire regime on the fynbos in the region.

THE NATIONAL VELD AND FOREST FIRE ACT

The act aims to prevent and combat veld, forest and mountain fires and provides for a variety of institutions, methods and practices to do so. The Department of Agriculture, Forestry and Fisheries is the lead authority and fire protection agencies allow for cooperative and coordinated control of fires. The act pertains to SANRAL regarding routine management of road-reserve vegetation to prevent uncontrolled fires and manage vegetation types that are dependent on a regular fire regime.

Groen Sebenza environmental internship programme

The Groen Sebenza environmental internship programme, which falls under the Groen Sebenza Jobs Fund Partnership Project, aims to develop priority skills in the environmental and biodiversity sector and create sustainable job opportunities for unemployed graduates and matriculants. It matches candidates from previously disadvantaged backgrounds with experienced professionals in institutions such as SANRAL to learn, grow and eventually gain the competence and confidence to embark on rewarding and meaningful “green” careers. The project will be concluded at the end of 2015. Of the two interns, one has just taken up full-time employment with a mining company in Limpopo. She will be responsible for an array of environmental issues, including monitoring and environmental training of mining personnel. The other trainee continues to work closely with the environment management team to enhance SANRAL’s capacity.

ENERGY EFFICIENCY AND CARBON MANAGEMENT

SANRAL is aware of the country’s commitment under the Kyoto Protocol to reducing its greenhouse-gas emissions by 40 percent by 2020 and of the contribution of road-based transport towards these emission levels. It is therefore committed to contributing to the transport sector’s nationally appropriate mitigation actions. There are a number of initiatives spanning different projects that highlight this “business unusual” approach.

Quantifying energy use

SANRAL’s new generic environmental management plan requires contractors to determine the amount of energy expended in a project. These figures will provide SANRAL with a better indication of its carbon footprint. A pilot project will start on the N7 between Atlantis and Leliefontein, and is likely to involve an academic institution in the region.

Renewable energy sources

SANRAL introduced the use of renewable energy sources in managing road infrastructure and activities in 2008 with the use of VMS during the Gauteng Freeway Improvement Project. This was later extended to fixed points along some of the major corridors in Cape Town and Durban. It

has subsequently introduced solar power to toll plazas. Dalpark Plaza – a SANRAL-operated plaza on the N17 near Boksburg – now uses a solar plant to run its mainline toll plaza operations and generates an average of 65 kilowatts of power back into the grid. TRAC’s Diamond Hill Plaza on the N4 between Tshwane and Emalahleni started using solar power in September 2014, resulting in energy savings of more than 50 percent. The plaza has also shifted to using energy-efficient lighting, which has reduced its power needs for lighting by 30 percent. These two projects serve as pilot projects to roll out retrofits to other toll plazas in the country.

Recycled asphalt

SANRAL uses reclaimed asphalt to decrease the use of resources such as aggregates, bitumen and diesel, providing both environmental and economic benefits. Research undertaken by the Southern African Bitumen Association indicates that the energy saved amounts to about 4.5 megajoules per ton of asphalt paved for every 1 percent of recycled asphalt used. This takes into account the life cycle from mining and processing to application. The use of recycled asphalt was specified at 40 percent in the rehabilitation of the N2 between Murchison and Marburg, which means 40 percent less aggregate was crushed, less basic rock was excavated and less diesel was used in loading, transporting and crushing. This resulted in significant cost savings and eliminated the need to dispose of used material, which lessened the need to increase landfill space. It also provided an energy saving of about 180 megajoules.

CONCESSIONAIRES

Concessionaires are involved in a number of environmental projects. Highlights during the reporting period are summarised below.

Bakwena

Termite activity within the toll road reserve degrades and destroys vegetation. Since it is impossible to eliminate the population on a large scale, Bakwena intends to control or reduce infestation levels.

Bakwena, in partnership with the Endangered Wildlife Trust, launched the Eco-Schools Project in five Hammanskraal schools in 2013. The programme improves schools’ management of environmental issues and provides conservational teaching for learners and teachers. Ten schools participated during 2014/15, benefiting about 6 000 learners. The company also rolled out environmental training workshops and ran its annual clean-up campaign in Swartruggens, with 600 children taking part in the campaign. Bakwena participates in Arbour Week by planting trees at its toll plazas and weighbridges, as well as at schools and within the Groot Marico community. It planted 80 trees in 10 streets through this initiative in 2014/15. The company contributes to conserving leopards

in the Platinum Corridor through a project that monitors and tracks leopards – it sponsored a tracking collar to monitor leopard Shera once she was released back into the wild.

N3TC

N3TC has partnered with the Wildlands Conservation Trust, Ezemvelo KwaZulu-Natal Wildlife and SANParks to develop three new bearded vulture hides at Cathedral Peak, Giants Castle and Golden Gate Highlands National Park. It also helped fund the construction of the Wattled Crane Chick Rearing Facility on the Bill Barnes Crane and Oribi Nature Reserve and has partnered with Food and Trees for Africa to provide trees to communities along the N3 toll route.

TRAC

TRAC is widening the N4 from the N11 interchange near Middelburg to Wonderfontein. Baseline biomonitoring was conducted in compliance with the water-use licence issued by the Department of Water Affairs and Sanitation. Quarterly external audits are conducted to monitor environmental compliance. TRAC appointed an ecologist to conduct an extensive plant search and rescue operation in November 2014, with a follow-up survey in January 2015. About 61 hectares along the N4 and within the 11 borrow-pit areas were included in the search. The passing lanes through Nelspruit to Matsulu are almost complete and an external

auditor has been appointed to conduct quarterly inspections to ensure that the contractor meets environmental obligations.

TRAC continues to eradicate weeds and remove other alien vegetation along the entire N4 corridor, especially in environmentally sensitive areas. It has appointed consultants for environmental studies for the planned upgrade of the N4 between Belfast and Machadodorp. Wetland studies and other specialist studies are in progress. Environmental investigations are also under way to verify the need for water-use licences and environmental approvals to upgrade and rehabilitate the Elands Valley section between Waterval Onder and Montrose.

TRAC and the Waterberry Nursery in White River have started a rural tree nursery in Thembaletu – 4 000 trees are ready for planting. The project has grown and the nursery is cultivating indigenous Highveld trees, making the project beneficial for the entire province. TRAC has other environmental initiatives, including determining priorities for the possible repair of erosion-prone scarcely grassed areas; carrying out noise monitoring along the N4 in November 2014; and conducting a vehicle exhaust emissions exposure survey during May 2014 at Donkerhoek Weighbridge and the Middelburg and Maputo toll plazas.





Exceptions:

if a name ends in an *s* that sounds like a *z*, it is easier to pronounce if one adds the apostrophe and *s*.

e.g. Moses' sandals, Jesus' disciples, Achilles' heel, Hercules' strength

Some plurals end in *s*, so can get *'s*.

e.g. the children's toys, the men's cars, the women's fashions, people's customs

Notice that we write

The dog wagged *its tail* (it's - it is)

e.g. It's a lovely day.

c) to form plural letters of the alphabet:

e.g. mind your *p's* and *q's*
How many *s's* in Mississippi?

Maps

Maps use symbols that we can interpret.

Labels

Labels are used to identify things on a map.



SECTION 3

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SECTION 3: CORPORATE OVERVIEW, PERFORMANCE AND GOVERNANCE INFORMATION

REPORTING PERIOD HIGHLIGHTS

Highlights for the reporting period include the following:

- Certified as a top employer in 2014 by the international Top Employers Institute.
- Increased the percentage of black employees (African, Coloured and Indian) to 69 percent.
- Awarded scholarships worth a total of R2 375 508 to 172 learners. About 90 percent of the 84 grade 12 scholarship learners passed, of which 58 percent qualified to study at tertiary institutions.
- Awarded external bursaries worth R11 million to 105 students.
- Supported 30 employees in studying further at a cost of about R330 000 – this is an increase of 40 percent from the previous year’s investment.
- Trained 269 staff members in engineering, accounting, human resource (HR) management and other disciplines to the value of about R2 million.
- Employed 39 graduates as project managers in training and hosted 217 interns – the equivalent of 74 percent of the staff complement.
- Created a training academy for young engineers to prepare them for registration as professionals. The current intake is 11 graduate engineers.
- Revived the By the Way consumer publication, published a 72-page book showcasing its community development activities, and piloted a community outreach initiative called “Taking SANRAL to the People”.
- Reached more than 570 000 students with the Road Safety ChekiCoast Campus advertising campaign.
- Upgraded the legacy document management system and the Microsoft Office and e-mail systems and applications.

3.1 CORPORATE OVERVIEW

SANRAL places its employees at the centre of its success and strives to develop their technical and specialist skills. Employees are encouraged to adopt the organisation’s core values: striving for excellence, working proactively,

participating, and always conducting themselves with integrity and care. SANRAL’s constant drive to create an exceptional working environment for its people is evident in its certification as a top employer by the Top Employers Institute in 2014.

SANRAL used the results of its 2013/14 employee engagement survey to prioritise improvements through an action plan. The action plan, which was rolled out during 2014/15, focused on delivering organisation-wide performance management training, conducting targeted role profile reviews and revisiting the current succession plan process.

TOP EMPLOYER 2014/15

Every year, the Top Employers Institute – an independent organisation based in the Netherlands – surveys employers and their employee conditions in South Africa and measures them against international standards. To determine the top employers, participating companies have to complete an international HR best practices survey. All results are independently audited to verify the standard of employee conditions. On 2 October 2014, the Top Employers Institute certified SANRAL as a top employer.

The Top Employers Institute assessed SANRAL’s employee offerings using the following criteria:

- Talent strategy
- Workforce planning
- On-boarding⁴
- Learning and development
- Performance management
- Leadership development
- Career and succession management
- Compensation and benefits
- Culture.

⁴ Term referring to an employee’s induction and first three months at a firm.



As a certified top employer, SANRAL proudly wears the exclusive certification seal for a year. The seal is not only a recognisable symbol of the organisation's successful employee environment over the past 12 months, but also of its commitment to develop and become an even better employer.



EMPLOYMENT EQUITY AND TRANSFORMATION

SANRAL achieved its employment equity targets, as set out in its three-year employment equity plan for the period 1 October 2011 to 30 September 2014. To achieve these targets, the organisation put various measures in place to ensure that its recruitment practices show a broad representation of the country's demographics. As a result, there was a notable improvement in the percentage of black employees, increasing from 57 percent in September 2011 to 69 percent in September 2014. SANRAL has made significant strides in appointing people from designated groups, including those with disabilities. Of its 295 employees, 2 percent are living with disabilities.

SANRAL needs sufficient technically skilled staff to achieve its mandate to finance, improve, manage and maintain the national road network. A rigorous recruitment strategy has helped the organisation attract and retain some of the best and most talented employees in the industry. Further improvements in hiring highly skilled people from designated groups have been factored into the proceeding three-year employment equity plan. SANRAL will improve its racial and gender representation within an environment that is changing technologically and growing in terms of network size. The management team is committed to achieving the plan's new targets.

Over the next three years, SANRAL aims to increase its representation of black employees from 69 percent to 76 percent and decrease white representation from 30 percent to 24 percent. Figures 3 and 4 show SANRAL's staff demographics by race and gender.

Figure 3: Staff demographics by race, 2014/15

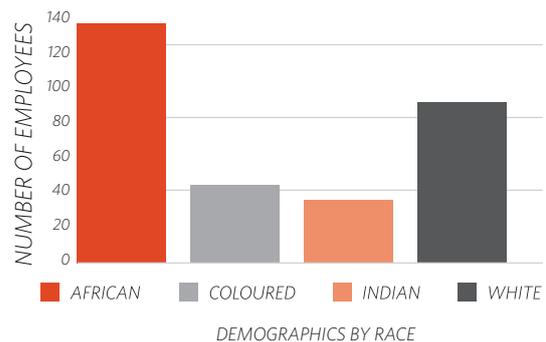
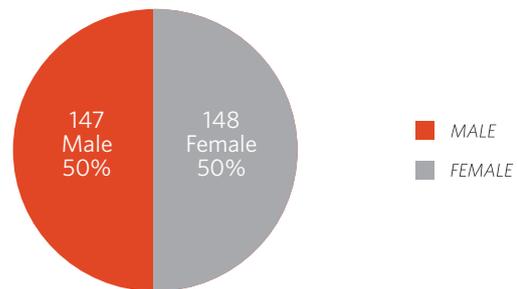


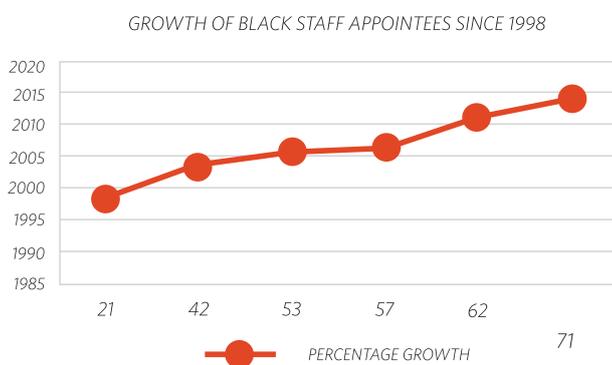
Figure 4: Staff demographics by gender, 2014/15



SANRAL is helping to develop the country's pipeline of skills through its scholarship programme, which offers financial and academic support to learners from grades 10 to 12, and through its national external bursary programme. Through the bursary programme, SANRAL employed 39 graduates during 2014/15. Over time, the organisation will achieve appropriate levels of representation in all designated groups in all grades. Figure 5 shows the percentage in growth of black appointees since SANRAL's inception in April 1998 to April 2015.



Figure 5: Growth of black staff, 1998–2015



TALENT MANAGEMENT

SANRAL's ability to manage South Africa's primary road network is directly linked to its ability to attract and retain skilled people who can advance its business objectives.

The organisation recognises that it operates most effectively when its people are talented, engaged and motivated. Having the right people in place at the right time is a key aspect to sustainable growth, success and remaining competitive.

TRAINING AND DEVELOPMENT

SANRAL's training and development philosophy is centred on its commitment to continually foster a learning culture in the organisation. Every year the agency develops a training plan in line with its strategic imperatives. Employees are encouraged to participate in structured training programmes to ensure a measurable return on SANRAL's training investment. The training strategy has evolved over the years as the business has developed and changed.

At the core of SANRAL's learning philosophy is the cluster system, which is embedded in its organisational structure. The system is based on interdisciplinary learning to ensure that institutional knowledge is disseminated throughout the organisation. Training focuses on mentoring – professionals in disciplines such as environmental management and statutory

control are allocated mentors to guide development and candidate engineers are paired with professionals to ensure rapid skills transfer. Employees are encouraged to have regular discussions with their managers to define their career aspirations. During the year under review, 269 employees received training in the fields of engineering, accounting, HR management and various other disciplines at a cost of R2 027 186.

INTERNAL BURSARIES

SANRAL is committed to ensuring that the National Development Plan's goals are achieved. The organisation contributes to skills development – one of the issues identified in the plan – by offering financial support for further formal educational development. During 2014/15, SANRAL supported 30 employees in their studies, with a total investment of R338 283, an increase of 40 percent from the previous reporting period's investment. Table 23 illustrates the various qualifications and the number of employees who received financial support during 2014/15.

Table 23: Employee bursaries, 2014/15

Qualification	Numbers
Certificates	1
Diplomas	9
First degrees	5
Postgraduate degrees	15
Total	30
Total investment	R338 283

EXTERNAL BURSARIES

The agency established a bursary scheme in 2007 to develop skilled individuals from previously disadvantaged backgrounds. During 2014/15, SANRAL awarded bursaries to 105 students at a total investment of R11 319 656.

Table 24 illustrates the number of students the bursary scheme supports and their tertiary institutions.



Table 24: Number of bursary students by province, 2014/15

University	Number of students
Undergraduates	
<i>Free State</i>	
University of the Free State	1
<i>Gauteng</i>	
University of Johannesburg	2
University of Pretoria	26
University of the Witwatersrand	17
<i>Eastern Cape</i>	
Nelson Mandela Metropolitan University	1
<i>KwaZulu-Natal</i>	
University of KwaZulu-Natal	28
<i>Western Cape</i>	
University of Cape Town	11
University of Stellenbosch	11
Postgraduates	
Postgraduates	8
Total	105

The programme sponsors students interested in civil engineering and the built environment. The bursary programme is a tangible contribution to closing South Africa's skills gap, particularly in these disciplines. It aims to supply SANRAL with future engineers and staff, and support the built environment through sponsoring and supporting black students, particularly women.



Figure 6: External bursary recipients by gender, 2014/15

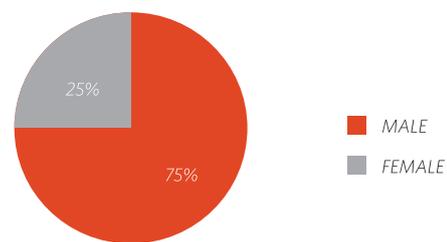
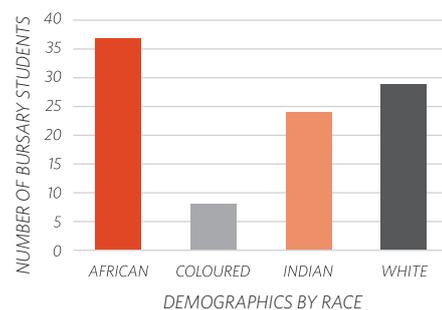


Figure 7: External bursary recipients by race, 2014/15



All SANRAL bursary students are offered holiday jobs to expose them to the work environment. The organisation has also assisted students with their experiential training projects when required. SANRAL reviews its annual targets each year, taking its budget, long-term plans and the macro-environment into consideration.

SCHOLARSHIPS

The SANRAL scholarship programme was established in 2009 to support learners in grades 10 to 12 who display academic proficiency in mathematics, physical science and English.

Since then, SANRAL has invested R9 774 263 in basic education through the programme, supporting 526 students. During 2014/15, SANRAL invested R2 375 508 in 172 learners across the country. About 90 percent of the 84 grade 12 scholarship learners passed, of which 58 percent qualified to study at tertiary institutions.

The scholarship programme aims to provide the country with much-needed engineering skills, which SANRAL and the country will use to develop infrastructure.

Figure 8: Scholarship recipients demographics by race, 2014/15

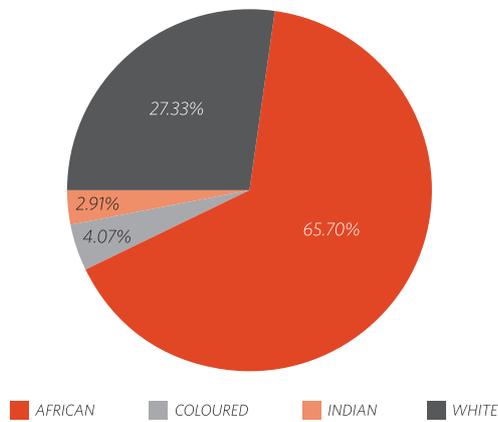
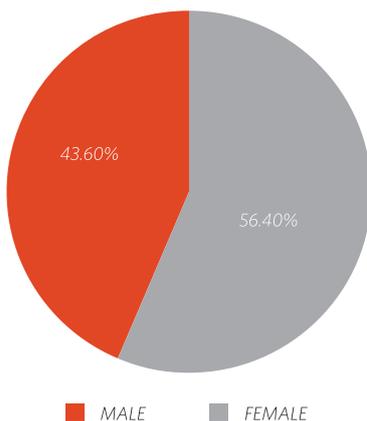


Figure 9: Scholarship recipients by gender, 2014/15



INTERNSHIPS

SANRAL provides internships to engineering students to give them work experience and help them fulfil the curriculum requirements for attaining their degrees. This is done in cooperation with SANRAL’s contractors and consultants. The organisation hosted 217 interns – the equivalent of 74 percent of the staff complement, exceeding the target of 10 percent set out in the performance agreement with the Minister of Transport

HIGHER EDUCATION

SANRAL will continue to sponsor the Chair in Pavement Engineering at the University of Stellenbosch and the Chair of Transport Planning at the University of Cape Town. It has also partnered with the University of the Free State to sponsor a Chair in Mathematics and Science. SANRAL has contributed R30 million over five years to establish the chair.

Through its sponsorships, SANRAL aims to develop human capital and empower students and practitioners through high-quality education, training and research. To achieve this goal, it is partnering with recognised international institutions in the field of pavement engineering and transportation planning, and working to address the mathematics and science underperformance in South African schools.

EMPLOYEE WELLNESS PROGRAMME

SANRAL has employed Careways to provide wellness services to its employees through the eKhaya wellness programme. SANRAL values the wellbeing of its workforce and believes that a holistic, integrated approach is a vital part of employee wellness. The eKhaya wellness programme enhances employee and workplace effectiveness, encouraging the prevention, early identification and resolution of personal and productivity issues. SANRAL’s management strives to ensure that such personal or work-related problems are addressed before they adversely affect performance and productivity.

The international benchmark for annual use of employee wellness programmes is between 8 percent and 11 percent. During the period under review, 13 percent of SANRAL employees used wellness services. This indicates that employees were well informed about the wellness programme and made use of it to address their personal and work-related matters, using the programme’s telephonic and face-to-face services.

SANRAL provides staff members and their immediate families with support and treatment advice for illnesses such as HIV/AIDS and tuberculosis, enabling employees to have their treatment managed confidentially. Employees are encouraged to seek professional specialised support, including legal, emotional, financial and general counselling.

HR professionals support line management in resolving employee concerns and recommend referral to Careways when an issue adversely affects performance.

EXTERNAL WELLNESS PROGRAMME

SANRAL has developed a wellness programme that empowers wellness champions to support workers on all national routes in the Western and Northern Cape.

The wellness champions, who are trained by CareWorks, raise awareness of various health-related topics, arrange HIV/AIDS counselling and biannual testing, ensure HIV-negative



employees have the knowledge to maintain their status and create an enabling environment in the workplace to reduce stigma and discrimination against people living with and affected by HIV/AIDS.

To date, 92 percent of the workers on the routine road maintenance projects have been tested for HIV/AIDS, of whom 7 percent tested positive for HIV. The programme has referred 59 workers to state clinics for antiretrovirals, 93 workers for sexually transmitted infections and 187 for tuberculosis.

The project, initiated in 2012, has grown exponentially. As a result, SANRAL is rolling it out nationally, aiming to cover its entire road network by January 2016.

OCCUPATIONAL HEALTH AND SAFETY

SANRAL values the safety of its employees. A safe working environment results in satisfied employees and mitigates the risks of injury on duty. Trained safety officers based at SANRAL's head and regional offices are responsible for monitoring health and safety issues and ensuring optimal safety conditions for all employees and their service providers. The occupational health and safety cluster assembles quarterly and collaborates with the risk cluster to deliberate on pertinent issues related to workplace safety and improve SANRAL's health and safety standards.

The officers perform all duties in terms of the Occupational Health and Safety Act (1993) and training is prioritised for all safety officers and SANRAL employees. Emergency evacuations are carried out regularly to raise awareness. Employees injured on duty must report the incident to the elected representative and/or a first-aider on the day the incident occurs.

The Federation for Employers' Mutual Assurance Company Limited has been appointed as the administrator for injuries on duty. During the year under review, SANRAL's low incident report rate resulted in a rebate of R352 177.

Table 25: Reported injury on duty incidents, 2014/15

Region	Incident
Head office	0
Northern Region	2
Eastern Region	1
Southern Region	1
Western Region	2
Total	6

SANRAL TRAINING ACADEMY

The SANRAL Training Academy mentors and equips engineering graduates with the necessary skills and competencies to register with the Engineering Council of South Africa within four to five years. The training academy was initiated in January 2014 at the Port Elizabeth regional office. The number of graduates undertaking the intensive training in the design aspects of SANRAL's national road projects has increased from three to 11 engineers since the academy's launch. The aim is to increase the intake to 20 graduates, each receiving training over a period of 12 to 18 months.

Among other aspects, the training focuses on the design elements of the rehabilitation/upgrade of the R75 between Jansenville and Graaff-Reinet. This exposes the graduates to skills development and gives them more responsibility until they can work independently. Graduates are being trained to use the Civil Designer 2013 Software Program, which was acquired in July 2014 and installed on a dedicated network on seven desktop PCs.

MARKETING AND COMMUNICATIONS

The expanded communications mandate pushed the communications unit into high gear during 2014/15. The unit comprises the General Communications Manager, the Corporate Communications Manager, the Office Manager and the Events Coordinator – all based at the head office, as well as the GFIP Communications Project Manager based at the northern regional office and a marketing representative in each regional office. The unit has made progress towards integrating the marketing and communications approach using the ESOP matrix: earned, shared, owned and paid-for media. The focus shifted in 2014/15 from earned to owned media and extended to social media. There was also an attempt to move from profiling single issues to covering all SANRAL pillars of operations when engaging with organisations and target audiences.

SANRAL's marketing and communication activities during the year under review were implemented as part of the approved strategy. The following is a brief outline of the work carried out by the unit.

Leadership reputation

SANRAL's communication objectives align with government's broader aims and with the communication units of the Government Communication and Information System and the Department of Transport.

Television, radio and daily, weekly and regional newspapers, and specialist and niche publications were used during 2014/15. Media channels were monitored daily and senior executives and SANRAL Board members briefed on issues and opinions to facilitate an effective response to developing issues. Regular letters were written to the media to correct wrong impressions and factual inaccuracies.

This proactive strategy ensured that SANRAL received a substantial share of voice in both the print and electronic media. Thought leadership and opinion pieces were published in prominent print media and SANRAL's communicators and pillar champions were regularly interviewed on television programmes and radio talk shows. This allowed them to put the agency's viewpoint across, correct misperceptions and respond to concerns raised by the public. The number of opinion articles in mainstream press doubled from the year before, including pieces written by the Minister of Transport in *The New Age*, SANRAL CEO Nazir Alli in *Business Day*, and SANRAL Board members Siphon Madonsela in the *Daily Maverick* and Anthony Julies in the *Sunday Times Business Times*.

Stakeholder engagement

SANRAL continued to prioritise stakeholder relations. The agency continuously interacted with academia, professional organisations and the engineering and construction

industry, and was at times accompanied and supported by government representatives when engaging with political organisations. SANRAL keeps stakeholders informed about developments through a quarterly electronic publication called *N-Route*.

SANRAL initiated engagement with stakeholders throughout the year through forums such as the *Mail & Guardian Critical Thinking Forum*, the *Mthatha stakeholder blitz*, the *Centre of Science and Technology launch in Khayelitsha*, the launch of the *University of the Free State Chair*, the *World Road Association Technical Meeting* and a *University of Limpopo public lecture*.

The unit undertook an audit of stakeholder engagement in 2014/15, which will lead to the adoption of *AA1000 Stakeholder Engagement Standards*. These standards will provide a principles-based framework for quality stakeholder engagement, while achieving the stakeholder requirements of other standards, including *GRI G4* and *ISO 26000*.



It's what we build

We all dream of a better future. For ourselves, our families and our country. SANRAL, as part of the National Development Plan, is improving and expanding vital road infrastructure. In the process we are creating jobs, transferring skills and developing opportunities for all South Africans. We are proud to be part of the National Development Plan, because we know that roads are more than just roads, they pave the way to a better future.

www.SANRAL.co.za

More than just roads

We've come a long way together

Our young democracy has grown in leaps and bounds, changing the lives of millions of South Africans. Without doubt, our nation has grown. One of the things that has certainly increased is the need for infrastructure to move our people around. SANRAL is proud to be part of providing world class road infrastructure for a world class people.

www.SANRAL.co.za

More than just roads

By the people, for the people

Since 1998, the work of SANRAL has made a major contribution to the lives of those who own it... Our South African people. We've left no stone unturned in support of our country's economy, by building and maintaining the very backbone of it: a solid national road network that creates opportunities for growth. To fix dips, our roads facilitate the movement of people, goods and services through seamless connection of major cities, towns and rural areas. In addition, just in the 3 years to 31 March 2015, SANRAL revealed 412.3 billion worth of investment to SANRAL, 85% of which went to 3 494 black enterprises. Over that period, SANRAL's projects created 133 132 average equivalent full time jobs.

www.SANRAL.co.za

More than just roads

Proudly building the best to build the best.

Environmental Sustainability

21 120 Jobs

773 Scholarships

160 Post-graduate

R2 Billion with our Black SMMEs

www.SANRAL.co.za

More than just roads

I SAW A FUTURE.

"A future in which things were not only better for me, but in which I could make things better for others."

The Victoria Bots, SANRAL first gave me a bursary to study for my Honours in Environmental Geography. Then they gave me a job as an environmental coordinator. Today, I help to create roads that connect our people with jobs, services and goods. So when I look at this road... I see a future in which ANYTHING is possible."

In 2012-2013 SANRAL offered bursaries to 773 students to ensure the future of our roads, our economy and our country are in capable hands.

WE DO THAT BECAUSE WE'RE GOOD AT CONNECTING THINGS

www.sanral.co.za | 0800 SANRAL (726 726)

More than just roads

I WORKED HARD.

"At my math and science. And it paid off. SANRAL's scholarship programme is helping me to pay for my schooling to pave the way for my success."

Seokedi Motlokoa is just one of the 179 learners that SANRAL's scholarship from 2012-2013 is helping to realize his dreams of doing well and going on to study at university.

It's an investment for us, for him and for our country. Who knows what he may become - but we know that better education means more opportunities, and that makes a better nation for us all.

WE KNOW THAT BECAUSE WE'RE GOOD AT CONNECTING THINGS

www.sanral.co.za | 0800 SANRAL (726 726)

More than just roads

Bemagtig vroue vir paaie.

www.SANRAL.co.za

More than just roads

Half a world from where we began.

At 850 further to be precise.

The South African National Roads Agency (SANRAL) Limited has certainly come a long way since our beginning in 1998. We are passionate about doing our job with integrity, and we've built and nurtured South Africa's national road network. As a result, we are honoured and humbled to have been heralded 'national responsibility'.

Our network has grown from 700km to 23,625km in just 16 years, enough to get our feet from South to South Pole and back.

www.sanral.co.za

More than just roads

We don't sit around and wait

The SANRAL Chair in Transportation Planning and Engineering established at the University of Cape Town is focused on making a difference in the safety of road users and those communities living close to the national road network. It is part of our commitment to doing all we can to engineer roads that benefit all South Africans.

www.SANRAL.co.za

More than just roads

Own media platforms

During 2014/15, SANRAL revived *By the Way*, a consumer publication that highlights the agency's operations and includes book reviews, recipes and crossword puzzles. It is a bimonthly, full-colour tabloid publication, with a print run of 300 000 copies distributed nationally.

In addition, SANRAL published a 72-page book showcasing its community development activities and initiated a campaign to showcase the organisation's individual pillars in supplements in mainstream and community print media. During 2014/15, the unit printed two supplements: *Investing in Road Safety* and *Investing in the Community*.

The *People's Guide*, which presents SANRAL's annual report in a summarised, easily understandable manner, was published in September. The revitalised blog *Stop-Over* (<http://stop-over.co.za>), which includes multimedia elements, will be formally launched in the new financial year. The blog aims to showcase SANRAL's community and social development initiatives, present thought-provoking stories on roads and transport, and publish exclusive editorial articles.

The communications unit also made sure that all community outreach initiatives were followed up with eight-page supplements. In the year under review, these were produced for Limpopo (in English and Tshivenda) and Mthatha (in English and Afrikaans).

Community goodwill and outreach initiatives

SANRAL initiated a campaign to introduce itself to South Africans through activities such as mall activations and business breakfast meetings. It launched a corporate social responsibility project in Limpopo, the Eastern Cape and the Western Cape in the year under review and published the 72-page book focused on community development efforts, with a 12-page insert.

Social media

In January 2015, SANRAL set up a corporate YouTube channel to share its video content, including interviews, project updates and traffic information (available at: <https://www.youtube.com/channel/UC4wm2dzbzwyd8RB4zLJcqOQ>). In February 2015, SANRAL opened accounts with Facebook (*sanralza*) and Twitter (*SANRAL_za*) to create an online community, share relevant content, cover events (public lectures, road-safety activations and business breakfasts, for example), build an organic and influential following, and allow for interactive engagement. All of these platforms (Facebook, Twitter and YouTube) are linked to the blog *Stop-Over*. The communications unit is satisfied with the progress made in the digital sphere in the last few months.

Employees

SANRAL communicated with employees via the electronic newsletter *InRoads*, which includes profiles of employees and their communities. A highlight was announcing SANRAL's

accreditation as a top employer in 2014. This accolade was also promoted through external media channels.

Media engagement

SANRAL reaches out to the media in a variety of ways, such as media roundtables, which aim to foster good relations with regional media and expose media practitioners to the agency's work and its regional projects. During 2014/15, media roundtables were held in Polokwane, Mthatha and Malmesbury. The proposed N3 Development Expressway was also profiled at a media event in February 2015.

The unit issued 158 press releases proactively and reactively when necessary. It responded to 178 media queries and facilitated 69 media interviews during the year under review.

The use of multimedia news releases – in the form of a video or audio element for television and radio – for media outlets with online platforms is an exciting development. The footage of the Boeing being moved over the R21 highway, filmed in stop-motion using a drone, was the most watched video on *TimesLIVE* during the week it was released and was showcased on the lifestyle morning show *Expresso*. Other releases of this nature included the upgrade of the R71 leading to Moria in Limpopo and the intelligent transport and freeway management systems.



INVESTING IN THE FREE STATE

MAY 2015

R8 BILLION COMMITMENT To Free State

It is slap-bang in the middle of South Africa, surrounded by six of the country's nine provinces and borders on a foreign country. It is the Free State, and a province where SANRAL is investing heavily in a wide range of areas.

IN THIS ISSUE

- 2 **OPENING DOORS** to an engineering degree
- 3 **IMPROVING** Free State roads
- 4 **BOOSTING SMMEs** in the Free State
- 6 **N1 AND N8** to be improved

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INVESTING in CHEK-O-COAST

APRIL 2015

road safety

SANRAL takes action to cut road deaths

South Africa has one of the highest number of road fatalities in the world - 30 000-35 000. The Department of Transport and Public Works has set a target to reduce the number of road deaths to 20 000 by 2020. SANRAL is taking action to help achieve this target.

MORE THAN 17 000 DIE ON THE ROADS EACH YEAR

IN THIS ISSUE

- 3 **APR COMPETITION** returns to SANRAL
- 5 **SHOCKING STATISTICS** on road deaths
- 6 **ROAD SAFETY** campaigns to improve road safety

NATIONAL ROADS People's Guide

Creating wealth through infrastructure

APRIL 2015

Tribute to Mediba

The nation is honoured by the memory of our dear leader who presided SANRAL's membership for 10 years.

IN THIS ISSUE

- 2 **VITAL LINKS TO GROWTH** through infrastructure
- 3 **ROAD SAFETY** campaigns to improve road safety
- 4 **ROAD SAFETY** campaigns to improve road safety
- 5 **ROAD SAFETY** campaigns to improve road safety
- 6 **ROAD SAFETY** campaigns to improve road safety

IN THIS ISSUE

PAGE 2 **SANRAL gas infrastructure**

The new e-toll dispensation policy certainty benefits all

SANRAL to help 60 000 commuters

ANTI-FRAUD HOTLINE 0800204558

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SANRAL WESTERN CAPE

ENGLISH EDITION - MAY 2015

Message from the CEO

Message from the Regional Manager

Anti-Fraud Hotline

www.sanral.co.za

CONNECTING THE WESTERN CAPE

JUNE 2015

The N1/N2 Winelands Toll Road Project

IN THIS ISSUE

- 2 **EXPLODING MYTHS** about the N1/N2 toll road
- 3 **MAJOR IMPROVEMENTS** on the N1/N2 toll road
- 4 **UNDERSTANDING** road finance in South Africa
- 5 **THE N7 RECEIVES** a total make-over

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BY THE WAY

March/April 2015

"Roads are vital for country's future economic growth" says Pres. Zuma

President Jacob Zuma strongly emphasised the primary role of road and transport infrastructure in the economic development of South Africa during the 2015 State of the Nation Address.

IN THIS ISSUE

- 3 **Engineering excellence** in the Free State
- 4 **ROAD TO THE** future on the highway
- 8 **8th Road** to be improved
- 10 **SANRAL** invests in road safety

Guide to the new e-toll dispensation

'New Dispensation' on e-tolls will reduce costs for all road users

IN THIS ISSUE

- 3 **All South Africans** will benefit from revised e-toll tariffs
- 4 **A fraction of the** country's roads are toll
- 5 **Gauteng highways** a boon for all
- 6 **Frequently asked** questions
- 8 **The new dispensation** - what it is, and is not

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INVESTING in the environment

JUNE 2015

SANRAL GOES BEYOND COMPLIANCE TO THE ENVIRONMENT

IN THIS ISSUE

- 2 **PROGRESS OF ENVIRONMENTAL** initiatives
- 5 **NO DEERES** EXPOSURE TO REALISATION
- 7 **N7 ROADS** OF FUTURE

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Corporate positioning

A number of supplements were conceptualised and produced to promote positive branding and position SANRAL as the expert in its field. The first was the *National Roads Update* done in partnership with the concessionaires, which covered all the pillars, including funding of road upgrades and maintenance, community development and road safety.

SANRAL kept road users informed about national road conditions in 2014/15 by issuing regular media updates about progress made on major road projects in all nine provinces and providing special alerts about potentially dangerous road conditions. These communication efforts were amplified by the Road Safety ChekiCoast campaign to truckers at truck stops in Mooi River, Colesberg and Nelson Mandela Bay among other destinations, as well as to students at the universities of Pretoria, the Free State and Cape Town.

Marketing and advertising

Corporate advertising campaigns under way during 2014/15 included:

- LED-board advertising in place at soccer stadiums.
- Freeway management system adverts in regional newspapers.
- A 12-page People's Guide supplement in regional and national newspapers.
- "Did you know?" strip adverts in more than 40 community publications in all provinces for three months.
- An advert outlining SANRAL's activities in the financial bonds market in the Johannesburg Stock Exchange publication.
- A print, radio and television campaign about SANRAL beneficiaries and bursaries.
- A Women's Month print advert in 10 weekend publications displaying SANRAL's commitment to developing career paths for women in the organisation.
- A partnership with Ubuntu Radio to profile SANRAL.
- A wall mural advertising campaign in Limpopo and Mthatha.
- Activations at sports events at FNB Stadium in Gauteng.

Adverts also focused on SANRAL's environmental initiatives, such as the design and construction of a fish ladder to help breeding trout negotiate a weir on a local river close to the R71 route near Moria. An environmental advertorial campaign was also published in more than 90 different community newspapers. This initiative was followed by a print and radio campaign covering the release of the Development Expressway draft environmental impact assessment report.

Other adverts dealt with SANRAL's support of various tertiary institutions. The Road Safety ChekiCoast Campus advertising campaign reached over 570 000 students. Adverts also focused on roadworthiness, drinking and driving, keeping a safe distance and children using safety belts. Youth were invited to enter the Road Safety Art Competition and

a road safety supplement was inserted into national and regional papers.

Adverts focused on e-tolls covered a wide range of subjects, including details on the grace period, settling outstanding balances and the postal strike. For the first time, e-toll visitor adverts were placed in newspapers in southern African countries.

Events and exhibitions

In the year under review, SANRAL piloted a community outreach initiative called "Taking SANRAL to the People" in Mpumalanga to raise awareness of what SANRAL does. This initiative falls under the broader community outreach programme. SANRAL officially launched the Chair in Mathematics and Science at the University of the Free State and hosted six national and well-attended events with the Minister of Transport to profile SANRAL projects and the agency's contribution to the communities its roads traverse. SANRAL also participated in a number of national and rural exhibitions focused on career development and hosted its own career day in Colesberg with other state-owned companies.

E-tolling

During 2014/15 the communications unit responded to many media queries about erroneous billing. The unit started implementing its strategy to promote the benefits of the system to increase the take-up of tags, but it had to refocus its attention to respond to queries about the system's sustainability following the Gauteng provincial government's announcement about the Advisory Panel on e-tolls, which brought collections down severely. This culminated in a massive effort to communicate SANRAL's submission to the panel in November. The unit spent time planning during the final quarter of the year pending the outcome of the process.

INFORMATION TECHNOLOGY

Information technology (IT) staff, based in SANRAL's head office, worked diligently and strategically to support the SANRAL community in 2014/15. Ongoing investment in IT systems allows SANRAL to benefit from technological innovation, improve its ability to meet evolving business needs and deliver on users' expectations and efficiency demands. IT facilitates all SANRAL's core business processes and components, and supports and sustains the realisation of strategic objectives. It also helps SANRAL meet its regulatory compliance requirements. Some significant changes were made to existing IT systems in 2014, most notably the successful upgrade of the legacy document management system.

The unit, in consultation with internal stakeholders, developed the 2015-2020 IT strategy to ensure that it is an efficient asset for growth and innovation. The strategic objectives include



using SANRAL's own telecommunication infrastructure more efficiently to improve bandwidth availability (which would also reduce long-term costs), using telecommuting to improve productivity and reduce travel requirements, improving IT governance structures to strengthen existing practices, improving security and compliance, and enhancing SANRAL's IT infrastructure and operations by implementing and enforcing industry best standards and procedures to protect and secure critical systems and data.

Governance

The 2014/15 audit rated the IT governance system as satisfactory. It acts in the spirit of the King III Code and is aligned with relevant best practice. The rating indicates that prior efforts to sustain and improve the standards were effectively maintained. The governance programme includes realigning existing IT governance structures to meet the qualitative aspects of the code by developing frameworks and controls. Independent reviews indicate that SANRAL's current practices are at an intuitive level with recommendations to achieve higher standards of governance.

Operations

SANRAL's investment in IT infrastructure over the past year has focused on improving end-user systems, contributing to higher productivity. Several IT projects were completed during the year, including the major upgrade of the document management system coupled with the upgrade of the Microsoft Office and e-mail systems and applications.

CONCESSIONAIRES

The concessionaires are involved in a number of training initiatives. These are highlighted below.

Bakwena

Bakwena currently sponsors two students. Ms Nkwe is enrolled for a BSc degree in Biology and Chemistry and Mr Modibedi is studying for a degree in Local Government and Development Management. Bakwena supports many employees completing core educational courses and

diplomas in public relations, marketing and law. It also paid the school fees for 11 children of staff employed at Bakwena's head office and the Mantsole and Bapong Traffic Control Centres during 2014. These employees are mostly from the Bakwena corridor.

N3TC

"With the help of N3TC my dream started to take shape and become a reality. My passion for geography and environmental science arose not only from my involvement in the eco-schools project since grade four, but from my desire to make the world a better place for all." Vusumuzi Mvelase, a BSc student at Rhodes University.

N3TC provided bursaries to 14 university students living along the N3 corridor in 2014, including four masters students. N3TC's vision of a transformed corridor is implemented through its "Touching Lives" corporate social investment programme. The company spent R9.6 million in 2014 on skills and socioeconomic development.

TRAC

TRAC offers five engineering bursaries in Mozambique and 14 bursaries (administration, management and HR) in South Africa. It also provides study assistance to 36 full-time employees who are undertaking tertiary studies and gives ongoing mentorship to 34 employees (86 percent of whom are female) through the internal development programme. TRAC spent R2.4 million on socioeconomic development and training in 2014/15.

It launched the TRAC E-Learning Project in February 2015 in Mpumalanga. This five-year project provides grade 12 learners with the opportunity to improve their marks in mathematics and science through a distance learning programme developed by Ligbron Learning Academy in Ermelo. A total of 40 learners and eight teachers from three schools in the Middelburg area are currently participating. Should the pilot phase of this project be successful, the initiative will be rolled out to other plazas along the N4 toll route.

3.2 CORPORATE PERFORMANCE INFORMATION

Programme performance indicators and targets for 2014/15

Strategic objective 1: Manage the national road network effectively

Programme Performance Indicator	Reporting Period	Actual 2013/14 Baseline	Annual Target 2014/15	Achieved 31 March 2015	Variance	Comments / Reasons for Variance
1.1 Smooth Travel Exposure (STE)	Quarterly	96.28%	≥95%	96.12%	+1.18%	The achievement is higher than target due to the systems in place to ensure a maintained road network
1.2 Bridge Condition Exposure (BCE)	Quarterly	93.92%	≥90%	91.74%	+1.93%	The achievement is higher than target due to the systems in place to ensure timely maintenance on bridges
1.3 Low Rut Exposure (LRE)	Quarterly	97.72%	≥95%	99.44%	+4.67%	The achievement is higher than target due to the systems in place to ensure a maintained road network
1.4 High Texture Exposure (HTE)	Quarterly	98.37%	≥95%	98.51%	+3.69%	The achievement is higher than target due to the systems in place to ensure a maintained road network
1.5 Routine Maintenance km	Quarterly	16584	19704	21403	+8.62%	Limpopo Roads incorporated July 2014
1.6 Periodic Maintenance km	Annual	1290	850	851	+0.12%	Projects were carried forward from the previous year due to project delays by the contractors
1.7 Road Strengthening (Capex) km	Annual	659	400	687	+71.75%	Projects were carried forward from the previous year due to project delays by the contractors
1.8 SIP-1 Construction of R23 Platrand to Standerton	Semi-annual	New - Design complete	At least 50% construction complete	57% of construction complete	+14%	Construction works at a slightly better pace than estimated
1.9 SIP-4 Barberspan Bridge Improvements	Semi-annual	New - Design complete	At least 60% upgrade of bridge complete	0%	-100%	Water licence received only in January 2015. Project awarded in April 2015. Construction will commence in May 2015

NOTE: 1.5, 1.6, 1.7 - under construction

Strategic objective 2: Provide safe roads

Programme performance indicator	Reporting period	Actual 2013/14 baseline	Annual target 2014/15	Achieved 31 March 2015	Variance	Comments/reasons for variance
2.1 Identify, investigate and propose remedial measures at twelve hazardous locations per year	Quarterly	100% identification, investigation and proposal of remedial measures at 12 safety projects	Identify, investigate and propose remedial measures at twelve hazardous locations per year	18 Pedestrian Hazardous Locations Identified, Investigated and Remedial Measures Proposed.	+50%	Certain regional offices were able to complete investigation of additional hazardous locations

Strategic objective 3: Carry out government's targeted programmes – transformation

Programme performance indicator	Reporting period	Actual 2013/14 baseline	Annual target 2014/15	Achieved 31 March 2015	Variance	Comments/reasons for variance
3.1 Percentage of RRM project spend contracted to SMMEs and black owned companies and in terms of Black ownership of the Main contractor	Quarterly	83%	>60 %	83%	+38%	BBBEE credentials of contractors better than estimated
3.2 Percentage of non-RRM project value awarded to Black owned SMMEs and in terms of Black ownership of the Main contractor.	Quarterly	36%	>35%	48%	+37%	BBBEE credentials of contractors better than estimated
3.3 Jobs created on projects (Full- time)	Quarterly	29 120	22,620	19 820	-12.38%	14 737 male, 5 083 female Included 7 880 youth Fewer toll projects than budgeted were awarded due to policy uncertainty with respect to toll roads
3.4 Number of SMMEs working for SANRAL	Quarterly	1 508	800	1 697	+112.13%	The SMMEs include suppliers, which were not included in the initial estimate
3.5 Number of Internships (practical experience for under-graduate studies)	Quarterly	196	100	217	+117%	Includes all interns who were supported during 2014/15, which includes academic years 2014 and 2015 – more interns supported than initially envisaged
3.6 Number of External Bursaries (tertiary)	Quarterly	106	85	105	+23.53%	Includes all external bursars who were supported during 2014/15, which includes academic years 2014 and 2015 – more bursars supported than initially envisaged
3.7 Number of Scholarships (school)	Quarterly	177	150	368	+145.33%	Includes all scholars who benefitted during 2014/15, which includes academic years 2014 and 2015 – more scholars supported than initially envisaged
3.8 Employment Equity Plan (EE Plan)	Annual	Annual EE Plan targets achieved	Develop new three year Board approved EE Plan and achieve annual targets	New EE Plan approved by the Board. Target for 31 March 2015 achieved	0%	Ongoing management of the employment targets
3.9 Community Development Projects (along the national road network)	Semi-annual	Three projects per region have been registered and have been included in the approved 2014/15 budget.	Three projects per region registered with approved budget per financial year	14 Projects (4 from the Northern Region, 9 from the Eastern Region and 1 from the Western Region) have been approved by the Budget committee. The projects were placed on the budget, approved by the Board and registered	+16.67%	14 projects have been identified and registered with approved budget as certain regions were able to register additional projects.

Strategic objective 4: Cooperative working relationships with relevant departments, provinces, local authorities and Southern African Development Community country members

Programme performance indicator	Reporting period	Actual 2013/14 baseline	Annual target 2014/15	Achieved 31 March 2015	Variance	Comments/reasons for variance
4.1 COTO sub-committee meetings chaired by SANRAL	Semi-annual	New	Meet at least twice a year	2 Meetings held for Road Asset Management Systems (RAMS) and RMC (Road Materials Committee) & Structures	0%	Target achieved due to ongoing liaison at COTO sub-committee level
4.2 Construction of Botswana Border Bridge (Notwane River)	Semi-annual	Design completed and tender awarded	50% construction complete	34% construction completed	-32%	Difficult ground conditions - type of piles had to be changed

Strategic objective 5: Achieve and maintain good governance practice

Programme performance indicator	Reporting period	Actual 2013/14 baseline	Annual target 2014/15	Achieved 31 March 2015	Variance	Comments/reasons for variance
5.1 Risk Management	Quarterly	Active risk register maintained. Average risk value of risks reduced by more than 5% annually	Active Risk Register maintained and at least 5% reduction of average risk value of primary risks from the average risk value of the same risks in the previous year	Active Risk Register maintained. The average risk value of the primary risks which existed in the previous year was reduced by 18%	260%	Active monitoring and management of risks
5.2 Fraud Hotline	Quarterly	All reported incidents were investigated or were under investigation with action taken as appropriate	Reported incidents to be investigated and action to be taken as appropriate	Reported incidents have been investigated or are under investigation with action taken or being taken as appropriate. 94% of the incidents have been investigated and closed	0%	Active management and response to call reports received on fraud hotline



Strategic objective 6: Achieve financial sustainability

Programme performance indicator	Reporting period	Actual 2013/14 baseline	Annual target 2014/15	Achieved 31 March 2015	Variance	Comments/reasons for variance
6.1 Private Sector Investment Index (PSII)	Quarterly	29.05%	≥ 15%	18.16%	+21.07%	Progress of toll projects have been affected by policy uncertainty with respect to tolling
6.2 Expenditure Variance	Annual	Non-toll R10 884m Toll R 4 192m. 0.2% overspent on non-toll projects	≤ 10% underspent on non-toll budget. Budget: R12 630 m	Non-toll: R11 591 million Non-toll under-expenditure: 8.2%	-8.23%	Approval delays for environmental permits and water licences Slow progress on contractor's side (business rescue)
6.3 Expenditure Efficiency Index (EEI)	Quarterly	2.99%	≤ 7.5%	4.31%	+42.53%	SANRAL strives to limit overheads, which are currently below industry levels

Strategic objective 7: Pursue research, innovation and best practice

Programme performance indicator	Reporting period	Actual 2013/14 baseline	Annual target 2014/15	Achieved 31 March 2015	Variance	Comments/reasons for variance
7.1 Completion of SA Pavement Design Method	Quarterly	80%	100%	92.29%	-7.71%	The 5-year research programme slowed down in the final year
7.2 Research and Development of one Movable Weighbridge	Semi-annual	Consultant's appointment under consideration	Design complete and 50% manufacturing complete	Research project has not commenced	-100%	Delays in finalising the research scope with the institution concerned

Strategic objective 8: Safeguard SANRAL's reputation – stakeholder communication

Programme performance indicator	Reporting period	Actual 2013/14 baseline	Annual target 2014/15	Achieved 31 March 2015	Variance	Comments/reasons for variance
8.1 Communication: Promote awareness of SANRAL's mandate and contribution to society	Quarterly	At least four positive messages in the national/regional press (print; broadcast or online) have been published per month	Profiling at least six positive messages in national/regional press (print, broadcast or online) per month	Achieved – 15 positive messages were published on average per month in national/regional press - documented in monthly reports	150%	Ongoing communication efforts particularly due to GFIP e-toll and other toll project related concerns
8.2 External Publications (By The Way)	Semi-annual	New	Two issues published	Two issues of the 'By The Way' publications were released – in December 2014 and March 2015	0%	Efforts to communicate with the public are ongoing
8.3 Stakeholder engagement	Semi-annual	New	Four round table discussions held	Target achieved: six round table discussions were held during the year	+50%	Efforts to communicate with relevant stakeholders are ongoing

3.3 CORPORATE GOVERNANCE

This report serves as SANRAL's annual integrated report for 2015. It includes information on SANRAL's social, economic and environmental responsibility and contribution, in addition to the normal financial and performance information related to the national road network.

SANRAL aims to create public wealth through the national road infrastructure it provides and manages. It strives to ensure that all its projects are implemented and managed in a socioeconomically and environmentally responsible and sustainable manner. SANRAL is keenly aware of the unique opportunities it has, given the national resources placed in its trust, to create lasting returns and developmental impact for the nation. It also acknowledges its responsibility as a catalyst in the development of a vibrant economy, an empowered society and a protected environment, as envisioned in the National Development Plan.

This annual report details SANRAL's efforts towards sustainable development through transforming the road construction industry by providing skills development opportunities and community development projects, and through the responsible and careful use of natural resources. The report provides evidence of the economic, social and environmental returns delivered through SANRAL's activities during the year under review.

Economic returns include a national road network of good quality and the provision of access and mobility to citizens and freight. The road construction industry is being steadily transformed and empowered through the opportunities created for small and medium-sized contracting and engineering firms.

SANRAL also creates social value. It continues to fulfil its mandate and is run on the principles of good governance and ethical values, with zero tolerance for corruption. SANRAL is keenly aware of its responsibility of trust as it manages and spends public and investor funds. Its community development projects and road safety projects ensure rural development and benefits to disadvantaged communities and it provides many learning initiatives for external beneficiaries such as scholars, bursary holders and interns. SANRAL supports tertiary education by sponsoring research chairs at universities, which support postgraduate studies in pavement engineering, transportation planning and so on.

From an environmental point of view, SANRAL uses natural and scarce resources responsibly, recycling and reusing where possible. It rehabilitates land resources after projects are completed and strives to disturb the sensitive environmental and ecological balance as little as possible.

Finally, SANRAL believes that work-life balance and staff wellness are critical. It provides opportunities for staff to develop their skills where appropriate to ensure that their capacity can be used effectively.

BOARD OF DIRECTORS

Civil society demands transparency and accountability within all the processes involved in service delivery. It is essential that SANRAL, operating within the public-contracting arena, leads numerous role-players and stakeholders in a shared philosophy of clean business, good values and ethics. Corporate governance is a key element in achieving this. It defines and directs the responsibilities of SANRAL's Board and management towards improving corporate and economic efficiency and enhancing credibility. SANRAL's Board and staff recognise that it is vital that the organisation functions as an effective service delivery agent with respect to key infrastructure and as a credible custodian of taxpayer and investor funds to deliver on core objectives, such as managing the primary road network, ensuring best value for money and preserving financial market confidence.

Corporate governance and risk management, including prevention of fraud and corruption, are at the heart of how SANRAL conducts its business. The organisation has a track record of willingly embracing a culture of the visible practice of good governance in the achievement of its economic, environmental and social objectives. This acceptance has been well entrenched at Board level, where a virtuous cycle of candour and trust has been encouraged. This has filtered down through all levels within the organisation.

The Board sets objectives and strategy and oversees procedures for effective implementation, guided by SANRAL's legislated mandate. It also formally acknowledges that the values of integrity and service excellence must be pursued in all its decisions and activities.

The Minister of Transport, as the representative of the sole shareholder, the state, appoints the Board for a term of three years, which ensures adequate continuity of serving members. This is confirmed annually at the shareholder meeting, which serves as the annual general meeting.

The SANRAL Act (1998) stipulates that the Board must comprise eight members at most, including one member representing the Department of Transport, whom the minister may choose to appoint.

The minister appointed a new Board of eight members effective 1 March 2015, because the previous Board had served its three-year term ending on 5 March 2015. Five of the eight directors are non-executive and independent, providing an array of skills including engineering,



transformation and accounting. The Chief Executive Officer (CEO) is the only executive Board member.

The serving Board members for the 11 months of the year under review were:

- Ms Tembakazi Mnyaka, Chairperson (resigned 31 July 2014)
- Mr Nazir Alli, CEO
- Mr Peter Derman
- Mr Chris Hlabisa
- Mr Anthony Julies
- Mr Siphso Madonsela
- Mr Roshan Morar
- Ms Duduzile Nyamane
- Mr Msondezi Futshane, who served in Mr Hlabisa's place from 18 August 2014 to 28 October 2014.

The newly constituted Board includes:

- Mr Roshan Morar, Chairperson
- Mr Nazir Alli, CEO
- Mr Chris Hlabisa
- Ms Zibusiso Kganyago
- Ms Allyson Lawless
- Ms Daphne Mashile-Nkosi
- Mr Matete Matete
- Ms Marissa Moore.

Continuity was provided through the retention of three Board members: Mr Morar, Mr Hlabisa and Mr Alli.

The Board Charter and Code of Conduct, which are reviewed each year, guide the Board's responsibility and conduct. The Board is ultimately accountable for SANRAL's performance and delivery against its mandate, and its responsibilities include providing effective, ethical leadership and strategic direction, and ensuring good governance practice and appropriate reporting.

The Chairperson of the Board is an independent, non-executive director primarily responsible for providing overall leadership and ensuring the orderly conduct of the Board and its meetings. The roles of the Chairperson and the CEO are separate. The non-executive directors are largely independent and are free from any business relationships or conflicts of interest that could hamper their independence or objective judgement in terms of their decisions with regard to SANRAL. They have full and free access to SANRAL's information and property in the course of fulfilling their responsibilities. They have direct access to the external and internal auditors and professional advisors.

Schedule of attendance of Board meetings during 2014/15

The Board held seven meetings, including two special meetings and one inaugural meeting, during the year. All meetings had the required quorum.

Board meetings, 2014/15

Director	Position	3 June 2014	4 July 2014 Special	12 August 2014	25 November 2014	29 January 2015	20 February 2015 Special
Ms T Mnyaka	Chairperson - non-executive	√	√	R	R	R	R
Mr P Derman	Non-executive	√	√	√	√	√	√
Mr C Hlabisa*	Non-executive	√	√	--	√	√	√
Mr M Futshane	Non-executive	--	--	--	--	--	--
Mr A Julies	Non-executive	√	√	√	√	A	A
Mr S Madonsela	Non-executive	√	√	√	√	√	√
Mr R Morar	Non-executive	√	A	A	√	√	A
Ms D Nyamane	Non-executive	√	√	√	√	√	√
Mr N Alli	CEO - executive	√	√	√	√	√	√

√ - Member, present; A - Member, absent; R - Member, resigned; -- Not a member
 No Board meetings were held during the terms of M Futshane
 *Appointed on 20 August 2013

The newly constituted Board, effective 1 March 2015, held an inaugural Board meeting on 20 March 2015, during a two-day induction.

Board members present at inaugural board meeting, 20 March 2015

Director	Position	20 March 2015
Mr R Morar	Chairperson - non-executive	√
Mr C Hlabisa	Non-executive	√
Ms Z Kganyago	Non-executive	A
Ms A Lawless	Non-executive	√
Ms Mashile-Nkosi	Non-executive	√
Mr M Matete	Non-executive	√
Ms M Moore	Non-executive	A
Mr N Alli	CEO - executive	√

√ - Member, present; A - Member, absent

A SANRAL strategy session was held on 30 August 2014 to review and confirm SANRAL's strategic objectives and performance measures. The shareholder meeting (annual general meeting) was held on 15 September 2014.

Disclosure of interests

It is vital that the Board makes all decisions independently and transparently, without any conflicts of interest that could affect decisions. SANRAL maintains and monitors a formal register of interests for the Board, the senior management team and at least staff involved in procurement. Disclosure of interests is also a standard agenda item at every Board and

Contracts Committee meeting. Should there be a conflict of interest, the director is required to recuse herself or himself from the pertinent deliberations and decisions, after providing all the relevant information at her/his disposal.

All gifts worth R200 or more received by employees as a result of being an employee of SANRAL have to be declared in the register of gifts, which is maintained at all SANRAL offices. No cash or gift coupons are acceptable. Should any gifts be considered inappropriate, they must be returned, quoting SANRAL's fraud and corruption policy.



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N4 T eMalahleni M2 Pretoria
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M2 Pretoria N1 T Johannesburg R21 T O R Tambo Int
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N4 T eMalahleni 1 km M2 Pretoria



Code of conduct

SANRAL acknowledges that the values of integrity and service excellence must be pursued in all its decisions and activities. A culture of ethical behaviour based on sound values such as respect, integrity and trust is promoted throughout the organisation. The Employee Code of Conduct directs employee behaviour and all employee contracts make reference to it.

The Board Code of Conduct directs and guides Board behaviour. All service providers and contractors are contractually bound to fair and ethical practice.

Board remuneration

Board remuneration is determined annually by the Executive Authority, the Minister of Transport. Remuneration is governed by section 13(3;4) of the SANRAL Act.

Board evaluation

A Board evaluation exercise was conducted during March 2013 by an independent service provider. The evaluation report was finalised in August 2013 and sent to the Minister of Transport. The Board discussed and worked on the findings and recommendations of the evaluation report during 2014.

Company secretariat

The Company Secretary and Risk Officer is responsible for providing support to the Board and for developing systems and processes to enable it to function effectively. The Company Secretary provides guidance and support regarding the powers, roles and responsibilities of the Board and its committees as a collective and to individual members, and develops the annual workplan for the Board and the agenda for Board meetings in discussion with the chairperson. The Company Secretary guides the Board on corporate governance matters, the Companies Act and other governance-related legislation.

The Company Secretary also manages the reporting of organisational performance every quarter and at the end of the year, ensuring the link with SANRAL's strategic objectives. The Board consider the Company Secretary to be

fit and proper for the position and qualified to perform the duties required of the role.

Board committees

The Board has established four committees to help it ensure the integrity of functions and oversight responsibilities as stated in the respective committee charters. Committee meetings have been held regularly as per a Board-approved schedule of meetings. The four committees are:

- Contracts Committee.
- Audit and Risk Committee (required by the Public Finance Management Act (PFMA) (1999) and the Companies Act).
- Social, Ethics and Transformation Committee (required by the Companies Act).
- Assets and Liabilities Committee.

The Contracts Committee

The committee meets almost every month and all meetings during the year under review had a quorum. The committee is guided by its charter and the Board Code of Conduct. The members are predominantly skilled in the areas of engineering and management. The committee is responsible for ensuring that all tenders are adjudicated fairly and in accordance with the tender rules. It considers the bid evaluation submissions made by management and awards tenders in compliance with a strictly applied supply chain management process. It ensures that contract expenditure is properly authorised in accordance with the established, delegated powers approved by the Board.

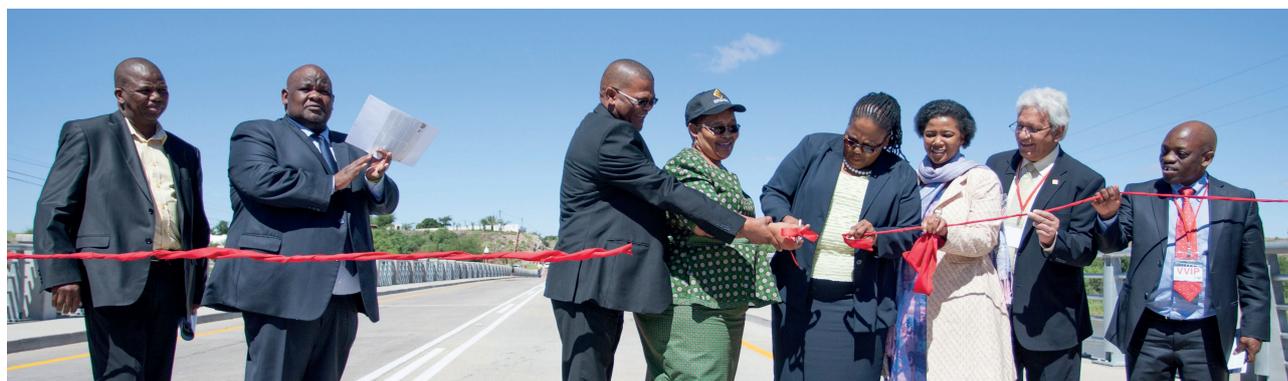
It also monitors the progress in the transformation and empowerment aspects brought about in the construction industry as a result of SANRAL's projects.

Disclosure of interests is a standard agenda item at every meeting to ensure that there are no conflicts of interests and the committee makes its decisions regarding contract awards independently and fairly.

Contracts Committee schedule of meetings and attendance, 2014/15

Director/Member	Position	1 April 2014	6 May 2014	19 June 2014	1 July 2014	13 August 2014	10 September 2014	7 October 2014	7 November 2014	26 November 2014	3 February 2015	3 March 2015
Mr S Madonsela	Chairperson – non-executive	√	√	√	√	√	√	√	√	√	√	√
Mr P Derman	Non-executive	√	√	√	√	√	√	√	√	√	√	√
Ms D Nyamane	Non-executive	√	√	√	√	√	√	√	√	√	√	√
Mr C Hlabisa*	Non-executive	√	√	A	√	--	--	--	√	--	--	--

√ - Member, present; A - Member, absent; R - Member, resigned; -- Not a member
 *Appointed on 20 August 2013



Following the appointment of the new Board effective 1 March 2015, a new Contracts Committee was constituted, but it did not meet during the financial year.

Audit and Risk Committee

The committee is responsible for ensuring the integrity of the accounting, audit and risk functions of the company. It manages the relationship with the internal and external auditors. The committee had three independent, non-executive board members and an observer, who was also a non-executive board member during the year. The committee met four times during the year. Quorum requirements were met for all meetings. The skills of the members were predominantly in the accounting, finance and engineering areas.

Internal audits are also outsourced. The committee is guided by the Audit and Risk Committee Charter/Terms of Reference and the Board Code of Conduct. Further details are provided in the Report of the Audit and Risk Committee on page 104.

Audit and Risk Committee schedule of meetings and attendance

Director/Member	Position	27 May 2014	29 July 2014	18 November 2014	27 January 2015
Mr R Morar	Chairperson – non-executive, independent	√	√	√	√
Mr P Derman	Non-executive, independent	√	√	√	√
Mr S Madonsela	Non-executive, independent	√	√	√	√
Mr A Julies	Non-executive observer	√	A	A	A

√ - Member, present; A - Member, absent; R - Member, resigned;
 -- Not a member

Following the appointment of the new Board effective 1 March 2015, a new Audit and Risk Committee was constituted, but it did not meet during the financial year.

Social, Ethics and Transformation Committee

The Companies Act requires SANRAL to have a Social, Ethics and Transformation Committee and Companies Regulation 43 lists its main oversight responsibilities. The committee held six meetings during the year, with all quorum requirements met. It had three non-executive directors as members, with human resources and management skills. The committee is guided by its charter and the Board Code of Conduct.

It monitors the activities of SANRAL, particularly in relation to the following social and ethical areas, with emphasis on transformation:

- Social and economic development, including areas of good governance and anti-corruption.
- Good corporate citizenship.
- The environment, health and safety, including impact of SANRAL's activities.
- Customer relationships.
- Labour relations and employment, including remuneration, conditions of service, service benefits practice, HR planning and skills development.
- Compliance with relevant legislation.

Social, Ethics and Transformation Committee schedule of meetings and attendance

Director/Member	Position	6 May 2014	10 July 2014	11 September 2014	20 November 2014	22 January 2015
Ms D Nyamane	Chairperson -non-executive	√	√	√	√	√
Ms T Mnyaka	Non-executive	√	--	--	--	--
Mr P Derman	Non-executive	√	√	√	√	√
Mr M Futshane	Non-executive	--	--	√	--	--

√ - Member, present; A - Member, absent; R - Member, resigned; -- Not a member

Following the appointment of the new Board effective 1 March 2015, a new committee was constituted, but it did not meet during the financial year.

Assets and Liabilities Committee

This committee had three non-executive directors as members. It met five times during the financial year and is supported by SANRAL's treasury. All meetings held during the year had the required quorum.

It is the committee's task to monitor the implementation of policies and controls governing SANRAL's financial risk

management activities with respect to liquidity, investments, interest rates and credit. The committee sets risk management parameters for each risk category and reviews the performance of the treasury function. The provisions found in the Treasury Policy and Control Manual regulate the activities of the treasury function. The committee periodically reviews the relevance and validity of these controls. Any proposed amendments are subject to approval by the Board.



Assets and Liabilities Committee schedule of meetings and attendance

Director/Member	Position	20 May 2014	26 August 2014	28 October 2014	26 November 2014
Mr A Julies	Chairperson – non-executive	√	√	√	√
Ms T Mnyaka	Non-executive	A	--	--	--
Mr R Morar	Non-executive	A	√	√	√
Mr C Hlabisa	Non-executive	--	--	--	A

√ - Member, present; A - Member, absent; -- Not a member

Following the appointment of the new Board effective 1 March 2015, a new committee was constituted, but it did not meet during the financial year.

DELEGATION OF AUTHORITY

SANRAL has a Board-approved delegation of authority framework. The framework is guided primarily by the requirements of the SANRAL Act and the PFMA. It records the nature and extent of the authority delegated to the Board committees and the CEO. The CEO delegates functions and authority to management. The delegations ensure that no-one acts beyond the scope of the authorised delegations. They are reviewed annually by the Board.

COMPLIANCE

The PFMA, the SANRAL Act and the Companies Act are key governance-related legislation for SANRAL, in addition to many other pieces of legislation affecting SANRAL's activities. The legislation requires that the Board and staff act with integrity, transparency and in the best interests of the organisation, which are goals that SANRAL strives towards continually.

Compliance is accepted as a management competency and is vital to ensure good reputation and seamless delivery. The Board acknowledges that compliance with applicable laws and standards is an ethical imperative, and monitors compliance through the Audit and Risk Committee. SANRAL commits to complying with all applicable legislation and also with non-binding codes and standards such as the King III Code, to the extent possible by a state-owned company given other applicable legislation, and the Protocol on Corporate Governance in the Public Sector. SANRAL voluntarily adheres to the recommendations regarding corruption issued by the United Nations Global Compact Principles and the Organisation for Economic Co-operation and Development. Management ensures that compliance is monitored on a weekly basis, and the responsibility for ensuring compliance lies with the manager or cluster concerned.

In addition to complying with legislation and standards related to its core function as applicable to the construction industry, SANRAL has always endeavoured to comply with relevant governance legislation including the SANRAL Act, the PFMA, the Treasury Regulations and the Companies Act. In case of any inconsistency between the PFMA and other legislation, the PFMA prevails.



SANRAL has established a compliance universe and framework and has set up a compliance management system, which will enable better monitoring of key compliance areas.

STAKEHOLDER RELATIONSHIPS

Stakeholder relationships and concerns are managed generally on a project-by-project basis or as particular circumstances dictate. The essential liaison with affected stakeholders is guided by the SANRAL Act. SANRAL's good reputation is of paramount importance and is guarded by the Board and management.

The uncertainty that has surrounded the implementation of open-road tolling in Gauteng, the N1-N2 Winelands Project in the Western Province and other key projects in the country has resulted in the re-examination of SANRAL's stakeholder liaison responsibilities and strategies. SANRAL acknowledges

the importance of maintaining communication and relationships with a wide range of stakeholders, as these are important factors that influence the delivery of its mandate. It enables confidence among the affected stakeholders that integrity and transparency and socioeconomic and environmental value are sustained.

SANRAL conducts public participation sessions with affected stakeholders. These may be extensive and intense, as in the case of the Gauteng freeway e-tolling project, or may be specific to a particular community affected by a small but critical development project. Stakeholder roundtables to deal with issues of interest to the affected communities are popular, as is SANRAL's participation in exhibitions such as the Rand Easter Show. Although its stakeholders are wide-ranging and geographically widespread, SANRAL will monitor feedback from all engagements to ensure appropriate responses and actions.

An annual shareholder compact (performance agreement) with an annual performance plan is concluded with the Minister of Transport.

SANRAL engages continually with its employees and prioritises skills development, career growth opportunities and work-life balance initiatives. It concludes an individual performance plan with every employee annually, listing performance expectations and agreed career path development measures.

CREDIT RATINGS

As a testament to its commitment to maintaining investor confidence and financial market credibility, SANRAL's creditworthiness is rated and published by Moody's Investor Service. Following the uncertainty and resistance to implementing e-tolling in Gauteng, SANRAL suffered a further rating downgrade in September 2013 of the global scale issuer ratings from Baa2 (long term) and P-3 (short term) to Baa3 and P-3 respectively.

The national scale issuer ratings of A2.za (long term) and P-2.za (short term) were dropped to A3.za and P-2.za respectively. The ratings were also placed under review for further downgrade. Following the start of e-tolling in early December 2013, the ratings were no longer under review, although they still had a negative outlook. The outlook was lifted to stable in June 2014, but the drop in toll revenue from the Gauteng Freeway Improvement Project following the establishment of the review panel resulted in the outlook being dropped to negative again in January 2015.

STRATEGIC PLAN AND PERFORMANCE INFORMATION

A strategic plan was compiled for the period spanning 2015/16-2019/20, in line with the National Treasury Framework for Strategic Plans and Annual Performance Plans, and was approved by the Minister of Transport. An annual performance plan for 2015/16-2017/18, also in line with the framework, was drawn up and approved by the Minister in March 2015. This has been aligned with the National Development Plan and the Medium Term Strategic Framework released in mid-2014.



Performance management and reporting at an organisational level is a key facet of SANRAL's governance responsibility. Key performance areas were identified against each of SANRAL's strategic objectives, and performance against relevant and measurable targets was monitored regularly, approved by the Board and reported to the Minister of Transport on a quarterly basis. The annual performance information report is published in the annual report, thus making this information available to all stakeholders, to facilitate the evaluation of SANRAL's ability and success to deliver in terms of its mandate.

RISK MANAGEMENT

Enterprise-wide risk management is an integral part of SANRAL's fulfilment of its mandate. The Board has accepted responsibility for risk management within the organisation. SANRAL has developed a risk register, a product of the continuous assessment of current risks and the identification of new risks. All employees are encouraged to be alert to risk exposures in their area of contribution, and to express their concerns relating to the strategic and operational risks faced by the company. The risk cluster then analyses each risk and initiates appropriate mitigating action and treatment. All risks are documented in the register and are communicated to the Board of Directors and to employees as appropriate. The internal audit coverage plan is risk-based and risk management is a standing item on all Board and committee meetings, with ongoing oversight by SANRAL's Audit and Risk Committee.

The Board discusses SANRAL's risks and mitigation measures at every Board meeting and ratifies the risk tolerance levels. SANRAL's risk tolerance is acknowledged at 100 percent, so long as the activity is within SANRAL's mandate as per legislation, as it does not have the choice of not undertaking such activity. The Board has determined that all risks with a risk value (product of impact and likelihood on a scale of 1 to 10) of 30 or more must be brought to its attention as a standing agenda item for all Audit and Risk Committee and Board meetings.

The major risks in the primary risk register include the uncertainty surrounding the ongoing implementation of the Gauteng Freeway Improvement Project e-toll system, the need for continual and targeted stakeholder communication, and the delays in obtaining approvals and permits such as water permits and environmental approvals from the relevant departments.

These risks will continue to be monitored and mitigated actively.

PREVENTION AND RESPONSE TO FRAUD AND CORRUPTION

SANRAL's core activities are in the public works, construction and maintenance industry. This is an industry particularly vulnerable to malpractice, primarily due to the involvement of many role-players and the magnitude of funds involved. The organisation is keenly aware of its exposure to and the dangers of fraudulent and corrupt activities affecting its business, particularly within the transforming South African economy. Problems emanating from collusion and fronting are challenges on project sites. Evidence of major collusion in the construction industry on projects related to the 2010 World Cup emerged during 2013/14. SANRAL is investigating the extent to which this has affected its projects and is considering its options for remedial action. Vigilance in monitoring and educating newer entrants are seen to be critical elements in the management of the conduct, relationships and activities of the role-players in any project: consultants, main contractors and sub-contractors.

As an aid to its objective of spreading the message of zero tolerance to all malpractice that affects efficient delivery of its mandate, SANRAL subscribes to a fraud hotline service operated by Tip-Offs Anonymous©, an independent service provider. This whistle-blowing service is available to anyone to report, anonymously and without fear of victimisation, suspected wrongdoing, unethical behaviour, theft, corruption, fraud or other incidences that could harm SANRAL's operations, sustainability and reputation. The fraud hotline has served as a useful mechanism to expose maladministration and fraudulent activity.

All substantive allegations undergo a thorough investigation process for which expert, external investigators may be engaged. All investigations are conducted in a transparent, fair and objective manner that respects the rights of the individuals implicated. The intention is that the message of SANRAL's intolerance to malpractice be communicated in no uncertain terms within the construction community.

During 2014/15, SANRAL had to conduct five forensic investigations. These included investigations on fronting allegations, misrepresentation of B-BBEE ratings and a false quotation request in SANRAL's name. SANRAL is happy to confirm that none of SANRAL's employees were involved in any such allegations and it had a clean internal record for the year. SANRAL remains vigilant to any exposure to possible fraud and corruption and pursues all instances with vigour to drive home the message of zero tolerance and to reduce this scourge in the industry.

An annual governance and risk roadshow is held for the benefit of all employees at the corporate and regional offices to increase awareness and a sense of ownership relating to governance and risk management.

This ownership is definitely influenced by the relationships between and the knowledge base of all participants within SANRAL. Areas such as governance principles, lessons learnt from forensic investigations and the risk register are discussed in detail with opportunity for wide discussion, contribution and sharing of concerns by all colleagues.

ASSURANCE

The assurance of the report is provided primarily by the management team, the internal and external audit teams, and the consultants who supervise and monitor the road projects. The internal audit function is outsourced.

SANRAL's Board and management acknowledge the value of combined assurance to ensure effective controls in ensuring performance, subscribing to good governance, and managing risks and thus ensuring optimal delivery.

The components within the assurance model include:

- Risk management and reporting
- Performance management and reporting
- Compliance as a non-negotiable, essential component
- Internal control (financial and operational)
- Anti-fraud and corruption measures
- Internal and external audit
- External, independent review in certain areas (financial and technical)
- Continual monitoring and oversight by senior management and the Board.

Given all of the above measures to ensure that SANRAL achieves its objectives, the fact is that there can be no law or preventative measure to cover every possible incident or opportunity for wrongdoing. It is therefore important that quality governance and responsible risk management continue to be integral to SANRAL's organisational culture - with every employee and director being a custodian of the core values of service excellence and integrity. These are the values that SANRAL strives to nurture and uphold for all its stakeholders. Board members and management are committed to the achievement of high standards, and SANRAL's corporate governance structures and practices will continue to evolve and improve.

SANRAL endeavours to create an environment of trust and openness and encourages a culture of individual accountability. In the final analysis, SANRAL accepts that it is the people, especially those who wield power, that make or break the practice of good governance. It also believes that sound governance and individual and corporate accountability are inextricably linked to the efficient and effective delivery of its mandate to South Africa, and therefore accepts the responsibility to remain true to these values.





REPORT OF THE AUDIT AND RISK COMMITTEE

In terms of Treasury Regulation 27(1) of the Public Finance Management Act (1999) (PFMA), as amended, the Audit and Risk Committee report as follows for the financial year ended 31 March 2015.

1. AUDIT AND RISK COMMITTEE MEMBERS AND MEETINGS

The Audit and Risk Committee consists of the members listed hereunder and meets at least four times per annum as per its approved Charter. During the current year four meetings were held.

The committee members were as follows:

- Mr Roshan Morar, Chairperson (independent non-executive Board member)
- Mr Sipho Madonsela, Member (independent non-executive Board member)
- Mr Peter Derman, Member (independent non-executive Board member)
- Mr Anthony Julies, Observer (non-executive Board member).

The Shareholder appointed a new Board effective 1 March 2015. The new Audit and Risk Committee was appointed by the Board on 20 March 2015. The new members are:

- Dr Allyson Lawless, Chairperson (independent non-executive Board member)
- Ms Zibusiso Kganyago, Member (independent non-executive Board member)
- Mr Matete Matete, Member (independent non-executive Board member).

2. RESPONSIBILITIES OF THE COMMITTEE

The Audit and Risk Committee has adopted the Audit and Risk Committee Charter, which has been confirmed by the Board. It reports that it has discharged its responsibilities as contained in the Audit and Risk Committee Charter.

In executing its duties during the reporting period, the Audit and Risk Committee has:

- 2.1 Reviewed and considered the annual integrated report and financial statements.
- 2.2 Monitored and supervised the effective operation of the internal control and internal audit function.
- 2.3 Overseen the external audit process and the review of the report of the Auditor-General.
- 2.4 Ensured that an effective, efficient and transparent system of risk management is maintained.
- 2.5 Assisted the Board in carrying out its information-technology governance responsibilities.

The committee has assisted the Board with the following:

- a) Reviewing the strategic plan and annual performance plan prior to Board approval.
- b) Reviewing the annual budget prior to Board approval.
- c) Reviewing the summary of public liability claims and other legal actions prior to Board approval.
- d) Performing such other oversight functions as may be determined by the Board.

3. ADEQUACY OF INTERNAL CONTROLS

SANRAL's system of internal control is designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. The committee is pleased to report that nothing came to



its attention suggesting that any material breakdown had occurred in the functioning of the systems, procedures and controls that could lead to material losses, contingencies or uncertainties that would require disclosure in the financial statements, other than the Gauteng open-road tolling. Any control deficiencies identified by the internal and external auditors, including on this project, were brought to the attention of the committee and corrective action was implemented by management. Where internal controls did not operate effectively throughout the year, compensating controls or corrective action or both were used to eliminate or reduce risks. For Gauteng open-road tolling, a specific risk realisation process concluded that no material errors or breaches materialised as a result of the control weakness identified. Additional substantive tests were performed to ensure that reported financial results were materially accurate.

The committee's assessment is that the overall control environment is adequate and effective. This assessment is supported by a written report from the internal audit function.

4. INTERNAL AUDIT

During the year under review, the internal audit function was outsourced to Ernst & Young and A2A Kopano Consortium for the period 1 July 2012 to 30 June 2015.

The Audit and Risk Committee reviewed and amended the Internal Audit Charter, which stipulates the terms of reference for the internal audit. The internal audit annual operational and three-year plans were considered and approved by the Audit and Risk Committee. All internal audit work performed, internal audit reports and progress reports were reviewed by the Audit and Risk Committee.

Internal Audit also actively participated in SANRAL's risk cluster, identifying and assessing risks.

5. EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit and Risk Committee has:

- Reviewed and discussed with the Auditor-General and the Board of Directors the audited financial statements to be included in the report.
- Reviewed the Auditor-General's management and audit reports.
- Reviewed changes in accounting policies and practices.
- Reviewed significant adjustments resulting from the audit.
- Reviewed the annual integrated report and recommended it for Board approval.

The Audit and Risk Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor-General.

Allyson Lawless
On behalf of the Audit and Risk Committee
as at 31 March 2015

Date: 25 May 2015





SECTION 4

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4.1 Report of the auditor-general to Parliament on the South African National Roads Agency SOC Limited

Report on the financial statements

Introduction

1. I have audited the financial statements of the South African National Roads Agency SOC Limited set out on pages 120 to 190, which comprise the statement of financial position as at 31 March 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

The accounting authority's responsibility for the financial statements

2. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the requirements of the Companies Act of South Africa, 2008 (Act No. 71 of 2008) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the South African National Roads Agency SOC Limited as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards, the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the requirements of the Companies Act of South Africa, 2008 (Act No. 71 of 2008).

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Going concern of Gauteng Freeway Improvement Project

8. Disclosure note 45 to the annual financial statements on page 190 indicates that the announcement of the new dispensation on the Gauteng Freeway Improvement Project (GFIP) has ensured that the project can continue and the uncertainty whether the tolling of GFIP will continue as a result of the announcement of the Provincial Panel on e-toll in July 2014, has been removed. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Significant Judgement

9. As disclosed in note 23 of the financial statements, alternative tariff revenue to the amount of R6.1 billion for Gauteng Open Road Tolling has not been recognised. In management's judgement it is not probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue to be recognised cannot be measured reliably.

Restatement of corresponding figures

10. The corresponding figures for 31 March 2014 have been restated as a result of an error discovered during 31 March 2015 in the financial statements of the South African National Roads Agency (SOC) Limited, as disclosed in note 43 of the annual financial statements.

Additional matter

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Other reports required by the Companies Act

12. As part of our audit of the financial statements for the year ended 31 March 2015, I have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements in respect of which I have expressed an audit opinion. I have not audited the reports and accordingly do not express an opinion on them.

Report on other legal and regulatory requirements

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the national public entity for the year ended 31 March 2015:
- Manage the national road network effectively: strategic objective 1 on page 88
 - Provide safe roads: strategic objective 2 on page 88
 - Carry out Government's Targeted Programmes - Transformation: strategic objective 3 on page 89
 - Achieve financial sustainability: strategic objective 6 on page 91
15. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
16. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well

4.1 Report of the auditor-general to Parliament on the South African National Roads Agency SOC Limited

defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPPI).

17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Additional matter

19. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives; I draw attention to the following matter:

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for objective 3: Carry out Government's Targeted Programmes - Transformation. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

21. I performed procedures to obtain evidence that the national public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Financial statements, performance and annual reports

22. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (b) of the Public Finance Management Act and section 29(1)(a) of the Companies Act (Registered Companies). Material misstatements identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

23. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.
24. Invitations for competitive bidding were not always advertised in at least the government tender bulletin as required by Treasury Regulations 16A6.3(c) and the CIDB iTender system for construction contracts as required by CIDB requirements.
25. Contracts were awarded to bidders who did not submit a declaration of past supply chain practices such as fraud, abuse of SCM system and non-performance, which is prescribed in order to comply with Treasury regulation 16A9.2
26. Contracts were awarded to bidders based on preference points that were not allocated and/or calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations. Bidders did not submit original and valid B-BBEE Status Level Verification Certificates or certified copies thereof.

Expenditure management

27. The accounting authority did not take effective steps to prevent irregular expenditure, as required by section 51(1) (b) (ii) of the Public Finance Management Act.

Internal control

28. I considered internal control relevant to my audit of the financial statements, performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the performance report and the findings on non-compliance with legislation included in this report.

Leadership

29. The accounting authority exercised limited oversight over the financial statements, reporting on predetermined objectives and compliance with laws and regulations. This resulted in material misstatements identified in the financial statements, findings on the predetermined objectives and non-compliance with laws and regulations.

Financial and performance management

30. The financial records contained numerous misstatements. The entity did not put adequate controls in place to ensure the accuracy and completeness of the classes of transactions, account balances and disclosures in the financial statements. The financial statements submitted by the entity to the audit committee and for audit purposes were not effectively reviewed by management and resulted in material misstatements pertaining to the following account balances/class of transactions/disclosures: Property, plant and equipment; toll revenue; financial liabilities and the irregular expenditure disclosure note. This was mainly due to lack of an adequate review process. Proper control systems over assets were not always implemented, as required by sections 50(1) (a) and 51(1) (c) of the Public Finance Management Act. The internal control weaknesses identified in the Gauteng Open Road Tolling control environment have not been addressed effectively as there is no significant improvement in findings.

Other reports**Investigations**

31. An investigation on allegations of maladministration and irregular procurement processes relating to the Gauteng e-tolling contracts is being conducted since 2012 by the Public Protector, in terms of section 182 of the Constitution of the Republic of South Africa Act. The investigation is ongoing.

Auditor General

Pretoria
31 July 2015



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

4.2 Directors' Report

The directors present their annual report as part of the audited annual financial statements of SANRAL for the year ended 31 March 2015.

SANRAL is incorporated as a state-owned company in South Africa in terms of the Companies Act (No. 71 of 2008), and is listed as a national public entity in schedule 3A of the Public Finance Management Act (No. 1 of 1999) (PFMA), as amended.

The Board of Directors acts as the accounting authority in terms of the PFMA, section 49(2)(a).

Principal activities

The principal activities of SANRAL are the financing, management, control, planning, development, maintenance and rehabilitation of South Africa's proclaimed national road network, as prescribed by the South African National Roads Agency Limited and National Roads Act (No. 7 of 1998).

Financially and publicly the 2015 financial year were mostly impacted by the announcement of the Provincial Panel on e-toll. The announcement had a significant impact on the payment rate of users of the Gauteng Freeway Improvement Project (GFIP). In the initial months of the project the payment rate was higher than the expected monthly forecast up to June 2014, when the Panel was announced. The uncertainty brought about not only affected users but also investors view on SANRAL and the ratings' agency Moodys. Ironically Moodys changed the credit outlook, based on the positive trends from the payment rate, from "negative" to "stable" two days before the announcement of the Panel. Later in the year Moodys reversed this decision and moved it back to "negative" outlook with a downgrade to the Basis Credit Assessment (BCA). The Panel's report to the Premier of Gauteng was followed by the establishment of a task team under the Inter-Ministerial Committee (IMC), chaired by the Deputy-President. The task team was mandated to negotiate a "hybrid model", which necessitated the involvement of National Treasury, Department of Transport and the Gauteng Province; as the outcome will impact on SANRAL's financial sustainability – which has a direct bearing on the national fiscus. Even though the task team had already reported its final recommendations to the IMC by the reporting date of 31 March 2015, the final announcement was only made after this date on 20 May 2015.

As far as the N1/N2 Winelands project is concerned the City of Cape Town continues to delay the implementation of the Winelands project by not completing the process for the review hearings to proceed. The City reneged on its undertaking to keep certain proprietary information confidential. This matter was heard in the Western Cape High Court and taken on appeal to the Supreme Court of Appeal in Bloemfontein. A date, 11 August 2015, has now been set by the Western Cape High Court for the review hearings. The process of completing the tender process can only commence once the legal proceedings are completed. The Concessionaire has not been appointed nor have the tariffs been gazetted by the Minister of Transport as required by legislation.

The declared national road network on 31 March 2015 was 21 403 km. Of this, 85 percent are non-toll roads and 15 percent are toll roads. During the financial year 1699 km of non-toll roads were incorporated from Limpopo, in the national road network.

Although the national roads account for 2.9 percent of the total road network in South Africa, about 30 percent of the total vehicle kilometres travelled and 70 percent of long distance road freight is on national roads. Vehicle kilometre travel density is currently increasing by 3.5 percent per year, which reflects the increase of traffic on national roads.

During 2014/15, R2 465.9 million (2014: R3 123.8 million) was spent directly on toll roads, comprising R467.4 million for capital and R1 998.5 million on maintenance. During the same period, R10 385.7 million (2014: R10 006.4 million) was spent directly on non-toll roads, split between capital works (R6 733.3 million) and maintenance (R3 652.4 million).

Directors and secretary

The Board, as appointed by the Minister from 1 December 2011, consisted of the following people:

- **Executive Director**
N Alli (Chief Executive Officer)
- **Non-executive Directors**
T Mnyaka (Chairperson)
P Derman
A Julies (Public official)*
S Madonsela
R Morar
D Nyamane
C Hlabisa (Public Official)**

* Mr Julies is the appointed representative of the Minister of Finance and is an employee of National Treasury.

** Mr Hlabisa is the appointed representative of the Minister of Transport and is an employee of the Department of Transport. He was appointed to the Board by the shareholder on 20 August 2013.

This Board's term ended on 28 February 2015 and a new Board was appointed by the shareholder, effective 1 March 2015. They are:

- **Executive Director**
N Alli (Chief Executive Officer)
- **Non-executive Directors**
R Morar (Chairperson)
C Hlabisa (Public Official)**
Z Kganyago
A Lawless
M Moore (Public official)*
D Mashile-Nkosi
M Matete

* Ms Moore is the appointed representative of the Minister of Finance and is an employee of National Treasury.

** Mr Hlabisa is the appointed representative of the Minister of Transport and is an employee of the Department of Transport. He was appointed to the Board by the shareholder on 20 August 2013.

For the year under review AA Mathew was the company secretary and her business and postal addresses are:

Business address:	Postal address:
48 Tambotie Avenue	P.O. Box 415
Val de Grace	Pretoria
Pretoria	0001
0184	

Organisational structure

SANRAL is managed in three clusters: finance, engineering and corporate services. Inge Mulder, Koos Smit and Heidi Harper headed these clusters, respectively, for the year under review.

SANRAL is further divided into four regional offices and a corporate office. The regional managers are Ismail Essa (Northern Region – Menlyn, Pretoria), Kobus van der Walt (Western Region – Bellville), Mbulelo Peterson (Southern Region – Port Elizabeth) and Logashri Sewnarain (Eastern Region – Pietermaritzburg).

For reporting purposes, SANRAL separates its business activities and accounting records into toll and non-toll operations. Toll roads are deemed to be self-funding, and for the purposes of financial analysis are assumed to amortise debt over a period of 30 years. SANRAL's toll road business is funded through borrowings on the capital markets. All the bonds issued are listed and traded on the JSE Limited.

The guaranteed bonds are identified by the prefix SZ and HWAY, and the non-guaranteed by the prefix NRA.

The borrowing limit approved by National Treasury is R47.91 billion (depending on CPI assumptions) of which up to R37.91 billion will be guaranteed. During the previous financial year a short term borrowing strategy was approved to provide bridging finance until normal auctions can commence. A total of R5 billion was funded through this strategy which ensured that all debt service requirements and operational expenditure were funded. Monthly auctions resumed in April 2014 and raised a nominal of R4 892 million in the ten auctions, with varying success and widening spreads, especially from the announcement of the Gauteng Provincial Panel on etolls.

The Austrian governments' export credit agency, OeKB, issued a guarantee to SANRAL, which was used to borrow from a local financial institution at very favourable rates. This ECA facility of R550 million has been only partially drawn down, with a further draw down in June 2013. Repayment of the capital portion of this loan commenced in the 2015 financial year.

At 31 March 2015, cash and cash equivalents held were R9.8 billion (2014: R4.1 billion). In the normal course of business, SANRAL maintains a healthy liquidity buffer (3x monthly estimated expenditure) to limit liquidity risk. However, due to the uncertainty the cash holdings were increased in the event of a failed auction or further decline in the payment trends on GFIP. The weighted average investment rate for the current financial year was 6.21 percent (2014: 5.33 percent).

Non-toll roads are financed through parliamentary appropriations under the vote of the National Department of Transport.

Taxation

SANRAL has been exempted from income tax in the Government Gazette of 22 December 2003 (Revenue Laws Amendment Act, 2003 section 1(l) and 2(d)).

This exemption was backdated to the inception of the entity, and therefore no provision has been made for income tax or deferred tax.

Operating results

The net operating profit before finance cost for the year was R2 617.8 million (2014: R740.7 million). The loss after deducting finance cost is R1 106.9 million (2014: R2 311.4 million).

The financial statements on pages 120 to 190 set out fully the financial position, results of operations, changes in equity and cash flows of SANRAL for the financial year ended 31 March 2015.

Review of operations

• Property, plant and equipment

Road assets are valued on a depreciated replacement cost basis. The revaluation of the road network and structures were reviewed at year-end and adjusted reduced by R707.3 million. The lower valuation for concessionaires and PPE relates to the significantly lower crude oil prices, which resulted in lower fuel and bitumen prices.

The value of Land increased with R406.5 million, which relates to:

- a) An average increase in land values of about 3.39%
- b) Additional land being incorporated as part of the road network incorporation from Limpopo.

The remaining life of these assets is considered when determining their depreciated replacement cost, taking the condition of the pavement into account. In the financial year the average condition of national roads improved due to the capital projects (strengthening) that were completed as well as lower rainfall overall. Further information is available in note 5 and 6 of the financial statements.

• Revenue

- o Revenue from non-toll operations was R5 369.4 million for the year, which is a 5.79 percent increase from the previous year. This represents the grant received from government of R11 916.9 million, less R7 585.3 million capitalised and deferred for the year, plus R1 037.7 million realised from government grants received and capitalised in previous years.

Included in other income are contributions from other spheres of government and the private sector of R395.8 million. The monies received from other entities (to the extent that it has already been expensed) relate to projects managed by SANRAL, including assets owned by the other entities, and they contribute their proportionate share to the projects. The expenditure is included in the total expenditure reported in the financial results.

- o The toll revenue from operations was R6 331 million for the year, which is an 81.86 percent increase from the previous year. The GFIP contributed R3 793.9 million to this increase in revenue. The discounts provided to road users are not recognized as revenue as the probability that this amount will be received is very low. Revenue is therefore net of discounts. The conventional toll revenue increased by 9.4 percent. Even though average traffic increased by a modest 4.3 percent, heavy vehicles increased by 5.7 percent, contributing more to revenue. The adjustment of toll tariffs was in line with CPI. No new gantries or plazas were opened during the year.
- o The comprehensive toll road operations and maintenance contract model consolidates the responsibility for the various activities and risks associated with the operations of the toll route. Under this arrangement, the main contractor is responsible for the total operation of the toll route. The operator under this model pays the actual gross income (tariff x vehicle) to SANRAL and then claims discounts, concessions and violations as a cost, based on an agreed cost matrix.
- o For the GFIP toll route, Sanral carries the responsibility and risk associated with the operations and collection of toll revenue. A service provider was appointed to manage the operations and collection. This agreement includes performance clauses as well as a performance guarantee in favour of SANRAL.

• Profit before taxation

- o The non-toll operating loss after finance charges, for the year ended 31 March 2015 was R73 million (2014: Profit of R502.4 million). Although income has increased by 8.5 percent, expenditure, mainly operational expenditure has increased (17.43 percent). Operational expenditure includes routine, ad hoc, special and periodic maintenance on roads. Included was repairs and maintenance to roads of R3 684.9 million, which increased by 1 percent. Continuous capital expenditure such as rehabilitation and strengthening projects, resulted in the increase in depreciation of R236.6 million. The increase in the grant received from government of 13.5 percent was therefore applied to continue with maintenance actions but the full remainder was allocated and spent on capital projects.

- o The toll operating loss after finance charges for the year ended 31 March 2015 was R1033,6 million. Finance costs increased by R672.6 million (22.04 percent) as a result of the increasing debt. Additionally the operational expenditure increased by R187.6 million, which includes routine, ad hoc, special and periodic maintenance on these roads and toll operations. There was an increase in toll income, excluding GFIP, of R220 million (9.4 percent). Repairs and maintenance decreased by R360.4 million (15.3 percent). The increase in normal depreciation (including concession assets) of R47.1 million (3.2 percent), due to the increase in completed capital works, increased the overall loss.
- o SANRAL currently applies the benchmark treatment of International Accounting Standard (IAS) 16 “property, plant and equipment”, which allows for the valuation of assets at fair value. SANRAL has adopted this principle as opposed to depreciated cost. Fair value in this instance represents the depreciated replacement cost, due to the specialised nature of these assets. This methodology takes the unit cost for road bed, layers and structures into account, as well as the condition or remaining life of the road asset.

In terms of IAS 36, assets must be assessed annually and impairments recorded if their income generating potential is estimated to be less than the carrying value. Non-toll assets have been identified as a non-cash generating unit. The International Financial Reporting standards (IFRS) do not prescribe the impairment of non-cash generating units and allow other standards to apply in such instances. SANRAL has elected to apply the International Public Sector Accounting Standard 21 to determine the carrying amount of a non-cash generating unit.

- **Finance charges**

Net finance charges (finance costs less investment income) in 2015 were R483.7 million more than in the previous year. This excludes any fair value adjustments as indicated on the Statement of Profit and Loss.

Due to the high cash holding, the interest on bank deposits increased by R137.3 million.

Interest expense on liabilities increased by R817.16 million (26 percent), as a result of increased borrowing to ensure sufficient liquidity to fund operations, service debt and the liquidity buffer. Further details of finance costs are included in note 27 to the financial statements.

Review of financial position

- **Share capital**

The shareholding for the current year has remained unchanged. The Minister of Transport holds all shares issued by SANRAL.

- **Land**

SANRAL's property management is undertaken by a service provider that has the skills and resources required to manage and maintain our large land portfolio consisting of road reserve and adjacent severed properties. The service provider is a single entity that delivers all aspects of land surveying, valuing, property maintenance and management services. The service provider is managed by a team of SANRAL staff located in all our Regional and Head offices.

The contractual targets include a requirement that fifty percent of all work be subcontracted. This provides opportunities for small and previously disadvantaged firms to obtain property work from SANRAL. However, it remains difficult to engage professional black owned firms in sufficient numbers. The contractual requirement to offer training and promote economic development by addressing skills shortages and making work available to targeted groups has been complied with.

We comply with company law and IFRS by ensuring that all land acquired by our predecessors, whether inside or outside of the road reserve is identified and transferred into SANRAL's name. Land outside of road reserves is categorised as investment property or “other” land if it has no investment value due to its small size and/or nominal value. The land identification process and the transfer of land to SANRAL will expand as further provincial roads are added to our network. All land acquired by SANRAL since our inception date has always been transferred to us.

Our road reserves consist of 27 652 properties, while we have a total of 2 176 investment properties. This excludes the properties from the incorporation of roads from Limpopo.

A complete register of all land registered in SANRAL's name may be inspected at the SANRAL head office.

More details on the value and identification of land are disclosed in note 5 and 6 to the financial statements.

- **Investments**

SANRAL's non-current investments are set out in note 8 to the financial statements. No significant acquisitions or disposals occurred in the period under review.

Financial instruments, in the market making portfolio, are used to manage risks that SANRAL is exposed to in the capital markets. Details of the various risks and SANRAL's policy to manage these risks are set out in note 37 to the financial statements.

Materiality framework

A materiality framework has been developed for reporting losses through criminal conduct and irregular fruitless and wasteful expenditure or for significant transactions that require ministerial approval, as envisaged in section 54(2) of the PFMA. The framework was finalised by SANRAL after consultation with external and internal auditors, and formal approval was given by the Board on 25 May 2004. The framework was updated in January 2015 to incorporate the latest approved budget, resulting in a materiality value of R46 million.

Contingent liabilities

Details of claims and contingencies are provided in note 34 to the financial statements.

Subsequent events

On 20 May 2015, the Deputy President announced the new dispensation for the Gauteng Freeway Improvement Project (GFIP). Apart from the reduction in monthly caps, the single tariff regime and the proposed enforcement through blocking of issuing of vehicle licenses, a 60 percent reduction of outstanding debt was also announced. Effectively the alternate tariff of R1.74 is reduced to R0.70 per kilometer. This will have a material impact on the debtors and revenue for the year under review. Management has therefore included this in the financial results of the year under review.

Public- private partnerships

In addition to its parliamentary appropriation, SANRAL seeks other sources of finance to enhance the national road network that can reasonably be recovered through user charges. PPP's allow SANRAL to negotiate investments through the diverse sources of funding available from the private sector to meet identified infrastructure and service delivery needs, in a manner that is cost-effective and appropriately adapted to each particular project. Furthermore, this enables finance to be secured for the improvement and preservation of the country's road infrastructure assets for periods well beyond government's three-year expenditure horizon.

As a secondary benefit of PPPs, such as concession agreements, SANRAL has succeeded in attracting foreign direct investment into several projects, bringing both additional capacity and finance to promote economic development and stimulate growth. The multiplier effects of expenditure on road infrastructure contribute to economic growth and social development through job creation and economic independence.

The agreement with Trans African Concessions (Pty) Ltd is effective from 6 February 1998 and terminates on 5 February 2028. This includes the extension of the N4 as agreed during the 2005 financial year.

The agreement with N3 Toll Concessions (Pty) Ltd is effective from 2 November 1999 and terminates on 1 November 2029.

The agreement with Bakwena Platinum concession Consortium (Pty) Ltd is effective from 27 August 2001 and terminates on 26 August 2031.

See note 38 in the financial statements for further information.

SANRAL has considered the implications of International Financial Reporting Interpretation Code 12 and the Accounting Standards Board's guideline in terms of accounting for assets under concessions, and has decided to account for these assets by recording these as property, plant and equipment. In the absence of clear accounting guidance from these guidelines, SANRAL has set out its interpretation in note 4.

Credit rating

To strengthen SANRAL's ability to attract funds for its toll portfolio and instill confidence in the investor community, SANRAL has obtained credit ratings, from Moody's, an independent international rating agency since March 2007.

The credit rating enables SANRAL to raise non-guaranteed and guaranteed debt competitively, thus further releasing tax-based revenues to meet other pressing demands.

The rating is currently as follows:

National Scale Issuer Ratings:		Global Scale Issuer Ratings:	
Long-Term:	A3.za	Long-Term:	Baa3
Short-Term:	P-2.za	Short-Term:	P-3

On 27 June 2014, Moody's announced that SANRAL's outlook changed from "negative" to "stable". However, pending the effectiveness of debt collection on GFIP, the Baseline Credit Assessment (BCA) was moved down from Ba2 to Ba3. This rating is based on the intrinsic financial strength of the entity. Unfortunately, the outlook was changed back to "negative" in January 2015, due to the continuous decline in the payment rate from GFIP toll revenue, since the announcement of the Gauteng Provincial Panel.

Corporate social investment

SANRAL believes that communities should receive lifelong benefits that help people become economically independent. We continue to insistently pursue a number of projects that support the development of human capital in South Africa. Apart from the provision of training programmes in construction works, SANRAL also focuses on developing human capital through educational programmes at tertiary institutions, providing internships for trainees and awarding bursaries and scholarships to university students and high school learners.

Auditors

The Auditor-General (AGSA) is the external auditor of SANRAL, as prescribed in the South African National Roads Agency Limited and Roads Act – section 36 (3)(a).

Dividends

No dividends have been declared by SANRAL.

Going concern

The going concern basis has been adopted in preparing the financial statements.

Even though the payment rate of the toll revenue from GFIP has declined steeply, the monthly auctions ensured that SANRAL has sufficient cash to continue with operations for at least a 12 month period. Most of the maturing debt in September 2015 has already been refinanced, with a high probability that the short term debt also maturing then, will be rolled by the investor. Additionally the announcement of the new dispensation on GFIP has ensured that the project can continue and that the uncertainty has been removed.

As required by our act, the non-toll and toll operations are run as two separate entities, which includes the financing thereof. The non-toll operations are not allowed to borrow money for any part of the operations and are also not allowed to budget for a cash deficit. Thus non-toll operations are totally reliant on government allocations - a cash operation.

The toll operation finances itself and is not allowed to be subsidised by the non-toll operations. To this effect, the loan supportable by revenue calculation completed biannually to determine the ability of the portfolio and its revenue flows to repay its debt. The debt service cover ratio (greater than 1) and the traffic volumes of a road are considered before conducting feasibility studies to ascertain the viability of the road to operate as a toll road. If the loan supported by revenue value is positive, the declaration will be considered.

The toll operations' model is commonly known as the J-curve model. Because it may not collect toll revenue until the improvements or additions have been made to a declared toll road, SANRAL continues to borrow funds, reflecting losses, until such time as revenue is collected. The strength of a toll road will determine how long it takes to turn positive after the initial construction period is completed. Normally, this could be between 12 and 20 years – well within the expected life of the road. The model also takes future capital and operating expenditure into account.

Furthermore, SANRAL may not be placed under judicial management or in liquidation except by an act of Parliament (Section 10 of the South African National Roads Agency and National Roads Act No 7 of 1998.) This is an implied guarantee from the republic.

Directors' interests in contracts

The directors' interests in contracts and other related party transactions that were entered into in the year under review are detailed in note 35 to the annual financial statements.

Addresses

SANRAL's business, postal and registered addresses are as follows:

Business address	Postal address	Registered address
48 Tambotie Avenue Val de Grace Pretoria 0184	P.O. Box 415 Pretoria 0001	48 Tambotie Avenue Val de Grace Pretoria 0184



Roshan Morar
Chairperson of the Board of Directors
27 May 2015

4.3 Statement of Responsibility by the Board of Directors

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of the South African National Roads Agency Limited. The financial statements presented on pages 120 to 190 have been prepared in accordance with International Financial Reporting Standards, and include amounts based on judgments and estimates made by management. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The going concern basis has been adopted in preparing the financial statements. The directors believe that based on the projected Medium Term Expenditure Framework allocations and the policy of adjusting the toll tariffs in line with the consumer price index, SANRAL will be a going concern in the foreseeable future. These financial statements support the viability of SANRAL.

The financial statements have been audited by independent auditors, who were given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and committees of the Board.

The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The audit report of the Office of the Auditor-General is presented on pages 108 to 111.

The financial statements were approved by the Board of Directors on 27 May 2015 and are signed on its behalf.



Roshan Morar
Chairperson of the Board of Directors
27 May 2015

4.4 Company Secretary's Certification

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

I hereby confirm in terms of the Companies Act, (Act No. 71 of 2008), as amended, that for the year ended 31 March 2015, the South African National Roads Agency SOC Limited has lodged with the Companies and Intellectual Property Commission all returns as are required in terms of this act, and that all such returns are true, correct and up to date.



Alice Mathew
Company Secretary

18 May 2015

Statement of Financial Position as at 31 March 2015

	Note(s)	2015 R '000	2014 Restated R '000	2013 Restated R '000
Assets				
Non-Current Assets				
Property, plant and equipment under concession	4	42 368 191	33 835 211	30 233 733
Property, plant and equipment	5	266 551 921	269 912 561	238 514 913
Investment property	6	1 318 565	1 389 814	1 320 350
Intangible assets	7	44 009	30 254	28 627
Investments	8	259 905	253 289	249 303
		310 542 591	305 421 129	270 346 926
Current Assets				
Trade and other receivables	9	4 665 888	1 158 103	564 858
Investments	8	452 605	763 598	324 305
Non-current assets held for sale	10	26 971	86 740	132 928
Cash and cash equivalents	11	9 780 716	4 150 924	4 419 333
		14 926 180	6 159 365	5 441 424
Total Assets		325 468 771	311 580 494	275 788 350
Equity and Liabilities				
Equity				
Share capital	12	1 091 044	1 091 044	1 091 044
Revaluation reserves	13	239 039 666	239 340 443	210 590 326
Accumulated loss	13	(8 416 864)	(7 557 919)	(5 233 236)
		231 713 846	232 873 568	206 448 134
Liabilities				
Non-Current Liabilities				
Borrowings	14	36 714 191	30 083 772	28 190 900
Employee benefits	16	32 450	28 587	11 564
Operating lease liability	15	722	202	114
Deferred income	17	33 377 742	28 249 908	23 070 464
Provision for rehabilitation costs	18	13 512	16 452	13 283
Deferred exchange consideration	20	6 123 623	5 452 485	5 478 096
		76 262 240	63 831 406	56 764 421
Current Liabilities				
Borrowings	14	10 400 637	9 746 278	8 006 645
Operating lease liability	15	418	770	438
Deferred income	17	2 602 065	1 240 620	1 056 221
Provision for overload control	19	374 429	393 249	-
Deferred exchange consideration	20	412 539	655 345	348 682
Third party funding	22	748 652	1 027 785	552 342
Trade and other payables	21	2 953 945	1 811 473	2 611 467
		17 492 685	14 875 520	12 575 795
Total Liabilities		93 754 925	78 706 926	69 340 216
Total Equity and Liabilities		325 468 771	311 580 494	275 788 350

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2015 R '000	2014 Restated R '000
Revenue	23	11 701 142	8 556 657
Other income	24	404 377	553 661
Operating expenses	25	(10 020 994)	(8 821 162)
Operating profit		2 084 525	289 156
Investment income	26	578 279	389 385
Change in fair value of investment property		(45 003)	62 152
Finance costs	27	(3 724 691)	(3 052 074)
(Loss) profit for the year		(1 106 890)	(2 311 381)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements on net defined benefit liability/asset		(796)	(16 139)
Gains on road network assets revaluation		(707 292)	27 481 793
Gains on land revaluation		406 515	1 268 324
Total items that will not be reclassified to profit or loss		(301 573)	28 733 978
Other comprehensive (loss)/income for the year		(301 573)	28 733 978
Total comprehensive (loss)/income for the year		(1 408 463)	26 422 597

Statement of Changes in Equity

	Share capital R '000	Share premium R '000	Total share capital R '000	Revaluation reserve R '000	Accumulated loss R '000	Total equity R '000
Balance at 01 April 2013		4	1 091 040	210 590 326	(5 233 236)	206 448 134
Loss for the year as previously reported		-	-	-	(2 776 431)	(2 776 431)
Post retirement benefit: Actuarial gains and losses restated in other comprehensive income*		-	-	-	(16 139)	(16 139)
Prior period error**		-	-	-	467 887	467 887
Revaluation of road network assets		-	-	27 481 793	-	27 481 793
Revaluation of land		-	-	1 268 324	-	1 268 324
Total comprehensive income for the year		-	-	28 750 117	(2 324 683)	26 425 434
Restated balance at 1 April 2014		4	1 091 040	239 340 443	(7 557 919)	232 873 568
Loss for the year		-	-	-	(1 106 890)	(1 106 890)
Post retirement benefit: Actuarial gains and losses		-	-	-	(796)	(796)
Prior year reversal (other income, debtors and assets)		-	-	-	248 741	248 741
Revaluation of road network assets		-	-	(707 292)	-	(707 292)
Revaluation of land		-	-	406 515	-	406 515
Total comprehensive income for the year		-	-	(300 777)	(858 945)	(1 159 722)
Balance at 31 March 2015		4	1 091 040	239 039 666	(8 416 864)	231 713 846

Note(s)

12

12

13

** Refer to note 43.

Statement of Cash Flows

	Note(s)	2015 R '000	2014 Restated R '000
Cash flows from operating activities			
Cash receipts from customers	31	8 489 772	7 707 018
Cash paid to suppliers and employees	30	(6 042 149)	(6 410 744)
Cash generated from operations	29	2 445 623	1 296 274
Interest income received		437 552	326 491
Finance costs paid		(3 313 527)	(3 504 220)
Net cash from operating activities		(430 352)	(1 881 455)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(8 270 237)	(7 837 611)
Sale of property, plant and equipment	5	937 450	3 413
Sale of investment property	6	86 716	47 884
Purchase of other intangible assets	7	(19 708)	(6 600)
Decrease/ (increase) in investments		304 377	(443 279)
Sale of financial assets		-	-
Purchase of property, plant and equipment under concession	4	(840 872)	(641 059)
Net cash from investing activities		(7 802 274)	(8 877 252)
Cash flows from financing activities			
(Proceeds raised from borrowing activities)		6 566 266	3 933 542
Exchange consideration on concession assets less disposals		840 872	641 059
Payments on debt management		14 983	(33 037)
Capital portion of government grant received and deferred income	32	6 873 389	6 195 761
Net movement in Market-Making instruments		(433 093)	(247 028)
Net cash from financing activities		13 862 418	10 490 298
Net increase/(decrease) in cash and cash equivalents for the period		5 629 792	(268 409)
Cash and cash equivalents at the beginning of the period		4 150 924	4 419 333
Total cash and cash equivalents at end of the period	11	9 780 716	4 150 924

Accounting Policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the Companies Act of South Africa, 71 of 2008. The annual financial statements have been prepared on the historical cost basis, except for the following:

- Held-for-trading financial instruments within the toll segment (measured at fair value)
- Land (measured at revalued amount)
- Road network assets (measured at revalued amount)
- Investment property (measured at fair value)

and incorporate the principal accounting policies set out below. They are presented in South African Rands, which is the functional currency of the company and are rounded to the nearest thousand.

These accounting policies are consistent with the previous period. Refer to note 2.

Going concern

The directors have, at the time of approving the annual financial statements, a reasonable expectation that SANRAL will have adequate resources to continue in operational existence for the foreseeable future. Thus the going concern basis of accounting in preparing the annual financial statements continues to be adopted. Further details are contained in the Directors' report.

1.1 Statement of compliance

Public Finance Management Act ("PFMA")

The PFMA requires the South African National Roads Agency SOC Limited ("SANRAL") to report in terms of Generally Recognised Accounting Practice ("GRAP"), (PFMA chapter 6 para 55 (1)(b)).

The nature of SANRAL's operations are such that large amounts of finance are required from time to time. This finance is currently raised through debt that is publicly traded.

Approval was therefore granted by National Treasury for SANRAL to prepare its annual financial statements in accordance with IFRS from the 2007 financial year onwards.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are outlined below.

Gauteng Open Road Tolling

The following are the critical judgements, apart from those involving estimations, that SANRAL has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements.

Revenue recognition

For the purpose of measuring revenue arising from e-toll activities, which is measured at the fair value of the consideration received or receivable, SANRAL has reviewed its historic data and data of similar entities (where similar payment patterns exists) in order to determine the probability of receipt of payment and expected future economic benefits.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Probability of future economic benefits

SANRAL only recognises revenue to the extent that it is probable that future economic benefits will flow to the entity. In estimating the probability of future economic benefits that will flow to the entity, management bases their estimates on past experience. In making this judgement SANRAL makes a distinction between users based on their payment patterns. The revenue recognised takes cognisance of payment patterns.

As a result, revenue is not initially recognised from transactions where future inflow of economic benefits is assessed as improbable on the date of the transaction.

Discounts

SANRAL measure revenue at the fair value of the consideration received or receivable, net of discounts. The estimated discounts are based on SANRAL's past experience with similar transactions.

Changes in estimates

As SANRAL's historical data and experience increases, management is able to continuously refine estimates relating to the amount of revenue that qualifies for recognition, estimates of discounts to be applied, and estimates relating to subsequent impairments. These changes in estimates affect current and future periods' revenue and debtors are adjusted, prospectively, in the year that new information becomes available.

Useful lives and residual values

The estimated useful lives and residual values are reviewed annually taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the specific industries where these assets are used.

Refer to note 1.4 for the estimated useful lives for property plant and equipment and note 1.5 for intangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 and 19.

Impairment of assets

Property, plant and equipment are assessed annually for impairment.

Refer to note 5 for estimates and assumptions made for impairment of assets.

The impairment of investment property debtors is based on the values per the age analysis. These figures are calculated by the property administrators.

Contingent liabilities

Management applies its judgement to the facts, patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability (Note 34).

Post employment benefit obligations

In applying its judgement to defined benefit plans, management consulted with external experts in the accounting and post employment benefit obligation industry. The critical estimates as used in each benefit plan are detailed in note 16 to the financial statements.

Revaluation of property, plant and equipment and investment property

Refer to note 4, 5 and 13 for revaluation of property, plant and equipment and note 6 for revaluation of investment property.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by SANRAL is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. SANRAL uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the SANRAL for similar financial instruments.

1.3 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction and directly attributable costs are included in the initial measurement.

Investment property is held either to earn rental income or held for capital appreciation or for both purposes.

When the use of investment property changes such that it is reclassified as property, plant and equipment, its carrying value at the date of reclassification becomes its cost for subsequent accounting. For more information on valuation of investment property see note 6.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement, investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

There are no property interests held under operating leases which are recognised as investment property.

1.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

Item	Average useful life
Buildings	50 years
Equipment, vehicles and furniture	3-15 years
Road network - road beds	50 years
Road network - pavement layers	20 years
Road structures	50 years

Accounting Policies

1.4 Property, plant and equipment (continued)

Road beds are initially assumed to have a useful life of 50 years, and for road layers and structures the associated depreciation rate is related to condition indexes calculated from detailed condition assessments. The frequency of these condition assessments are related to the deterioration trend of the asset component, and range from 1 to 5 years.

Land is not depreciated. Leasehold improvements on premises occupied under operating leases are depreciated over their expected useful lives or, where shorter, the term of the lease.

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

Gains / losses on disposal or retirement of items of property, plant and equipment are determined as the difference between the net sales proceeds and the carrying amount of the item and are recognised in profit or loss.

1.5 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost together with directly attributable costs.

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

Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it is probable that additional future economic benefits embodied within the asset will flow to the company and the cost of such item can be measured reliably. All other expenditure is expensed as incurred.

Amortisation of intangible assets is recognised in profit or loss on a straight-line basis over the assets estimated useful lives. Intangible assets are amortised from the date they are available for use. The amortisation period, the amortisation method and residual values (if any) for intangible assets are reviewed at each reporting period. Indefinite intangible assets are not amortised but assessed for impairment on an annual basis.

Wayleave agreements relate to agreements with landowners. The landowners make the required part of their premises available to SANRAL for an agreed period of time in return for an agreed upon amount paid by SANRAL. The contract amount is amortised over the contract period.

Item	Useful life
Computer software	8 years
Wayleave agreements (definite)	Contract period
Wayleave agreements (indefinite)	Not amortised

1.6 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss
- Held-to-maturity investments
- Loans and receivables
- Financial liabilities at fair value through profit or loss
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives (held-for-trading financial liabilities) and financial instruments designated as at fair value through profit or loss, which are not to be reclassified out of the fair value through profit or loss category.

Accounting Policies

1.6 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments. Regular way purchases and sales of financial assets are accounted for at trade date i.e. the date that the company commits itself to purchase or sell the asset.

All financial assets are recognised initially at fair value, in the case of instruments not at fair value through profit or loss, less directly attributable transaction costs.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss when incurred.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial instruments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition.

Financial instruments at fair value through profit or loss are subsequently measured at fair value and changes therein are recognised in profit or loss.

The company has classified the following financial assets as at fair value through profit or loss financial assets, as they are held-for-trading:

- Market-making investments (consists of approved listed non-SANRAL bonds to create a market in order to reduce the cost of funding)

Held-to-maturity instruments

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

The amortised cost is the amount at which the instrument 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 for impairment or uncollectibility.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Such financial assets are subsequently measured at amortised cost using the effective interest method ("EIM"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIM. The EIM amortisation is included in investment income in profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs.

The company has classified the following as loans and receivables:

- Money market instruments (callable loan, cash deposits, cash on hand and current bank accounts)
- Receivables (trade and other receivables as well as accrued income)

Cash and cash equivalents

Accounting Policies

1.6 Financial instruments (continued)

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Subsequently to initial measurement, it is measured at amortised cost which approximates fair value.

Financial liabilities at amortised cost

Financial liabilities not classified as at fair value through profit or loss, are classified at amortised cost. Financial liabilities are measured at amortised cost using the effective interest method.

The company has classified the following financial liabilities as financial liabilities at amortised cost:

- SANRAL bonds included in the funding portfolio
- CPI Linked Loan
- Repurchase transactions where SANRAL is the initial seller of assets
- Interest-bearing loans and borrowings (such as the European Investment Bank ("EIB") loan)
- Trade and other payables

Third party funding

Third party funds are moneys received in advance from other entities (to the extent that it has already been expensed) which relate to projects managed by SANRAL, including assets owned by the other entities, and they contribute their proportionate share to the projects.

Third party funding is measured at cost as these liabilities do not have fixed maturity dates. The fair value of these items approximates their carrying value.

Gains and losses

Gains and losses (realised and unrealised) resulting from changes in market yields and realisation on financial instruments at fair value through profit or loss are included in profit or loss for the period in which they arise. Unrealised gains / losses equate to the difference between the fair value (clean price) at the previous valuation period and the fair value (clean price) at valuation date. Realised gains / losses comprise proceeds to the carrying amount.

Gains and losses due to impairment are recognised as stated in the paragraph dealing with impairment.

Derecognition

Financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset.

In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

On derecognition, the difference between the carrying amount of the financial asset, proceeds receivable and any prior adjustment to reflect the fair value which has been reported in other comprehensive income and accumulated in equity, are included in profit or loss for the period.

Financial liabilities (or portions thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it, are included in profit or loss for the period.

Accounting Policies

1.6 Financial instruments (continued)

Impairment of financial instruments

The company assesses carrying amounts of financial assets carried at amortised cost at each reporting date to determine whether there is any indication of impairment. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant individual financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment of trade receivables is recognised when there is objective evidence that SANRAL will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised.

For financial assets measured at amortised cost, the reversal is recognised in profit or loss. Impairment charges / reversals are recognised in profit or loss.

Derivatives

Derivative financial instruments are initially recognised at fair value with transaction costs being accounted for in profit or loss, on the date on which a derivative contract is entered into. Subsequent to initial recognition, derivatives are measured at fair value and the changes in the fair value of the derivatives are recognised immediately in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Sale and repurchase agreements

A repurchase agreement is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial asset at a future date for an amount equal to the cash or other consideration exchanged plus interest, effectively providing the transferee with a lender's rate of return. Repurchase agreements are utilised to place or borrow short-term cash with different institutions. The difference between the amount paid for purchase of financial assets and the amount received for the sale of financial assets represents interest.

SANRAL entered into repurchase agreements (repo) as part of its trading activities.

When entering a repo transaction, SANRAL either becomes the outright owner (borrowing stock, investing cash), or transfers ownership fully (lending stock, borrowing cash) of the bonds to the counterparty. There are no restrictions on the bonds during the period of the repo transaction for either party, other than that the second leg of the repo transaction has to be honoured by both parties.

Securities purchased under agreements to resell are recognised under "receivables" as "repurchase agreements". The underlying securities purchased under repurchase agreements are not recognised by the company. Likewise, underlying securities sold under repurchase agreements are not de-recognised by the company. A payable is recognised for the repurchase transaction, and recognised as "Repurchase obligations" under "Payables".

The risk that the company is exposed to is discussed in note 37.

The differences between the purchase and sale prices are treated as interest and are accrued using the effective interest method.

Accounting Policies

1.6 Financial instruments (continued)

Offset

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Held to maturity

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

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the company has the positive intention and ability to hold to maturity are classified as held to maturity.

1.7 Tax

Current tax assets and liabilities

SANRAL has been exempt from Income Tax in the Government Gazette of 22 December 2003, in terms of S10(1)(t)(iii) of the Income Tax Act, 1962. This exemption was backdated to the inception of the company.

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.

Accounting Policies

1.8 Leases (continued)

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Operating leases - lessor

Operating lease income is recognised as an income 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 income.

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. This asset is not discounted.

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

1.9 Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction and not through continuing use. The condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. These assets may be a component of the company, a disposal group or an individual non-current asset.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the company's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

1.10 Impairment of assets

Impairment of toll assets (Road construction assets self-funded through toll fees)

At each reporting date, the company reviews the carrying amounts of its toll assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash generating unit to which the asset belongs.

The recoverable amount of toll assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment of non-toll assets (State-funded through government grants)

The recoverable amount of non-toll assets is the greater of an asset's fair value less cost to sell and value in use. Non-toll assets are non-cash generating assets. Non-toll assets do not create cash flows from their use, and a market for non-toll roads does not exist. IFRS does not specifically cover the impairment of non-cash generating assets, and in such cases allows other sources such as pronouncements of other standard setting bodies to be considered. The determination of the carrying amount of non cash generating assets are discussed in International Public Sector Accounting Standard 21 (IPSAS 21). In accordance with IPSAS 21 value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using depreciated replacement cost. The company measures their non-toll assets on the revaluation model, based on depreciated replacement cost. Therefore the company's valuation already takes any impairment effect into consideration, and no further specific impairment test is performed on non-toll assets.

Impairment loss

Accounting Policies

1.10 Impairment of assets (continued)

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its long term recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Revalued assets

Impairment loss on revalued assets are recognised as a decrease in the revaluation reserve in other comprehensive income. A reversal of impairment loss is recognised as an increase in the revaluation reserve in other comprehensive income, limited to the assets' revalued amount.

1.11 Share capital and equity

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

Currently the company has normal issued share capital and share premium accounted for as equity instruments. Directly attributable costs with issuing of equity instruments are deducted against equity.

1.12 Employee benefits

Post-retirement obligations

The company provides post-retirement healthcare benefits to some of its employees. The entitlement to post retirement healthcare benefits is based on the employee remaining in service up to retirement age. This constitutes a defined contribution plan. Valuations of these obligations are carried out by independent actuaries.

The company recognises the estimated liability on an accrual basis over the working life of the eligible employees. Actuarial gains / losses are recognised in statement of other comprehensive income in the period in which they occur.

Defined contribution plans

The company operates a defined contribution plan, the assets of which are held in a separate trustee administered fund. The provident fund is funded by payments from the company, taking into account the recommendations of independent qualified actuaries. The company's contributions to the defined contribution plans are charged to the profit or loss as an employee benefit expense in the year to which they relate.

The company also has employees who are members of the Government Employee Pension Fund ("GEPF"). Contributions to the GEPF are charged to profit or loss in the year to which they relate as part of cost of employment. The company has no legal or constructive obligation to pay further contributions if the GEPF does not hold sufficient assets to pay all employees their benefit relating to employee service in the current and prior periods.

Accounting Policies

1.12 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit 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 the 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 year, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

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

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

1.13 Provisions

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the obligation. Where the effect of discounting to present values is material, provisions are adjusted to reflect the time value of money, and where appropriate, the risk specific to the liability. The unwinding of discount is recognised as finance cost.

Rehabilitation costs are provided for, based on the contractual agreement signed with the contractors maintaining or constructing the road networks and increased over the life span of the project. Once the project is complete, the provision for rehabilitation costs is reversed as the actual cost has been incurred and paid for.

Rehabilitation costs provided for projects that are capital in nature are capitalised to the respective asset. Rehabilitation costs provided for projects that are operational in nature are expensed in profit or loss.

Provisions are not recognised for future operating losses.

1.14 Government grants

Government grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

Accounting Policies

1.14 Government grants (continued)

Government grants received that compensate the company for capital expenditure (the cost of an asset) are included in non-current liabilities as deferred income and are released to income on a systematic basis in subsequent years over the estimated life of the related assets. Government grants received as compensation for acquisition of land are recognised as income when received, because land is not depreciated.

Government grants that compensate the company for expenses incurred are recognised in profit or loss immediately. The unspent portion of a grant is included in non-current liabilities as deferred income.

1.15 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates and similar allowances.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at financial position date.

Revenue from contracts is recognised on the accrual basis in accordance with the substance of the relevant agreements. SANRAL recognises revenue when the amount of revenue can be reliably measured; when it is probable that economic benefits will flow to the entity; and when specific criteria have been met for each of the SANRAL activities as described below. SANRAL bases its estimate for discounts on historical results, taking into account the type of customer, the transaction and the type of arrangement.

Toll income

Toll income from conventional plazas comprises the value of toll tariffs charged in respect of the toll operations, net of value added tax. Toll income is recognised when toll fees are received.

Concession income

Concession income is recognised on a straight-line basis over the term of the concession contract.

Gauteng Open Road Tolling

Revenue recognition

Gauteng Open Road Tolling (GORT) revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably. Management uses accumulated experience to estimate the probability of economic benefits flowing to SANRAL based on historic data.

E-toll revenue is recognised when a vehicle (class A to C) has passed through the GORT gantry and the vehicle has been identified as a valid e-toll passage (A valid e-toll passage is when a vehicle passes a gantry and all the identification processes are completed).

Measurement

E-toll revenue is measured at the fair value of the consideration received or receivable. Revenue is measured at the tariffs gazetted in the *government gazette no. 37038* dated 19 November 2013, less VAT and discounts provided for in the said gazette as well as any further gazetted tariff adjustments and discounts which may be published from time to time. Accumulated experience is used to determine the timing of receipts.

Revenue received in advance

E-toll revenue received in advance is deferred and recognised only when the vehicle (class A to C) has passed through the GORT gantry and the vehicle has been identified as a valid e-toll passage.

Revenue received in advance is measured at the fair value of the consideration received. Revenue is measured at the tariffs gazetted in the *government gazette no. 37038*, dated 19 November 2013, less VAT and discounts provided for in the said gazette.

Accounting Policies

1.16 Other income

Other income includes contributions from other spheres of government and the private sector. For managing projects this includes assets owned by other entities and they contribute their proportionate share to the projects for SANRAL's management.

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

1.17 Investment income and finance cost

Investment income comprises interest income on funds invested and changes in fair value of financial assets held-for-trading. Finance expenses comprise interest expenses on funds borrowed and changes in fair value of held-for-trading financial liabilities.

Interest income and expenses are recognised on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity. Interest income and expenses are recognised in profit or loss for all interest bearing instruments on an accrual basis using the effective interest method, except for market-making financial assets and liabilities.

The coupon interest of bonds included in market-making financial assets and liabilities is included under interest income and expense respectively. The remaining difference between interest calculated on amortised cost based on the effective interest and coupon interest is disclosed as part of held-for-trading gains and losses. Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate.

Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest method basis.

1.18 Borrowing costs

Borrowing costs comprises interest and other costs that the company incurs in connection with the borrowing of funds.

A qualifying asset comprises an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they have been incurred.

1.19 Public Private Partnerships ("PPP's")

PPP's entail that private entities take substantial risk for financing a project's capital and operating costs, designing and building a facility, and managing its operations to specified standards, normally over a significant period of time. In a PPP, the land typically belongs to the public institution, not to the private party, and the property, plant and equipment developed in terms of the PPP are thus state property.

Concession revenues

Where concessionaires have the right to charge and collect tolls, the company does not recognise any revenue. In circumstances where the concessionaire is required to pay a fee to the company, this amount is recognised as concession income and included in revenue.

Assets and depreciation

Toll concessions give the concessionaire the right to use the toll assets, while the company retains the title and ownership of the assets. Items of property, plant and equipment under concession agreements are recognised and measured in accordance with policies for property, plant and equipment.

Guarantees

Concessionaires are required to obtain guarantees in the form of performance bonds in favour of the company, relating to construction work, operation and maintenance activities of the concessionaire.

Accounting Policies

1.20 Irregular or fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of the Public Finance Management Act. Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular, fruitless and wasteful expenditure is charged against income in the period it was incurred and a corresponding liability is raised.

1.21 Segment information

Operational segment identification

For management purposes, SANRAL is currently organised into two divisions, toll and non-toll operations. These business segments' operating results are regularly reviewed by the entity's chief operating decision maker, and used to make decisions about resources to be allocated to the segments, as well as to assess their performance.

SANRAL considered the following factors during the identification of the reportable segments:

- Nature of the products/services rendered by the segment
- Nature of revenues generated by the segment
- Nature of expenses incurred by the segment
- Nature of the funding used to finance segment activities

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise investments (other than investment properties) and related revenue, loans and borrowings and related expenses, corporate assets (primarily head office) and head office expenses. There are no transactions between the business segments. Segment assets consist primarily of land, buildings, road and equipment. Segment liabilities comprise of deferred income and long term liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill and are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Source of segment revenue

The toll operating segment derives its revenue from levying toll fees to the users of the tolled roads in South Africa, as well as from concession fees from the concession contracts entered into with the concessionaires of certain national roads in South Africa. Specific grants from government for toll funding is also recognised as revenue, to the extent it has been realised. The balance is deferred.

The non-toll operating segment derives its revenue from government funding in the form of government grants.

Measurement of items reported in segment reporting

The amount of each segment item reported is the measure reported to the chief operating decision maker for the purposes of making decisions about allocating resources to the segments and assessing their performance.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current 2015 financial year, SANRAL has adopted the following standards and interpretations that are effective for the 2015 financial year and that are relevant to its operations:

IFRS 10 - Consolidated financial statements : Amendments for investments entities, allowing investments entities to account for investments in subsidiaries at fair value in the consolidated financial statements.	Annual periods beginning on or after 1 January 2014	None : SANRAL does not hold investments in other entities which may give rise to control. Furthermore, SANRAL does not meet the definition of an investment entity
IFRS 12 - Disclosure of interest in other entities : Amendments for disclosure of interests in investment entities.	Annual periods beginning on or after 1 January 2014	None : SANRAL does not hold investments in other entities which may give rise to control. Furthermore, SANRAL does not meet the definition of an investment entity

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

IAS 27 - Separate financial statements :

Amendments for investment entities.

Annual periods beginning on or after 1 January 2014

None: SANRAL does not hold investments in other entities which may give rise to control. Furthermore, SANRAL does not meet the definition of an investment entity

IAS 32 - Financial instruments - Presentation

: Amendments to application guidance on the offsetting of financial assets and financial liabilities.

Annual periods beginning on or after 1 January 2014

Low: The amendment clarifies when a financial asset and financial liability can be offset. This is unlikely to have a significant impact on SANRAL as the current accounting policy is to only offset when there is a legal right to offset and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.

IAS 36 - Impairment of assets : Amendments requiring additional disclosure of recoverable amounts of assets and cash generating units (CGUs) when an impairment loss is recognised or reversed and where the recoverable amount is determined based on the fair value less costs of disposal.

Annual periods beginning on or after 1 January 2014

Medium : The additional disclosure required by IAS 36 will need to be provided for assets and CGUs where impairments are recorded or reversed and where the recoverable amount is based on the fair value less costs of disposal.

IAS 39 - Financial instruments - recognition and measurement : Amendments for novation of derivatives which have been designated as hedging instruments.

Annual periods beginning on or after 1 January 2014

None: SANRAL does not enter into hedging relationships and therefore this amendment will not have an impact

IFRIC 21 - Levies : A government may impose levies on an entity. This interpretation addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.

Annual periods beginning on or after 1 January 2014

None: SANRAL does not pay levies to government.

2.2 Standards and interpretations not yet effective

The entity has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2015 or later periods:

IFRS 9 - Financial instruments	01/01/2018	High: SANRAL has financial instruments. Low: SANRAL has no interest in joint ventures.
IFRS 11 - Amendment to IFRS 11: Accounting for acquisition of interest in joint venture.	01/01/2016	Low: SANRAL has no regulatory liabilities.
IFRS 14 - Regulatory deferral	01/01/2016	High: SANRAL has both property plant and equipment and intangible assets.
IAS 16 and IAS 38 - Clarification of acceptable Methods of depreciation and amortisation	01/01/2016	High: This is new standard replacing IAS 18: Revenue. Therefore it will have an impact on revenue recognition and measurement.
IFRS 15 - Revenue from contract with customers	01/01/2017	

3. Fair value

A number of the SANRAL's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined based on the following methods: (Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.)

Investments in debt securities / Bonds

The fair value of financial instruments traded in an organised financial market is measured at the applicable quoted prices.

Notes to the Annual Financial Statements

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Consumer price index ("CPI") linked loan

The fair value of the CPI-linked loan is determined using an appropriate loan model (discounted cash flow analysis) to adjust the outstanding loan capital amount for changes in CPI rates. The CPI-linked feature in the CPI-linked loan is an embedded derivative that does not require separating from the host contract.

The South African Reserve Bank upper target limit for CPI of 6% was used.

Short term financial Instruments

At year end, the carrying amounts of cash and short term deposits, trade receivables, trade payables, accrued expenses, third party funding and borrowings (capital market loan held-for-trading and repurchase agreements) approximated their fair values due to the short term maturities of these assets and liabilities.

4. Property, plant and equipment under concession

	2015			2014		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	836 906	(129 557)	707 349	741 834	(113 235)	628 599
Road structures	4 876 891	16 645	4 893 536	5 726 717	(3 619 395)	2 107 322
Equipment	550 997	(260 352)	290 645	530 374	(225 415)	304 959
Property, plant and equipment under construction	1 094 245	-	1 094 245	871 502	-	871 502
Road network	45 636 819	(10 254 403)	35 382 416	38 753 139	(8 830 310)	29 922 829
Total	52 995 858	(10 627 667)	42 368 191	46 623 566	(12 788 355)	33 835 211

Reconciliation of property, plant and equipment under concession - 2015

	Opening balance	Additions	Transfers	Revaluation	Depreciation	Total
Buildings	628 599	-	95 072	-	(16 322)	707 349
Road structures	2 107 322	13 232	-	2 781 678	(8 696)	4 893 536
Equipment	304 959	8 776	11 838	-	(34 928)	290 645
Property, plant and equipment under construction	871 502	703 089	(480 346)	-	-	1 094 245
Road network	29 922 829	115 775	373 436	5 262 281	(291 905)	35 382 416
	33 835 211	840 872	-	8 043 959	(351 851)	42 368 191

Notes to the Annual Financial Statements

4. Property, plant and equipment under concession (continued)

Reconciliation of property, plant and equipment under concession - 2014

	Opening balance	Additions	Transfers	Revaluations	Depreciation	Total
Buildings	630 902	12 107	24	-	(14 434)	628 599
Road structures	480 093	14 023	915	1 612 465	(174)	2 107 322
Equipment	315 703	15 759	7 327	-	(33 830)	304 959
Property, plant and equipment under construction	759 296	421 645	(309 439)	-	-	871 502
Road network	28 047 739	177 525	301 173	1 664 752	(268 360)	29 922 829
	30 233 733	641 059	-	3 277 217	(316 798)	33 835 211

Carrying values

Carrying values of assets if all accounted for under the cost model:

	2015 R'000	2014 R'000
Buildings	707 349	628 599
Road structures	341 420	346 043
Equipment	290 645	304 959
Property, plant and equipment under construction	1 094 245	871 502
Road network	4 227 937	4 111 002
	6 661 596	6 262 105

Notes to the Annual Financial Statements

5. Property, plant and equipment

	2015			2014 Restated		
	Cost or revaluation R'000	Accumulated depreciation R'000	Carrying value R'000	Cost or revaluation R'000	Accumulated depreciation R'000	Carrying value R'000
Land	17 234 427	-	17 234 427	16 767 154	-	16 767 154
Buildings	1 740 346	(176 415)	1 563 931	1 666 591	(142 856)	1 523 735
Equipment, vehicles and furniture	1 925 850	(835 579)	1 090 271	1 886 057	(682 233)	1 203 824
Road network	271 689 667	(83 419 684)	188 269 983	280 043 310	(87 527 670)	192 515 640
Property, plant and equipment under construction	13 727 666	-	13 727 666	14 991 568	-	14 991 568
Road structures	48 245 350	(3 579 707)	44 665 643	46 203 631	(3 292 991)	42 910 640
Total	354 563 306	(88 011 385)	266 551 921	361 558 311	(91 645 750)	269 912 561

Notes to the Annual Financial Statements

Figures in Rand thousand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance R'000	Additions R'000	Disposals' R'000	Transfers R'000	Revaluations R'000	Depreciation R'000	Total R'000
Land	16 767 154	60 758	-	-	406 515	-	17 234 427
Buildings	1 523 735	25 018	-	50 132	-	(34 954)	1 563 931
Equipment, vehicles and furniture	1 203 823	39 565	(6 296)	10 873	-	(157 694)	1 090 271
Road network	192 515 640	2 358 330	(1 101 347)	6 989 463	(10 506 254)	(1 985 849)	188 269 983
Property, plant and equipment under construction	14 991 568	5 786 566	-	(7 050 468)	-	-	13 727 666
Road structures	42 910 640	-	-	-	1 755 003	-	44 665 643
	269 912 560	8 270 237	(1 107 643)	-	(8 344 736)	(2 178 497)	266 551 921

Reconciliation of property, plant and equipment - 2014 restated

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Revaluations R'000	Depreciation R'000	Impairment reversal R'000	Total R'000
Land	15 446 076	52 753	-	-	1 268 325	-	-	16 767 154
Buildings	1 472 043	10 087	(1 615)	70 901	-	(31 750)	4 069	1 523 735
Equipment, vehicles and furniture	66 718	104 819	(3 185)	1 185 998	-	(150 882)	355	1 203 823
Road network	167 995 280	940 559	-	3 295 839	22 013 818	(1 746 611)	16 755	192 515 640
Property, plant and equipment under construction	12 814 913	6 729 393	-	(4 552 738)	-	-	-	14 991 568
Road structures	40 719 883	-	-	-	2 190 757	-	-	42 910 640
	238 514 913	7 837 611	(4 800)	-	25 472 900	(1 929 243)	21 179	269 912 560

Notes to the Annual Financial Statements

5. Property, plant and equipment (continued)

Carrying values

The carrying values of assets if all accounted for under the cost model would have been:

	2015 R'000	2014 R'000
Land	731 805	671 048
Buildings	1 563 931	1 523 735
Equipment, vehicles and furniture	1 090 271	1 203 823
Road network	43 258 537	36 905 181
Property, plant and equipment under construction	13 727 666	14 991 568
Road structures	2 456 492	2 456 492
	62 828 702	57 751 847

Property, plant and equipment encumbered as security

Useful lives

The estimated useful lives are reflected on note 1.4.

Property, plant and equipment under construction

Property, plant and equipment under construction refer to capital expenditure on roads such as strengthening, improvements, new roads, buildings, and highway monitoring equipment. No impairment testing was considered for assets under construction as the risk of impairment is transferred to the contractor.

Land identification process

The land component of the road reserve valuation was valued on 1 April 1998, SANRAL has identified 27 652 (2014:26 661) properties falling within the road reserves and 2176 (2014: 2 237) investment properties which fall outside of the road reserve. The values are shown in the financial statements. For investment property values refer to note 6.

Revaluation of land

The land component of the road reserve was valued in terms of the depreciated replacement cost approach. The replacement cost of land was determined based on recent sales of vacant land with comparable location and, where applicable, adjusted in respect of engineering services' status and development rights on the road reserve. Applying the Across-The-Fence valuation model, a valuation was performed on the land component as at 31 March 2015 by an independent professional valuer.

Revaluation of road network and structures

Road network and structures are valued at depreciated replacement cost based on the estimated present cost of constructing the existing assets by the most appropriate current method of construction, reduced by factors for the age and condition of the asset. The estimated present material unit costs are assumed to be uniform across the country. Road beds are assumed to have useful life of 50 years, and for road layers and structures the associated depreciation rate is related to the condition indexes calculated from detailed condition assessments. The frequency of these condition assessments are related to the deterioration trend of the asset component and range from 1 to 5 years.

Management reviewed the valuations of the road network and structures as at 31 March 2015 due to decrease in material unit rates. Due to the unique nature of the assets, and the extensive detailed condition data required of the road network, structures and material unit costs, SANRAL performed the revaluation internally on road assets utilising information supplied by industry experts.

Notes to the Annual Financial Statements

5. Property, plant and equipment (continued)

Impairment of cash generating units (toll)

2015 financial year

At each reporting date, SANRAL assesses whether there is an indication that a non financial asset (toll cash generating unit) may be impaired. If such indications are identified, the asset's recoverable amount is estimated. In the current financial year, independent cash flows for Magalies toll plaza were obtained for the purpose of impairment testing. The cash flows indicated that the Magalies toll plaza's recoverable amount increased to R56,54 million due to increase in traffic volumes and a decrease future estimated maintenance costs. Therefore no impairment loss for this toll plaza was recognised

The carrying value of impaired asset was:

2014 financial year	Land and buildings R'000	Road network R'000	Road structures R'000	Equipment, vehicles and furniture R'000	Total R'000
Historical Cost - N4 Magalies	9 550	42 364	12 246	1 627	65 787
Accumulated depreciation	(1 633)	(14 421)	(4 169)	(1 168)	(21 391)
Revaluation	-	585 458	169 232	-	754 690
Accumulated impairment charge	(7 917)	(613 401)	(177 309)	(459)	(799 086)
Reversal of impairment charged	4 069	16 755	-	355	21 179
	4 069	16 755	-	355	21 179

6. Investment property

	Valuation 2015 R '000	Valuation 2014 R '000
Investment property	1 318 565	1 389 814
Total	1 318 565	1 389 814

Reconciliation of investment property - 2015

	Opening balance R '000	Additions R '000	Disposals R '000	Classified as held for sale R '000	Fair value adjustments R '000	Total R '000
Investment property	1 389 814	23 265	(87 306)	(52 211)	45 003	1 318 565
	1 389 814	23 265	(87 306)	(52 211)	45 003	1 318 565

Reconciliation of investment property - 2014

	Opening balance R '000	Disposals R '000	Classified as held for sale R '000	Fair value adjustments R '000	Total R '000
Investment property	1 320 350	(38 876)	46 188	62 152	1 389 814
	1 320 350	(38 876)	46 188	62 152	1 389 814

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

Notes to the Annual Financial Statements

6. Investment property (continued)

Additional information

Investment property comprises of a number of freehold properties (surplus or severed land) kept for appreciation in their value and for purpose of rental income. SANRAL's primary responsibility relates to the construction and maintenance of national roads, but during the execution of its normal responsibilities SANRAL may also become the owner of surplus land. Although such land is often alienated, SANRAL does not, per se, hold it for sale as part of its ordinary course of business. All surplus land that is not "owner occupied" is considered to be investment property.

The fair value of investment property is based on a valuation using the widely accepted "Across-The-Fence" model, taking into consideration the size, shape, accessibility and existing rights of the property.

The valuation was done by an independent valuer during the financial year ending 31 March 2015 who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. Valuation of investment property is done on an annual basis.

There are currently no restrictions on the realisability of investment property.

7. Intangible assets

	2015		2014	
	Cost R '000	Accumulated amortisation R '000	Cost R '000	Accumulated amortisation R '000
Computer software	34 997	(16 046)	31 638	(13 438)
Way leave agreements	32 594	(7 536)	16 245	(4 191)
Total	67 591	(23 582)	47 883	(17 629)
				Carrying value R '000
				18 200
				12 054
				30 254

Reconciliation of intangible assets - 2015

Computer software	Opening balance R '000	Additions R '000	Amortisation R '000	Total R '000
Way leave agreements	18 200	3 359	(2 608)	18 951
	12 054	16 349	(3 345)	25 058
	30 254	19 708	(5 953)	44 009

Reconciliation of intangible assets - 2014

Computer software	Opening balance R '000	Additions R '000	Amortisation R '000	Total R '000
Way leave agreements	19 313	970	(2 083)	18 200
	9 314	5 630	(2 890)	12 054
	28 627	6 600	(4 973)	30 254

Pledged as security

None of SANRAL's intangible assets are pledged as security for liabilities.

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
8. Investments		
At fair value through profit or loss - held for trading		
Market-making investments	452 605	763 598
Market-making investments consist of bonds. These bonds have yields of 8.34% (31 March 2014: between 5.90% and 8.04%). Market making investments are held to manage liquidity and to reduce the cost of borrowing.		
	452 605	763 598
Loans and receivables at amortised cost		
Capped insurance receivable	259 905	253 289
In September 2012 SANRAL signed a three year insurance agreement with Santam Insurance. SANRAL made an upfront deposit, and all claims up to the balance of the deposit are recovered from the funds deposited. Claims in excess of this deposit are paid by the insurer. The agreement provides for the repayment of the balance of the deposit at the end of the agreement period. The amount of R259.9 million (31 March 2014: R253.3 million) represents the balance for the period ending 31 March 2015.		
These funds earn interest at the three month Jibar based deposit rate, resetting three monthly, term twelve months, net of asset management fee currently 4.75%. The policy is renewed annually.		
Total other financial assets	712 510	1 016 887
Non-current assets		
Loans and receivables at amortised cost	259 905	253 289
Current assets		
At fair value through profit or loss held for trading (repurchase agreements)	452 605	763 598
	712 510	1 016 887
9. Trade and other receivables		
	2015 R '000	2014 R '000
Trade receivables (toll)	4 633 998	951 299
Other receivables	63 750	164 994
Accrued interest	37 394	17 225
Other receivables due from related parties	75 063	49 845
Impairment losses - toll and other receivables	(144 317)	(25 260)
	4 665 888	1 158 103

Trade and other receivables comprises mainly of e-toll debtors and share of joint projects costs from other spheres of government and private sector. R142.6 million of the impairment losses relates to the impairment of e-toll debtors

10. Assets classified as held for sale

Non-current assets held for sale

Opening balance	86 740	132 928
Investment property sold during the year	(5 950)	-
Additions to investment property held for sale	26 971	11 431
Fair value adjustment	(28 579)	11 784
Reclassified assets held for sale (no longer meeting criteria for recognition)	(52 211)	(69 403)
	26 971	86 740

Investment property held for sale comprises of excess land which was acquired for future roads construction.

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
	2015 R '000	2014 R '000
Cash on hand	13	9
Bank balances	432 465	107 498
Money market deposit accounts	9 348 238	4 043 417
	9 780 716	4 150 924

The effective interest rates on bank balances and money market deposit accounts was between 3.92% and 6.97% (2014: 2.61% and 5.61%), and the deposits have an average maturity of 40 days (2014: 20 days).

12. Share capital

	2015 R '000	2014 R '000
Authorised		
4 000 Ordinary shares of R1 each	4	4
Issued		
4 000 ordinary shares of R1 each	4	4
Share premium (4 000 Ordinary shares issued at a premium of R272 760 per share)	1 091 040	1 091 040
	1 091 044	1 091 044

Shares are held by the Minister of Transport.

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
13. Reserves		
Revaluation reserve		
Revaluation reserves are not distributable.		
The revaluation reserve relates to the revaluation of the following property, plant and equipment components:		
Land	16 508 832	16 102 319
Road network assets (comprising of road layers, road beds and road structures)	222 530 834	223 238 124
	239 039 666	239 340 443
A breakdown of the revaluation movement for the period affecting the statement of profit or loss and other comprehensive income is reflected below:		
Increase in revaluation amount for land	406 515	1 268 324
Decrease/(Increase) in revaluation amount for road network assets (comprising of road layers, road beds and road structures)	(707 292)	27 481 793
	(300 777)	28 750 117
Accumulated loss		
Accumulated losses are not distributable	(8 416 864)	(7 557 919)
	(8 416 864)	(7 557 919)
14. Borrowings		
	2015	2014
	R '000	Restated R '000
At fair value through profit or loss : held-for-trading		
Borrowings - Capital market loan	4 515 687	5 399 695
Other financial liabilities	680 121	247 028
Market making short term liability		
	5 195 808	5 646 723

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
14. Borrowings (continued)		
Held at amortised cost		
Borrowings - Capital market loan (Long term)	34 963 073	28 131 860
Borrowings - Capital market loan (Short term)	4 719 756	3 381 196
Borrowings - CPI-linked loan	473 536	597 986
The CPI-linked loan is repayable in monthly CPI-linked instalments at real interest rate of 3.9% per annum (31 March 2014: 3.9%) until 31 October 2018. This loan is guaranteed by government equal to the original loan.		
Borrowings - EIB loan	1 106 185	1 130 218
<i>SANRAL has entered into a loan agreement with the European Investment Bank (EIB). The loan was drawn in two tranches of R572 784 000 and R573 918 000 respectively during the 2011 financial year. The tranches bear interest at a fixed rate of 8.315% and 9.227% respectively. The loan is repayable over 20 years in semi-annual instalments. Repayments are made in South African Rands and commence in the 2015 financial year. This loan is guaranteed by government equal to the original value of the loan.</i>		
Borrowings - ECA supported loan	171 397	223 708
SANRAL has entered into a loan facility with the ABSA Bank amounting to R523 102 562 for the purchase of goods or services to support the open road tolling system of GFIP. The first tranche of R182 184 245 was drawn during the 2012 financial year. The tranche bears interest at a rate of 3 month JIBAR plus 1.75%. The loan is repayable over 10 years commencing in June 2012. The loan is supported by the Republic of Austria through Oesterreichische Kontrollbank Aktiengesellschaft, an export credit agency (ECA).		
Borrowings - Repurchase agreements	485 073	718 359
	41 919 020	34 183 327
	47 114 828	39 830 050
Non-current liabilities		
At amortised cost	36 714 191	30 083 772
Current liabilities		
Fair value through profit or loss	5 195 808	5 646 723
At amortised cost	5 204 829	4 099 555
	10 400 637	9 746 278
	47 114 828	39 830 050

Capital market loans

In July 2009 the South African government issued guarantees for borrowings by SANRAL up to a nominal value of R26.66 billion for 2015 (2014: R26.15 billion). SANRAL has issued a nominal of R20.78 billion as at 31 March 2015 (2014: R17.22 billion) under a guaranteed Domestic Medium Term Note (DMTN) programme (HWAY bonds). The funds raised through these borrowings can only be used for toll operations.

On 16 November 1999, the South African government issued guarantees for borrowings (SZ Bonds) by SANRAL up to a nominal value of R6 billion. SANRAL has issued a nominal of R4.40 billion as at 31 March 2015 (2014: R5.68 billion) under this guaranteed programme. The funds raised through these borrowings can only be used for toll operations.

The South African government also approved an unguaranteed borrowing capacity of up to a nominal value of R15 billion as at 31 March 2015 (R15 billion as at 31 March 2014). SANRAL issued a nominal of R9.72 billion as at 31 March 2015 (R13.38 billion as at 31 March 2014) under the non-guaranteed DMTN programme (NRA bonds). The funds raised through these borrowings can only be used for toll operations.

For further terms and conditions, including risk management information, refer to note 37.

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
15. Operating lease liability		
Non-current liabilities	722	202
Current liabilities	418	770
	1 140	972
Balance brought forward	972	552
Amount realised in profit or loss	168	420
	1 140	972

The operating lease liability arises from the straight lining of lease payments over the period of the contract. Lease contracts run over various periods of time, of which the last contract end in 2017.

16. Employee benefits

Post retirement health-care benefits

	2015 R '000	2014 R '000
Movement in liability for obligation:		
Accrued liability at beginning of the year	28 587	11 564
Benefits paid out	(392)	(303)
Current service cost, interest and actuarial gains and losses	4 255	17 326
	32 450	28 587
Net expense recognised in profit or loss		
Current service cost	3 017	326
Interest cost	2 812	862
	5 829	1 188

The expense is recognised in the operating expenses line item in profit or loss.

The entitlement of these benefits is dependent upon the employee remaining in service until retirement age and completing a minimum service period, and is subject to periodic review. SANRAL recognises the estimated liability on an accrued basis over the working life of the eligible employees. During 2014, SANRAL extended its post retirement medical aid benefits to all its employees. The entitlement is based on the employee remaining in the employment of the organisation for a period of 15 years uninterrupted service until retirement. An additional 155 employees qualified as from April 2013. The accrued liability of R32.45 million is a provision for period ending 31 March 2015 (2014: R28.6 million).

The last valuation of the obligation was performed by ZAQ Consultants and actuaries as at 31 March 2015 using the Projected Unit Credit Method. The next valuation of the employer's liability will be in March 2016. No plan assets are recognised, therefore the value of the unfunded liability is equal to the accrued liability.

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000			
16. Employee benefits (continued)					
Key assumptions used					
Assumptions used on last valuation on 31 March 2015:					
Average retirement age	65 years	65 years			
Membership discontinued at retirement	0	0			
Discount rates used	8,34 %	8,40 %			
Health cost inflation	7,52 %	7,19 %			
Historical information	2015 R '000	2014 R '000	2013 R '000	2012 R '000	2011 R '000
Accrued liability at year end	32 450	28 587	11 564	9 975	9 196

Provident and pension fund

The Alexander Forbes Retirement Fund: South African National Roads Agency Limited Provident Fund (the fund) is a defined contribution plan and is registered in terms of the Pension Funds Act 24 of 1956, as amended. Contributions comprise 20.5% of pensionable emoluments of which SANRAL contributes 20.5% of which administration and insurance amounts to 3.59%. The Fund is administered by Alexander Forbes and 284 of the 286 permanent employees (2014: 264 and 266) respectively are currently members of the Fund. One employee (2014: two) is a member of the Government Employees' Pension Fund. Contributions to the Government Employees' Pension Fund comprise 20.5% of pensionable emoluments of which members pay 7.5% and SANRAL contributes 13%. Contributions are recognised in profit or loss when the contributions are made.

17. Deferred income

Deferred income consists of deferred government grants and advances from concession contracts.

SANRAL is awarded government grants. These grants relate to the capital and operational expenses on non-toll national routes. The portion spent on capital expenses are being amortised over the useful lives of the underlying assets. Grants for land, which is not depreciated, are treated as income when received. The unutilised portion of the grant at year end is also deferred until utilised.

SANRAL receives prepayments on concession contracts. These payments are deferred over the life of the concession contract. Refer to note 38 for details of the concession arrangements.

	2015 R '000	2014 R '000
Non-current liabilities	33 377 742	28 249 908
Current liabilities	2 602 065	1 240 620
	35 979 807	29 490 528

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
17. Deferred income (continued)		
Concession contracts		
N3 Toll Concession		
Non-current		
Balance brought forward	695 899	743 618
Amount transferred to current	(47 719)	(47 719)
Balance at end of the period	648 180	695 899
Current		
Balance brought forward	47 719	47 719
Amount realised in profit or loss	(47 719)	(47 719)
Amount transferred from non-current	47 719	47 719
Balance at end of the period	47 719	47 719
Total balance for N3 Toll Concession	695 899	743 618

The amount realised in profit or loss is calculated as the total amount received from the N3 Concessionaire divided by the remaining concession contractual period. This result in a realisation of R 47.719 million per annum.

TRAC N4

Non-current		
Balance brought forward	135 932	146 508
Amount transferred to current	(10 576)	(10 576)
Balance at end of the period	125 356	135 932
Current		
Balance brought forward	10 576	10 576
Amount realised in profit or loss	(10 576)	(10 576)
Amount transferred from non-current	10 576	10 576
Balance at end of the period	10 576	10 576
Total balance for TRAC N4	135 932	146 508
Bakwena concession		
Non-current		
Balance brought forward	21 785	21 785
Total balance for Bakwena concession	21 785	21 785

This amount represents a contingency fund in terms of the concession agreement, with its main purpose being to defray expenditure that will need to be incurred to maintain certain infrastructure. Income is recognised when the expenditure is incurred.

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
17. Deferred income (continued)		
Non-toll projects		
Non-current		
Balance brought forward	27 396 292	22 158 553
Capital portion of government grants received	6 873 389	6 195 761
Decrease as a result of increase in asset base	(289 209)	(209 520)
Transferred to current portion	(1 037 712)	(748 502)
Balance at end of the period	32 942 760	27 396 292
Current		
Balance brought forward	748 503	538 983
Increase as a result of increase in asset base	289 209	209 520
Amount realised in profit or loss	(1 037 712)	(748 502)
Transferred from non-current	1 037 712	748 502
Balance at end of the period	1 037 712	748 503
Unutilised government grant surplus (current)		
Balance brought forward	433 823	458 943
Amounts deferred / (utilised)	711 897	(25 120)
Balance at end of the year	1 145 720	433 823
Total balance for government non-toll grants	35 126 192	28 578 618

18. Provision for rehabilitation costs

Reconciliation of provision for rehabilitation costs - 2015

	Opening balance	Utilised during the year	Total
Provision for rehabilitation costs	16 452	(2 940)	13 512
	16 452	(2 940)	13 512

Reconciliation of provisions - 2014

	Opening balance	Additions	Total
Provision for rehabilitation costs	13 283	3 169	16 452
	13 283	3 169	16 452

Sec 41(1) of the Mineral and Petroleum Resources Development Act of 2002 requires an applicant for a prospecting right, mining right or mining permit, to make the prescribed financial provision for the rehabilitation and management of negative environmental impacts.

SANRAL, as holders of the mining permits, is ultimately responsible for the restoration of the borrow pits. A provision was therefore raised during 2011 year end for SANRAL's obligation to rectify environmental damage caused in the construction and maintenance of the national roads through the use of borrow pits.

The contractual rehabilitation costs per project was utilised to determine the most accurate cost to restore the borrow pits back to the original conditions. This was calculated by engineers and project managers as a reasonable indication of the market related price of restoration. Rehabilitation of the borrow pits are performed on an ongoing basis throughout the project, therefore the contractual cost was straightlined over the remaining period of the project.

Rehabilitation costs pertaining to capital projects were capitalised at year end whereas maintenance projects were expensed immediately.

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000	
19. Provision for overload control			
Reconciliation of provision for overload control - 2015			
	Opening balance	Utilised during the year	Total
Provision for overload control	393 249	(18 820)	374 429
	393 249	(18 820)	374 429
Reconciliation of provision for overload control - 2014			
	Opening balance	Additions	Total
Provision for overload control	-	393 249	393 249
	-	393 249	393 249

The provision of R374 million relates to claims from concessionaires for damages to pavement as a result of overloading.

20. Deferred exchange consideration

	2015 R '000	2014 R '000
Opening balance	6 107 830	5 826 777
Increase as a result of increase in asset base (additions)	840 870	641 060
Exchange consideration realised to profit or loss	(412 539)	(360 007)
	6 536 161	6 107 830
Non-current portion	6 123 622	5 452 485
Current portion	412 539	655 345
	6 536 161	6 107 830

SANRAL does not have a contractual obligation towards the concessionaires. SANRAL controls the assets which are subject to the concession agreement, and the concessionaires have the right to use the assets for the concession period. The right granted to the concessionaires reflects income (exchange consideration) received in advance of performance. This is because SANRAL is receiving an inflow of resources, in the form of assets, without having delivered on its portion of the exchange consideration – the provision of access to such assets, which will occur over the remainder of the period of the concession agreement. The liability is realised to profit or loss over the remaining concession contract period.

The expected realisation for the following financial year is recognised as a current liability.

21. Trade and other payables

Trade payables	2 127 532	1 070 133
Accrued interest on financial instruments	826 413	741 340
	2 953 945	1 811 473

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
22. Third party funding		
Balance brought forward	1 027 785	552 342
Interest	14 789	2 771
Add: Contributions received during the current year	63 535	654 911
Less: Expenditure incurred during the current year	(357 457)	(182 239)
	748 652	1 027 785

Funds have been received from third parties (to be administered by SANRAL) mainly for the development of specific roads that do not form part of the national road infrastructure.

This balance is supported by cash held in call accounts (refer to note 11). All interest received on cash balances is capitalised for the benefit of the third party or SANRAL, depending on the specific agreement. The funds are repayable as per the agreement. The effective interest rate on the cash held is 6.21% (2014: 5.34%).

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
23. Revenue		
Toll revenue	6 331 769	3 481 612
Government grants - non-toll	5 369 373	5 075 045
	11 701 142	8 556 657

For the year ending 31 March 2015, toll fees amounted to R12.4 billion (2014: R4.6 billion). Of these fees, R3.8 billion (2014: R2.28 billion) relates to Gauteng Open Road Tolling (GORT), while conventional toll fees amounted to R2.5 billion (2014: R2.3 billion).

Toll fees reconciliation

Total fees charged during the year	12 451 019	4 605 114
Less fees that don't meet the recognition criteria	(6 119 250)	(1 123 502)
Total revenue recognised	6 331 769	3 481 612

The probability of alternate revenue being realised is remote as:

- SANRAL has limited historical data to base estimates on.
- No historical information on violation of SANRAL Act/non payment of toll fees in Gauteng, and the outcome of such prosecution process.
- No international references, in terms of size, exist from which SANRAL can predict payment patterns in the post prosecution period

Because of these uncertainties, SANRAL has not recognised the additional portion of the alternate tariff as revenue in the March 2015 annual financial statements as there is no reliable measure for the amount, and the timing of receipts is unknown.

Government grants (non-toll) included in revenue

Government grants received	11 916 947	10 497 184
Less: Capital portion of grants received	(6 873 389)	(6 195 761)
Add / (Less): Surplus Government grants deferred	(711 897)	25 120
Realised portion of previously deferred government grant	1 037 712	748 502
	5 369 373	5 075 045

Included in the capital portion of government grants received is an amount of R665.5 million relating to strengthening and maintenance of the coal haulage roads.

24. Other income

Concession income	7 751	5 150
Realised portion of concession contract revenue (N3 Toll Concession)	47 719	47 719
Realised portion of concession contract revenue (TRAC N4)	10 577	10 577
Rental income investment property	36 646	32 115
Sundry revenue	301 959	184 387
Profit on sale of assets	-	7 575
Realised portion of previously deferred exchange consideration from toll concessionaires	412 539	360 007
Discounting of trade receivables	(412 814)	(93 869)
	404 377	553 661

25. Operating expenses

Operating profit for the year is stated after accounting for the following:

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
25. Operating expenses (continued)		
Fees for services		
Technical and computer services	538 181	238 628
Administration	835 134	534 513
	1 373 315	773 141

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
25. Operating expenses (continued)		
Operating lease charges		
Premises		
• Straight-lined amounts	8 909	2 530
Amortisation on intangible assets	5 953	4 973
Reversal of impairment	-	(21 179)
Depreciation on property, plant and equipment	2 178 497	1 929 243
Depreciation on concession assets	351 851	316 798
Employee costs	197 337	181 267
Directors and management remuneration	24 277	26 400
Auditors remuneration	37 750	27 287
Repairs and maintenance	5 677 779	5 538 965
Bank charges	2 676	2 232
Provision for doubtful debts	144 317	25 260
Expenditure on investment property (income generating)	12 665	1 084
Expenditure on investment property (non-income generating)	8 608	9 992
Provision for rehabilitation costs	(2 940)	3 169
Total operating expenses	10 020 994	8 821 162
26. Investment income		
Gains on financial instruments		
Net change in fair value of financial assets at fair value through profit or loss	12 209	(4 281)
Interest income		
Interest on bank deposits	323 523	186 226
Interest income on repurchase agreements	115 931	65 210
Discounting of debtors	108 350	102 593
Interest income on financial liabilities at fair value through profit or loss	12 272	22 339
Other income interest	5 994	17 298
	578 279	389 385
27. Finance costs		
Net change in fair value on financial liabilities at fair value through profit or loss	119 051	85 801
Interest on financial liabilities measured at amortised cost	3 398 602	2 557 418
Interest on financial liabilities at fair value through profit and loss	415 164	472 438
Borrowing costs capitalised for the year	(143 535)	(146 529)
Discounting impact on creditors revaluation	(64 592)	82 946
	3 724 690	3 052 074

The weighted average cost of capital of 9.02% (31 March 2014: 9.23%) was used as the capitalisation rate to determine the amount of borrowing costs eligible for capitalisation in the 2015 financial year. The total borrowing costs capitalised to qualifying assets amounted to R529.811 million (31 March 2014: R389.72 million).

28. Taxation

SANRAL was exempted from Taxation in the Government Gazette of 22 December 2003 in terms of S10(1)(t)(iii) of Income Tax Act, 1962. This exemption was backdated to the inception of the entity, therefore no provision has been made for income tax or deferred tax.

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
29. Cash generated from operations		
Loss before taxation	(1 107 686)	(2 327 532)
Adjustments for:		
Depreciation and amortisation	2 536 219	2 344 823
Net profit (loss) on disposal of property, plant and equipment	170 783	(7 576)
Movement in short term MM financial instruments	433 093	247 028
Interest received	(578 279)	(389 385)
Finance costs paid	3 724 691	3 052 086
Fair value adjustments of investment property	45 003	(62 152)
Movements in operating lease assets and accruals	168	420
Movements in retirement benefit assets and liabilities	3 863	17 023
Movements in provisions	(2 940)	3 169
Movement in third party funding	(279 133)	475 443
Deferred exchange consideration	(412 539)	(360 007)
Movement in provisions - doubtful debts	119 057	24 624
Other	425 027	-
Changes in working capital		
Trade and other receivables	(3 371 246)	(406 745)
Trade and other payables	1 123 652	(483 027)
Deferred income	(384 110)	(831 918)
	2 445 623	1 296 274
30. Cash paid to suppliers and employees		
Expenses per statement of comprehensive income	10 021 789	8 837 301
Movement in trade payables	(1 123 652)	406 745
Movement in third party fund balances	279 133	(475 443)
Depreciation	(2 178 409)	(2 023 069)
Loss on sale or scrapping of asset	(170 783)	-
Depreciation on assets under concession	(351 857)	(316 782)
Amortisation	(5 953)	(4 972)
Non cash and separately disclosable items	(428 119)	(20 612)
Profit on sale of assets	-	7 576
	6 042 149	6 410 744
31. Cash receipts from customers		
Income per statement of comprehensive income	12 105 518	9 110 318
Movements in trade receivables	(3 371 246)	(483 027)
Non cash and separately disclosable items	(677 593)	(1 167 301)
Movement in short term MM financial instruments	433 093	247 028
	8 489 772	7 707 018
32. Capital portion of government grant and deferred income		
N3 Concession contract realised in the statement of comprehensive income	47 719	47 719
TRAC Concession realised in the statement of comprehensive income	10 576	10 576
Government grant (non toll) charged to statement of comprehensive income	(711 897)	25 120
Government grant (non toll) realised in statement of comprehensive income	1 037 712	748 503
Total income realised	384 110	831 918
Movement in deferred income	6 489 279	5 363 844
	6 873 389	6 195 762

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
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32. Capital portion of government grant and deferred income (continued)

Summary of capital portion of government grant received

Capital portion of government grant - non-toll (note 17)	6 873 389	6 195 762
	6 873 389	6 195 762

33. Commitments

Estimated capital expenditure

• Contracts for capital expenditure authorised - Toll	4 022 903	2 990 124
• Contracts for capital expenditure authorised - Non-toll	13 715 274	11 183 231
	17 738 177	14 173 355

The expenditure will be financed from Government grants, toll income and financial instruments issued to the private sector and is expected to be incurred as follows:

Within one year - Toll	1 166 795	744 176
Within one year - Non-toll	6 362 905	6 544 106
Thereafter - Toll	2 856 108	2 245 948
Thereafter - Non-toll	7 352 369	4 639 125
	17 738 177	14 173 355

SANRAL leases office space at various shopping malls around Gauteng to facilitate registration and selling of e-tags for the Open Road Tolling Project.

Operating leases – as lessee (expense)

Minimum lease payments due

- within one year	8 446	8 197
- in second to fifth year inclusive	4 034	10 616
- later than five years	-	-
	12 480	18 813

In addition SANRAL leases some of its offices under operating leases. The operating lease rental includes a charge for rental, parking, fixed services and storage space.

Notes to the Annual Financial Statements

34. Contingent liabilities

Claims against SANRAL due to South African National Road Agency Limited and National Road Act.

In terms of section 61 of the South African National Roads Agency Limited and National Roads Act, 1998 (Act No. 7 of 1998), legal proceeding instituted against the then South African Roads Board with the cause of action arising before incorporation date of SANRAL must be instituted against the Minister of Transport as respondent. Due to the nature of these claims and the fact that judgements in these cases could be to the detriment of SANRAL, it was agreed (at the time of establishing SANRAL) that, although the actions be instituted against the Minister, SANRAL will bear the costs and be actively involved in defending such action.

Contingent liabilities estimated at R254.44 million (2014: R180.07 million) exist regarding possible claims against SANRAL, mainly resulting from road related accidents. The outflow of cash is remote as during the past several years SANRAL has won the majority of the court cases. The cases that were not won by SANRAL were covered by insurance.

Claims against SANRAL due to the Municipality Property Rates Act

Individual municipalities have discretionary powers to levy rates on Public Service Infrastructure (PSI), including national roads, in terms of the Municipal Property Rates Act, No. 6 of 2004. Not all municipalities have chosen to exercise this statutory power and some have not yet implemented the Act. The property rates used, as well as the valuation amount of SANRAL's infrastructure, has not been determined by the municipalities. In order to arrive at an estimate of the potential rates liability, nationally, actual rates levied by some municipalities were applied to the entire declared national road network, arriving at an estimated figure of R57.7 million (2014: R67.9 million).

Notes to the Annual Financial Statements

35. Related parties

Relationships	
Holding company	Department of Transport
Shareholder	The principal shareholder of SANRAL is the Minister of Transport being part of National Government
Members of key management	Key management personnel are defined as executive and non executive management of SANRAL. Key management personnel compensation is detailed in note 36.

Related party relationships exist between SANRAL, its directors, key management personnel and parties within the national sphere of government.

SANRAL is a Schedule 3A Public Entity in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999). It therefore has a number of related parties, including other State-owned entities, Government departments and all other entities within the National sphere of Government. SANRAL used the database maintained by National Treasury to identify related parties in line with IAS 24 (Amended). All transactions with parties identified as related parties were concluded on an arm's length basis

Having considered the potential for transactions to be impacted by related party relationships, the entity's pricing strategy, buying and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions require disclosure as related party transactions.

Transactions with related parties

Transactions with related parties comprise mainly of sale and purchases of goods and services including properties. The following is a summary of transactions with related parties during the year and balances due at year-end.

	2015 R '000	2014 R '000
Government grants received funding infrastructure		
National Department of Transport	11 916 947	10 497 184
Other services provided to related parties		
National Department of Transport	23 863	21 096
Services provided by related parties		
Airports Company South Africa	(8)	(7)
Period end balances arising from services provided to related parties		
National Department of Transport	48 135	24 272
Road Accident Fund	26 928	25 573
Summary of related parties balances at period end		
Total receivables arising from services provided to related parties	75 063	49 845

Directors and related party transactions

All directors and officers of SANRAL have confirmed that they had no interest in any contract of significance with SANRAL which could have resulted in a conflict of interest during the current year.

Notes to the Annual Financial Statements

36. Directors' and prescribed officer's emoluments

Executive directors

2015

	Salary	Performance payments & long service awards	Other contributions*	Pension contributions	Total
	R '000	R '000	R '000	R '000	R '000
Mr N Alli (Chief Executive Officer)	2 214	1 270	103	445	4 032

2014

	Salary	Performance payments & long service awards	Pension paid or receivable	Pension contributions	Total
	R '000	R '000	R '000	R '000	R '000
Mr N Alli (Chief Executive Officer)	2 016	1 067	121	405	3 609

* Other benefits comprise travel allowance and medical benefits

Non-executive directors

2015

	Directors' fees R '000	Total R '000
Mr P Derman (Independent)	922	922
C Hlabisa (Public Official) **	-	-
Ms Z Kganyago (Independent)	10	10
Dr A Lawless (Independent)	31	31
Ms D Mashile-Nkosi (Independent)	31	31
Mr M Matete (Independent)	41	41
Mr R Morar (Independent)	524	524
Ms M Moore (Public Official)**	-	-
Mr S Madonsela (Independent)	839	839
Ms T Mnyaka (Independent)	312	312
Ms D Nyamane (Independent)	1 228	1 228
	3 938	3 938

2014

	Directors' fees R '000	Total R '000
Mr P Derman (Independent)	793	793
A Julies (Public Official) **	-	-
Mr C Hlabisa (Public Official)**	-	-
Mr S Madonsela (Independent)	774	774
Ms T Mnyaka (Independent)	1 117	1 117
Mr R Morar (Independent)	500	500
Ms D Nyamane (Independent)	823	823
	98	98
	4 105	4 105

** Public officials are not remunerated.

Notes to the Annual Financial Statements

36. Directors' and prescribed officer's emoluments (continued)

Executive members

2015

	Salary	Performance payments & long service awards	Other contributions*	Pension contributions	Total
	R '000	R '000	R '000	R '000	R '000
IN Essa (Regional Manager - Northern)	1 059	428	163	236	1 886
H Harper (Corporate Services Executive)	886	337	69	183	1 475
A Mathew (Company Secretary)	944	370	15	185	1 514
I Mulder (Chief Financial Officer)	1 665	566	80	300	2 611
MS Peterson (Regional Manager - Southern)	1 242	468	30	246	1 986
L Sewnarain (Regional Manager - Eastern)	1 084	423	95	202	1 804
J J Smit (Engineering Executive)	1 707	695	122	348	2 872
JC Van Der Walt (Regional Manager - Western)	1 284	525	91	259	2 159
	9 871	3 812	665	1 959	16 307

2014

	Salary	Performance payments & long service awards	Other contributions *	Pension contributions	Total
	R '000	R '000	R '000	R '000	R '000
IN Essa (Regional Manager - Northern)	979	398	183	220	1 780
H Harper (Corporate Service Executive)	826	310	75	171	1 382
AA Mathew (Company Secretary)	868	316	31	170	1 385
I Mulder (Chief Financial Officer)	1 402	435	96	254	2 187
MS Peterson (Regional Manager - Southern)	1 145	373	53	227	1 798
L Sewnarain (Regional Manager - Eastern)	999	327	106	187	1 619
JJ Smit (Engineering Executive)	1 497	558	116	306	2 477
JC van der Walt (Regional Manager - Western)	1 183	452	79	239	1 953
	8 899	3 169	739	1 774	14 581

* Other benefits comprise travel allowance and medical benefits

37. Risk management

Capital risk management

SANRAL's objectives when managing capital are to safeguard the SANRAL's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the SANRAL consists of debt, which includes the borrowings disclosed in notes 14, cash and cash equivalents disclosed in note 11, and equity as disclosed in the statement of financial position.

Shares are held by the Minister of Transport, and new share issues are authorised by the Minister of Transport.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

Liquidity risk management

Liquidity risk arises primarily from an uncertainty in cash flows, as well as the company's commitment to act as market maker in its own capital market stock.

Notes to the Annual Financial Statements

37. Risk management (continued)

The company manages liquidity risk through the compilation and monitoring of cash flow forecasts, as well as ensuring that a satisfactory level of cash and cash equivalents are maintained.

Terms of market-making assets

Terms and conditions of market making assets (held-for-trading) refer to note 8.

Non-SANRAL bonds	Coupon rate	Date of maturity	2015		2014 Restated	
			Nominal value R '000	Carrying value R '000	Nominal value R '000	Carrying value R '000
R157 (2015)	13,50 %	12-Sep-2015	-	-	653 000	712 556
R207 (2020)	7,50 %	15-Jan-2020	-	-	53 000	51 042
R209 (2036)	6,25 %	31-Mar-2036	569 400	452 605	-	-
			569 400	452 605	706 000	763 598

Funding portfolio at amortised cost and at fair value

Terms and debt repayment schedule

Terms and conditions of outstanding loans are reflected in the table below. For further terms and conditions, refer to note 14.

Funding portfolio at amortised cost	Coupon rate	Date of maturity	2015		2014	
			Nominal value R '000	Carrying value R '000	Nominal value R '000	Carrying value R '000
Guaranteed bonds						
SZ18	12,50 %	30-Sep-2015	222 480	226 596	1 285 238	1 304 688
SZ25	9,00 %	30-Sep-2025	2 432 784	2 466 100	2 432 784	2 468 156
HWAY20	9,75 %	31-Jul-2020	5 781 300	5 878 328	5 292 000	5 362 551
HWAY23	5.50% + CPI	7-Dec-2023	2 917 353	7 809 309	1 176 000	2 885 202
HWAY24	5.50% + CPI	7-Dec-2024	1 499 000	4 175 852	211 000	522 247
HWAY34	9,25 %	31-Jul-2034	3 686 800	3 618 452	2 009 500	1 985 160
HWAY35	9,25 %	31-Jul-2035	787 000	795 043	647 000	660 572
Unguaranteed bonds						
NRA14	11,25 %	30-Apr-2014	-	-	423 723	424 733
NRA18	12,25 %	30-Nov-2018	2 456 117	2 549 302	2 466 000	2 579 152
NRA22	12,25 %	31-Oct-2022	2 623 000	2 811 658	2 623 000	2 827 586
NRA23	5.00% + CPI	31-May-2023	909 750	1 416 066	910 000	1 356 057
NRA28	12,25 %	30-Nov-2028	3 476 769	3 857 863	3 476 769	3 870 402
			26 792 353	35 604 569	22 953 014	26 246 506

Notes to the Annual Financial Statements

37. Risk management (continued)

Funding portfolio at fair value	Coupon rate	Date of maturity	2015		2014	
			Nominal value R '000	Carrying value R '000	Nominal value R '000	Carrying value R '000
Guaranteed bonds						
SZ18	12,50 %	30-Sep-2015	94 669	97 368	286 319	307 267
SZ25	9,00 %	30-Sep-2025	1 650 695	1 713 060	1 571 588	1 572 134
HWAY20	9,75 %	31-Jul-2020	1 551 736	1 668 022	1 652 870	1 742 435
HWAY34	9,25 %	31-Jul-2034	76 420	76 514	32 153	31 333
HWAY 35	9,25 %	31-Jul-2035	426 000	426 149	-	-
Unguaranteed bonds						
NRA14	11,25 %	30-Apr-2014	-	-	592 644	594 633
NRA18	12,25 %	30-Nov-2018	-	-	69 100	77 812
NRA22	12,25 %	31-Oct-2022	32 077	37 754	255 200	299 763
NRA28	12,25 %	30-Nov-2028	223 129	263 773	524 023	636 954
			4 054 726	4 282 640	4 983 897	5 262 331

The table below analyses the company's financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Marketing portfolio at fair value

Market-making portfolio at fair value	Coupon rate	Date of maturity	2015		2014	
			Nominal value R '000	Carrying value R '000	Nominal value R '000	Carrying value R '000
Guaranteed bonds						
SZ18	12,25 %	30-Sep-2015	220	228	2 722	2 921
SZ25	9,00 %	30-Sep-2025	-	-	100 000	100 035
HWAY20	9,75 %	31-Jul-2020	-	-	-	-
HWAY 34	9,25 %	31-Jul-2034	132 620	132 784	-	-
HWAY 35	9,25 %	31-Jul-2035	100 000	100 035	-	-
Unguaranteed bonds						
NRA14	11,25 %	30-Apr-2014	-	-	22 000	22 074
NRA22	12,25 %	31-Oct-2022	-	-	10 500	12 334
NRA28	12,25 %	30-Nov-2028	-	-	-	-
			232 840	233 047	135 222	137 364

Other financial liabilities at amortised cost

The company is exposed to financial risks arising from changes in market prices. The company does not anticipate that market prices will decline significantly in the foreseeable future. The company has not entered into derivative contracts to manage the risk of a decline in market prices. The company reviews its outlook for market prices regularly in considering the need for active financial risk management.

Notes to the Annual Financial Statements

37. Risk management (continued)

Other financial liabilities at amortised cost	Coupon rate	Date of maturity	2015		2014	
			Nominal value R '000	Carrying value R '000	Nominal value R '000	Carrying value R '000
Guaranteed financial liabilities						
CPI-linked loan	3,91 %	31 October 2018	625 966	625 966	735 715	735 415
EIB loan - Tranche 1	8,32 %	15 June 2034	566 977	566 977	572 784	572 784
EIB loan - Tranche 2	9,23 %	15 March 2034	563 242	563 242	573 918	573 918
ECA-supported loan	9,25 %	16 March 2022	223 707	223 707	276 018	276 018
Capital market loan - HWF02U	6,38 %	30 September 2015	1 500 000	1 508 161	1 500 000	1 500 603
Capital market loan - HWF03U	5,93 %	09 October 2014	-	-	250 000	249 998
Capital market loan -HWF04U	6,08 %	09 October 2015	156 000	156 781	156 000	155 999
Capital market loan - HWF05U	6,28 %	09 October 2016	1 604 000	1 626 737	1 604 000	1 604 009
Capital market loan - HWF06U	6,73 %	20 November 2016	550 000	557 807	550 000	550 079
Capital market loan - HWF07U	6,43 %	26 March 2015	-	-	1 000 000	999 641
Unguaranteed financial liabilities						
Repurchase agreements	- %	09 April 2015	485 896	485 896	720 095	720 095
			6 275 788	6 315 274	7 938 530	7 938 559

Notes to the Annual Financial Statements

37. Risk management (continued)

Maturity profile

The following are the contractual maturities of financial liabilities:

The table below contains only cash flows relating to financial instruments. It does not include future cash flows expected from the normal course of business.

Financial liabilities 31 March 2015	Carrying amount R '000	Cash flow in 1 year R '000	Due in 1 - 5 years R '000	Due in 5 - 10 years R '000	Due after 10 years R '000	Total R '000
Capital market loan - Funding	39 454 056	4 490 983	19 205 298	32 705 392	16 390 980	72 792 653
Capital Market loan - held-for-trading (funding portfolio)	4 282 640	480 862	1 757 389	2 943 894	3 153 188	8 335 333
Capital Market loan - held-for-trading (market-making portfolio)	233 047	21 759	86 069	222 059	449 041	778 928
CPI linked floating secured loan	625 965	197 380	504 814	-	-	702 194
EIB loan	1 130 218	122 633	490 531	594 573	1 531 678	2 739 415
ECA supported loan *	223 707	68 349	195 190	-	-	263 539
Repurchase agreements	485 895	485 896	-	-	-	485 896
Trade and other payables	4 008 495	4 008 495	-	-	-	4 008 495
	50 444 023	9 876 357	22 239 291	36 465 918	21 524 887	90 106 453

* The ECA supported loan is a domestic loan, guaranteed by the Republic of Austria through Oesterreichische Kontrollbank Aktiengesellschaft, an export credit agency.

Financial liabilities 31 March 2014	Carrying amount R '000	Cash flow in 1 year R '000	Due in 1 - 5 years R '000	Due in 5 - 10 years R '000	Due after 10 years R '000	Total R '000
Capital market loan - funding	31 306 834	5 874 720	15 253 719	18 860 855	14 783 706	54 773 000
Capital Market loan - held-for-trading (funding portfolio)	5 262 331	1 044 223	2 008 402	3 277 728	2 798 356	9 128 709
Capital Market loan - held-for-trading (market-making portfolio)	137 363	32 823	44 037	60 109	113 488	250 457
CPI linked floating secured loan	735 415	137 429	702 514	-	-	839 943
EIB loan	1 146 702	116 825	490 531	617 091	1 221 323	2 445 770
ECA loan	276 018	71 378	242 968	14 745	-	329 091
Repurchase agreements	720 095	720 095	-	-	-	720 095
Trade and other payables	2 204 722	2 204 722	-	-	-	2 204 722
	41 789 480	10 202 215	18 742 171	22 830 528	18 916 873	70 691 787

Notes to the Annual Financial Statements

37. Risk management (continued)

Market-making portfolio

The company classifies certain of its bonds as financial liabilities at fair value through profit or loss (held-for-trading). Included in the portfolio are market-making assets, consisting of government bonds with maturities similar to the SANRAL bonds held-for-trading. Liquidity in the market-making portfolio is managed by financial instruments having similar maturities and the value of the financial liabilities and financial assets being closely matched.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to the following market risks: price risk and interest rate risk.

Financial instruments affected by market risk include capital market loans held at fair value, CPI linked loans, ECA loans, call bonds and trade and other payables.

The company is exposed to price risk on its marketable assets and liabilities held-for-trading. The company manages this price risk exposure through its treasury function which is responsible for the monitoring and management of the price risks in terms of guidelines set out in the Treasury Policy and Control Framework approved by the Board. The treasury function is also responsible for identifying opportunities for the natural setoff of market risks and the management of the resultant net exposures in the most cost effective manner through the operation of a market making portfolio. Price risk is accepted by the Board on the company's liabilities in its funding portfolio held-for-trading as these liabilities fund long term capital expenditure. Price risk before maturity is therefore unrealised.

Funding liabilities transferred from the market making to the funding portfolios are classified as held-for-trading financial liabilities and are therefore carried at fair value. The fair value movements on these financial liabilities will not be realised as these bonds form part of the funding portfolio and will therefore usually be held to maturity date.

Interest rate re-pricing profile at 31 March 2015 is summarised as follows:

At reporting date the interest profile of the company's interest-bearing instruments was as follows:

	2015 R '000	2014 R '000
Fixed rate instruments	31 March 2015 R '000	31 March 2014 Restated R '000
Financial assets		
Bond investments	452 605	763 598
Insurance receivable	259 905	253 289
Financial liabilities		
Capital market loans (held-for-trading)	5 095 773	5 509 359
Capital market loans (amortised cost)	22 203 343	21 483 000
EIB loan	1 130 218	1 146 702
	29 141 844	29 155 948
Variable rate instruments	31 March 2015 R '000	31 March 2014 R '000
Financial liabilities		
CPI-linked loan	725 965	735 415
Capital market loans (amortised cost)	17 250 713	9 823 834
ECA loan	223 707	276 018
Repurchase agreements	485 895	720 095
	18 686 280	11 555 362

Notes to the Annual Financial Statements

37. Risk management (continued)

Price risk sensitivity of variable rate instruments

An increase of 100 basis points (2014: 100 basis points) in interest rates at the reporting date would decrease profit by the amounts shown below. A decrease in 100 basis points would increase profit by the same amount. The analysis assumes that all other variables remain constant. Variable rate instruments are capital market bonds held in the funding portfolio and market-making portfolio held-for-trading.

	2015	2014
100 basis points increase (effect on profit or loss)	242 226	276 834

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations leading to financial loss.

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

Credit exposure to any counterparty is managed by setting transaction exposure limits, as authorised by the Asset and Liability Committee. The credit qualities of counterparties are also reviewed on a continuous basis.

Ongoing credit evaluations are performed on the financial condition of receivable counterparties. Trade receivables are presented net of the allowance for impairment.

The company is exposed to credit-related losses in the event of non-performance by counterparties of capital market investments as well as a price risk in the event of the downgrading of their credit rating. Capital market investments are held with counterparties who have a short-term credit rating of A1 and above and/or a long-term credit rating of A and above. SANRAL continually monitors its positions and the credit ratings of its counterparties, and limits the extent to which it enters into contracts with any one party.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. For the fair values of the financial instruments refer to the fair values analysis in note 42 and 44. The maximum exposure to credit risk at the reporting date was:

	31 March 2015 R '000	31 March 2014 R '000
Market-making investments - bonds	452 605	763 598
Insurance receivable	259 905	253 289
Trade and other receivables	4 665 887	1 158 102
Cash and cash equivalents	9 780 716	4 150 924

Concentrations of credit risk

	Value R '000	Percentage %	Value R '000	Percentage %
Market-making investments - bonds	452 605	3 %	763 598	12 %
Insurance receivable	259 905	1 %	253 289	4 %
Trade and other receivables	4 665 887	31 %	1 158 103	18 %
Cash and cash equivalents	9 780 716	65 %	4 150 924	64 %
	15 159 113	100 %	6 325 914	100 %

At 31 March 2015, the company did not consider there to be any significant concentration of credit risk that had not been insured or adequately provided for.

Collateral is held against repurchase investments in the form of government or corporate bonds approved by the Assets and Liabilities Committee. Repurchase and bond investments are held with counterparties with a minimum of an A rating.

Notes to the Annual Financial Statements

37. Risk management (continued)

Property portfolio

The maximum exposure to credit risk relating to the rental receivables at the reporting date by geographic region was:

	2015 R '000	2014 R '000
Northern region	1 647	1 389
Eastern region	149	435
Western region	137	167
	1 933	1 991

Past due analysis

The ageing of property portfolio (rental receivables) at the reporting date was:

	31 March 2015		31 March 2014	
	Gross R '000	Impairment R '000	Gross R '000	Impairment R '000
Due 1 to 30 days	1 899	-	297	-
Past due 31 -60 days	38	-	797	-
Past due 61-90 days	-	-	203	-
Past due 91-120 days	11	-	56	-
More than 120 days	(15)	285	638	(720)
	1 933	285	1 991	(720)

	Gross R '000	Impairment R '000	Gross R '000	Impairment R '000
Toll segment receivables	4 633 998	(142 570)	921 846	(24 335)

The movement in the allowance for impairment in respect of rental receivables during the year was as follows:

	2015 R '000	2014 R '000
Balance 1 April	720	636
Impairment loss recognised	16	87
Bad debt written off	(450)	(3)
	286	720

Security relating to amounts receivable

Securities held against rental receivables comprise deposits. The estimate of the fair value of the securities held are R1 096 778 (2014: R959 000).

Fair value analysis

Set out below is a comparison by class of the carrying amounts and fair value of the company's financial instruments that are carried in the financial statements.

Notes to the Annual Financial Statements

37. Risk management (continued)

	Carrying values		Fair value	
	31 March 2015	31 March 2014 Restated	31 March 2015	31 March 2014 Restated
	R '000	R '000	R '000	R '000
Financial assets				
Investments - market-making	452 605	763 598	452 605	763 598
Trade and other receivables	4 665 887	1 158 103	4 665 887	1 158 103
Cash and cash equivalents	9 780 716	4 150 924	9 780 716	4 150 924
	14 899 208	6 072 625	14 899 208	6 072 625
Financial liabilities				
Capital market loan - funding	39 454 056	28 629 930	40 658 250	30 694 281
Capital market loan - held-for-trading	5 095 773	5 509 359	5 095 773	5 509 359
CPI-linked loan	625 965	735 415	625 966	735 415
EIB loan	1 130 218	1 146 702	1 130 218	1 146 702
ECA loan	223 707	276 018	223 707	276 018
Repurchase agreement	485 895	720 095	485 895	720 095
	47 015 614	37 017 519	48 219 809	39 081 870

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value of listed bonds is based on quoted prices at the reporting date. The fair value of loans from banks and other financial liabilities estimated by discounting future cash flows using rates, currently available for debt on similar terms, credit risk and remaining maturities.

38. Public Private Partnerships - toll collection service concession arrangements

Description of the arrangements

SANRAL constructively engages the private sector to, specifically, promote and implement the design, financing, construction, operation and maintenance of specified portions of:

- The N3 from Cedara in KwaZuluNatal to Heidelberg South Interchange
- The N4 from Tshwane Metropolitan Border to Maputo Harbour
- The N1 / N4 Platinum Toll Highway (Bakwena) from Pretoria to Lobatse (border with Botswana)

This was achieved by entering into a PPP agreement (i.e. the Concession Contract) with the Concessionaires for this purpose.

The concession contract with Trans Africa Concessions (TRAC) for the construction and maintenance of the N4 Toll highway from the Gauteng Mpumalanga border to the Maputo harbour (Mozambique) is for a period of 30 years, ending February 2028.

The concession contract was extended from the Gauteng Mpumalanga border to the Tshwane Metropolitan border. An amount of R251 million was received on 28 February 2005 and is amortised over the remaining life of the concession.

During the financial year ending 31 March 2000, SANRAL entered into a concession contract with the N3 Toll Concession (N3TC) for the upgrading, maintenance and operation of the N3 toll highway. The contract is for a period of 30 years, ending November 2029.

During the financial year ending 31 March 2002, SANRAL entered into a concession contract with Bakwena TC for the upgrading, maintenance and operation of the N1/N4 Platinum toll highway. The contract is for a period of 30 years, ending August 2031.

Notes to the Annual Financial Statements

38. Public Private Partnerships - toll collection service concession arrangements (continued)

Significant terms of the arrangements

For the N3 Toll route, SANRAL received an upfront payment of R1 380 million and an additional payment of R52 million during the 2008 financial year. The concessions are for a specified period of 30 years. For the N1 / N4 route no payment was received from the concessionaire. Significant terms that may affect the amount, timing or certainty of future cash flows are summarised below.

The Concessionaire on the N3 and N4 Maputo Toll Roads is also required to pay SANRAL a Highway Usage Fee in certain circumstances (section 2.5 of the Concession Contract and Annexure 15 to the Concession Contract). The Highway Usage Fee is a mechanism for limiting the return on the Project which can be distributed by the Concessionaire to its shareholders. On the N4 Platinum a revenue share mechanism is achieving the same objective.

SANRAL does not guarantee the minimum third party revenue that the Concessionaire will collect. SANRAL is not required to compensate the Concessionaire if the traffic on the highway is less than expected.

The nature and extent of the arrangement

Right of use specified assets

The costs of acquiring the site were borne by SANRAL. Once the site has been delivered to the Concessionaire, the property is "under the care, custody and control of the Concessionaire" and the Concessionaire bears the risks associated with the property (section 15.5 of the Concession Contract).

The Concession Contract specifically states that the Concessionaire has "no title to, ownership interest in, or liens or leasehold rights or any other rights" in the site and title to the site remains with SANRAL. SANRAL is required to ensure that the Concessionaire has access to and the right of use in respect of the site and equipment (as necessary for it to perform its obligations in terms of the contract) throughout the concession period.

Should the Concessionaire discover any "fossils, coins, articles of value or antiquity, and structures and other remains or things of geological or archaeological interest or burial sites" on the site during the concession period, these will be the property of SANRAL.

SANRAL has ownership of the road and related facilities (e.g. plaza buildings) throughout the concession period.

Obligations to deliver or rights to receive specified assets at the end of the concession period

The ownership of any drawings, data, books, reports, documents, software, any other information owned by the Concessionaire or any of the subcontractors for the purpose of the Project is required to be transferred to SANRAL at the end of the concession period. Furthermore, the Concessionaire is required to hand over the highway and its rights or interest in the developments to SANRAL, free of charge. These assets are required to be free from any liens, claims, encumbrances and liabilities and are required to be in a specified condition with a specified remaining useful life.

Obligations to provide or rights to expect provision of services

The Concession Contract requires the Concessionaire to perform the following:

- Operation and routine maintenance activities, to ensure the proper operation and maintenance of the highway

Obligation to acquire or build items of property, plant and equipment ("PPE")

- Initial construction works relating to the highway and associated facilities (as specified in the Concession Contract and including, for example repairs and replacements relating to specified sections of the highway and the construction / repair of toll plazas)
- Additional construction works relating to the road and related facilities (i.e ; required construction work other than the Initial Construction Works)
- Upgrade works according to the provisions in the contract

Renewal and termination options

The Concession Rights will terminate if either SANRAL or the Concessionaire terminates the Concession Contract.

Notes to the Annual Financial Statements

38. Public Private Partnerships - toll collection service concession arrangements (continued)

- There is court action for the dissolution and / or liquidation of the Concessionaire
- The Concessionaire receives a court order to be placed into judicial management or to commence liquidation procedures
- The Concessionaire fails to complete the Initial Construction Works within three years from commencement of the Concession Contract
- The Concessionaire ceases to operate and maintain the highway
- All (or substantially all) of the Concessionaire's indebtedness becomes due and payable as a result of default by the Concessionaire
- The Concessionaire fails to report a material related party transaction (as required by the Concession Contract)
- The Concessionaire commits a material breach of the provisions of the Concession Contract.

If any of the abovementioned is not remedied by the Concessionaire within a specific period, then SANRAL has the right to appoint a substitute entity in the place of the Concessionaire.

The Concessionaire has the right to terminate the Concession Contract in any of the following circumstances:

- SANRAL commits a material breach of the provisions of the Concession contract
- There is a material impairment of the Concession Rights as a result of the Concessionaire being nationalised / expropriated or the project land / highway being compulsorily acquired from the Concessionaire by the State
- Certain Material Adverse Governmental Action takes place

Other rights and obligations

The Concessionaire is only permitted to raise debt (from lenders) as specified in the Concession Contract. SANRAL is required to approve any additional indebtedness of the Concessionaire. SANRAL would take over the Concessionaire's indebtedness in the event of Concessor (SANRAL) default.

Classification

SANRAL recognises no revenue from services provided to the public for these concessions, except where fees (Highway Usage Fees) are payable to SANRAL by the concessionaire according to the service concession agreement.

SANRAL recognises no operational costs related to the operations of the public infrastructure under concession.

SANRAL recognises no obligations to restore infrastructure to a specified level of serviceability.

SANRAL recognises the upfront payment received from operators over the period of the concession arrangement.

Notes to the Annual Financial Statements

39. Segment information

	31 March 2015			31 March 2014 restated		
	Toll operations R '000	Non-toll operations R '000	Total R '000	Toll operations R '000	Non-toll operations R '000	Total R '000
Revenue	6 331 769	5 369 373	11 701 142	3 481 612	5 075 045	8 556 657
Other income	39 533	364 844	404 377	343 080	210 581	553 661
Other expenses *	(2 727 276)	(4 757 417)	(7 484 693)	(2 539 660)	(4 051 171)	(6 590 831)
Earnings before interest, taxes, depreciation and amortisation	3 644 026	976 800	4 620 826	1 285 032	1 234 455	2 519 487
Depreciation on assets	(1 160 316)	(1 018 181)	(2 178 497)	(1 148 254)	(781 485)	(1 929 739)
Impairment reversal / (impairment loss)	-	-	-	21 179	-	21 179
Depreciation on assets under concession	(351 851)	-	(351 851)	(316 798)	-	(316 798)
Amortisation	(850)	(5 104)	(5 954)	(245)	(4 728)	(4 973)
Change in fair value of investment property	(15 867)	(29 136)	(45 003)	69 006	(6 854)	62 152
Profit before finance income and - cost	2 115 142	(75 621)	2 039 521	(90 080)	441 388	351 308
Finance income	575 969	2 310	578 279	328 382	61 003	389 385
Finance cost	(3 724 690)	-	(3 724 690)	(3 052 074)	-	(3 052 074)
Segment profit or loss	(1 033 579)	(73 311)	(1 106 890)	(2 813 772)	502 391	(2 311 381)

* Excluding depreciation, amortisation & impairment.

Material items of income and expense disclosed in accordance with IAS 1:

	31 March 2015			31 March 2014 restated		
	Toll operations R '000	Non-toll operations R '000	Total R '000	Toll operations R '000	Non-toll operations R '000	Total R '000
Fees for services, other expenditure and lease payments	(501 496)	(1 305 418)	(1 806 914)	(186 705)	(865 161)	(1 051 866)
Repairs and maintenance	(1 992 795)	(3 684 984)	(5 677 779)	(2 353 201)	(3 185 764)	(5 538 965)
	(2 494 291)	(4 990 402)	(7 484 693)	(2 539 906)	(4 050 925)	(6 590 831)

	31 March 2015			31 March 2014		
	Toll operations R '000	Non-toll operations R '000	Total R '000	Toll operations R '000	Non-toll operations R '000	Total R '000
Change in fair value of investment property	(15 867)	(29 136)	(45 003)	69 006	(6 854)	62 152
Exchange consideration from toll concessionaires	412 539	-	412 539	360 007	-	360 007
Revaluation of road network assets	4 351 414	(5 058 707)	(707 293)	11 626 137	15 855 656	27 481 793
Revaluation of land and / or road network	241 443	165 072	406 515	36 737	1 231 586	1 268 323
	4 989 529	(4 922 771)	66 758	12 091 887	17 080 388	29 172 275

Notes to the Annual Financial Statements

39. Segment information (continued)

Statement of Financial Position	31 March 2015			31 March 2014 restated		
	Toll operations R '000	Non-toll operations R '000	Total R '000	Toll operations R '000	Non-toll operations R '000	Total R '000
Reportable segment assets						
Non-current assets						
Investments	452 605	259 905	712 510	763 598	253 289	1 016 887
Property, plant and equipment	138 856 334	171 426 352	310 282 686	136 558 776	168 609 064	305 167 840
	139 308 939	171 686 257	310 995 196	137 322 374	168 862 353	306 184 727
Current assets	13 036 753	1 436 822	14 473 575	5 233 003	162 764	5 395 767
Total assets	152 345 692	173 123 079	325 468 771	142 555 377	169 025 117	311 580 494

Statement of Financial Position	31 March 2015			31 March 2014		
	Toll operations R '000	Non-toll operations R '000	Total R '000	Toll operations R '000	Non-toll operations R '000	Total R '000
Reportable segment liabilities						
Non-current liabilities						
Deferred income *	157 717	33 220 025	33 377 742	911 910	27 337 998	28 249 908
Deferred exchange consideration *	6 123 623	-	6 123 623	5 452 485	-	5 452 485
Other non-current liabilities **	36 721 669	39 206	36 760 875	39 595 425	63 606	39 659 031
	43 003 009	33 259 231	76 262 240	45 959 820	27 401 604	73 361 424
Current liabilities	12 931 184	4 561 501	17 492 685	3 509 842	1 588 632	5 098 474
Total liabilities	55 934 193	37 820 732	93 754 925	49 469 662	28 990 236	78 459 898

* Non-current and current portion included.

** Excluding deferred income and deferred exchange consideration.

Capital expenditure	31 March 2015			31 March 2014		
	Toll operations R '000	Non-toll operations R '000	Total R '000	Toll operations R '000	Non-toll operations R '000	Total R '000
Additions to property, plant and equipment	133 967	8 136 272	8 270 239	339 956	7 024 969	7 364 925
Property, plant and equipment - Borrowing costs capitalised to work in progress	143 535	-	143 535	143 187	-	143 187
Additions to intangible assets	-	19 708	19 708	173	6 427	6 600
	277 502	8 155 980	8 433 482	483 316	7 031 396	7 514 712

Notes to the Annual Financial Statements

39. Segment information (continued)

	31 March 2015			31 March 2014		
	Toll operations R '000	Non-toll operations R '000	Total R '000	Toll operations R '000	Non-toll operations R '000	Total R '000
Capital expenditure - assets under concession	840 870	-	840 870	641 059	-	641 059
Capitalisation / (utilisation) of rehabilitation costs for borrow pits	322	2 304	2 626	-	2 404	2 404

Amendments to internal reporting organisation

No changes were made to the structure of SANRAL's internal organisation that causes the composition of its reportable segments to change.

Entity-wide disclosures

All of SANRAL's operations are situated within South Africa, all revenues are from external customers, as well as non current assets are attributable to SANRAL's South African domicile.

40. Irregular expenditure

Supply chain policy not adhered to

	31 March 2015 R '000	31 March 2014 R '000
Opening balance	6 946 723	5 405 413
Add: Irregular Expenditure - current year	1 606 238	1 541 310
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
Irregular expenditure awaiting condonation	-	-

Irregular expenditure awaiting condonation

8 552 961 **6 946 723**

Analysis of irregular expenditure awaiting condonation per age classification

Current year	-	-
Prior year	-	-
Total	-	-

Details of irregular expenditure - current year

Additional scope	-	457
Tenders advertised for less than 21 days	8 335	-
Awarding of preference points to tenders without original or certified BEE certificates	98 443	-
Procurement model for Routine Road Maintenance Projects	1 499 411	1 432 795
Procurement system - quotations	49	434
Contracts awarded to bidders with incorrect grading	-	42 341
Premium applied	-	65 282
Total	1 606 238	1 541 309

No incidents of irregular expenditure were condoned or disciplinary steps taken/ criminal proceedings instituted against employees during current and prior year.

Notes to the Annual Financial Statements

40. Irregular expenditure (continued)

31 March 2015

Tenders advertised for less than 21 days

Tenders to the value of R8 334 454 were awarded without being advertised for a minimum of 21 days.

Awarding of preference points to tenders without original or certified copies of BEE certificates

Tenders to the value of R98 443 337 were awarded to tenders who did not provide original or certified copies of BEE certificates.

Procurement model for Routine Road Maintenance Projects

As part of SANRAL's strategy to develop small contractors as per Government's aims and objectives, SANRAL uses a Procurement model that will ensure that the prices tendered will protect and develop Small Micro and Medium Enterprises (SMMEs). The model is aimed at appointing a Management Contractor that will sublet 80% of routine maintenance work (of which more than 90% are Black Economic Empowerment (BEE) companies) to SMMEs. The work will go out on tender in smaller work packages, which SMME's are more capable of undertaking and can be sustained. Due to the smaller economy of scale of work packages the realistic rates at which SMMEs can do the work for a fair price is generally higher than a main contractor. SANRAL uses a proven mathematical equation, calculated independently by the University of Pretoria, to determine the lowest acceptable tender price that allows the appointment of a contractor with the most realistic and lowest acceptable rates at which SMMEs can do the work and be financially viable. The tender methodology and adjudication method are clearly stipulated in the tender documentation and is fair and reasonable to SMMEs and the management contractor. The deviation from PPPFA has not been approved by the Minister of Finance.

Deviation from obtaining quotations

An amount of R49 020 was spent without obtaining of quotations as required.

31 March 2014

Supply chain policy not adhered to

Two tenders were awarded to the bidders where the incorrect selection of the preference ration was applied. However, there was no prejudice to any bidder as all the bidders were evaluated on the same basis. As the lowest tender prices were selected, no financial loss was incurred as the same bidder would have been awarded the tender.

Non competitive bidding

Additional Scope

The changes to scope were as a result of factors that only came to light and / or became evident during construction that could not reasonably have been foreseen in the initial design stage. As 90% of a road is below the surface and the condition thereof can only be determined on a sample basis, this may lead to variations in terms of the scope of a project. Additionally, external factors such as unplanned development of land, changing both motorised and pedestrian traffic on the road may also affect these variations. All variations have been approved by the Sanral Contracts Committee, which is a Committee of the Board delegated with the authority to approve such contracts. The variations were not submitted within 10 days after approval to National Treasury and the Office of the Auditor-General.

Notes to the Annual Financial Statements

40. Irregular expenditure (continued)

Procurement model for Routine Road Maintenance Projects

As part of SANRAL's strategy to develop small contractors as per Government's aims and objectives, SANRAL uses a Procurement model that will ensure that the prices tendered will protect and develop Small Micro and Medium Enterprises (SMMEs). The model is aimed at appointing a Management Contractor that will sublet 80% of routine maintenance work (of which more than 90% are Black Economic Empowerment (BEE) companies) to SMMEs. The work will go out on tender in smaller work packages, which SMME's are more capable of undertaking and can be sustained. Due to the smaller economy of scale of work packages the realistic rates at which SMMEs can do the work for a fair price is generally higher than a main contractor. SANRAL uses a proven mathematical equation, calculated independently by the University of Pretoria, to determine the lowest acceptable tender price that allows the appointment of a contractor with the most realistic and lowest acceptable rates at which SMMEs can do the work and be financially viable. The tender methodology and adjudication method are clearly stipulated in the tender documentation and is fair and reasonable to SMMEs and the management contractor. The deviation from PPPFA has not been approved by the Minister of Finance.

Procurement system quotations

Three awards to the value of R433 933 were procured without inviting at least three written quotations and the deviations from the SCM process were not properly approved by delegated officials. This was as a result of short notice of change of a conference date for which quotes obtained were not confirmed in writing and training that was obtained from one supplier providing unique training but for which approval of deviation was not obtained.

Premium

Irregular in the amount of R65 282 00 was incurred as a result of SANRAL not awarding a tender to the highest points due to a premium principle that has as its main objective the uploading of the principle of value for money and to ensure genuine black economic empowerment of beneficiaries.

41. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Financial instruments measured at fair value

Level 1

Recurring fair value measurements

Assets

	Note(s)		
Property, plant and equipment	5		
Land		17 234 427	16 767 154
Financial assets at fair value through profit or loss - held for trading	8		
Investment - market marking		452 605	763 598
Trade and other receivables	9	4 665 888	1 158 103
Cash and cash equivalents	11	9 780 716	4 150 924
Total financial assets at fair value through profit or loss - held for trading		14 899 209	6 072 625

Notes to the Annual Financial Statements

41. Fair value information (continued)

Liabilities	Note(s)		
Financial liabilities at fair value through profit or loss			
Repurchase agreements	14	485 896	720 095
Market Making short term liabilities		680 121	247 028
Capital market loan - held-for-trading		4 515 687	5 262 331
Held at amortised costs		39 682 829	31 513 056
Trade and other payables		4 077 026	3 232 507
Total financial liabilities at fair value through profit or loss		49 441 559	40 975 017
Non recurring fair value measurements			
Assets held for sale and disposal groups in accordance with IFRS 5			
Investment property	10	26 971	86 740
Total		26 971	86 740

Buildings which are currently classified as non-current assets held for sale have been recognised at fair value less costs to sell because the assets fair value less costs to sell is lower than its carrying amount.

Level 2

Recurring fair value measurements

Liabilities			
Financial liabilities at amortised cost			
EIB Loan	14	1 105 600	1 097 500
N1 loan		640 990	762 630
ECA loan		219 420	267 135
Total other		1 966 010	2 127 265

SANRAL's management compared the N1 loan to a similar instrument (HWAY 23) which had a yield to maturity of 2.01% (2014: 1.91). Management adjusted the HWAY 23 yield to maturity by a CPI rate of 6% (2014: 6%), which resulted in an Internal Rate of Return (IRR) of about 8.278% (2014: 7.142%). The resultant IRR was used to value the N1Loan.

SANRAL's management compared the EIB loan to a similar instrument (HWAY 34) which had a yield to maturity of 9.235% (2014: 9.535%). Management adjusted the HWAY 34 yield to maturity which resulted in an IRR of about 9.488% (2014: 9.756%). The IRR was used to value the EIB loan.

SANRAL's management used similar instrument to value ECA loan, and using the forward curve and an additional 225 point spread to value the ECA loan.

Level 3

Recurring fair value measurements

Assets	Note(s)		
Property, plant and equipment			
Road network and structures	5	273 211 578	267 456 431

Notes to the Annual Financial Statements

41. Fair value information (continued)

Information about valuation techniques and inputs used to derive level 3 fair values

The valuation techniques used for road network and structures is detailed in Note. 5. Gains and losses are reported in the statement of comprehensive income. The valuation of the road network and structures uses too many inputs to perform a sensitivity analysis and to disclose it in financial statements would be impractical. However these inputs are available for inspection.

Notes to the Annual Financial Statements

42. Categories of financial instruments

Categories of financial instruments - 2015

Assets

Non-Current Assets

	Note(s)	Financial assets at fair value through profit or loss	Debt instruments at amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
Property, plant and equipment under concession	4	-	-	-	-	-	42 368 191	42 368 191
Investment property	6	-	-	-	-	-	1 318 565	1 318 565
Property, plant and equipment	5	-	-	-	-	-	266 551 921	266 551 921
Intangible assets	7	-	-	-	-	-	44 009	44 009
Investments	8	-	-	-	-	-	259 905	259 905
		-	-	-	-	-	310 542 591	310 542 591

Current Assets

Investments	8	452 605	-	-	-	-	-	452 605
Trade and other receivables	9	-	4 665 888	-	-	-	-	4 665 888
Assets held for sale	10	-	-	-	-	-	26 971	26 971
Cash and cash equivalents	11	-	9 780 716	-	-	-	-	9 780 716
		452 605	14 446 604	-	-	-	26 971	14 926 180
		452 605	14 446 604	-	-	-	310 569 562	325 468 771

Notes to the Annual Financial Statements

	Note(s)	Financial assets at fair value through profit or loss	Debt instruments at amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
42. Categories of financial instruments (continued)								
Equity and Liabilities								
Equity								
Equity Attributable to Equity Holders of Parent:								
Share capital	12	-	-	-	-	-	1 091 044	1 091 044
Reserves	12&13	-	-	-	-	-	239 039 666	239 039 666
Retained income	12&13	-	-	-	-	-	(8 416 864)	(8 416 864)
Total Equity		-	-	-	-	-	231 713 846	231 713 846
Liabilities								
Non-Current Liabilities								
Borrowings	14	-	-	-	36 714 191	-	-	36 714 191
Operating lease liability	15	-	-	-	-	722	-	722
Retirement benefit obligation	16	-	-	-	-	-	32 450	32 450
Deferred income	17	-	-	-	-	-	33 377 742	33 377 742
Provision for rehabilitation costs	18	-	-	-	-	-	13 512	13 512
Deferred exchange consideration		-	-	-	-	-	6 123 623	6 123 623
		-	-	-	36 714 191	722	39 547 327	76 262 240
		-	-	-	-	-	231 713 846	231 713 846

Notes to the Annual Financial Statements

42. Categories of financial instruments (continued)

	Note(s)	Financial assets at fair value through profit or loss	Debt instruments at amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
Current Liabilities								
Borrowings	14	-	-	5 195 808	5 204 829	-	-	10 400 637
Operating lease liability	15	-	-	-	-	418	-	418
Trade and other payables	21	-	-	-	2 953 945	-	-	2 953 945
Deferred income	17	-	-	-	-	-	2 602 065	2 602 065
Provision for overload control	18	-	-	-	-	-	374 429	374 429
Deferred exchange consideration		-	-	-	-	-	412 539	412 539
Third party funding		-	-	-	-	-	748 652	748 652
Total Liabilities		-	-	5 195 808	8 158 774	418	4 137 685	17 492 685
Total Equity and Liabilities		-	-	5 195 808	44 872 965	1 140	43 685 012	93 754 925
		-	-	5 195 808	44 872 965	1 140	275 398 858	325 468 771

Categories of financial instruments - 2014

Assets

Non-Current Assets								
Property, plant and equipment under concession	4	-	-	-	-	-	33 835 211	33 835 211
Investment property	6	-	-	-	-	-	1 389 814	1 389 814
Property, plant and equipment	5	-	-	-	-	-	269 912 561	269 912 561
Intangible assets	7	-	-	-	-	-	30 254	30 254
Investments	8	-	-	-	-	-	253 289	253 289
		-	-	-	-	-	305 421 129	305 421 129

Notes to the Annual Financial Statements

42. Categories of financial instruments (continued)

	Note(s)	Financial assets at fair value through profit or loss	Debt instruments at amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
Current Assets								
Investments	8	763 598	-	-	-	-	-	763 598
Trade and other receivables	9	-	1 158 104	-	-	-	-	1 158 104
Other asset 1	10	-	-	-	-	-	86 740	86 740
Cash and cash equivalents	11	-	4 150 923	-	-	-	-	4 150 923
		763 598	5 309 027	-	-	-	86 740	6 159 365
Total Assets		763 598	5 309 027	-	-	-	305 507 869	311 580 494

Equity and Liabilities

Equity

Equity Attributable to Equity Holders of Parent:

Share capital	12	-	-	-	-	-	1 091 044	1 091 044
Reserves	12&13	-	-	-	-	-	239 340 443	239 340 443
Retained income	12	-	-	-	-	-	(7 557 919)	(7 557 919)
		-	-	-	-	-	232 873 568	232 873 568
Total Equity		-	-	-	-	-	232 873 568	232 873 568

Notes to the Annual Financial Statements

42. Categories of financial instruments (continued)

Liabilities	Note(s)	Financial assets at fair value through profit or loss	Debt instruments at amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
Non-Current Liabilities								
Borrowings	14	-	-	-	30 083 772	-	-	30 083 772
Operating lease liability	15	-	-	-	-	202	-	202
Retirement benefit obligation	16	-	-	-	-	-	28 587	28 587
Deferred income	17	-	-	-	-	-	28 249 908	28 249 908
Provision for rehabilitation costs	18	-	-	-	-	-	16 452	16 452
Deferred exchange consideration		-	-	-	-	-	5 452 485	5 452 485
		-	-	-	30 083 772	202	33 747 432	63 831 406
Current Liabilities								
Borrowings	14	-	-	5 646 723	4 099 555	-	-	9 746 278
Operating lease liability	15	-	-	-	-	770	-	770
Trade and other payables	21	-	-	-	1 811 473	-	-	1 811 473
Deferred income	17	-	-	-	-	-	1 240 620	1 240 620
Provisions	18	-	-	-	-	-	393 249	393 249
Deferred exchange consideration		-	-	-	-	-	655 345	655 345
Third party funding		-	-	-	-	-	1 027 785	1 027 785
		-	-	5 646 723	5 911 028	770	3 316 999	14 875 520
Total Liabilities		-	-	5 646 723	35 994 800	972	37 064 431	78 706 926
Total Equity and Liabilities		-	-	5 646 723	35 994 800	972	269 937 999	311 580 494

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
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43. Prior period errors

The 2014 financial statements have been restated to correct the prior period errors set out below.

43.1 Assets under construction

While preparing financial statements of the company for the period ended 31 March 2015, management discovered that an item of property, plant and equipment (structure and road network) which was being constructed was erroneously expensed as repairs and maintenance. Consequently, SANRAL adjusted all comparative amounts presented in the current period's financial statements affected by the accounting error. The prior year error resulted in the following restatements:

The correction of the error resulted in adjustments as follows	R'000
Statement of financial position	
Decrease in retained earnings (opening balance 1 April 2014)	(467 887)
Increase in Asset under construction	467 887
	<u>-</u>

Profit or loss

43.2 Property, plant and equipment

While preparing the financial statements of the company for the period 31 March 2015, management discovered that items of property, plant and equipment (Road network and buildings) were erroneously classified as assets under construction and were never capitalised as completed assets. Consequently, SANRAL adjusted all comparative amounts presented in the current period's financial statements affected by the accounting error. The prior period error resulted in the following restatements:

The correction of the error resulted in adjustments as follows	Total R'000
Statement of financial position	
Decrease in property, plant and equipment under construction (2014)	(669 465)
Increase in property, plant and equipment (2014)	669 465
Increase in accumulated depreciation	43 322
Decrease in retained earnings	(43 322)
	<u>-</u>
Profit or loss	
Increase in depreciation expense (2014)	<u>43 322</u>

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
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43.3 Assets

While preparing the financial statements of the company for the period ended 31 March 2015, management discovered that an error in the classification between completed assets and assets under construction. The transfer from assets under construction to completed assets was erroneously duplicated resulting in the overstatement of property, plant and equipment and understatement of assets under construction.

The correction of the error resulted in adjustments as follows

Decrease in property, plant and equipment	(3 319 932)
Increase in assets under construction	3 319 932
	<u>-</u>

43.4 Third party funding

During the current period SANRAL discovered that some third party funds utilised between 2013 and 2015 were incorrectly to property, plant and equipment under construction. The expenditure was not allocated to third party funds. The correction of the error resulted in the following adjustment in the financial statements:

The correction of the error resulted in the following adjustment:

Increase in third party expenditure (opening balance 1 April 2014)	4 437
Decrease in property plant and equipment	(4 437)
	<u>-</u>

43.5 Computers, furniture and vehicles

During preparation of the current financial statements, SANRAL's management noted that the reclassification of e-tags to inventory in 2014 financial year was erroneously duplicated resulting in understatement of the cost and accumulated depreciation of computers, furniture and vehicles. The correction resulted in the following adjustment:

The correction of the error resulted in the following adjustments

Increase in cost of computers, furniture and vehicles	266 942
Increase in accumulated depreciation	(126 866)
Decrease retained earnings	(140 076)
	<u>-</u>

43.6 Borrowings/ Investments

While preparing financial statements of the company for the period ended 31 March 2015, management discovered that the current portion of the EIB, ECA and N1(CPI-linked loan) were not disclosed. Consequently, An adjustment was made to all comparative amounts presented in the current period's financial statements affected by the accounting error. The prior year error resulted in the following restatements

The correction of the error resulted in the following adjustments

Increase in current investments	247 028
Decrease in long term liabilities	206 223
Increase in current liabilities	(453 251)
	<u>-</u>

Notes to the Annual Financial Statements

	2015 R '000	2014 R '000
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44. Events after the reporting period

On 20 May 2015, the Deputy President announced the new dispensation for the Gauteng Freeway Improvement Project (GFIP). Apart from the reduction in the monthly caps, the single tariff regime and the proposed enforcement through blocking of issuing of vehicle licences, a 60 percent reduction in outstanding debt was also announced. Effectively the alternate tariff of R1.74 is reduced R.070 per kilometer. This will have a material impact on the debtors and revenue for the year under review. Management has therefore included this in the financial results for the year under review.

45. Going concern

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

As a result of the announcement of the Provincial Panel on e-toll in July 2014, road users were uncertain whether the tolling of GFIP will continue. This resulted in the payment rate declining during the reporting period. However the monthly auctions ensured that SANRAL has sufficient cash to continue with operations for at least 12 month period. Most of the debt maturing in September 2015 has already been refinanced, with a high probability that the short term instrument maturing then, will be rolled by the investor. Additionally, the announcement of the new dispensation on the GFIP has ensured that the project can continue and that the uncertainty has been removed. The payment rate has also increased since the announcement was made on 20 May 2015.

As required by our Act, the non-toll and toll operations are run as two separate entities, which include the financing thereof. The non-toll operation is not allowed to borrow money for any part of its operation and is not allowed to budget for a cash deficit. Thus the non-toll operation is totally reliant on a government allocation from the revenue fund.

The toll operation is self-reliant, and is not allowed to be subsidised by the non-toll operation. To this effect, a determination of the ability of the toll portfolio to fund itself from its revenue is performed on a bi-annual basis. SANRAL's investors are also relying on the explicit government guarantee provided on specific bonds.

Furthermore, SANRAL may not be placed under judicial management or liquidation except by an Act of Parliament (Section 10 of the South African National Roads Agency and National Roads Act No 7 of 1998). This is an implied guarantee from the Republic of South Africa.

Acronyms

BAKWENA	Bakwena Platinum Corridor Concessionaire
BBBEE	Broad-based black economic empowerment
CEO	Chief Executive Officer
CCTV	Closed Circuit Television Cameras
HR	Human resources
ICT	Information and communication technology
IT	Information technology
Km	Kilometre
M	Metre
N3TC	N3 Toll Concession
PFMA	Public Finance Management Act
SANRAL	South African National Roads Agency SOC Limited
SMME	Small, Medium and Micro Enterprise
TRAC	Trans African Concessions
VMS	Variable Message Signs

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