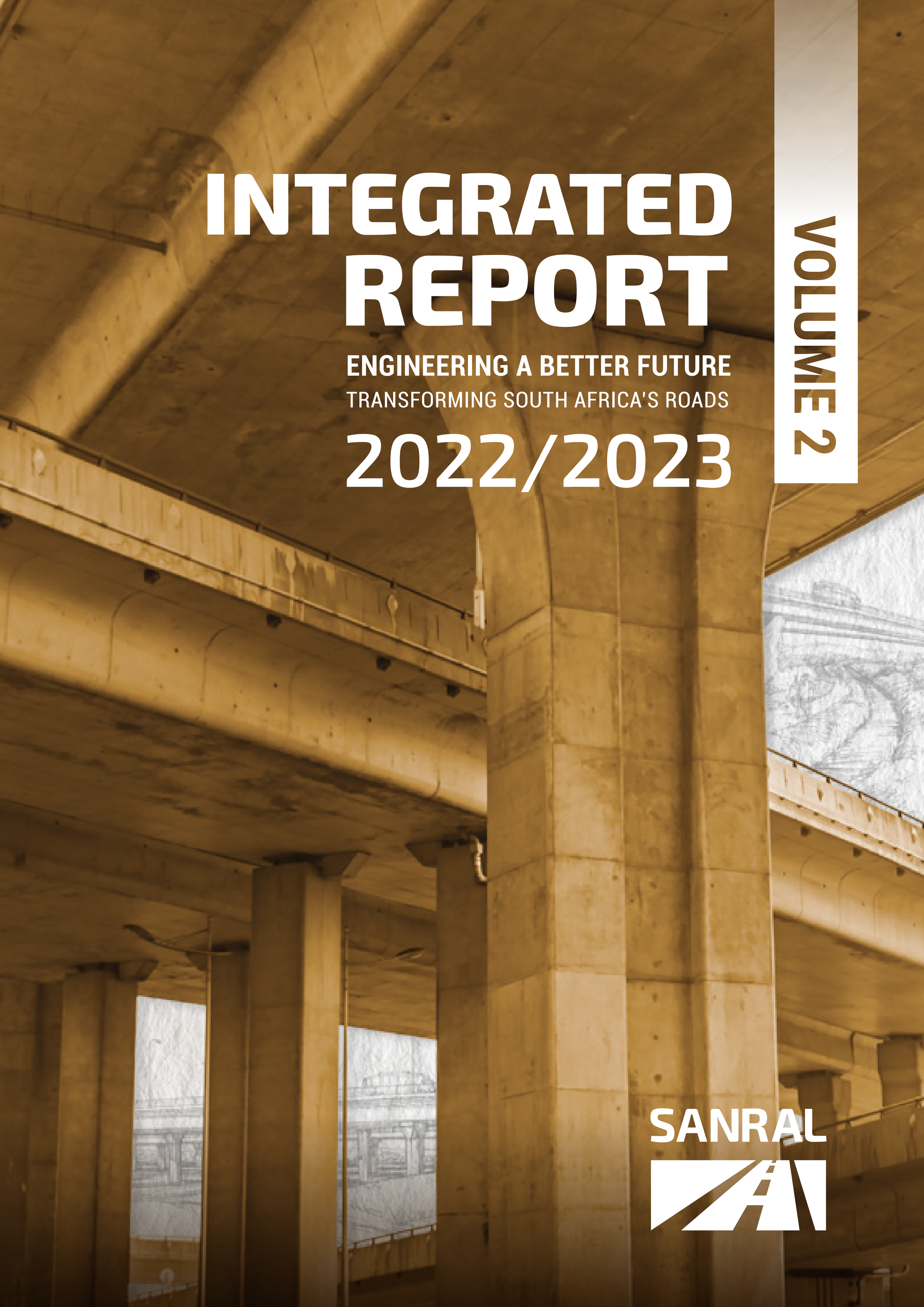

INTEGRATED REPORT

VOLUME 2

ENGINEERING A BETTER FUTURE

TRANSFORMING SOUTH AFRICA'S ROADS

2022/2023

SANRAL

The South African National Roads Agency SOC Limited

Integrated Report 2022 /2023

The 2022/2023 Integrated Report of the South African National Roads Agency SOC Limited (SANRAL) covers the period 1 April 2022 to 31 March 2023 and describes how the Agency gave effect to its statutory mandate during this period.

The report is available in print and electronic formats and is presented in two volumes:

- **Volume 1:** Integrated Report is a narrative and statistical description of major developments during the year and of value generated in various ways.

- **Volume 2:** Annual Financial Statements contain the corporate governance report in addition to the financial statements. In selecting qualitative and quantitative information for the report, the Agency has strived to be concise but reasonably comprehensive and has followed the principle of materiality – content that shows the Agency's value creation in the short, medium and long term.

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CORPORATE **GOVERNANCE**

SANRAL, led by its Board of Directors, is fully committed to good corporate governance as it delivers on its mandate of providing an effective national road network using state and investor funding, to promote the long-term sustainability of its assets and to safeguard the interests of all its stakeholders, primary of which is the country of South Africa.

SANRAL reports to Parliament through the Portfolio Committee on Transport which met with the Board and Management of SANRAL twice during FY2022/23. The Committee interrogated SANRAL's performance during 2021/22 and reviewed its Annual Performance Plan for the forthcoming year. In addition, Parliament received SANRAL's Integrated Report 2022 which included the annual financial statements, the audit report and performance reports for 2021/22 (Volume 2). Volume 1 of the Report was a narrative and statistical description of major developments during the year and of value generated in various ways through its operations.

The Minister of Transport is SANRAL's Executive Authority, given that SANRAL is an agency of the Department of Transport. The Shareholder Compact signed annually by the Minister and Chairperson of the Board, on behalf of the Board, encapsulates the roles and responsibilities of the Executive Authority and the Board. SANRAL submits various reports to the Minister of Transport, Ms Sindisiwe L Chikunga, MP, including the Integrated Report, the Strategic Plan, the Annual Performance Plan, the quarterly reports and the annual budget. The Chairperson of the Board communicates with the Minister primarily, on behalf of the organisation, on various matters of importance including approvals required from the Minister as per legislation and participation of the Minister at SANRAL's events. The Minister attended SANRAL's Shareholder meeting which served as the Annual General Meeting on 14 December 2022, at which time she was serving as Deputy Minister of Transport.

1. KING IV DECLARATION

The company subscribes to applicable governance legislation and guidelines including King IV principles, which guide good corporate governance practices within the organisation. SANRAL applies the first 16 principles of King IV, which are relevant to the Agency in the conduct of its business, striving to ensure efficient service delivery and to achieve the governance outcomes of ethical culture, good performance, effective control and legitimacy.

The intent of the Board and the management team is to run the business ethically and efficiently. The following section explains the application of each of the 16 principles and demonstrates the quality of governance practice in SANRAL.

1.1 Leadership, ethics and corporate citizenship

Leadership

Principle 1: The accounting authority (Board) should lead ethically and effectively.

The tone for ethical business practice is set by the Board and it filters through every level of the organisation. This includes the imperatives of transparency and fairness in all of SANRAL's decisions, the avoidance of conflicts of interest across the organisation and the maintenance of clean procurement processes as it pursues its core function of the award and management of large road projects across the national road network. The functioning and conduct of the Board and its committees are guided by Board and committee charters and the Board Code of Conduct.

SANRAL's Delegation of Authority Framework (DoA), as approved by the Board, has been in place since 1 April 2021. An update of the Framework is currently in progress. The current DoA maintains the practice that the Board is not involved in the procurement function or the award of contracts – that function has been delegated to bid adjudication committees whose members are employees. The awards are only escalated to the Board where the tender values are greater than R750 million and in the rare cases where the Management Bid Adjudication Committee vetoes a recommendation by the Bid Evaluation Committee or the Regional Bid Adjudication Committee, or in cases where there are unresolved issues raised by the proactive assurance structures, SANRAL's Internal Audit and Legal units. The Board and Committee charters will be reviewed and aligned with the DoA and approved during 2023/24.

The importance of acting in the best interests of SANRAL is a key principle which informs the conduct of the Board members. Any conflicts of interest are managed through the annual disclosure of interests in writing and additionally through disclosures by the Board and Management at every Board and committee meeting. In terms of the Board Charter and Code of Conduct, Board members may not contract for any services with SANRAL in their individual capacities.

The Board's practice of declaration of interests and avoidance of any conflicts of interest are detailed in the

Board Charter, which is on SANRAL's website. In addition, SANRAL's Anti-Fraud and Corruption Policy, which is applicable to the Board and employees, is also on the website. To the best of SANRAL's knowledge and given the practice of declaration of interests at every Board or Committee meeting, SANRAL is not aware of and has no record of any conflicts of interest involving the Board members.

The Board has also approved a Management of Prominent and Influential Persons (PIP) Policy which has also been published on SANRAL's website (further details under Principle 2 below).

The Board is provided with training or workshops, as required, with respect to governance and the core functions of SANRAL. This is to enable it to fulfil its main functions of driving good governance practice, setting strategic direction, monitoring implementation and performance, overseeing ongoing, effective risk management and ensuring timely and relevant disclosure of performance across the three areas of society, the economy and the environment.

Organisational ethics

Principle 2: The accounting authority should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The ethical conduct of SANRAL's employees is guided by a code of conduct. The upholding of values such as integrity, accountability, responsibility, fairness, confidentiality, transparency, independence of decisions and clean procurement processes are part of the code of conduct, which becomes binding on signature of the employment contract. Interpersonal respect, loyalty to the organisation, and respect for diversity are values which are vigorously defended by the SANRAL team.

In addition, the Board approves SANRAL's policies following their review by Management. These policies govern staff conduct and processes in relation to the various functions within the organisation. The adherence to and implementation of policies is the responsibility of Management, with assurance provided by internal audit. Important principles of conduct include the annual declaration of interests by all employees, with a requirement to provide updates as and when there may be changes to the declarations or potential conflicts of interest. Such declarations of interests are also required from all suppliers (as part of the tender process).

There is, in addition, a SANRAL supply chain practitioners' code of conduct, which all supply chain practitioners sign on an annual basis. Induction presentations to Board Members and employees and the annual governance, legal, risk and compliance roadshows to all employees reinforce the importance of ethical behaviour.

Important policies include the Anti-Fraud and Corruption Policy and Risk Management Policy. SANRAL has an independently monitored fraud hotline for use by employees and external parties, including service providers, to report suspected fraud anonymously. SANRAL has a zero-gifts policy – employees may not accept any gifts offered to them by service providers. This is to ensure that independence and transparency in decision-making are not compromised.

All supplier tender documents include the requirement to disclose any conflicting interests and connections to political or other influential persons. Employees serving as bid specification, evaluation and adjudication committee members for the evaluation and award of bids are also required to disclose any conflict of interest and recuse themselves from any further involvement. The same goes for any directors involved in the review of major contract awards (over R750 million), which instances are few, following approval of the DoAS effective 1 April 2021.

Should any clause of the code of conduct or policies affecting conduct be breached, consequence management, which ranges from training to disciplinary action, is mandatory.

The recruitment and appointment of employees is preceded by the necessary checks on personal credentials, criminal history, credit standing, qualifications and references.

The Management of Prominent and/or Influential Persons Policy (PIP Policy) requires SANRAL to evaluate every business relationship to determine whether there is any reason to conclude that it brings the risk of questionable association, perception of corrupt dealings, conflicts of interest or potential abuse, leading to fraudulent financial transactions, money laundering, etc. The Policy has been placed on SANRAL's website. The purpose of the Policy is to provide a framework and a process within which the acceptance, maintenance and monitoring of business relationships with prominent, influential stakeholders who have domestic and/or foreign influence are managed by SANRAL. This is done in order to mitigate SANRAL's perceived, association, reputational, operational or legal risk, as it strives to foster and maintain fair and transparent business relations with relevant stakeholders.

Since implementation of the PIP Policy and to the best of SANRAL's knowledge, on the basis of the due diligence carried out in the supply chain management (SCM) processes, SANRAL is not aware of and has no record of any business relationships involving any prominent or influential persons and the PIP register is empty. SANRAL has internal resources to check such disclosures from service providers.

Corporate citizenship

Principle 3: The accounting authority should ensure that the organisation is, and is seen to be, a responsible corporate citizen.

The importance of the national road transport system cannot be understated as it forms the core of the nation's road network, enabling mobility, access to economic opportunities, and trade and is critical for supporting economic growth and development. SANRAL, as an agency of the Department of Transport, is responsible for the financing, management, control, planning, development, maintenance and rehabilitation of the South African national road network. The role of SANRAL within the country's transport system is significant as the national roads link cities, provinces and economic nodes and enable trade and mobility which lead to economic growth. The continuous improvement of the quality of the road infrastructure and the operating conditions for the user (as controllable by SANRAL) remain crucial to SANRAL.

SANRAL's mandate to manage South Africa's national road network offers it opportunities to contribute to the well-being, development and empowerment of the country and its citizens through the provision of an effective national road network and by driving internal and external transformation initiatives. Internally, these include promoting diversity and the provision of skills development opportunities to employees. External initiatives include the development of SMMEs and communities through job creation, enterprise development opportunities and skills development programmes. SANRAL sponsors scholarships, bursaries, learnerships, partnerships with universities and TVET colleges, and facilitates internships. Site or contractor staff are provided with project-related training in business management and technical skills. Community development projects ensure the enhancement of access and mobility in rural communities and road safety-related projects improve the safety on roads through pedestrian bridges, access roads, etc. SANRAL's efforts as a corporate citizen can be assessed by its contribution in the following areas:

(a) Employees - SANRAL endeavours to be an employer which values its employees by ensuring equity and development opportunities for them. Some policy positions to enable this are listed below.

Employment equity: SANRAL has a three-year Employment Equity Plan, the implementation of which is monitored by the Social, Ethics and Transformation Committee (SETC) of the Board. The achievement of organisational and individual targets is reported to the Board annually. There can be no compromise on the practice of and respect for equity in diversity and the provision of skills development opportunities to all employees.

Fair remuneration: Measures to ensure fair remuneration include a yearly salary review process, when an external company does an industry comparison to ensure that SANRAL's remuneration structure is in line with the market. The Board approves the yearly remuneration adjustment levels. Another measure is the evaluation and grading of positions to ensure that employees serving within a particular scope of work are remunerated fairly, based on experience and skills.

Safety, health and dignity: SANRAL subscribes to a wellness programme for employees. The safety of employees within SANRAL's offices, service provider staff and the public at project sites and site offices is of paramount importance to SANRAL. SANRAL ensures that contracts valued above R40m are registered with the Department of Labour and an occupational health and safety practitioner is appointed to oversee the site and ensure that all plans comply with safety regulations.

Development of employees: A work skills plan, which is derived from each employee's development plan, determines the career development path for each staff member. There are other benefits, such as bursaries, offered to staff who wish to further their education.

(b) Economy - The national road network is economically strategic and is critical for the mobility of people and goods across the nation. The infrastructure must be maintained in optimal condition to provide satisfactory road user experience and to service the South African economy effectively. SANRAL endeavours to provide the nation with an effective network of well-constructed and maintained national roads and, in doing so, seeks to promote transformation through an inclusive, well-structured procurement process.

The 14 Point Plan which encompasses the principles to create an inclusive process, was developed as a tactical response to growing demands for empowerment opportunities and as an instrument to tactically advance SANRAL's Transformation Policy. All contracts stipulate a minimum percentage of local subcontracting opportunities, employment and training on the job, which help in the development of communities. Contractors are compelled to use local SMMEs where feasible. They must comply with all applicable legislation and adhere to the basic conditions of employment. Moreover, SANRAL also provides opportunities to SMMEs and small contractors to work on all of the Agency's projects. This is achieved by the structuring (unbundling) of projects into smaller packages to create opportunities for the lower- graded CIDB entities, such as for grades 5CE to 7CE. The SMMEs (largely from grade 1CE to Grade 5CE) benefit from the increased mandatory subcontracting.

SANRAL's Transformation Policy was launched by the Minister of Transport in September 2017. It was debated and consulted with various stakeholders prior to implementation. The document was also canvassed with government stakeholders for their recommendations and views. Several measures have been implemented to fast-track transformation within the construction industry. These include:

- the reduction of the size of projects where possible to create opportunities for the contractors with lower CIDB grading;
- entering into MOUs with strategic equipment manufacturers/suppliers and mentoring and training service providers in order for the SMMEs to build up equipment of their own, which would enable them to tender at lower unit rates and thus increase their competitiveness; and
- MOUs with DFIs (Development Finance Institutions) and commercial banks for new contractors to obtain financing at more competitive interest rates.

Additional measures are under consideration, some of which require government's buy-in. MOUs have been entered into with training and mentoring service providers to train and mentor small contractors in the effective and efficient operation and management of their respective entities.

(c) **Environment** - SANRAL's environmental ethos is one of integrated environmental management where SANRAL strives for a balance between road development and environmental sustainability. SANRAL reports on its activities aimed at ensuring environmental sustainability in Volume 1 of this Integrated Report, under 'Natural Capital'. The reporting covers SANRAL's performance with regard to legislative requirements, governance and risk management in the environmental management realm. It covers environmental authorisations received for key road projects as well as initiatives aimed at the preservation of natural and heritage capital. It also encompasses reporting on progress made toward the development of a road-specific measurement tool for consistent reporting of sustainability within the road sector.

(d) **Society** - SANRAL provides scholarships, external bursaries, learnerships and internships as a contribution to the national skills development objective. SANRAL also supports the Chair in Maths, Natural Science and Technology Education at the University of the Free State, the Chair in Pavement Engineering at the University of Stellenbosch and the Chair in Transport Planning at the University of Cape Town. SANRAL's Technical Excellence Academy in Port Elizabeth provides the required training and exposure to accelerate professional engineering registration.

The impact of SANRAL's projects on society is carefully monitored and discussed with the communities they affect through regular, planned stakeholder engagements. Every project, whether a large multi-billion rand highway or a modest community development road, has a positive developmental impact on society. Roads provide access and mobility, thus enabling economic activity and creating employment opportunities, business opportunities for the construction industry including SMMEs within the sector, skills development opportunities through on-site training, and general upliftment of the quality of life. SANRAL provides safe community mobility and access through pedestrian bridges, access roads and such other safety features. Moreover, a fair proportion of the project value is injected into the local community in the form of wages, purchase of local materials, supplies and services.

Targets pertaining to some of the above performance areas have been included in the Annual Performance Plan and performance against the Plan is monitored regularly, either quarterly or annually, as appropriate.

1.2 Strategy, Performance and Reporting

Strategy and performance

Principle 4: The accounting authority should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value chain.

The Board is responsible for setting the organisation's strategic direction, which is aligned to the National Development Plan and government priorities. The Shareholder Compact requires that the Board shall integrate any governmental policy relating to the Agency into its Strategic Plan, key performance measures and borrowing programme in order to execute its legislative mandate. The provision of sustainable development opportunities for small and developing contractors, service providers and communities affected by SANRAL's projects are key strategic outcomes that are aimed for.

In 2017/18 the Board approved SANRAL's strategic framework, Horizon 2030. It was launched by the Minister of Transport in September 2017. Management's efforts are aimed at achieving the strategic objectives set out in this framework through concrete initiatives that are listed in the Annual Performance Plan of the company. The Board reviews the risks which could influence the achievement of strategic objectives and is accountable for risk management.

The 10 strategic objectives have been translated into key performance indicators (KPIs) with annual targets, which are monitored quarterly, semi-annually or annually. The KPIs measure performance of important aspects of SANRAL's business, such as road asset performance, road safety, transformation efforts, financial efficiency, research and stakeholder relations. The performance report for 2022/23 can be found on pages 28 to 51. These KPIs are also linked to the individual performance agreements of employees.

Reporting

Principle 5: The accounting authority should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.

SANRAL's Integrated Report, which includes the annual financial statements, is published on the SANRAL website. The Report includes governance disclosures with respect to the King IV Code, as recommended under each principle in the Code.

The Integrated Report provides information on SANRAL's contribution to the national road infrastructure, transformation and empowerment opportunities, performance with respect to predetermined targets in key performance areas and financial performance.

The Board, supported by the Audit and Risk Committee, oversees the compilation of the Integrated Report including the annual financial statements and the related accounting policies and materiality thresholds used for financial reporting. The Board has used reports from various assurance providers to ensure the integrity of the reports.

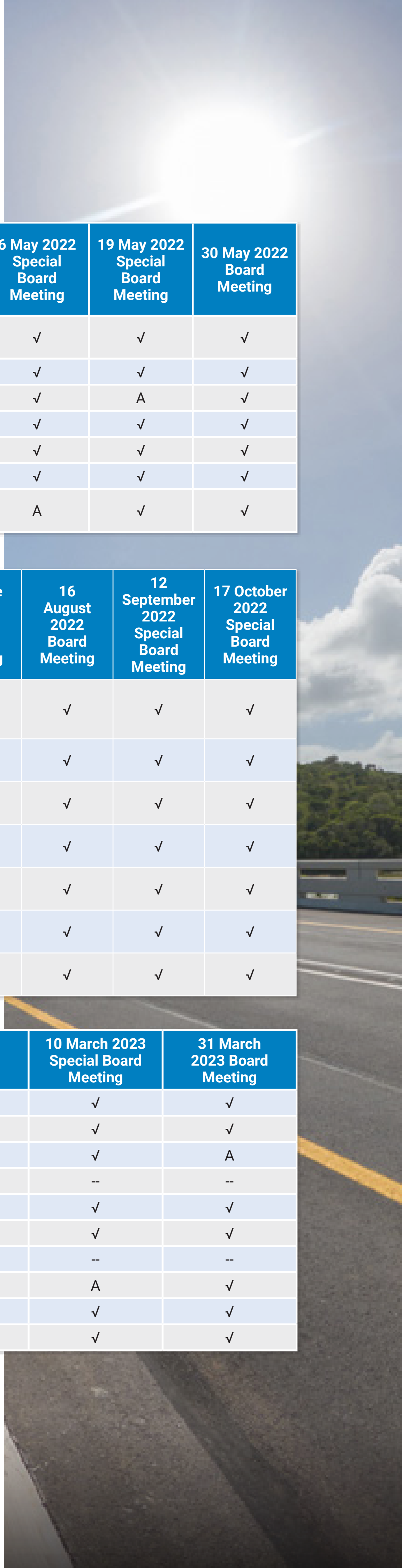
1.3 Governing Structures and Delegation

Primary role and responsibilities of the accounting authority

Principle 6: The accounting authority should serve as the focal point and custodian of corporate governance in the organisation.

The Board's role and responsibilities are detailed in the Board Charter. Its functions include the setting of strategic direction, the approval of policies governing operations, the oversight of implementation, and accountability through appropriate disclosure in the Integrated Report, and through performance management and reporting. The Board is comfortable that it has fulfilled its responsibilities with regard to key themes such as good corporate governance, fiscal discipline, improved audit outcomes, compliance and policy coherence, which were imperatives pursued by the Board during FY 2022/23, as has been the practice over the years.

SANRAL awarded contracts to the value of R51.3 billion during 2022/23. SANRAL and its stakeholders recognise the contribution and role of the Agency's mandate as a catalyst to drive economic development and job opportunities through the provision and maintenance of critical infrastructure.



The Board held 24 meetings during the year, including 19 Special Board Meetings, with attendance as indicated in the table below.

Director	Position	15 April 2022 Special Board Meeting	21 April 2022 Special Board Meeting	25 April 2022 Special Board Meeting	6 May 2022 Special Board Meeting	19 May 2022 Special Board Meeting	30 May 2022 Board Meeting
Mr T Mhambi	Chairperson, Non-executive	√	√	√	√	√	√
Mr R Haswell	Non-executive	√	√	√	√	√	√
Mr C Hlabisa	Non- executive	√	√	√	√	A	√
Ms L Madlala	Non-executive	√-	√	√	√	√	√
Mr E Makhubela	Non-executive	√	√	√	√	√	√
Mr T Matosa	Non-executive	√	√	√	√	√	√
Ms L Memeza	ACEO, executive	√	√	√	A	√	√

Director	Position	1 June 2022 Special Board Meeting	24 June 2022 Special Board Meeting	29 June 2022 Special Board Meeting	30 June 2022 Special Board Meeting	16 August 2022 Board Meeting	12 September 2022 Special Board Meeting	17 October 2022 Special Board Meeting
Mr T Mhambi	Chairperson, Non-executive	√	√	√	√	√	√	√
Mr R Haswell	Non-executive	√	√	√	√	√	√	√
Mr C Hlabisa	Non-executive	√	√	√	√	√	√	√
Ms L Madlala	Non-executive	√	√	√	√	√	√	√
Mr E Makhubela	Non-executive	A	√	√	√	√	√	√
Mr T Matosa	Non-executive	√	√	√	A	√	√	√
Ms L Memeza	CEO, executive	√	√	√	√	√	√	√

Director	Position	25 November 2022 Board Meeting	24 January 2023 Board Meeting	10 March 2023 Special Board Meeting	31 March 2023 Board Meeting
Mr T Mhambi	Chairperson, Non-executive	√	√	√	√
Mr R Haswell	Non-executive	√	√	√	√
Mr C Hlabisa	Non-executive	√	√	√	A
Ms L Madlala	Non- executive	√	--	--	--
Mr E Makhubela	Non-executive	√	√	√	√
Mr T Matosa	Non-executive	√	√	√	√
Ms L Memeza	Acting CEO, executive	√	--	--	--
Ms R Buthelezi	Non-executive	--	√	A	√
Ms N Noxaka	Non-executive	--	√	√	√
Mr R Demana	CEO Executive	--	√	√	√

√ Present A Absent -- Not a member

The shareholder meeting (AGM) for 2022 was held on 14 December 2022.

Composition of the accounting authority

Principle 7: The accounting authority should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

SANRAL's sole shareholder is the State, represented by the Minister of Transport. Other than the representative from National Treasury, who is nominated by the Minister of Finance and appointed by the Minister of Transport, the non-executive and independent Board members are nominated and appointed by the Minister of Transport in terms of the SANRAL Act, No. 7 of 1998, as amended.

The Board as at 31 March 2023 comprised eight members, as listed on page 18 in Volume 1. The current Board was appointed effective 1 January 2023.

The Chairperson Mr T Mhambi, Ms R Buthelezi, Mr R Haswell, Mr T Matosa and Ms N Noxaka are independent, non-executive members and were appointed on 9 January 2023.

The non-executive members were Mr E Makhubela, representative of the Department of Finance and Mr C Hlabisa, representative of the Ministry of Transport.

The CEO is the only executive member of the Board. Mr R Demana was appointed as CEO effective 1 January 2023, prior to which Ms Lehlohonolo Memeza served as Acting CEO from 1 December 2021 to 31 December 2022.

All non-executive Board members serve for a maximum of two terms of three years, in terms of section 13(1)(a) of the SANRAL Act.

The Board members include engineering professionals, an employee relations expert, a chartered accountant, a finance professional and experts with knowledge of corporate governance and the public sector. The Board is of the view that this is an appropriate mix of skills that are relevant to SANRAL. However, the Board is concerned that its size is too small, which places limitations on the composition of the committees. The number of members is limited by the SANRAL Act and the Board has engaged with the Minister of Transport to effect amendments in this regard. The gender composition of the Board as at 31 March 2023 was 75% men and 25% women.

The Chairperson is an independent, non-executive member of the Board. The SANRAL Act does not provide for a lead independent member. The Board appoints another voting member to serve as chair, if the Chairperson is absent from any meeting.
Mr R Haswell has been nominated by the Board to serve as Acting Chairperson in the event that the Chairperson is unavailable.

BOARD MEMBERS

Director	Position on the SANRAL Board	Age	Length of service on Board until 31 March 2023	Other significant board memberships, shareholdings and/or professional positions
Mr T Mhambi	Chairperson, non-executive and independent	60	2nd term 3 months	ECM Trading Solutions, Braai & More, Food & More Holdings, Chill-A More, RZT Zelpy 4916 Pty Ltd

Mr Mhambi has extensive experience in the fields of education, public administration and policy and strategy development for organisations in a variety of sectors, including education, development, government, construction and insurance. After long service as a civil servant, Mr Mhambi moved into private sector business and consulting in the areas of corporate strategy development and corporate governance. He is in the retail business space. He has served on other public and private sector boards.

Director	Position on the SANRAL Board	Age	Length of service on Board until 31 March 2023	Other significant board memberships, shareholdings and/or professional positions
Mr R Haswell	Non-executive, independent	79	2nd term – 3 months	None

Alderman Haswell has 26 years of experience in the municipal environment. He served as both the Mayor and City Manager of the Msunduzi Municipality, which appointed him as an alderman in 1994. He is committed to sustainable development for all sectors within the economy.

Ms L Madlala	Non-executive, independent	48	4 years and 4 months (served until 8 January 2023)	Mzuzu Group including Mzuzu Solutions and Mzuzu Properties

Ms Madlala has a civil engineering background with corporate governance experience in both the public and private sectors. She has served on private and public sector boards and has more than 21 years' experience in the civil engineering industry. Her core competencies include infrastructure development and project and programme management. She currently heads up her own group of companies. She served as SANRAL's director on the former Board until 8 January 2023.

Mr T Matosa	Non-executive, independent	54	2nd term – 3 months	Thahlakwena Trading Enterprise' Chitepata Enterprise (Pty) Ltd

Mr Matosa has held leadership positions in various trade unions and has extensive experience in labour economics, local government administration, and governance of national and international unions.

Mr C Hlabisa	Non-executive	61	2nd term – 3 months	DDG – Roads Branch of the Department of Transport

As Deputy Director General (DDG) – Roads Branch in the Department of Transport, Mr Hlabisa's role encompasses responsibility for road engineering standards, road infrastructure and industry development, road regulation, driving license card entity oversight, public entity oversight and Strategic Integrated Projects (SIPs). Prior to his appointment to the Department of Transport in 2013, he was Head of Department at the KZN Department of Transport. His expertise is in the area of management of transport authorities, for which his engineering background is an asset.

Director	Position on the SANRAL Board	Age	Length of service on Board until 31 March 2023	Other significant board memberships, shareholdings and/or professional positions
Mr E Makhubela	Non-executive	46	1 year and 11 months	Acting Chief Director: Financial Markets and Stability, National Treasury

Mr Makhubela is an economist with over 20 years' experience. He is responsible for strategic policy making in the banking and financial sector and providing economic analysis on strategic capital flows matters.

Ms R Buthelezi	Independent, non-executive	39	3 months	Coefficient Technologies, Phungashe Consortium, Pfuxani STEM

Ms Buthelezi brings diverse experience to the Board, having built a distinguished reputation in the various leadership positions with strong operational and technical experience in several entities. Her experience in leading the Engineering Council of SA (ECSA) enables her to bring engineering insights, corporate governance, policy and strategy development, and digital technology into the Board. She currently serves as a non-executive director on the board of Transnet, in addition she is the president of ECSA.

Ms N Noxaka	Independent, non-executive	51	3 months	Homba Textiles, 8point8 Holdings, 8point8 Concepts, Alatha Consulting, Eastern Cape Government Fleet Management Services

Ms Phumzo Noxaka, CA (SA), CD (SA), AMBCI, is a consummate professional with extensive experience acquired from working in various operational, executive, and strategic roles in the private and public sectors. Ms Noxaka has a multidisciplinary skill set: in corporate governance, financial management, risk management, business continuity management, compliance management, strategic planning, auditing, and performance management, among others. She currently leads a consultancy providing business management and advisory services. She has also served on several boards of diverse profit-driven and altruistic private and public sector organisations over a period of 17 years.

Ms L Memeza	Executive (served until 31 December 2022)	44	1 year 1 month	Board Member at a subsidiary of a public entity prior to joining SANRAL

Ms Memeza served as SANRAL's Chief Audit Executive since 1 November 2017. She was appointed as Acting CEO of SANRAL effective 1 December 2021, following the end of the contract of the former CEO. She served on the Board until 31 December 2022, until the appointment of the CEO, Mr Demana. She was previously in the mining industry for eight years and served for three years as the Chief Audit Executive of a public entity.

Director	Position on the SANRAL Board	Age	Length of service on Board until 31 March 2023	Other significant board memberships, shareholdings and/or professional positions
Mr R Demana	CEO, executive	49	3 months	None

Reginald was appointed as Chief Executive Officer (CEO) of the South African National Roads Agency (SANRAL) in January 2023. He brings more than 24 years of working experience. Prior to joining SANRAL, Reginald was a Divisional Executive for Mining, Metals, Infrastructure & Energy at the Industrial Development Corporation (IDC) until 30 November 2022. During his tenure at the IDC, Reginald was responsible for the largest operations portfolio, constituting more than 50% and covering three sectors critical to South Africa's economy. Before joining the IDC he was a Group CEO of Wescoal Holdings Limited, a junior coal mining company listed on the JSE Limited's Main Board equities stock exchange, until 31 March 2021. The bulk of Reginald's experience has been gained in investment banking at Nedbank Limited where he spent about 15 years before his appointment at Wescoal. He has advised various South African mining and industrial companies and his broad experience is in Mergers & Acquisitions, Black Economic Empowerment structuring, capital raisings, public listings and mining valuations, spanning various commodities.

Committees of the accounting authority

Principle 8: The accounting authority should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.

Section 16 (1) of the SANRAL Act states that "the Board may from time to time appoint one or more committees to assist the Board in performing its functions".

The Board has established four committees to assist it in discharging its duties. These are the Contracts Committee, the Audit and Risk Committee, the Social, Ethics and Transformation Committee and the Assets and Liabilities Committee.

The committees do not assume any management or operational functions but have oversight of the functions which fall within their area of responsibility as per their respective charters and make recommendations to the Board in this regard. All committees have the responsibility of monitoring the management of risks within their area of oversight.

The Board has agreed that a Nominations Committee may be established on an ad hoc basis as required.

All committees function in accordance with the mandate and delegations determined by the Board, as detailed in their respective charters.

The Board appoints the members of committees based on the skills required to fulfil the functions of the committees. The tenure of the committees is concurrent with that of the Board – three years as per the SANRAL Act, as amended. The Board may reconstitute the membership of committees during its tenure, depending on requirements or any changes to the members on the Board. The Board may appoint external, independent members (as permitted by law) or advisors to the committees, should their skills be required for the effective functioning of the committees. Such appointments are always subject to an open and competitive recruitment process.

Contracts Committee

The Contracts Committee was responsible for reviewing the adjudicated decisions of the Management Bid Adjudication Committee for the award of major contracts with a value exceeding R750 million. It also had oversight of all contracts awarded by SANRAL, while monitoring that the SCM processes were inclusive of SANRAL's transformation initiatives in the construction industry, and the empowerment of SMMEs and small contractors. The Committee reviewed the relevance and validity of the policies affecting the areas of SANRAL's operations over which it has oversight. Any proposed amendments are subject to approval by the Board.

The Contracts Committee was comprised of two non-executive members, Mr Errol Makhubela (Chairperson), Mr Chris Hlabisa and Acting CEO until 8 January 2023. Following the appointment of the new Board, effective 9 January 2023, the Board appointed a new Contracts Committee effective 24 January 2023, with Ms Buthelezi as Chair and Messrs Makhubela, Hlabisa and Demana (CEO) as members.

The Committee has not had external advisors or invitees who attended committee meetings regularly. The Committee Secretary attended committee meetings, as did the Engineering Executive, the Contracts Manager, the Chief SCM Officer, the Legal Advisor, the CFO, the Risk Officer, the CAE and the Company Secretary, by invitation.

Key areas of focus during the year have been the consideration of large contracts for recommendation to the Board for award, the urgency for increasing the number of contracts awards, implementation of the Transformation Policy, and the provision of opportunities for smaller contractors.

To note is that the Delegation of Authority Framework has delegated all procurement related functions to Management. The Committee reviews contracts of value greater than R750 million prior to a similar review by the Board, and also reports from Management to ensure proper oversight of the SCM and procurement functions. In addition, it reviews reports from proactive assurance structures (Internal Audit and Legal) on the contracts.

Five meetings were held during the year and attendance at these is indicated in the table below.

Members	Position	2 August 2022	27 Sept 2022 Special Meeting	15 November 2022	20 December 2022 Special Meeting	15 March 2023
Mr E Makhubela (until 8 Jan 2023)	Chairperson, non-executive	√	√	√	√	√
Mr C Hlabisa	Member, non-executive	A	√	√	A	A
Ms L Memeza	ACEO, executive	√	√	A	√	--
Ms R Buthelezi (from 24 Jan 2023)	Chairperson, non-executive	--	--	--	--	√
Mr R Demana	ACEO, executive	--	--	--	--	√

√ Present A Absent -- Not a member

The Committee is satisfied that it fulfilled its responsibilities in accordance with its charter during 2022/23.

Audit and Risk Committee

The Audit and Risk Committee (ARC) functions in terms of its charter, which details the responsibilities of the Committee as:

- Independent oversight of the Annual Integrated Report and the annual financial statements.
- Independent oversight of some assurance providers, internal financial controls, internal audit function and external audit.
- Ensuring that appropriate reporting procedures exist and that they operate effectively.
- Oversight of IT governance.
- Oversight of compliance, risk management and anti-fraud and corruption measures.
- Other functions such as the review of the Annual Performance Plan, organisational performance report, annual budget, legal reports, public liability claims, etc.

Importantly, the ARC oversees risk governance within SANRAL. It reviews reports on the strategic risk register and the fraud hotline at least once every quarter. The Committee leads an annual risk session for the Board. This is an opportunity for Board members to identify new strategic risks and review the performance of internal controls implemented in the previous financial period. In addition, the Committee reviews the relevance and validity of the policies affecting the areas of SANRAL's operations over which it has oversight. Any proposed amendments are subject to approval by the Board.

The three committee members who served on the Committee during 2022/23 were: Mr R Haswell (Chair), Mr T Matosa and Ms L Madlala until 8 January 2023. With the appointment of the new Board effective 9 January 2023, the Board appointed the following members on the Committee, effective 24 January 2023: Ms N Noxaka (Chair), Mr R Haswell and Mr T Matosa. All are independent, non-executive directors.

The committee met in-committee, as required, with the internal and external auditors and Management, to exchange views and concerns that were not appropriate for discussion in an open forum.

The internal audit team and the external audit team attend all ARC meetings by invitation, as does the Committee Secretary. The CEO, CFO, Management Accountant, Engineering Executive, Risk Manager, Company Secretary and Chief Audit Executive also attend by invitation, as do other managers who have matters on the agenda. Key areas of focus during the year included oversight of the internal audit function and the audit reports, audits related to GFIP, risk management, IT governance, policy review and external audit.

Four meetings were held during the year and the attendance of those meetings is shown in the tables below.

Member	Position	23 May 2022	28 July 2022	11 Nov 2022	23 Jan 2023
Mr R Haswell (Chairperson until 8 Jan 2023)	Chairperson, non-executive and independent	√	√	√	√
Ms L Madlala	Member, non-executive, and independent	A	√	√	--
Mr T Matosa	Member, non-executive and independent	√	√	√	√
Ms N Noxaka (Chair from 24 Jan 2023)	Chairperson, non-executive and independent	--	--	--	√

√ Present A Absent -- Not a member

The Report of the ARC, included in the Integrated Report on pages 52 to 55, provides detailed information on the Committee's activities and its governance responsibilities.

The Committee is satisfied that it fulfilled its responsibilities in accordance with its charter during 2022/23.

Committee for nomination of members of accounting authority

The Board has agreed that a Nominations Committee be appointed as and when required. The Committee has a charter, which has been approved by the Board previously.

The nomination and appointment of the non-executive members of the Board is the responsibility of the Minister of Transport, as legislated in the SANRAL Act. The representative from National Treasury on the Board is nominated by the Minister of Finance.

The Standard Operations Procedure relating to the processes followed in relation to the nomination and appointment of Board Members by the Department and the Minister of Transport by the end of June 2021 was provided by the National Department of Transport on 30 June 2021. It has been placed on SANRAL's website.

Social, Ethics and Transformation Committee

SANRAL has a Social, Ethics and Transformation Committee (SETC). It functions in terms of its charter and its responsibilities are governed by Regulation 43 of the Companies Act. These include oversight of:

- Labour and employment matters, including review of the remuneration policy and annual remuneration adjustments.
- Social and economic development functions, including transformation, skills development, employment equity and good corporate citizenship endeavours.
- Stakeholder relations.
- Environmental, health and safety matters.

The activities of the SETC and key areas of focus are guided by an annual work plan to ensure that all responsibilities are monitored effectively. The remuneration and adjustments are based on an annual remuneration survey. Moreover, the proposals received from the Union with respect to staff who are members are considered for recommendation to the Board by the Committee.

The Committee reviews the relevance and validity of the policies affecting the areas of SANRAL's operations over which it has oversight. Any proposed amendments are subject to approval by the Board.

The Committee consisted of three non-executive members during 2022/23 until 9 January 2023: Mr T Matosa (Chair), Mr R Haswell and Ms L Madlala. With the appointment of the new Board effective 9 January 2023, the Board appointed the following members on the Committee effective 24 January 2023: Mr T Matosa (Chair), Mr R Haswell and Ms N Noxaka. All are independent, non-executive directors, and this is because the Committee deals with the oversight of employee remuneration (as required by the King IV Code – Principle 8).

The Committee held six meetings (including two special meetings) during 2022/23 and attendance is indicated below.

Member	Position	20 April 2022 Special Meeting	18 May 2022	26 July 2022	12 November 2022 Special Meeting	18 November 2022	9 March 2023
Mr T Matosa	Chairperson, non-executive and independent	√	√	√	√	√	√
Mr R Haswell	Member, non-executive, and independent	√	√	√	√	A	√
Ms L Madlala	Member, non-executive, and independent	√	√	√	√	√	--
Ms N Noxaka	Member, non-executive, and independent	--	--	--	--	--	√

√ Present A Absent -- Not a member

The Committee does not have any advisors or external invitees who attend the committee meetings regularly.

The Committee Secretary attends every meeting. The CEO, Acting Business Operations Executive, Transformation Manager, Chief Corporate Affairs Officer, Company Secretary and other managers with matters on the agenda attend by invitation.

The Committee provides a report on its functions and activities to the shareholder meeting which serves as the Annual General Meeting.

The Committee is satisfied that it fulfilled its responsibilities in accordance with its charter during the financial year 2022/23.

The Assets and Liabilities Committee

The Assets and Liabilities Committee (ALCo) oversees SANRAL's borrowing activities and its property and financial asset portfolio. It monitors the implementation of policies and controls governing SANRAL's financial risk management with respect to liquidity, investments, interest rates and credit. The Committee, which operates in terms of a charter, sets risk management parameters for each risk category and monitors compliance. Provisions of the Treasury Policy and Control Manual regulate the activities of the Treasury Function, performance of which is monitored by ALCo. The Committee reviews the relevance and validity of the policies affecting the areas of SANRAL's operations over which it has oversight. Any proposed amendments are subject to approval by the Board.

The Committee consisted of three non-executive members during 2022/23 until 8 January 2023: Mr E Makhubela (Chair), Ms L Madlala and Ms L Memeza. With the appointment of the new Board effective 9 January 2023, the Board appointed the following members on the Committee effective 24 January 2023: Mr E Makhubela (Chair), Mr C Hlabisa, Ms R Buthelezi and Mr R Demana (CEO).

The Committee had no external advisors or regular invitees to its meetings. The Committee Secretary attended all meetings as did the Head of Treasury along with his team, including the Financial Risk Manager and the dealers. The CFO and the Company Secretary also attended by invitation.

The main areas of focus were SANRAL's property portfolio, investments, borrowing plan and liquidity management.

The Committee held four meetings during 2022/23 and the attendance is listed below.

Director/Member	Position	19 May 2022	15 August 2022	3 Nov 2022	17 Mar 2023
Mr E Makhubela	Chairperson, non-executive	√	√	√	√
Ms L Madlala	Member, non-executive and independent	√	√	--	--
Ms L Memeza	ACEO, Member, executive	√	--	√	--
Mr C Hlabisa	Member, non-executive	--	--	--	A
Ms R Buthelezi	Member, non-executive and independent	--	--	--	√
Mr R Demana	CEO, Member, executive	--	--	--	√

√ Present A Absent -- Not a member

The Committee is satisfied that it fulfilled its responsibilities in accordance with its charter during the financial year 2022/23.

Evaluation of performance of the accounting authority

Principle 9: The accounting authority should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

The performance of the Board and its committees was last evaluated by an independent organisation which was appointed following an open tender process during 2021/22. Board performance is evaluated biennially as required by the Shareholder Compact. The next Board evaluation will be conducted during 2023.

SANRAL's policy and procedures relating to Board evaluation are detailed in the Board Charter, which is on the SANRAL website.

Management appointments and delegations

Principle 10: The accounting authority should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

Delegation of powers

The Board has approved a Delegation of Authority Framework effective 1 April 2021, guided by the requirements of relevant legislation and general governance principles. This ensures adequate control and oversight on the part of the Board and at the same time ensures that the CEO has the authority to implement and execute the Board-approved strategy and to manage operations. The CEO, in turn, has delegated certain powers to the executive and management teams. Delegations of powers are routinely reviewed annually, and also when statutory changes necessitate their revision. The Board undertook an in-depth review of the Framework during 2019/20 and 2020/21. This review included obtaining legal advice, particularly with respect to the powers of committees and delegations relating to the procurement function. The Board is satisfied that the SANRAL Delegation of Authority Framework contributes to role clarity and the effective exercise of authority and responsibilities.

A review and update of the Framework is ongoing.

Chief Executive Officer

Ms L Memeza served as Acting CEO from 1 December 2021 to 31 December 2022, following which Mr Demana took over as CEO from 1 January 2023. The CEO is appointed by the Minister of Transport on the recommendation of the Board, as per the SANRAL Act. The appointment is made after careful assessment of the Agency's requirements and an open and competitive recruitment process.

The CEO reports to the Board. The Chairperson, in consultation with the Board, is responsible for the performance evaluation of the CEO and also for the recommendation of the annual salary adjustment to the Minister of Transport. The succession plan is overseen by the Board.

The CEO is accountable for the implementation and execution of the Board approved strategy and policies and for leading operational planning and implementation. The primary responsibilities include delivering on the KPIs captured in the Annual Performance Report, managing business operations, driving company strategy, maintaining technical excellence in delivery and addressing key company challenges.

Neither the former CEO nor the Acting CEO had any other professional commitments during the year under consideration.

Company Secretary

The Board has appointed a Company Secretary, Ms A Mathew, as required by the Companies Act, No. 71 of 2008, as amended. The Company Secretary is not a member of the Board. Her performance is reviewed and evaluated by the Chairperson of the Board, in consultation with the Board, every year.

The Company Secretary is responsible for providing support to the Board and for developing systems and processes to enable the Board to function effectively. She provided guidance and support with regard to the powers, roles and responsibilities of the Board and its committees and on corporate governance matters, the Companies Act and other governance-related legislation. She serves as the main link between the Board and Management. The Company Secretary was considered by the Board to be fit and proper for the position and was qualified to perform the duties which are required of the role. She reported to the Board functionally, and to the CEO administratively during the year.

Subsequent to the end of the financial year, Ms Mathew was medically boarded effective 1 June 2023. The Board appointed an Acting Company Secretary effective 1 July 2023 and also a legal firm to support the Company Secretariat.

Debt Officer

The Board, on the recommendation of the ALCo, appointed SANRAL's Treasury Manager, Mr Siyabonga Shange, as the Debt Officer effective 1 November 2020, as per the JSE's new Debt Listing Requirements which were published on 31 July 2020. Mr Shange served as the Debt Officer during 2022/23. The Board was satisfied with the competence, qualifications and experience of the Debt Officer on appointment.

1.4 Functional areas of governance

Risk governance

Principle 11: The accounting authority should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

SANRAL uses the ISO 31000 Risk Management Methodology in assessing both strategic and operational risks. At an operational management level, SANRAL has a Risk Focus Group, which meets quarterly and reviews the operational risk profile of the organisation and monitors the associated internal control environment. The strategic risk profile is monitored by the ARC and the Board tracks the progress and effectiveness of risk management within the organisation.

Strategic risks are identified annually during the Board Risk Workshop.

The key strategic risks identified in the strategic risk profile of the organisation for 2022/23 were as follows:

- Uncertainty regarding policy on road funding
- Challenges with full implementation of SANRAL's Transformation Policy
- Procurement delays due to uncertainties in the legal environment
- Reputational damage caused by the misconception of the SANRAL brand and mandate
- Uncertainty in the regulatory environment governing SANRAL
- General employee safety and physical security threat of SANRAL employees while performing official business
- Natural/environmental disasters negatively impacting SANRAL's response to rapid changes in the environment

SANRAL follows a risk-based internal audit approach and therefore uses the risk assessments produced by the Risk Management unit to develop the annual Audit Plan.

The annual governance, risk and compliance roadshow at all SANRAL's offices provides a reminder to employees about SANRAL's anti-fraud and corruption philosophy and its approach to risk management. It is also an opportunity to highlight new risks or weaknesses identified, in order to improve the management thereof.

The Board is ultimately accountable for risk management and the ARC monitors risk management on an ongoing basis on behalf of the Board.

Technology and information governance

Principle 12: The accounting authority should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.

Information, Communication and Technology (ICT) Overview

OBJECTIVE

Information, Communication and Technology (ICT) is becoming a strategic business enabler for SANRAL

WE ARE...	IN SERVICE OF...
Consolidating all SANRAL ICT into one holistic function, centralising ICT services for industrial and corporate functions.	Better service delivery and stakeholder management
Re-organising to interlock more closely with the business by having ICT Business Partners for Engineering and Corporate Functions.	Helping engineers focus on their core tasks
Improving our function to better assess, prioritise and resolve requests by having a unified view of requests.	A single view of service management
Enabling business to engage with ICT proactively and strategically to plan for and address their technology needs.	Reducing manual work arounds
Creating a single point of contact for end users to engage with ICT.	Helping create a positive employee experience

HOW HAS THE ICT DEPARTMENT ADDED VALUE?

OUR VISION

DELIVER EXCELLENCE AND INNOVATION IN TECHNOLOGY

WHICH INFORMS

WHAT ARE OUR CORE RESPONSIBILITIES?

- Set the technology direction for SANRAL that details how ICT will strategically enable the business to realise its overall strategic objectives.
- Collaborate with business to identify, design and deliver technology solutions that are fit-for-purpose and future-fit.
- Support technology services across the business. Enable end users in extracting the value-add technology for their day-to-day activities.
- Manage the lifecycle of technology solutions and services offered by ICT from cradle to grave in line with business.

HOW DO WE ADD VALUE

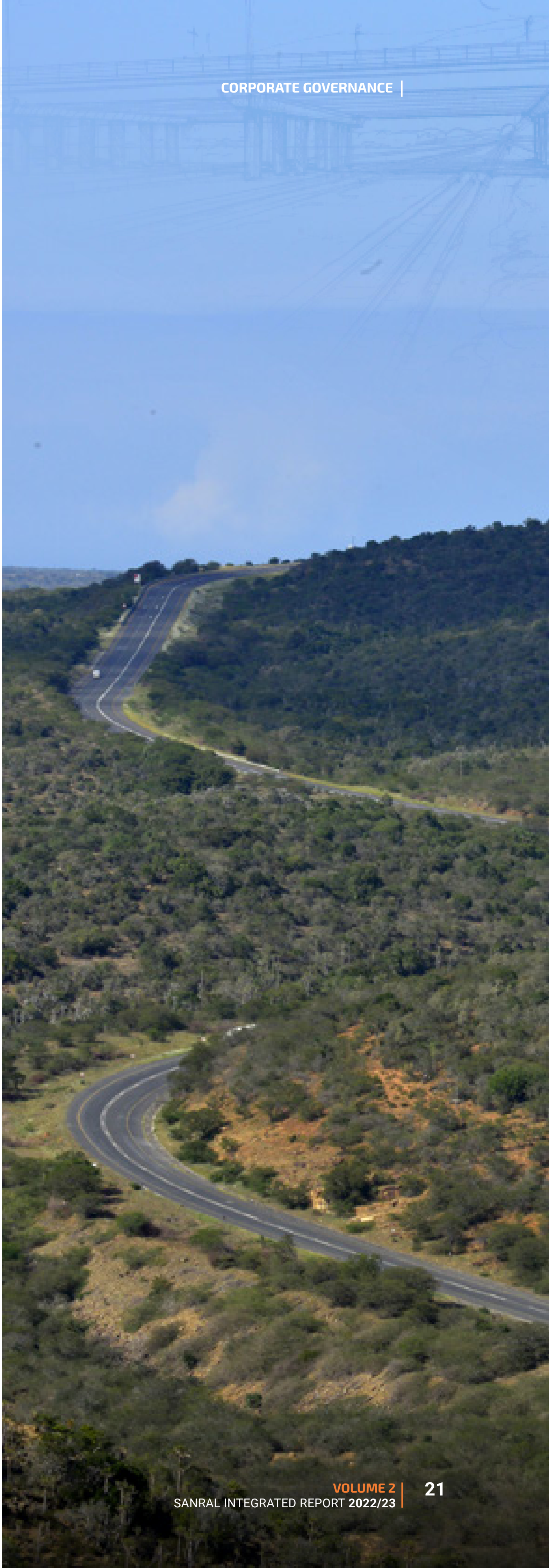
- Enable connectivity through secure and reliable networks.
- Manage and maintain a technology landscape that is resilient, secure and scalable.
- Provide the platforms on which business can standardise and automate their business processes.
- Deliver digital platforms that enable real-time engagement and personalised user experience for internal and external customers.
- Establish the relevant platforms and capablltles to enable the transformatlon of SANRAL into a data-driven organisation.
- Provide the building blocks to enable innovation and channels for new business models.
- Deliver technology at market competitive cost to enable the creation of value for citizens and the business.

- Enabled connectivity through secure and reliable networks through deployment of the SANRAL Wide Area Network and Gauteng Communications Backbone project.
- Provides digital platforms that enable real-time engagement on which the business can standardise and automate their business processes. The delivery of ICT solutions focuses on the following key principles:
  - **Simplified management:** Centralising the SANRAL infrastructure and operations in two core datacentres simplifies management, while creating a focus of resources and efforts. This consolidation enables more efficient monitoring, maintenance, and troubleshooting processes.
  - **Enhanced security:** Concentrating SANRAL data and systems in a reduced number of data centres enables SANRAL to implement a robust security modelling framework cost effectively. This approach also reduces potential attacks and enhances SANRAL's ability to detect and respond to any security incidents, whether internal or external.
  - **Improved disaster recovery and business continuity:** Two core datacentres supporting synchronous and asynchronous replication provide a strong foundation for disaster recovery and business continuity. By replicating data and applications between the two facilities, SANRAL will minimise the impact of a single data centre failure. This setup enables faster recovery times and ensures that critical systems remain operational during unforeseen events.

SANRAL recognises that governance of Information and Technology (I&T) should include the following:

- Assurance that IT delivers business value and delivers on its strategic goals.
- Business and IT alignment by ensuring that goals, strategies and priorities are balanced between stakeholder and enterprise needs and IT.
- Value creation by ensuring benefits delivery, risk optimisation and resource optimisation.

The Board, on the recommendation of the Audit and Risk Committee, evaluates ICT related strategic options, directs senior management on the chosen options, approves policies and monitors achievement of the strategy. The use of ICT within SANRAL is in compliance with relevant laws.



SANRAL ICT GOVERNANCE

The function is underpinned by a practical governance framework

The operational and management objectives (as listed below) have been delegated to management and the ICT department:

- Addressing the overall organisation, strategy and supporting activities for I&T
- Addressing the definition, acquisition and implementation of I&T solutions and their integration in business processes
- Addressing the operational delivery and support of I&T services, including cyber security
- Address performance monitoring and conformance of I&T with internal performance targets, internal control objectives and external requirements

STRATEGIC

FORUM	PURPOSE
1. ICT Strategy Forum	• Develop overall direction of the ICT organisation, strategic objectives and roadmap in collaboration with business stakeholders • Prioritise key initiatives, review ICT budget and operating plan approval • Align on Enterprise Architecture direction and roadmap • Review and decide on actions for overall ICT service performance
2. ICT MANCO	• Strategic oversight for delivery against the ICT strategy • Manage ICT spend and major IT expenditures approval • Track service delivery commitments to business • Oversee internal and external relationship management • Resolution of escalated ICT/ business risks and issues • Review ICT portfolio business value realisation
3. Portfolio Steering Committee	• Own, define and balance delivery of the ICT portfolio across portfolio dimensions (risk, size, business function, strategic/ operational, etc.) • Manage integrated work stream delivery, interdependencies between Roadmaps, and direct actions/ mitigations to ensure delivery to time, cost and quality • Review key project performance and address risks, issues, blockers and project roll-out schedule • Ensure approved programmes/projects have the resource capacities required to deliver
4. Architecture and Innovation Board	• Set and enforce architecture strategy and direction for the enterprise, translate these into roadmaps • Oversee data standards and policies and govern internal and external data • Review new solutions and promotes re-use of existing solutions • Review Innovation agenda against EA standards and architectural roadmaps to ensure alignment with ICT and business priorities, service requirements and budgets. • Review innovation solution and proposals for reference architecture development and innovation
5. Governance, Risk and Compliance Committee	• Set criteria for ICT to align with the legislative, regulatory and security requirements • Oversight and monitoring of alignment with security, compliance and external legal targets • Maintain accountability for verification of conformance to internal and external mandatory controls, policies, standards and procedural requirements
6. Relationship Management Meeting	• Define partner/ supplier strategies and engagement models • Review of partner/ supplier performance against agreements in place • Resolve issues, additions and changes related to partner/ supplier management
7. Service Integration Review Meeting	• Manage and provide final authorisation for all changes into the live environment and the change management/ service introduction process • Ensure that all changes adhere to quality requirements (i.e. testing is completed, rollbackplans are in place etc.). • Review impact on other services that run on the same infrastructure • Review resource assessment - the IT, business and other resources required to implement the change and any new infrastructure elements • Ensure all necessary training has been delivered to Service Management teams and manage communications to all relevant impacted parties
8. Delivery Management Committee	• Operational oversight on the delivery of the ICT portfolio • Review project release schedule and change readiness • Review of ICT service performance and delivery against business expectations • Review of ICT partner/ supplier performance

OPERATIONAL

The ICT Governance Steering Committee represents the interests of the Board in delivering sustainable and enabling services to the organisation. The Committee is responsible for ethical and effective management of SANRAL's IT resources with which it aims to achieve strategic outcomes and create value for stakeholders.

Compliance governance

Principle 13: The accounting authority should govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

Ensuring compliance is integral to every activity or operation of the organisation. A Compliance Policy has been adopted. It confirms SANRAL's commitment to comply not only with legislation but also with codes, standards and best practice.

The identification of legislation and regulation that impact on SANRAL's activities is one of the processes to ensure compliance. A key area of focus has been on ensuring compliance with procurement legislation and regulations, changes in which are closely monitored through SANRAL's Supply Chain Management Unit. The Unit is required to give effect to such changes. Controls in this area continue to be strengthened. Strict adherence to SCM regulations is critical, as is the avoidance of any real or perceived conflict of interest.

The annual governance, risk and compliance roadshow for all employees informs staff of the importance of compliance in every function.

Remuneration governance

Principle 14: The accounting authority should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

SANRAL's remuneration philosophy and policy support its business strategy.

The Remuneration and Benefits Policy guides the determination of the remuneration of employees. The Policy is updated annually and approved by the Board, on the recommendation of the SETC, which has the responsibility for overseeing employee remuneration. It is also tabled and approved at the shareholder meeting which serves as the Annual General Meeting, most recently on 14 December 2022.

The purpose of the Policy and its implementation strategy is to:

- Attract, retain, motivate and reward high-performing employees who constructively contribute to the achievement of SANRAL's objectives.
- Enable appropriate transparency in the development of remuneration programmes and distribution of individual remuneration awards to ensure equity and fairness, based on valid and appropriate external and internal benchmarks and criteria.
- Promote efficient use of remuneration to derive value, ensure compliance and promote responsible use of limited public funds through the achievement of strategic objectives and positive outcomes in the short, medium and long term.

SANRAL is committed to the principle of fair and responsible remuneration for the whole company. Actions in this regard include:

- Assessment of remuneration conditions among employees at the same level, in accordance with the principle of 'equal pay for work of equal value', to identify and address any unjustifiable remuneration disparities.
- Initiatives to invest in its people, including through talent management, development opportunities for all employees, various training courses as per identified needs, and an employee value proposition aligned with corporate values and culture.

SANRAL engages the services of a specialist service provider during most years to advise SANRAL on a range of reward issues, including, senior executive rewards and governance, tax and regulatory compliance, 'total' reward strategy and analytics, competitive benchmarking, incentive design and linkage to performance management. The SETC has been satisfied with the independence of the service providers.

Elements of the remuneration framework

SANRAL has two components of remuneration:

- Total Guaranteed Package (including benefits).
- Short-term incentives in the form of its short-term incentive (STI) scheme.

The guaranteed package is the total annual guaranteed cost to the company of employing an individual and includes components such as cash salary, travel allowance and the company's contributions towards retirement funding and medical insurance.

Guaranteed packages are benchmarked against the 50th percentile of the market for comparable companies utilising independent salary surveys. SANRAL currently uses Emergence Growth South Africa's (EGSA) national survey, engineering circle and state-owned data for the annual salary surveys. Information on packages offered in comparator groupings in the industry and the state-owned environment allows SANRAL to develop market-related remuneration scales for all employee grades. Salary adjustments also take into account salary grade and performance and must always be within the limits approved by the Board.

Total Guaranteed Package (TGP)

Employee pay reflects their skills, roles and function. SANRAL offers benefits that are best practice and comply with legislation. In terms of the total cost to company philosophy, any change in the price of a benefit or contribution level will not have a cost impact on the employer but will affect the employee's net remuneration. As a standard, the benefits are offered to all permanent employees, including the executive team.

Retirement funding

The SANRAL Provident Fund, a defined contribution scheme, is compulsory for all permanent employees. Contributions to the retirement fund are based on pensionable salary and employees can select their pensionable salary at either 72.5%, 80%, 90% or 100% of the TGP. They can also choose where they would like their money to be invested based on their individual risk profile. The normal retirement age is 65 years for all employees.

Insured benefits

The insured benefits include group life assurance, spouse cover and disability benefit. These contributions are calculated as a percentage of pensionable salary.

Medical aid

Employees can choose to participate in any nominated medical aid scheme. The schemes available at SANRAL were selected to address the needs of SANRAL's diverse workforce. As part of the medical aid benefit offering, a full-time Alexander Forbes consultant is available to assist with any medical aid related queries.

Variable pay – short-term incentives

Employees who exceed performance expectations are eligible for variable pay in the form of an STI scheme bonus in accordance with the approved STI scheme rules. The scheme is performance-based and is aimed at attracting, retaining and motivating employees and supporting implementation of SANRAL's strategy. Performance targets are agreed through a performance contract with each employee at the start of the financial year and vary in accordance with the grading of the individual and their ability to influence organisational performance. The performance rating agreed by the line managers and employees at the conclusion of the annual review cycle, combined with performance ratings for each region, division and the organisation as a whole, form the basis of the STI calculation. Performance and the incentive calculations are audited prior to payment.

Employees who are under investigation or have pending disciplinary action are not eligible for a performance bonus. Only after finalisation of the investigation and/or disciplinary action proceedings will the performance bonus pay-out be considered and a retrospective payment may be made. In the event of resignation before financial year-end or dismissal for just cause, all STI will be forfeited.

The CEO's remuneration adjustment must be approved by the Minister of Transport in consultation with the Minister of Finance, as per the SANRAL Act. This is done on the recommendation of the Board, based on its assessment of the CEO's performance.

Board remuneration

The Minister approves the remuneration for the Chairperson and the independent, non-executive members of the Board. Those members were remunerated at a daily rate for every day spent on SANRAL business, as per S13 (3) (a) of the SANRAL Act. The remuneration for Board members has not been increased during the term of the current Board.

The remuneration of the Board and senior management is listed on pages 164 and 165.

Assurance

Principle 15: The accounting authority should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

The Board is responsible for ensuring an effective internal control environment to ensure the integrity of information, operations and the implementation of Board-approved policies. To do so, the Board has ensured that there is coordination of work among different assurance providers including line management, the risk management function and internal and external audit.

Internal auditor

The Internal Audit function followed the co-sourced model during FY 2022/2023. For the co-sourced and outsourced projects, the Internal Audit function utilised a Board-approved panel of service providers. As on 31 March 2023, the Internal Audit function completed 11 out of 32 audits which were planned for the year; of the rest, 16 audits were in progress and 5 were approved for cancelation by the Board, to avoid a duplication of audits, as those audit areas were covered in the external auditor's (AGSA) audit scope.

The CAE reports functionally to the chairperson of the ARC and administratively to the CEO and has direct access to the Board. The Board, on the recommendation of the ARC, approved the FY22/23 internal audit charter, methodology and the three-year rolling internal audit plan, which takes a risk-based approach. The ARC and Board acknowledge and support the roll-out of the combined assurance model.

The Internal Audit function has confirmed to the ARC that, for 2022/23, there was no material breakdown in the functioning of the systems, procedures and controls, which could lead to material losses, contingencies or uncertainties, or require disclosure in the financial statements. Any control deficiencies identified by the internal and external auditors were brought to the attention of ARC and management implemented corrective action. Where internal controls did not operate effectively during the year, corrective action has been taken.

External auditor

In terms of the SANRAL Act and the PFMA, the Auditor-General of South Africa (AGSA) is the appointed external auditor. ARC has considered the quality of the external audit done by the AGSA and is satisfied with the processes and audit deliverables.

The AGSA is mandated by the Public Audit Act No 25 of 2004, as amended, with the latest amendment in 2018, to conduct the audits in accordance with the International Standards on Auditing. The AGSA is required to comply with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. These require that any threats to independence be identified and mitigations be put in place. The Board is satisfied that the external auditor is independent of the organisation. The external auditor did not provide any non-audit services.

The AGSA rotates engagement managers whenever a familiarity threat to independence is identified. The rotation policy stipulates that an engagement manager should be rotated on a five-year basis, and this is monitored by the risk and ethics unit within the AGSA. However, if conditions suggest a significant threat to independence, the rotation can be done earlier than five years.

The AGSA attends the ARC meetings regularly and also the Shareholder Meeting which serves as SANRAL's Annual General Meeting.

Assurance

The Board, on the recommendation of the ARC approved the Combined Assurance Framework in the FY 2022/23. The key objectives of the Framework are:

- To prevent or minimise duplication, wastage of resources and assurance fatigue.
- To ensure there is an optimised and comprehensive coverage of the most significant strategic and operational risks and how they are being managed.

- To confirm or challenge the risk exposures assessed by management.
- To improve commitment to the enhancement of controls and risk management.
- To assist the Accounting Authority with the discharge of its oversight duty on combined assurance.

1.5 Stakeholder relationships

Stakeholders

Principle 16: In the execution of its governance role and responsibilities, the accounting authority should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

The Stakeholder Relations Pillar is one of four pillars of SANRAL's Horizon 2030. Project implementation and transformation featured prominently in the range of stakeholder engagements during 2022/23. Relationship building events were intensified with traditional leadership bodies and organisations including the Congress of Traditional Leadership of South Africa (CONTRALESA), the National House of Traditional Leadership of South Africa and the Khoi San. This yielded very encouraging and positive results in the completion of SANRAL's projects, as it resulted in the reduction of protest action on project sites.

A 5-year research programme on stakeholder engagements was concluded towards the end of the year. Of the respondents, 65% rated SANRAL's stakeholder engagements as positive, which was a good indicator of the effectiveness of stakeholder relations management by SANRAL.

The Board continued to lead and support such engagements on all policy matters while continuously advancing the principles of good corporate governance as per the King IV Code. It was actively involved in managing relations with political stakeholders, including traditional leadership, thus providing recognition to the important role played by traditional leaders in the country.

The 'Taking SANRAL to the People' programme intensified during the year, to an extent where, for some events, the Ministry of Transport also participated in the engagement with the invited stakeholders. In addition, there is growing interest from other entities within the Department of Transport in this programme.

The number of Ministerial events grew during 2022/23. Project visits by the Minister were combined with stakeholder/public engagements to share significant activities undertaken by SANRAL.

A stakeholder relations collaborative effort has been initiated with the South African Local Government Association (SALGA) at national level. The Stakeholder Relations unit is working on a Memorandum of Understanding to formalise Engineering Technical Excellence Training, the induction of new councilors, public participation mobilisation at ward level and community development initiatives on SANRAL's projects. This will strengthen this area of inter-governmental relations and entrench the relevance of SANRAL as a good corporate citizen and as a stakeholder-centric entity.

CORPORATE **PERFORMANCE INFORMATION**

1. AUDITOR'S REPORT PREDETERMINED OBJECTIVES

The AGSA/auditor currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to pages 56 to 66 of the Report of the Auditor-General, published as Part E: Financial Information.

2. SITUATIONAL ANAYSIS

2.1 Service delivery environment

SANRAL measures its operational performance through 28 Key Performance Indicators (KPIs) spread across a number of areas that include asset management performance exposure metrics, OPEX, CAPEX, transformation, job creation, skills development, road safety, marketing, and governance. Road engineering performance across several metrics namely OPEX, CAPEX and Community Development Projects was significantly short of the targets set. The agency's ability to rapidly accelerate project rollout resulted in a knock-on effect that hampered associated indicators. A number of planned project awards were delayed/cancelled for various reasons, resulting in fewer projects in construction than originally planned in November 2021 and thus negatively impacting the actual achievement.

There was notable performance in some of the transformation indicators - targets in the area of skills development were achieved, likewise, the majority of targets related to road safety were achieved. Performance in the marketing metrics surpassed set targets. With regards to the governance indicators notwithstanding that two of the eight will be confirmed after the audit outcome, the increase in cases of irregular expenditure was significant and was due to several issues that included historical contracts that were already identified in the previous years as irregular expenditure which was not condoned, notwithstanding the non-compliance with the Board resolution of 2020.

The past year 2022/23 SANRAL faced headwinds which included having to retender and re-evaluate contractor awards. There were four flagship projects which were expected to be awarded in December 2021 but were cancelled on the 27 February 2022, subsequently retendered, evaluated by the DBSA, and awarded in November 2022. It must also be noted that in April 2022, the KZN flood disaster contributed to 25 projects being added to the Annual Procurement Plan, which was not planned for when the Annual Performance Plan was approved by the Board. Given these challenges in terms of overall performance SANRAL was able to achieve or improve the majority of the Key Performance Indicators. However, SANRAL proactively embarked on a process to revise previously set targets for certain Key Performance Indicators as per the below table. These were however not tabled in Parliament which meant they were not valid, and the previous targets therefore needed to be applied. This would have put its operational performance in perspective.

2.2 Organisational environment

Amongst the significant internal developments in 2022/23 was the commencement of the incoming CEO's term in January 2023. Plans to increase internal capacity are in line with the outcome of the Operating Model Review (OMR) that was concluded. The rollout of the Operating Model has seen some delays and recruitment of various positions will commence as the transition process into SANRAL's new organogram has been finalised.

2.3 Key policy developments and legislative changes

The Constitutional Court on the 16 February 2022 handed down a judgement which declared the 2017 Preferential Procurement Regulations as unconstitutional. The implication was that tenders issued according to those regulations that had not been awarded on the date of the judgement would be revoked. The impact of the decision means that amongst others time and opportunity has been lost and National Treasury would then need to address the uncertainty.

With the overturned regulation by the Constitutional Court, it then places the onus on National Treasury to re-issue compliant regulation. SANRAL halted all tender advertisements from 16 February 2022 and was only able to start with tender advertisements after the Board approved a new Preferential Procurement Policy on 26 April 2022 and all Proformas were amended and approved accordingly. The exemption obtained from National Treasury expired when the ConCourt ruled on the suspensive condition on 30 May 2022, resulting in additional changes to Proformas and a revision of the Addendum to the Preferential Procurement Policy. Tender advertisements only commenced in July 2022, resulting in a backlog of tenders that needed to be clawed back given the limitations.

2.4 Progress towards achievement of institutional impacts and outcomes

Output Indicator	2022/23 KPI Target (Pre- revision)	2022/23 APP KPI Target (post revision)
Network resurfaced km KPI 1.6	1200km	600km
Road Strengthened, Improved and New (CAPEX) km. KPI 1.7	Toll – 44km Non-toll – 226km Total – 270km	Toll – 1km Non-toll – 139km Total – 140km
Number of Community Development Projects in construction and/or completed. KPI 1.11	28	14

Outcome	Outcome Indicator	Actual 2020/21	Actual 2021/22	Actual 2022/23	5-year Target	Annual Target as per Strategic Plan	Deficit/ Surplus against annual average towards 5-year target
Optimally maintained National Road network	Overall Condition Index (OCI)	70.98	69.60	69.30	Maintain at desired level as per the baseline (OCI≥70)	(OCI≥70)	-0.7
Transformed industry and jobs created on projects (Full Time Equivalent)	Number of Jobs created	6,063 jobs	9,129 jobs	11,366 jobs	50,000 jobs in total over the 5-year period (Target/ Average of 10,000 SMMEs per year)	10,000	-3,442 jobs
Transformed industry and jobs created on projects	Number of SMMEs working on SANRAL projects	1,265 SMMEs	1,684 SMMEs	1,928 SMMEs	7,500 SMMEs in total over the 5-year period (Target/ Average of 1,500 SMMEs per year)	1,500	+377 SMMEs
Creating delivery capacity for the country	Number of candidate professionals that completed the Technical Excellence Academy programme	6 Candidate Engineers completed all phases of the training programme	9 Candidate Engineers completed all phases of the training programme	4 Candidate Engineers completed all phases of the training programme	100 candidate professionals having completed all phases of the training programme	20 Candidate Engineers	-41 Candidate Engineers
Safer roads	Equivalent Accident Number (EAN) per vehicle	3.2 EAN per 1,000,000 vehicle km travelled	3.63 EAN per 1,000,000 vehicle km travelled	4.49 EAN per 1,000,000 vehicle km travelled (excludes newly incor-porated routes)	1 Equivalent Accident Number per 1,000,000 vehicle km travelled (EAN/1,000 VKT)	1 Equivalent Accident Number per 1,000,000 vehicle km travelled (EAN/1,000 VKT)	-3.49 EAN per 1,000,000 vehicle km travelled
Improved reputation of SANRAL	Results from research and/ or surveys analysing Brand Equity	Not conducted as there was no service provider in 2020/21	Research was conducted and the Brand Equity score was maintained at 10.4%	Research was conducted and the Brand equity score was 62.9 (Note a new research house was utilised and they score equity differently). The results show that SANRAL was slightly above the mean average of the entities tested and the mean was 59.9.	Maintain at desired level as per the baseline (Brand Equity ≥10.4%)	Research conducted yearly	On target

Note: Strategic Plan 2020-25 KPI related to Safer Roads to read as 1,000,000 VKT and not 1,000 VKT

3. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

3.1 Programme 1: Road Asset Infrastructure Management

Purpose: The programme exists to maintain the national road network

Sub-programme: OPEX

Sub-programme: CAPEX

3.2 Programme 2: Administration

Purpose: The programme exists to fund operational costs and other related.

Outcome	Programme
Optimally maintained national road network	Road Asset Infrastructure Management
Jobs created on projects (Full Time Equivalents)	Road Asset Infrastructure Management
Creating delivery capacity for the country	Administration
Safer roads	Administration
Improved SANRAL reputation	Administration
Improved governance and strengthened control environment	Administration

OUTCOMES, OUTPUTS, INDICATORS, TARGETS AND ACTUAL ACHIEVEMENT

PROGRAMME 1: ROAD ASSET INFRASTRUCTURE MANAGEMENT

PROGRAMME/SUB-PROGRAMME: ROAD ASSET INFRASTRUCTURE MANAGEMENT								
Outcome	**Outcome**	**Output Indicator**	**Audited Actual Performance 2020/21**	**Audited Actual Performance 2021/22**	**Annual Target 2022/23 as per Annual Performance Plan (APP)**	**Actual Achievement**	**Deviation from planned target to Actual Achievement 2022/23**	**Reason for Deviation**
Optimally maintained national road network	Management of road network	Percentage of Smooth Travel Exposure (STE)	95.32%	95.94%	≥ 95%	95.88%	+0.88%	Latest available condition data combined with traffic data has been used. The performance exposure measures may change year-on- year. The statistic captures the effect of maintenance actions on the network and their impact of improving the road users' experience. As such, there are many factors that can influence the results. Factors that improve performance are the impact of improved road conditions due to maintenance actions and the effectiveness of these actions. Deterioration of the infrastructure will lead to a decrease in the score. The rate of deterioration can be affected by temperature, rainfall and other environmental effects, amount of traffic on the road, the distribution of the traffic between heavy vehicles and passenger vehicles, and particularly the number of overloaded vehicles. Due to the nature of the infrastructure deterioration, such deterioration will not be immediately apparent but will accelerate over time if maintenance is not performed. Therefore, the work conducted in previous years will continue to have a positive effect in following years. Finally, the statistic will also be affected by continuing changes in traffic volumes and the distribution of this traffic across the network.
	Management of road network	Percentage of Low Rut Exposure (LRE)	98.63%	98.34%	≥ 95%	98.43%	+3.43%	
	Management of road network	Percentage of High Texture Exposure (HTE)	98.57%	99.37%	≥ 95%	≥ 99.31%	+4.31%	
	Management of road network	Percentage of Bridge Condition Exposure (BCE)	93.43%	93.54%	≥ 90%	93.54%	+3.54%	

PROGRAMME/SUB-PROGRAMME: ROAD ASSET INFRASTRUCTURE MANAGEMENT								
Outcome	Outcome	Output Indicator	Audited Actual Perfor-mance 2020/21	Audited Actual Perfor-mance 2021/22	Annual Target 2022/23 as per Annual Perfor-mance Plan (APP)	Actual Achieve-ment	Deviation from planned target to Ac-tual Achieve-ment 2022/23	Reason for Deviation
Optimally main-tained national road network	Mainte-nance of national road net-work	Routine Mainte-nance km	22,253km	22,266km	22,262km	23,556. 69km	+1,294. 69km (+5.82%)	Increase in length due to incorporation of roads in North West Province, Northern Cape and Eastern Cape.
	Mainte-nance of national road net-work	Network resurfaced km	125. 378km (Revised target due to COVID)	448.959km	1,200km	687.989km	-512.011km (-42.6%)	Annual target for 2022/23 set based on Board approved budget of November 2021. This Board approved budget is based on forecasted expenditure for projects in construction as well as projects still to be awarded and construction to be started at the time. A number of planned reseal project awards were delayed/cancelled for various reasons, resulting in fewer projects in construction than originally planned in November 2021 and thus negatively impacting the actual achievement
	Mainte-nance of national road net-work	Road Strength-ened, Improved and New (CAPEX) km	77.516km (Revised target due to COVID)	92.609km	270km	133.219 km	-136.781km (-50.65%)	Annual target for 2022/23 set based on Board approved budget of November 2021. This Board approved budget is based on forecasted expenditure for projects in construction as well as projects still to be awarded and construction to be started at the time. A number of planned CAPEX project awards were delayed/cancelled for various reasons, resulting in fewer projects in construction than originally planned in November 2021 and thus negatively impacting the actual achievement.
	Transform-ation of the industry	Percentage of RRM (Routine Road Main-tenance) expenditure performed by Black-owned SMMEs and Contractors (Based on Black ownership of main contractor)	86.1%	96.6%	>75%	97.5%	+22.5%	The annual target for RRM Project value is exceeded for the year. This is based on the actual expenditure on RRM projects, most of which have now been procured in terms of latest SANRAL procurement requirements where more than 80% has been awarded to 51% or more Black-owned entities.

PROGRAMME/SUB-PROGRAMME: ROAD ASSET INFRASTRUCTURE MANAGEMENT								
Outcome	**Outcome**	**Output Indicator**	**Audited Actual Performance 2020/21**	**Audited Actual Performance 2021/22**	**Annual Target 2022/23 as per Annual Performance Plan (APP)**	**Actual Achievement**	**Deviation from planned target to Actual Achievement 2022/23**	**Reason for Deviation**
	Transformation of the industry	Percentage of non-RRM (Routine Road Maintenance) expenditure performed by Black-owned SMMEs and Contractors (Based on Black ownership of main contractor)	46.5%	60.4%	>60%	67.6%	+7.6%	The annual target for non-RRM Project value is exceeded for the year. This is based on the actual expenditure on non-RRM projects, most of which have now been procured in terms of latest SANRAL procurement requirements.
Optimally maintained national road network	Transformation of the industry	Number of SMMEs working for SANRAL	1,265 (Revised target due to COVID) >51% Black = 996 <51% Non-Black = 269	1,684	1,600	1,928	+328 (+20.50%)	The annual target for SMMEs is exceeded for this year, due to projects progressing into construction and procured in terms of the latest SANRAL procurement requirements.
	Community Development Project	Number of Community development infrastructure projects in construction and/or completed.	8 projects in construction of which 5 were completed	3 projects in construction and/or completed	28 projects in construction and/or completed	6 projects in construction and/or completed	-22 projects (-78.57%)	CD Projects that were earmarked to be implemented as components of conventional projects taken out of these conventional projects for first tier procurement and implementation as instructed by the Board. These projects had to be placed on the revised Annual Procurement Plan and hence, resulted in delayed implementation.

Note: KPI 1.1 – 1.4 SANRAL measures up to 90% of the network due to maintenance activities i.e. ring roads/half width construction/Stop Go trafficked lanes cannot be measured, as a result sections under maintenance cannot be surveyed. Based on SANRAL's current maintenance activities about 10% of the network is not measurable, which is the reason for the 90% upper target.

Note: KPI 1.5 The length of the SANRAL road network is subject to continuous amendment (increase or decrease) during a financial year due to the publication of various declaration gazettes by the Minister of Transport. As these amendments are also approved by the Minister of Transport, their impact on network length (increase or decrease) will be reflected in the quarterly targets and actuals.

Note: KPIs 1.5, 1.6, 1.7 As in SANRAL Roadworks Classification document and under construction

Note: KPI 1.7 Breakdown at Year End as follows – 131.918 kms achieved through the non-Toll allocation and 1.301 kms achieved through Toll portfolio

Note: KPIs 1.8, 1.9 As in SANRAL roadworks classification

Note: KPIs 1.8, 1.9, 1.10 There may be cases where skilled is included. Figures are calculated using the BEE Certificate and EME/QSE rating at time of contract award. For calculation purposes these are regarded as unchanged for the life of the contract and figures are not based on latest valid BEE certificate or EME/QSE rating.

Note: KPI 1.10 The number includes SMMEs counted more than once when providing services on different project types (routine maintenance, special maintenance, strengthening, toll and non-toll projects). The total number of unique SMMEs is 1772 (includes non-compliant category).

Note: KPI 1.11 Includes all CD Projects in construction and completed during the financial year. Six projects in construction of which one was completed during the year.

Category	Unique SMME Number (Instances)
More than 51% Black-owned EME	1,338
More than 51% Black-owned QSE	214
Less than 51% Black-owned EME	173
Less than 51% Black-owned QSE	15
Total	**1,740**

* *Exempted micro-enterprises, which are entities with an annual turnover of R10m or less.*

** *Qualifying small enterprises with an annual turnover of between R10m and R50m.*

*** *There are 32 vendors who have been deemed non-Complaint due to their BEE status over the course of the project.*

PROGRAMME 1: ROAD ASSET INFRASTRUCTURE MANAGEMENT

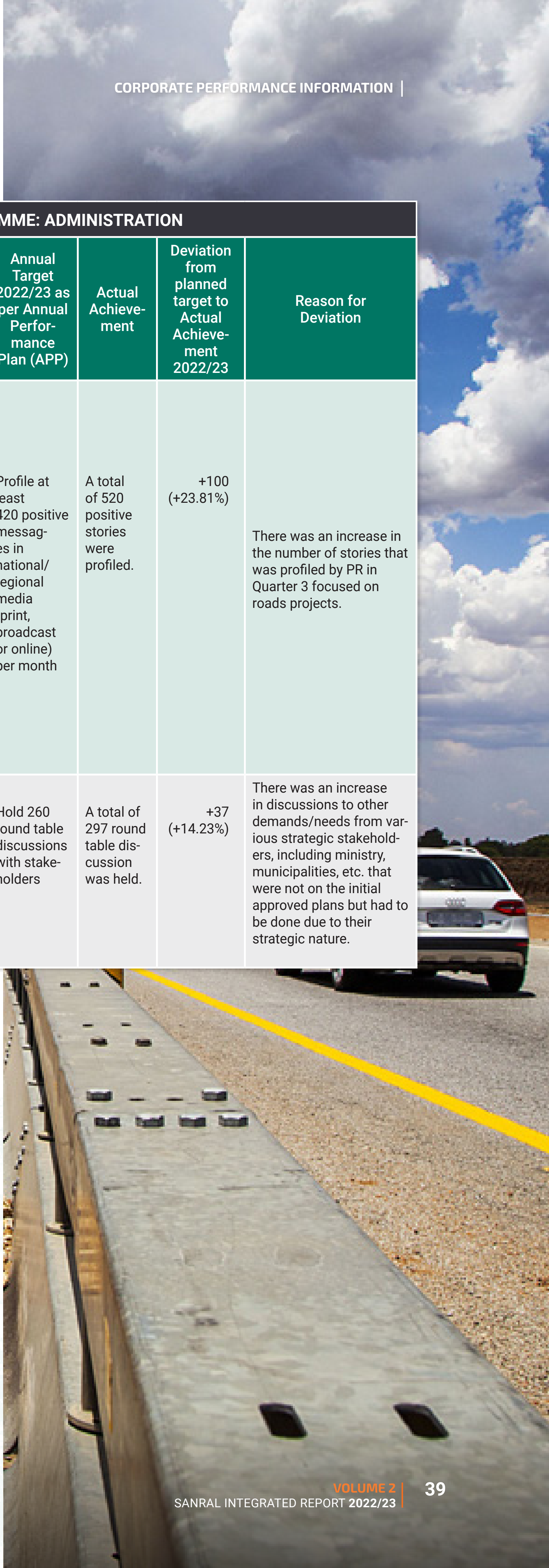
PROGRAMME/SUB-PROGRAMME: ROAD ASSET INFRASTRUCTURE MANAGEMENT								
Outcome	Output	Output Indicator	Audited Actual Perfor-mance 2020/21	Audited Actual Perfor-mance 2021/22	Annual Target 2022/23 as per Annual Perfor-mance Plan (APP)	Actual Achieve-ment	Deviation from planned target to Actual Achieve-ment 2022/23	Reason for Deviation
Jobs created on projects (Full Time Equivalent)	Creation of jobs 2.1	Jobs created on project (full-time equivalent)	6,063 (Revised target due to COVID) Male = 4,411 Female = 1,652 Youth = 3,024	9,129 Male= 6,647 Female =2,482 YM=3,096 YF= 1,339 PWD= 62	11,000	11,366 F=3,231 M=8,135 FY=1,701 MY=3,735 (PWD=85)	+366 (+3.32%)	The annual target for job creation is exceeded for the year. This is based on hours of individuals on projects that has commenced.

Note: KPI 2.1: Refers to Full Time Equivalents and calculation based on actual hours worked. Beneficiary data is based on unskilled and semi-skilled. There may be cases where skilled is included.

PROGRAMME/SUB-PROGRAMME: ROAD ASSET INFRASTRUCTURE MANAGEMENT								
Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Annual Target 2022/23 as per Annual Performance Plan (APP)	Actual Achievement	Deviation from planned target to Actual Achievement 2022/23	Reason for Deviation
Safer Roads	Provision and management of safe road infrastructure	Number of pedestrian hazardous locations investigated, and solutions proposed: Identify, investigate and propose remedial measures for 12 pedestrian hazardous locations	21 locations hazardous to pedestrians identified and investigated. Remedial measures proposed	13 pedestrian hazardous locations have been identified, investigated and had remedial measures proposed	Identify, investigate, and propose remedial measures at 12 pedestrian hazardous locations per year	20 hazardous locations identified, investigated, and remedial measures proposed	+8 (+66.67%)	Over performance due to identification of additional HAZLOC's through improvement and streamlining of identification processes.
	Provision and management of safe road infrastructure	Number of Road Safety Audits conducted	23 Road Safety Audits completed	11 Road Safety Audits completed	12 Road Safety Audits completed	12 Road Safety Audits completed	0 (0.00%)	None

PROGRAMME 2: ADMINISTRATION

PROGRAMME/SUB-PROGRAMME: ADMINISTRATION								
Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Annual Target 2022/23 as per Annual Performance Plan (APP)	Actual Achievement	Deviation from planned target to Actual Achievement 2022/23	Reason for Deviation
Creating delivery capacity for the country	Provision of internships	Number of internships (Practical experience for undergraduate studies)	125 (Revised target due to COVID) ER = 20 NR = 35 SR = 45 WR = 25	NR - 57 ER - 54 SR - 80 WR - 48 =239	200	ER = 93 NR = 40 SR = 112 WR = 30 275	+75 (+37.5%)	Increase of projects on sites led to high demand of interns for practical experience exposure.
	Provision of bursaries	Number of external bursaries (tertiary)	100 (Revised target due to COVID)	135	135	154	+19 (+14.07%)	SANRAL achieved the target and were able to award more students bursaries because the budget allowed for it. The overall cost of awarded bursaries was less per students because of the inclusion of new universities.
	Provision of scholarships	Number of scholarships	220	225	250	260	+10 (+4.00%)	SANRAL was able to award more learners to the programme as the policy changes allowed for implementation of awards from grade 8, nationally irrespective of subject choice.
	Improved public road safety education and awareness	Road safety education and awareness programmes at selected educational sites in a 5km radius of the national network and/or linked to SANRAL construction projects.	74 sites	185 sites	30 sites	204 sites	+174 sites (+580%)	The extension of the contract and availability of teachers led to more workshops and sites completed.



PROGRAMME/SUB-PROGRAMME: ADMINISTRATION								
Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Annual Target 2022/23 as per Annual Performance Plan (APP)	Actual Achievement	Deviation from planned target to Actual Achievement 2022/23	Reason for Deviation
Improved SANRAL reputation	Improvement and management of reputation	Number of positive messages in national/ regional media (print, broadcast or online) per month	Profiled approximately 29 positive messages per month in national, regional and community media through various mediums. 359 positive stories published this year. (revised target due to COVID)	33 positive stories per month was profiled	Profile at least 420 positive messages in national/ regional media (print, broadcast or online) per month	A total of 520 positive stories were profiled.	+100 (+23.81%)	There was an increase in the number of stories that was profiled by PR in Quarter 3 focused on roads projects.
	Constructive engagement with stakeholders	Number of Stakeholder engagement sessions/ round tables	212 stakeholder round table sessions were hosted (revised target due to COVID).	446 round tables carried out in the year -approximately 111 per quarter.	Hold 260 round table discussions with stakeholders	A total of 297 round table discussion was held.	+37 (+14.23%)	There was an increase in discussions to other demands/needs from various strategic stakeholders, including ministry, municipalities, etc. that were not on the initial approved plans but had to be done due to their strategic nature.

Note: KPI 5.2 Stakeholder engagement sessions include taking SANRAL to the people and information sharing sessions.

PROGRAMME 2: ADMINISTRATION

PROGRAMME/SUB-PROGRAMME: ADMINISTRATION								
Outcome	Outcome	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Annual Target 2022/23 as per Annual Performance Plan (APP)	Actual Achievement	Deviation from planned target to Actual Achievement 2022/23	Reason for Deviation
Improved governance and strengthened control environment	Adequacy of responses to Parliament questions	Percentage responses to Parliament questions within stipulated timelines		100% achieved Received – 25 Responded - 25	100% responses to Parliament questions	100% Received – 25 Responded - 25	0 (0.00%)	None
	Resolution of reported incidents of corruption	Percentage resolution of reported incidents of corruption		86% resolution of reported incidents of corruption	85% resolution of reported incidents of corruption	92% resolution of reported incidents of corruption	+7%	None
	Functionality of ethics structures and adequate capacity	Ethics committees established and operationalised		The Ethics Officer role has been created and assigned to a newly established Executive: Compliance in line with SANRAL's new operating model. The recruitment process will commence as soon as the transition process into SANRAL's new organogram has been finalised.	A structure dedicated to ethics management will be established within SANRAL	The Ethics Officer role was created and assigned to a newly established Executive: Legal, Risk and Compliance in line with SANRAL's new operating model. The recruitment process will begin as soon as the transition process into SANRAL's new organogram has been finalised.	Target not met but there is an interim measure in place. Duties are being taken care of	This is because the Ethics Officer role has not been filled.

PROGRAMME/SUB-PROGRAMME: ADMINISTRATION								
Outcome	**Outcome**	**Output Indicator**	**Audited Actual Performance 2020/21**	**Audited Actual Performance 2021/22**	**Annual Target 2022/23 as per Annual Performance Plan (APP)**	**Actual Achievement**	**Deviation from planned target to Actual Achievement 2022/23**	**Reason for Deviation**
Improved governance and strengthened control environment	Implementation of action plan to address audit findings	Percentage implementation of action plans to address audit findings		100% All 11 action plans were achieved, based on audit response plan.	100% implementation of action plans to address audit findings	29 out of 29 actions were implemented resulting in 100% achievement.	AFS was reviewed as per action plan. No other actions outstanding	
	Unqualified Audit Report with no findings affecting the audit report	Regulatory Audit Outcome by the Auditor-General of South Africa (AGSA)		Unqualified with five material findings affecting audit report	Unqualified Audit Report with no findings affecting the audit report	Not achieved	AGSA has finalised the audit; the opinion is unqualified with material findings on performance information affecting the audit report.	
	Elimination of wasteful and fruitless expenditure	Percentage reduction of cases of wasteful and fruitless expenditure		100% reduction of cases of wasteful and fruitless expenditure	100% reduction of cases of wasteful and fruitless expenditure	Not achieved	0% R33,813m	The majority of the fruitless and wasteful expenditure relates to delays in project implementation.
	Reduction of irregular expenditure	Percentage reduction of cases of irregular expenditure		This has increased from R175.283 million to R3,917.771 million (increase of 2135 %), no reduction.	75% reduction of cases of irregular expenditure as Per Minister's Performance Agreement	Not achieved	+1741% R6.725 billion 75% reduction of irregular expenditure by R365.25 million was not achieved. Irregular Expenditure increased by R6.725 billion (1741%)	The non-compliance with Board resolution irregular expenditure (R6.495 billion) was the biggest contributor in the increment.
	Compliance to 30- day payment requirement	Percentage compliance to 30-day payment requirement		95%	100% compliance to 30-day payment requirement	99.17%	-0.83%	Invoices not recommended or approved timeously. Purchase orders not created on time. Travel tickets that are issued when the order is confirmed, and not once travel has taken place.

Strategy to overcome areas of underperformance.

Areas of significant under performance or where actions warranted are outlined below:

Output Indicator	Annual Target 2022/23 as per Annual Performance Plan (APP)	Achieved	Variance	Corrective Measures
Network resurfaced km	1,200km	687.989km	-512.011km (-42.6%)	Implementation of the Procurement Turnaround Strategy which includes a number of interventions to accelerate project award.
Road Strengthened, Improved and New (CAPEX) km	270km	133.219km	-136.781km (-50.65%)	Implementation of the Procurement Turnaround Strategy which includes a number of interventions to accelerate construction project award.
Community development infrastructure projects	28 projects in construction and/or completed	6 projects in construction and/or completed	-22 projects (-78.57%)	All CD Projects planned for implementation have been placed on the 2023/2024 Annual Procurement Plan.
Percentage reduction of cases of wasteful and fruitless expenditure	100% reduction of cases of wasteful and fruitless expenditure	Not achieved	0% R33,813m	The majority of the fruitless and wasteful expenditure relates to delays in project implementation.
Percentage reduction of cases of irregular expenditure	75% reduction of cases of irregular expenditure – as per Minister's Performance Agreement	Not achieved	+1741% R6.725 billion 75% reduction of irregular expenditure by R365.25 million was not achieved. Irregular expenditure increased by R6.725 billion (1741%)	The non-compliance with Board resolution irregular expenditure (R6.495 billion) was the biggest contributor in the increment.

Linking performance with budgets

	2021/2022			2022/2023		
Programme/ activity/ objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Administration	10, 708, 006	11, 725, 075	-1,017, 069	6,651,506	5,931,332	720,174
Road Asset Infrastructure Management	34, 229, 726	7, 274,725	26, 955, 001	32, 814, 828	18,756,864	14,057,964
Total	**44,937, 732**	**18, 999, 800**	**25,937,932**	**39, 466, 335**	**20,624,708**	**18,841,627**

Road Asset Infrastructure Management

Mainly includes OPEX and CAPEX works along with Community Development. OPEX and CAPEX are included in both the Non-Toll and Toll budgets.

Administration programme

Mainly includes overhead costs which are included in the Non-toll budget and consists of salaries, administrative support, as well as costs not directly related to a specific route but of a technical nature. The bulk of expenditure is related to marketing and communications activities at Head Office and the Regions, followed by training and tertiary education support. The technical support expenditure is related to traffic monitoring (counting of daily movements), followed by research and then operations of our asset management system (condition surveys of road and structure assets, ITIS and GIS software development and support). Property Services – The cost relates to land survey, property administration and valuation services.

4. REVENUE COLLECTION

The Agency has four areas from which it generates revenue: transfers from the fiscus for non-toll business, revenue generated from toll fees ringfenced to the toll portfolio, other income received from sundry, concession, rentals on lease property and income from investments.

Total toll revenue realised on these routes during 2022/23 was R3.885bn, representing a decrease of 14% from the previous year. The tariff adjustment for the year was restricted to a CPI-related rate, and the decline of revenue was mainly due to suspension of toll fee collection on the N2 North due to KZN flood disaster. Sundry Income are in the form of income from concessionaires, rental property, cellular mast, levies on oil and gas from SANRAL asset base hence the substantial increase in those streams.

	2021/2022			2022/2023		
Sources of revenue	**Estimate**	**Actual**	**(Over)/Under Expenditure**	**Estimate**	**Actual**	**(Over)/Under Expenditure**
	R'000	R'000	R'000	R'000	R'000	R'000
Grant Allocation	21, 621, 212	21, 621,212	0	22, 894, 975	22, 894, 975	0
Toll Fees	4, 820, 005	4,522, 032	297,973	5,204,740	3,885,903	1,318,837
Other Income (Sundry, Concession & Rental property)	250,696	1,985,219	-1,734,523	652,990	284,654	368,336
Income from Investments	1,284,769	1,787,968	-503,199	1,499,502	3,000,196	-1,500,694
Total	**27,976,682**	**29,916,431**	**-1,939,749**	**30,252,207**	**30,065,728**	**18, 479**

5. CAPITAL INVESTMENT

SANRAL follows a preventative maintenance first, life cycle maintenance strategy. Capital expenditure is essentially long-term asset improvement (extending the initial design life), expansions and new infrastructure.

1. **Strengthening -** Includes increasing the structural capacity of an existing pavement through the recycling of existing layers and/or addition of new granular layers or structural asphalt overlays >80mm thick.
2. **Improvements -** This comprises works that aim to improve the quality of service on roads with an unacceptable quality of service. These include measures of improving quality of service on existing roads such as increasing the width in selected areas (i.e. addition of climbing/passing lanes), increases in the width over the total length of the project i.e. addition of paved shoulder and localised geometric and intersection improvements. These activities could in some instances include complete rehabilitation of the existing pavement structure.
3. **New construction -** This comprises works that aim to improve network capacity and includes upgrading of single carriageway road to 4-lane or dual carriageway road. The construction of new surfaced road where previously no road existed (brown/green fields construction). The construction of new bridge to replace existing bridge or new interchange to replace intersection.

The below reflects underspending for the 2021/22 and 2022/23 financial years; this is mostly due to:

a) The re-evaluation of contractor awards which was necessitated to mitigate the risk of conflict of interest of the consulting engineers participating in the original design and specifications as well as the technical evaluation of construction bids.

b) Historical delays due to slow progress on site, during 2019/20 a total of 83 SANRAL construction projects were affected to various extent by sometimes violent site stoppages by community/business forums. The heart of the protesters demands relates to Preferential Procurement Regulations 2017 (PPR 2017), issued by National Treasury in terms of the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000). The key issues related to PPR 2017 are confined to the 30% subcontracting provision, the definition of the local area from which this 30% must be procured and applicability to projects advertised before 1st April 2017 and inconsistencies on how these are interpreted by local stakeholders (i.e. communities, business forums, ward councillors, mayors, etc.). The most widely reported SANRAL project affected by the above is the termination of N2 Mtentu construction project by the Contractor on 30th January 2019, citing 84 days of force majeure due to community/business forum protest action, which SANRAL disputes. As a result, SANRAL developed the 14-point plan to better govern procedures on all our construction sites regarding sub-contractor procurement. The Constitutional Court on the 16 February 2022 handed down a judgement which declared the 2017 Preferential Procurement Regulations as unconstitutional. The implication was that tenders issued according to those regulations that had not been awarded on the date of the judgement would be revoked. The impact of the decision means that amongst others time and opportunity has been lost and National Treasury would then need to address the uncertainty. With the overturned regulation by the Constitutional Court, it then places the onus on National Treasury to re-issue compliant regulation. SANRAL halted all tender advertisements from 16 February 2022 and was only able to start with tender advertisements after the Board approved a new Preferential Procurement Policy on 26 April 2022 and all Proformas were amended and approved accordingly. The exemption obtained from National Treasury expired when the ConCourt ruled on the suspensive condition on 30 May 2022, resulting in additional changes to Proformas and a revision of the Addendum to the Preferential Procurement Policy. Tender advertisements only commenced in July 2022, resulting in a backlog of tenders that needed to be clawed back given the limitations.

- The normal 'binding constraints': EIA approvals, mining permits; the added requirement for an Occupational Health and Safety permit from the Department of Labour, which is required before site establishment, has resulted in more delayed expenditure on capital projects.
- In April 2022 the KZN flood disaster added 25 projects to the Annual Procurement Plan, which was unforeseen and not planned when the Annual Performance Plan was approved by the Board.

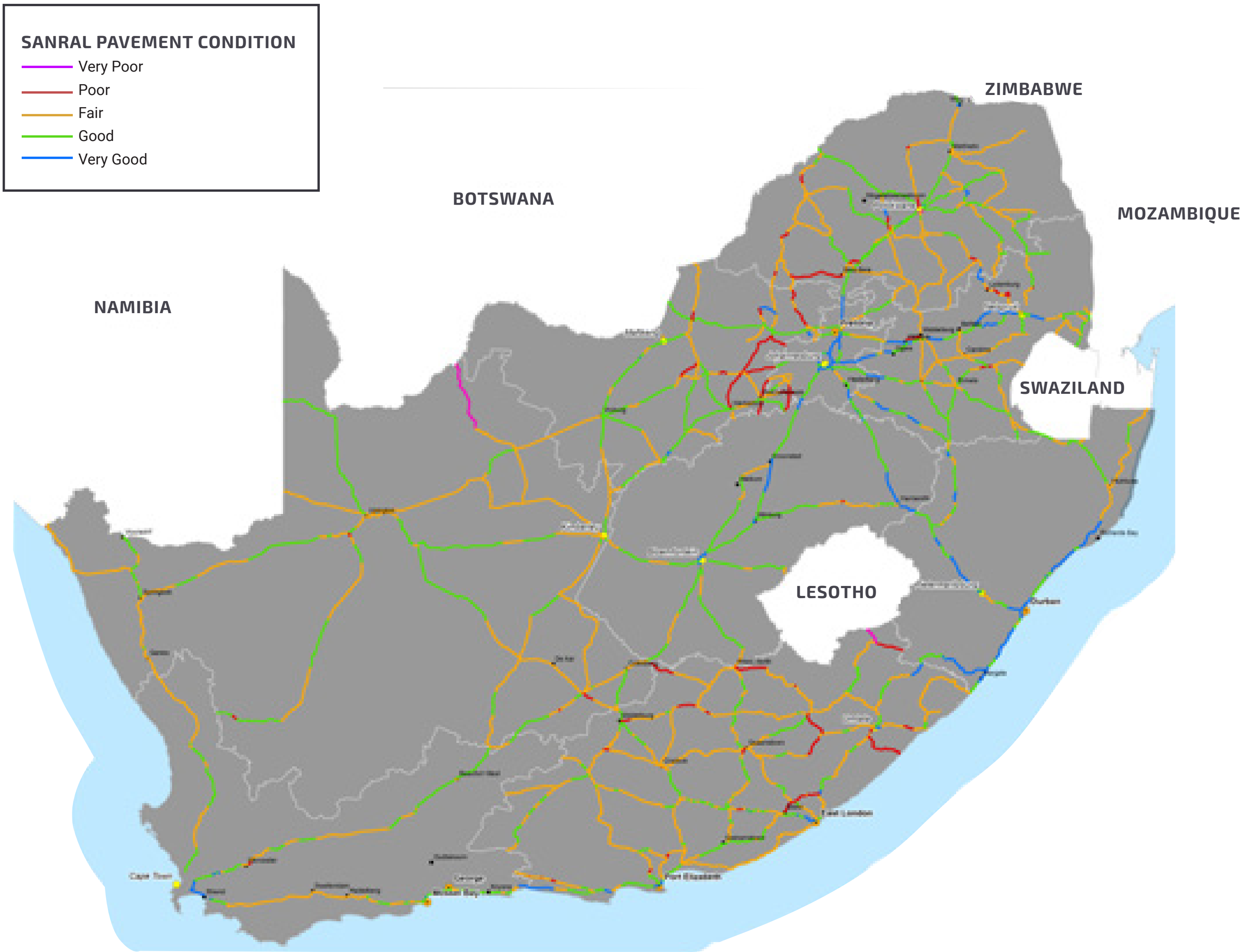
Total capital expenditure on capital investment on construction projects roads amounted to R5.04bn in 2021/22 and R8.49bn in the 2022/23 financial year. The under expenditure was mainly due to significant underspending on OPEX and CAPEX projects as a result of delays on procurement processes, projects being delayed/cancelled for various reasons, resulting in fewer projects in construction than originally planned in November 2021 and thus negatively impacting the actual expenditure.

There are no plans to close down or down-grade any current facilities.

	2021/2022			2022/2023		
Infrastructure projects (Toll and Non-Toll)	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	R'000	R'000	R'000	R'000	R'000
Sundry Capital Expenditure	376,307	135,928	240,379	734,684	107,551	627,133
Strengthening	721,984	285,075	436,909	1,178,772	811,560	367,212
Improvements and Community development	8,494,270	3,000,475	5,493,795	7,848,728	5,084,402	2,764,326
New Facilities and Land Acquisition	5,836,710	1,622,858	4,213,852	6,322 ,104	2,486,732	3,835,372
Total	**15,429,271**	**5,044,336**	**10,384,935**	**16,084,287**	**8,490,245**	**7,594,042**

Network Road Condition	Kms
Very poor (OCI < 30)	79
Poor (30 ≤ OCI < 50)	3,200
Fair (50 ≤ OCI < 70)	10,138
Good (70 ≤ OCI < 85)	9,895
Very Good (OCI ≥ 85)	2,950
Total	**26,261.82**

Note: The above refer to carriageway kms.


SANRAL PAVEMENT CONDITION
Very Poor
Poor
Fair
Good
Very Good
ZIMBABWE
BOTSWANA
MOZAMBIQUE
NAMIBIA
SWAZILAND
LESOTHO
Cape Town
Port Elizabeth
East London
Durban

Below is a list of CAPEX projects in various stages of progress or completed over the 2022/23 financial year:

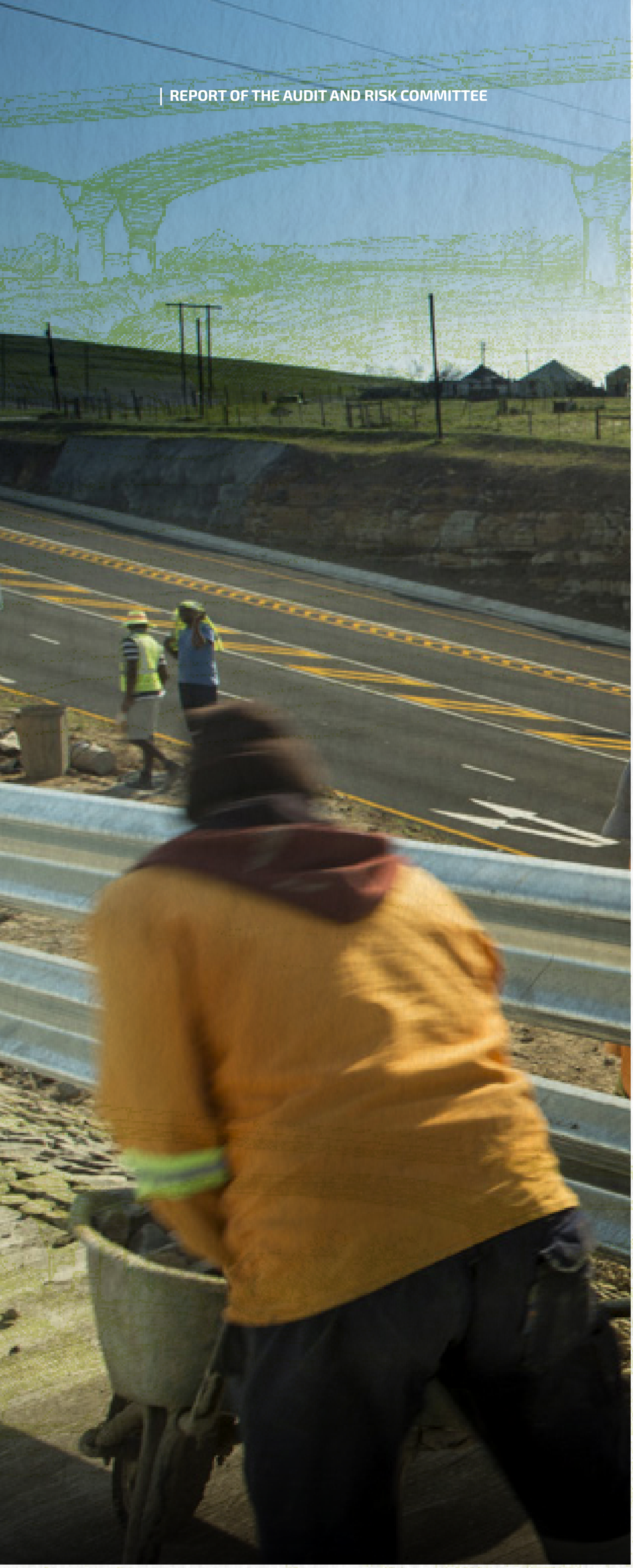
Project Category	Project Number	Project Type	Description	Non-toll/ Toll	Percentage Spent of Planned Total	Project Length	2022/23 km Complet-ed	Total Length Complet-ed	Progress
Improvement	R.067-050- 2016/1	DIAHV	Swart Kei River to Queenstown	Non-toll	99%	18.100	4.470	17.899	Completed
Improvement	R.081-010- 2013/1	DILPS	Munnik to GaSekgopo	Non-toll	98%	9.930	1.437	9.754	Completed
Improvement	N.002-190- 2013/1	DILPS	Nqadu to Mzeke rivers and Dan's	Non-toll	82%	18.600	7.728	15.275	In Progress
Improvement	R.063-130- 2015/1	DIAHV	Fort Beaufort to Alice	Non-toll	80%	23.090	8.058	18.569	In Progress
Improvement	N.002-145- 2012/1	DIAHV	Green River to Buffalo River	Non-toll	75%	8.819	3.910	6.648	In Progress
Improvement	N.014-067-2021/1	DIAHV	Inters Impr N14 Olifanthoek-Kathu	Non-toll	75%	4.050	2.914	3.043	In Progress
Improvement	R.037-020- 2005/1	DILPS	Modikwa mine - Bugersfort	Non-toll	66%	25.870	10.705	17.118	In Progress
Improvement	R.022-050- 2012/1	DICAL	Manguzi Town Road Widening	Non-toll	63%	3.870	1.479	2.431	In Progress
Improvement	N.003-023- 2017/9	DICAL	Lynnfield to Ashburton I/C	Non-toll	57%	4.508	1.908	2.573	In Progress
Improvement	R.510-020- 2016/1	DILPS	Bierspruit to Thabazimbi	Non-toll	57%	27.500	11.388	15.564	In Progress
Improvement	N.003-020- 2017/9	DICAL	Dardanelles - Lynnfield Park	Non-toll	48%	4.000	1.069	1.906	In Progress
Improvement	N.003-020- 2017/8	DICAL	Cato Ridge to Dardanelles	Non-toll	43%	6.400	1.788	2.743	In Progress
Improvement	N.002-070- 2016/1	DICIC	Sandkraal/ Thembalethu I/C	Non-toll	38%	3.000	1.003	1.150	In Progress
Improvement	N.007-020- 2020/1	DILPL	Rooikraal to Moorreesburg	Non-toll	35%	26.410	7.935	9.314	In Progress
Improvement	R.510-012- 2016/1	DILPS	NW/LP Border to Bierspruit	Non-toll	35%	26.871	8.839	9.394	In Progress
Improvement	N.002-260- 2018/9	DICAL	KwaMashu I/C - Mdloti I/C	Non-toll	17%	16.151	2.029	2.688	In Progress
Improvement	N.002-145- 2016/1	DIAHV	Phase 3: Ght to Fish River Pass	Non-toll	3%	15.913	0.370	0.413	In Progress
New Facilities	N.001-290- 2005/1	DNNN2	Musina Ring Road	Toll	100%	9.200	1.301	9.194	Completed
New Facilities	R.573-030- 2016/1	DNND2	Mathys Zyn Loop to Marble Hall	Non-toll	91%	24.500	1.190	22.392	In Progress
New Facilities	R.023-020-2020/1	DNNBN	Completion 6 bridges and km 0-4	Non-toll	86%	6.000	3.696	5.153	In Progress
New Facilities	R.033-140- 2016/1	DNNBN	Merriespruit New Bridge	Non-toll	85%	0.200	0.096	0.169	In Progress
New Facilities	N.002-200- 2016/2	DNNBN	N2WCR - Msikaba bridge	Non-toll	79%	7.500	1.521	5.930	In Progress
New Facilities	R.573-030- 2019/1	DNND2	R573 Sec 3 km 6.5 to 13.3	Non-toll	72%	6.800	3.539	4.871	In Progress
New Facilities	N.002-070- 2016/2	DNNBN	Gwaing River 2nd Bridge	Non-toll	65%	2.000	0.077	1.310	In Progress
New Facilities	N.002-150- 2008/1	DNNIN	N2/15 New Breidbach and Belstone I/C	Non-toll	43%	4.400	1.781	1.909	In Progress

Below is a list of CAPEX projects in various stages of progress or completed over the 2022/23 financial year:									
Project Category	Project Number	Project Type	Description	Non-toll/ Toll	Percentage Spent of Planned Total	Project Length	2022/23 km Completed	Total Length Completed	Progress
New Facilities	N.002-210- 2020/1	DNNIN	New Kokstad I/C and TCC	Non-toll	37%	3.000	0.669	1.099	In Progress
New Facilities	R.573-020- 2019/4	DNND2	R573 S2 (km 24.7 - km 36.2)	Non-toll	31%	11.500	2.248	3.520	In Progress
New Facilities	N.002-170- 2013/1	DNNIN	Ndabakazi I/C	Non-toll	4%	2.000	0.040	0.076	In Progress
New Facilities	N.002-200- 2016/1	DNNS2	N2WCR-Lingeni-Msikaba Bridge	Non-toll	2%	17.620	0.070	0.391	In Progress
New Facilities	N.002-200- 2016/3	DNNS2	N2WCR-Msikaba to Mtentu Bridges	Non-toll	2%	17.700	0.033	0.352	In Progress
Strengthening	R.504-030-2018/1	DSRAC	Wolmaranstad to Leeuwdoringstad	Non-toll	81%	28.900	21.824	23.543	In Progress
Strengthening	R.061-070- 2020/1	DSRGS	Baziya to Mthatha Airport	Non-toll	73%	27.390	15.019	20.069	In Progress
Strengthening	R.336-010- 2017/1	DSRGS	Kirkwood to Addo Phase 1	Non-toll	22%	13.250	2.491	2.884	In Progress
Strengthening	N.002-200- 2011/1	DSRGS	Mt Frere to Ngcweleni River	Non-toll	2%	39.400	0.595	0.961	In Progress

Below is a list of OPEX projects in various stages of progress or completed over the 2022/23 financial year:									
Project Category	Project Number	Project Type	Description	Non-toll/ Toll	Percentage Spent of Planned Total	Project Length	2022/23 km Completed	Total Length Completed	Progress
Periodic Maintenance	R.578-010- 2019/6	MPRS2	Mahodlogwa to Nwamatatani (56km)	Non-toll	100%	20.200	5.288	20.200	Completed
Periodic Maintenance	R.572-020- 2019/2	MPRS1	Rooigrond to Tom Burke	Non-toll	100%	23.950	2.398	23.950	Completed
Periodic Maintenance	R.572-020- 2019/1	MPRS1	Monte Christo to Rooigrond	Non-toll	100%	24.000	4.853	24.000	Completed
Periodic Maintenance	R.061-020- 2017/1	MPRS2	Reseal R61/2: N9 to 13km	Non-toll	100%	13.000	1.263	13.000	Completed
Periodic Maintenance	R.037-020- 2019/1	MPRS2	Burgersfort to km14,0 (14km)	Non-toll	100%	14.000	2.135	14.000	Completed
Periodic Maintenance	R.036-060-2019/2	MPRS2	Manchabeni 4.7 to Tzaneen 33.5	Non-toll	100%	28.800	28.403	28.800	Completed
Periodic Maintenance	R.033-060- 2019/1	MPRS2	Mkhondo to Amsterdam (36km)	Non-toll	100%	36.000	9.114	36.000	Completed
Periodic Maintenance	N.012-140- 2019/1	MPRS2	Rietpan to Wolmaranstad	Non-toll	100%	23.100	19.824	23.100	Completed
Periodic Maintenance	N.002-220- 2019/1	MPRS2	Kandandlovu 12.4 - Mbizana 24.0	Non-toll	100%	11.600	1.983	11.600	Completed
Periodic Maintenance	N.002-220- 2018/2	MPRS2	Mtamvuma 0 - Kandandlovu 12.4	Non-toll	100%	12.400	3.473	12.400	Completed
Periodic Maintenance	N.001-130- 2020/1	MPRS2	N1 Orange river - Driekuil	Non-toll	100%	20.000	19.534	20.000	In Progress

Below is a list of OPEX projects in various stages of progress or completed over the 2022/23 financial year:									
Project Category	Project Number	Project Type	Description	Non-toll/ Toll	Percent-age Spent of Planned Total	Project Length	2022/23 km Com-pleted	Total Length Com-pleted	Progress
Periodic Maintenance	X.004-074- 2020/1	MPRS2	Theunissen to Virginia Package 2	Toll	100%	17.700	17.700	17.700	Completed
Periodic Maintenance	R.578-010- 2019/4	MPRS2	N1 to Moholisi (16km)	Non-toll	98%	16.000	6.609	15.656	Completed
Periodic Maintenance	R.033-070- 2019/1	MPRS2	Amsterdam to N17 (52.5km)	Non-toll	98%	52.500	31.621	51.301	Completed
Periodic Maintenance	N.002-290- 2018/1	MPRS2	Empangeni T-Junc. 13 to km 28.8	Non-toll	97%	15.800	7.237	15.348	Completed
Periodic Maintenance	N.002-290- 2019/3	MPRS2	Km 28.8 to Eteza Weighbridge 44.6	Non-toll	97%	15.800	5.895	15.295	Completed
Periodic Maintenance	R.579-020- 2019/2	MPRS2	Morwaneng to Maleetsi	Non-toll	96%	26.100	23.193	25.166	Completed
Periodic Maintenance	R.030-020- 2021/1	MPRS2	Brandfort to Theunissen (25-44.3)	Toll	96%	19.300	16.721	18.556	Completed
Periodic Maintenance	N.001-134- 2019/1	MPRS2	Springfontein S 41.6 to Springfontein N 2.2	Non-toll	96%	16.189	13.617	15.542	Completed
Periodic Maintenance	N.001-140-2020/1	MPRS2	Sprngftn N 2.2 to Trompsburg 18.6	Non-toll	95%	16.400	14.513	15.540	Completed
Periodic Maintenance	R.030-020- 2020/1	MPRS2	Brandfort to Theunissen (5.2-25)	Toll	95%	19.800	17.036	18.751	Completed
Periodic Maintenance	R.030-012- 2019/1	MPRS2	Glen Lyon to Brandfort North Pack2	Toll	92%	19.449	17.883	17.883	In Progress
Periodic Maintenance	R.058-050- 2016/1	MSPGS	Lady Grey to Barkley East	Non-toll	85%	66.120	35.366	55.933	In Progress
Periodic Maintenance	R.030-010- 2021/1	MPRS2	N1 Glen Lyon to Brandfort North	Toll	83%	20.000	16.596	16.596	In Progress
Periodic Maintenance	R.030-030- 2021/1	MPRS2	Theunissen to Virginia	Toll	73%	19.000	13.720	13.934	In Progress
Periodic Maintenance	N.001-130- 2020/2	MPRS2	Driekuil to Mount Rd	Non-toll	71%	21.600	15.419	15.419	In Progress
Periodic Maintenance	R.730-023- 2018/1	MPRS2	Harmony I/S to Jan Hofmeyer I/S	Toll	59%	11.110	6.553	6.553	In Progress
Periodic Maintenance	N.005-030- 2019/1	MPRS2	Vals River to Paul Roux	Non-toll	55%	18.500	10.266	10.266	In Progress
Periodic Maintenance	N.004-112- 2017/1	MPRS2	Rebecca street to Pelindaba	Toll	25%	20.800	1.931	5.135	In Progress
Periodic Maintenance	R.555-040- 2019/2	MPRS2	Ga-Mapodila (17.4)-Burgersfontein (37.4)	Non-toll	22%	20.000	4.275	4.467	In Progress
Periodic Maintenance	R.555-034-2019/1	MPRS2	Old P169/1 (63)-Ga-Mapod (17.4)	Non-toll	22%	27.260	5.975	5.975	In Progress
Periodic Maintenance	R.730-023- 2017/1	MPRS2	Sand River Street Junction to R34	Toll	17%	18.500	2.764	3.151	In Progress
Periodic Maintenance	N.001-069- 2021/1	MPPS9	Weltevrede to Richmond 167km	Non-toll	15%	167.462	25.528	25.528	In Progress
Periodic Maintenance	N.008-080- 2020/2	MPRS1	Sinovel to Zandplaats (20km)	Non-toll	4%	20.000	0.246	0.766	In Progress
Periodic Maintenance	N.008-080- 2020/4	MPRS1	Doornlaagte to Secretaris	Non-toll	3%	22.800	0.119	0.652	In Progress
Periodic Maintenance	N.008-080- 2020/3	MPRS1	Zandplaats to Doornlaagte	Non-toll	3%	17.200	0.063	0.463	In Progress
Periodic Maintenance	N.010-050- 2020/1	MPRS2	Ludlow to Leuwe kop (20km)	Non-toll	3%	20.000	0.242	0.519	In Progress
Periodic Maintenance	N.001-050- 2019/1	MPRS2	Grootfontein to Dwyka	Non-toll	3%	34.460	0.305	0.885	In Progress
Periodic Maintenance	N.010-050- 2020/2	MPRS2	Leuwe kop to Luiperts kop (20km)	Non-toll	3%	20.000	0.229	0.513	In Progress

Below is a list of OPEX projects in various stages of progress or completed over the 2022/23 financial year:									
Project Category	Project Number	Project Type	Description	Non-toll/ Toll	Percent-age Spent of Planned Total	Project Length	2022/23 km Com-pleted	Total Length Com-pleted	Progress
Periodic Maintenance	N.001-050-2020/1	MPRS2	Laingsburg to Grootfontein	Non-toll	2%	35.000	0.318	0.857	In Progress
Periodic Maintenance	N.001-010- 2019/4	MPRAC	Koelenhof to Market str 22.65km	Non-toll	2%	22.650	0.087	0.516	In Progress
Periodic Maintenance	N.008-080- 2020/1	MPRS1	Campbell to Sinovel (20km)	Non-toll	2%	20.000	0.029	0.393	In Progress
Periodic Maintenance	N.008-080- 2020/5	MPRS1	Secretaris to Kimberley	Non-toll	1%	19.500	0.014	0.168	In Progress
Periodic Maintenance	N.014-057- 2021/1	MPPS9	Upington to Kuruman	Non-toll	0%	255.303	0.672	0.672	In Progress
Special Maintenance	R.342-010- 2018/1	MSPGS	Nguni Lodge 14.55 to Paterson 24.53	Non-toll	100%	9.980	9.980	9.980	Completed
Special Maintenance	N.017-050- 2021/1	MSPGS	Chrissiesmeer 34 to 85km	Non-toll	100%	50.000	40.137	50.000	Completed
Special Maintenance	X.003-018- 2017/2	MSPGS	R335/R342 Addo to Paterson	Non-toll	91%	14.980	7.684	13.595	Completed
Special Maintenance	N.001-140- 2019/1	MSPGA	Trompsburg - Fonteintjie Repairs	Non-toll	82%	20.000	16.384	16.384	In Progress
Special Maintenance	R.058-040- 2016/1	MSPGS	Aliwal 0 to Lady Grey 49.79	Non-toll	81%	49.790	26.670	40.399	In Progress
Special Maintenance	R.056-012- 2016/1	MSPGS	Middelburg 0-16 Molteno 0-57.9	Non-toll	75%	74.400	26.696	55.729	In Progress
Special Maintenance	R.075-020-2018/1	MSPGS	Km 39.6 to Km 72.0	Non-toll	73%	32.400	23.021	23.641	In Progress
Special Maintenance	R.056-067- 2020/1	MSPGS	Indwe- Maclearc (0-58.3)+ (0-68.51)	Non-toll	62%	126.810	72.623	79.241	In Progress
Special Maintenance	R.056-040- 2016/1	MSPGS	N6 to Dordrecht	Non-toll	44%	35.300	12.619	15.704	In Progress
Special Maintenance	N.001-190- 2017/1	MSPCF	Klein Rietspruit to N12/Potch I/C	Toll	38%	50.628	18.579	19.112	In Progress
Special Maintenance	R.056-050- 2016/1	MSPGS	Dordrecht to Indwe	Non-toll	31%	36.700	9.081	11.413	In Progress
Special Maintenance	N.002-100- 2016/1	MSPGS	Gamtoos/54.5 to van Stadens/73.5	Non-toll	30%	19.000	5.627	5.627	In Progress
Special Maintenance	R.063-120- 2017/1	MSPGS	N10 to Bedford	Non-toll	26%	20.700	5.086	5.340	In Progress
Special Maintenance	N.017-050- 2021/2	MSPGS	85km to Oshoek 122.7	Non-toll	7%	37.700	2.788	2.788	In Progress



REPORT OF THE **AUDIT AND RISK COMMITTEE**

In compliance with Treasury Regulation 27(1) of the Public Finance Management Act of 1999 (PFMA), as amended, the Audit and Risk Committee (ARC) reports as follows for the financial year ended 31 March 2023:

1. AUDIT AND RISK COMMITTEE MEMBERS AND MEETINGS

The ARC consisted of three independent non-executive directors as members during the year. During the reporting year, four meetings were held. The Chief Executive Officer (from 1 January 2023), the Acting CEO (until 31 December 2022), Chief Financial Officer, Engineering Executive, Acting Business Operations Executive, Acting Chief Audit Executive, Head of Legal, Risk Officer, Company Secretary, Committee Secretary, other members of the senior Management team and the external auditors attended meetings by invitation.

The Committee members were as follows until 8 January 2023:

Mr Robert Haswell:	Chairperson	(Independent non-executive Board member)
Ms Lungile Madlala:	Member	(Independent non-executive Board member
Mr Thamsanqa Matosa:	Member	(Independent non-executive Board member)

The Committee members were as follows from 24 January 2023 (following the appointment of a new Board):

Ms Phumzo Noxaka:	Chairperson	(Independent non-executive Board member)
Mr Robert Haswell:	Member	(Independent non-executive Board member
Mr Thamsanqa Matosa:	Member	(Independent non-executive Board member)

2. RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

The ARC is constituted in terms of the PFMA, No. 1 of 1999, as amended and the Companies Act, No. 71 of 2008, as amended, as a statutory Board Committee. The Committee has also been set up as per King IV principles. The ARC has adopted the Audit and Risk Committee Charter, which has been confirmed by the Board. The Charter sets out the mandate of the Committee.

During the reporting year the Committee conducted its affairs with integrity, impartiality and objectivity. It complied with its roles and responsibilities as stated in the Act and its Charter.

In executing its duties during the reporting period, the ARC:

- Reviewed and considered the Integrated Report and Financial Statements.
- Monitored and supervised the effective operation of the internal controls and internal audit functions.
- Oversaw the external audit process and the review of the report of the Auditor-General.
- Ensured that appropriate reporting procedures exist and these procedures are operating effectively.
- Ensured that an effective, efficient and transparent system of risk management is maintained.
- In reviewing the reports from internal and external audit, the internal risk function and the legal unit, it fulfilled an oversight role to ensure compliance with relevant laws and regulations.
- Assisted the Board in carrying out its IT governance responsibilities.
- Assisted the Board with the following:
  - Reviewing the strategic plan and annual performance plan prior to Board approval.
  - Reviewing the Internal Audit Charter prior to Board approval.
  - Reviewing the Internal Audit Risk Based 3 Year Rolling audit plan prior to Board approval.
  - Reviewing the Internal Audit Methodology.
  - Reviewing the annual budget prior to Board approval.
  - Considering the concerns raised with regard to SANRAL's going concern status as a result of the low collection of tolls on the Gauteng Freeway Improvement Project (GFIP) and proposing actions to the Board to mitigate this risk.
  - Performing such other oversight functions as 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 ARC 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.

Any control deficiencies identified by the internal and external auditors were brought to the attention of the Committee and Management implemented corrective action. Where internal controls did not operate effectively throughout the year, compensating controls or corrective action or both were used to eliminate or reduce risks.

The Committee has further reviewed the written assessment from Internal Audit on the design, implementation and effectiveness of the internal financial controls. Based on the results of this review, the Committee is of the opinion that the internal financial controls form a sound basis for the preparation of reliable financial statements.

4. INTERNAL AUDIT

The in-house Internal Audit team is functioning as per the approved structure, by the Committee. The Acting Chief Audit Executive (ACAE) has reported functionally to the ARC and administratively to the CEO since appointment. In the last month of the financial year, the in-house team completed all the deliverables which were set in the FY2023 Internal Audit Plan except for the delayed or cancelled audits.

The Committee and the Board reviewed and amended the Internal Audit Charter, which stipulates the terms of reference for the internal audit function. The internal audit function's annual operational and three-year plans were considered, reviewed and approved by the Board. All internal audit work performed, internal audit reports and progress reports were reviewed by the ARC on a quarterly basis.

The internal audit function also participated as observers in SANRAL's Risk Cluster and ICT Governance Cluster which has the role of identifying and assessing risks.

5. EXPERTISE AND EFFECTIVENESS OF THE CHIEF FINANCIAL OFFICER AND THE FINANCE FUNCTION

The ARC examines and reviews the competence of the CFO and the finance function annually. It is satisfied that the CFO and the finance function have the appropriate expertise, resources and experience.

Accordingly, the Committee considered the CFO and the finance function to be sufficiently effective to:

- Ensure and maintain effective, efficient and transparent systems of financial and risk management and internal control.
- Manage available working capital efficiently and economically.
- Manage and safeguard the assets of the agency and manage its revenue, expenditure, and liabilities.
- Comply with any tax, levy, duty, pension, and audit commitments as required by legislation.

6. EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The 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 Integrated Report and recommended it to the Board for approval.

In addition, ARC noted the letter from the JSE to the Audit and Risk Committee and reviewed the JSE's latest report on the proactive monitoring of financial statements for compliance with IFRS ("the 2022 report").

The ARC 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.

7. RISK MANAGEMENT

The ARC has oversight of enterprise-wide risk management within SANRAL with added emphasis on fraud and information technology risks. The Committee also fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud and information technology risks as they relate to financial reporting.

8. GOING CONCERN

The Committee assessed the going concern premise of SANRAL, for the foreseeable future, and confirms this status to the Board.

Phumzo Noxaka CA(SA)

On behalf of the Audit and Risk Committee as at 31 March 2023
Date: 31 May 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

ON THE SOUTH AFRICAN NATIONAL ROADS AGENCY SOC LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the South African National Roads Agency SOC Limited (SANRAL) set out on pages 85 to 199, which comprise the statement of financial position as at 31 March 2023, 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 notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of SANRAL as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

6. Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the current period. These matters were addressed in the context of my audit of the financial statements as a whole and in forming my opinion, and I do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revaluation of road network and road structures	
SANRAL applies the depreciated replacement method in the revaluation of the road network and road structures disclosed under property, plant and equipment. The carrying value of the road network is R420 billion and that of road structures is R122.5 billion. The fair value adjustment recorded in other comprehensive income for the road network is R58.5 billion and that of road structures is R10.4 billion. This results in a combined amount of R68.9 billion. Inputs applied in the revaluation of the road network and road structures include the following: • Age of the road network and road structure • Overall condition index • Material unit rates	I assessed the design and operating effectiveness of internal controls relating to the revaluation of the road network and road structures. I performed the following audit procedures to confirm the validity, accuracy and completeness of the data used to perform the valuation: • Comparing input data to the Integrated Transportation Information System (ITIS) (road network survey) for completeness. • Verifying manual uploading of data from the ITIS to the financial records for accuracy and completeness. • Verifying control totals of values in the financial records through reconciliation and comparison to values on the ITIS.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revaluation of road network and road structures	
The disclosure relating to the revaluation of the road network and road structures is set out in the following notes: • Note 1.2 - significant judgements and sources of estimation uncertainty • Note 4 - property, plant and equipment under concession • Note 5- property, plant and equipment • Note 15 - revaluation reserve • Note 40 - fair value information Due to the significance of the value of the road network and road structures to the financial statements as a whole, combined with the assumptions associated with determining the fair value, I considered this to be a key audit matter.	I assessed the appropriateness of the subsequent measurement basis against the requirements of International Accounting Standard 16 (IAS 16) *Property, plant and equipment* and International Financial Reporting Standard 13 (IFRS 13) *Fair value measurement*. I engaged an auditor's expert to assess the appropriateness and reasonableness of management's assumptions to determine the value of the road network and road structures. Before I placed reliance on the work of the auditor's expert, I satisfied myself with the expert's independence, objectivity and competency in line with the requirements of ISA 620 *Using the work of an auditor's expert*. The procedures performed by the expert included: • Evaluating the appropriateness and reasonableness of the revaluation method, assumptions and parameters applied. • Assessing the appropriateness of the valuation method against international standards on valuation. • Assessing the reasonableness of the material unit rates to market data and entity-specific information to confirm the appropriateness of these judgements. • Assessing the reasonability of the adjustment rate applied in computing the asset replacement value unit rate. I reviewed the work performed by the auditor's expert to confirm that the conclusion reached was in line with the work performed and my understanding of the auditee. After all the inputs were confirmed by the auditor's expert, I re-computed the revaluation calculation. I further considered whether the disclosures related to the road network and road structures in the annual financial statements are appropriate and in line with the IFRS. Based on the procedures performed, I am satisfied that the revaluation of the road network and road structures is appropriate, reasonable, fairly valued and appropriately disclosed in the annual financial statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Expected credit losses (ECL) on toll debtors	
SANRAL measures the ECL allowance for trade and other receivables by applying the simplified approach prescribed by IFRS 9: Financial instruments. The value for ECL on toll debtors was R9.6 billion on 31 March 2023. The disclosure relating to ECL is set out in the following notes: • Note 1.2 - significant judgements and sources of estimation uncertainty • Note 11 - trade and other receivables • Note 39 - financial instruments and risk management The assessment and calculation of ECL require management to make significant estimations and use significant judgements. Due to the subjectivity of the estimations and judgements, I considered the calculation of ECL for toll debtors to be a key audit matter.	I assessed the design and operating effectiveness of internal controls relating to ECL on toll debtors. I performed the following substantive audit procedures to confirm the appropriateness and reasonableness of the ECL on toll debtors: • Assessing the design and testing the operating effectiveness of controls related to toll debtors. • Evaluating the appropriateness and reasonableness of key assumptions and judgements such as the default rate by comparing these to historical data. • Evaluating the accounting policy and satisfying myself that it was consistent with the requirements of the accounting standard. • Considering the appropriateness of forward-looking (macroeconomic) factors used to determine ECL. • Testing the accuracy and completeness of the underlying data used in the model and the arithmetic accuracy of the computation of ECL. • Applying computer assisted audit techniques (CAATs) to confirm the completeness of transactions from a gantry pass to when a transaction is recognised in the financial records of SANRAL. • Considering the adequacy of the disclosure of the key sources of estimation of uncertainty in the accounting policy and notes to the annual financial statements. I engaged an auditor's expert to assess the appropriateness and reasonableness of the ECL on toll debtors. Before I placed reliance on the work of the auditor's expert, I satisfied myself with the expert's independence, objectivity and competency in line with the requirements of ISA 620 *Using the work of an auditor's expert.* Based on the procedures performed, I am satisfied that ECL on toll debtors are reasonable, in line with my expectation and appropriately disclosed.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Gauteng Freeway Improvement Project (GFIP) / e-toll revenue	
SANRAL adopted IFRS 15, *Revenue from contracts with customers* with effect from 1 April 2018. IFRS 15 introduced a more specific requirement for the probability assessment, which now requires SANRAL to consider both the ability and intention of customers to pay the consideration due. Included in the toll revenue amount, is an amount of R589.4 million that, relates to GFIP / e-toll revenue. This relates to revenue which is disclosed in note 25. The probability assessment on GFIP / e-toll revenue is a matter that requires significant judgement. Furthermore, there is a high degree of complexity involved in the application of IFRS 15 to determine whether a contract exists with a road user before revenue is recognised. The disclosure relating to e-toll revenue is set out in the following notes: • Note 1.2 - significant judgements and sources of estimation uncertainty • Note 25 - revenue Based on the above, I considered the accounting ·of revenue from GFIP / e-toll in terms of IFRS 15 to be a key audit matter.	I assessed the design and operating effectiveness of internal controls relating to GFIP / e-toll revenue. I performed the following substantive audit procedures to confirm the accounting of the GFIP / e-toll revenue: • Reviewing SANRAL's accounting policy to confirm whether the method for recognition of revenue is relevant and consistent with IFRS 15. • Evaluating management's assessment of the probability of collecting e-toll revenue, taking into account historic cash flows and the account status of road users to confirm the reasonability of management's assumption. • Testing the reasonableness of management's assumptions of the probability to collect e-toll revenue. • Evaluating management's disclosure for revenue to confirm that it is in accordance with IFRS 15. • Reviewing the disclosure of significant judgements and sources of estimation of uncertainty in line with the requirements of the accounting standard. • Applying CAATs to confirm the accuracy of the categories and account status of road users applied in management's probability assessment. • Applying CAATs to confirm the completeness of transactions from a gantry pass to when a transaction is recognised in the financial records of SANRAL. • Re-computing the amount of revenue recognised. Based on the results of the work performed, I am satisfied that e-toll revenue is recognised and accounted for in line with the requirements of IFRS 15 and appropriately disclosed in the annual financial statements.

Material uncertainty relating to going concern

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

8. As disclosed in note 44 to the financial statements, the public entity's funding strategy for the next 12 months relating to the toll portfolio is dependent on the conditions attached to the special appropriation of R14.76 billion being met. This event or condition, along with other matters as set forth in note 44, indicate that a material uncertainty exists that may cast significant doubt on the public entity's ability to continue as a going concern.

Emphasis of matter

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

Material impairments - trade and other receivables

10. As disclosed in note 11 to the financial statements, material impairments of R9.7 billion were recognised because of expected credit losses.

Irregular expenditure

11. As disclosed in note 43 to the financial statements, irregular expenditure of R6.7 billion was incurred for which the majority of irregular expenditure related to non-compliance with the Board resolution.

Other matter

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

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

13. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 43 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of SANRAL. The disclosure of these movements (e.g., condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.

14. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

15. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS and the requirements of the PFMA and the Companies Act, 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.

16. In preparing the financial statements, the accounting authority is responsible for assessing SANRAL's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate SANRAL or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

17. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

18. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

19. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programme presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

20. I selected the following programme presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected a programme that measure the public entity's performance on its primary mandated functions and that is of significant national, community or public interest.

PROGRAMME	PAGE NUMBERS	PURPOSE
Road Asset Infrastructure Management	33-37	The programme exists to maintain the national road network

21. I evaluated the reported performance information for the selected programme against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

22. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
    - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
    - the reported performance information is presented in the annual performance report in the prescribed manner
    - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

23. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

24. The material findings on the performance information of the selected programme are as follows:

Indicator 1.9: Percentage of Non RRM (Routine Road Maintenance) expenditure performed by Black-owned SMMEs and Contractors (Based on Black ownership of main contractor)

25. An achievement of 67,6% was reported against a target of >60%. However, some supporting evidence was not provided for auditing; and, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Indicator 1.10: Number of SMMEs working for SANRAL

26. An achievement of 1 928 was reported against a target of 1 600. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Indicator 2.1: Jobs created on project (full-time equivalent)

27. An achievement of 11 366 was reported against a target of 11 000. However, some supporting evidence was not provided for auditing; and, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Other matters

28. I draw attention to the matters below.

Achievement of planned targets

29. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under-achievements. This information should be considered in the context of the material findings on the reported performance information.

30. The public entity plays a key role in delivering services to South Africans. The annual performance report includes the following service delivery achievements against planned targets:

KEY SERVICE DELIVERY INDICATORS NOT ACHIEVED	PLANNED TARGET	REPORTED ACHIEVEMENT
Road Asset Infrastructure Management *Targets achieved: 75%* *Budget spent 57,16%*		
Network resurfaced km	1 200km	687.989km
Road Strengthened, Improved and New(CAPEX) km	270km	133.219km
Number of Community development infrastructure projects in construction and/or completed	28	6

Reasons for the underachievement of targets are included in the annual performance report on pages 33 to 37.

Material misstatements

31. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Road Asset Infrastructure Management. Management did not correct all of the misstatements and I reported material findings in this regard.

REPORT ON COMPLIANCE WITH LEGISLATION

32. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

33. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

34. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

35. I did not identify any material non-compliance with the selected legislative requirements.

OTHER INFORMATION IN THE ANNUAL REPORT

36. The accounting authority is responsible for the other information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act 71 of 2008. The other information referred to does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that have been specifically reported on in this auditor's report.

37. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

38. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

39. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

40. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

41. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report included in this report.

42. The underlying systems and controls were inadequate to provide reliable evidence to support the reporting on predetermined objectives for the programme selected for auditing. Reviews of the performance information reported were also not performed to ensure consistency and accurate presentation of the reported information.

Auditor - General

Pretoria

18 August 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programme and on the public entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit 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 public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

COMPLIANCE WITH LEGISLATION - SELECTED LEGISLATIVE REQUIREMENTS

The selected legislative requirements are as follows:

LEGISLATION	SECTIONS OR REGULATIONS
Public Finance Management Act 1 of 1999 (PFMA)	51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56(1); 56(2); 57(b); 66(3)(c); 66(5)
Preferential Procurement Policy Framework Act5 of 2000	Section 2.1(a); 2.1(b); 2.1(f)
Preferential Procurement Regulations of 2022 (PPR)	4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Preferential Procurement Regulations of 2017 (PPR)	4(1); 4(2); 5(1); 5(3); 5(6); 5(7); 6(1); 6(2); 6(3); 6(5); 6(6); 6(8); 7(1); 7(2); 7(3); 7(5); 7(6); 7(8); 8(2); 8(5); 9(1); 9(2); 10(1); 10(2); 11(1); 11(2); 12(1) and 12(2)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	34(1)
Broad Based Black Economic Empowerment Act 53 of 2003 (BBBEE)	12(2); 13G(1)
Treasury Regulations	8.2.1; 8.2.2; 16A6.1; 16A3.1; 16A3.2; 16A3.2(a); 16A6.1; 16A6.2(a) & (b); 16A6.2(e);16A 6.3(a); 16A 6.3(a)(i); 16A6.3(b); 16A6.3(c); 16A6.3(d); 16A6.3(e);16A 6.4; 16A 6.5; 16A 6.6; TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A 8.2(1); 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.1; 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1 (f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii); 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1; 31.1.2(c); 31.2.1; 31.2.5; 31.2. 7(a); 31.3.3; 32.1.1 (a); 32.1.1(b); 32.1.1(c); 33.1.1; 33.1.3
Construction Industry Development Board Act 38 of 2000 (CIDB)	18(1);
CIDB Regulations	17; 25(7A)
Companies Act 71 of 2008	45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4); , 46(1)(a); 46(1)(b); 46(1)(c); 112(2)(a); 129(7)

DIRECTORS' REPORT

31 March 2023

The directors present their annual report as part of the audited annual financial statements of SANRAL for the year ended 31 March 2023.

SANRAL is incorporated as a state-owned company in South Africa in terms of the Companies Act (No. 71 of 2008), as amended, 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 funding, 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).

The declared national road network on 31 March 2023 was 23 559km. Non-toll roads comprise 87 percent of the total and toll roads constitute 13 percent. The non-toll roads are fully funded from the fiscus through an annual grant.

Although national roads account for 3.6 percent of the proclaimed road network in South Africa, they carry about 38.6 percent of all vehicle kilometres travelled and more than 70 percent of long-distance road freight.

During 2022/23, R3 349.146 million (2022: R2 746 million) was spent directly on toll roads. This comprised R283.3 million for capital projects and R3 065.9 million for maintenance. During the same period, R15 250.5 million (2022: R8 260 million) was spent directly on non-toll roads, with capital works absorbing R8 063.5 million and maintenance R7 187 million.

SANRAL also actively participated in the activities of the Infrastructure and Investment Office in the Presidency (Infrastructure South Africa). This resulted in 13 of SANRAL's projects being gazetted as Strategic Integrated Projects (SIP) under SIP21 in July 2020, enabling fast tracking of their implementation. To date construction has been completed on five (5) of these projects, four (4) are in construction, one (1) is in construction tender phase and the remaining three (3) are awaiting funding confirmation.

The implementation of the flagship projects, included in the Presidential Stimulus priorities continued with 11 SANRAL projects in construction, six (6) in construction tender phase and 10 in detail design. These 27 planned SANRAL projects will result in a total infrastructure investment of more than R24.5 billion. In addition, these will create much needed job opportunities totalling 28 000 over the Medium-Term Expenditure Framework (MTEF) period. These projects are all located on key economic corridors and the implementation of all these projects over a five (5) to 10-year period will result in substantial road user cost savings due to reduction in congestion and accidents.

Work on the R573 Moloto Road continued. This project is intended to improve road safety and is one of the SIP1 projects prioritised for accelerated development. The Limpopo Province and Mpumalanga Province sections of R573 Moloto Road were transferred to SANRAL in 2015/16 and Phase I of the multi-year project for the Mpumalanga Province portion was completed in October 2018. Two (2) Phase II construction projects are currently in construction. A further 21 Phase II projects, originally delayed due to COVID restrictions on gatherings that prevented the required community resolutive meetings, needed to finalise community land acquisitions, are also now being progressed. Following the conclusion of these community meetings during 2022/23, construction tenders for two (2) construction projects and four (4) community development projects were issued towards the end of 2022/23. Construction will commence from June 2023 and is expected to be completed in May 2027. The Gauteng Province portion was only transferred to SANRAL in June 2020, resulting in detail design progress and regulatory approvals, on the Gauteng Province section, lagging in the Mpumalanga and Limpopo Provinces' sections.

The Mtentu Bridge, one of the mega bridges on the N2 Wild Coast Road, the construction of which was abandoned by the appointed contractor in January 2019, citing community violence, was successfully awarded in November 2022, following the completion of the second retender process. The appointed contractor is currently busy with the mobilisation phase. In addition, two (2) road construction contracts, Lingeni-Msikaba Bridge and Msikaba to Mtentu Bridges and road, were also awarded in January 2023.

Work on Msikaba Bridge, another mega bridge on the N2 Wild Coast Road, proceeded on site with the mass concrete pouring for the foundations for the cable pylons, the anchor blocks completed and work on concrete pylons, cable anchor points and first bridge deck segments assembly, progressing well. The Msikaba Bridge is projected to be completed by February 2025.

On 26 October 2022, the Minister of Finance (MoF) announced, as part of his Medium-Term Budget Policy Statement (MTBPS), that the Gauteng Provincial Government (GPG) has agreed to contribute 30 percent to the outstanding debt for the Gauteng Freeway Improvement Project (GFIP) phase I. The National Government will cover the remaining 70 percent; the first contribution to this of R23.736 billion was included in the Special Appropriation to reduce the GFIP debt. The allocation was provided in two (2) tranches, the first amount of R8.98 billion was paid in January 2023 to SANRAL. The second tranche of R14.76 billion was transferred to SANRAL on 31 March 2023, however, the second tranche has a few conditions which need to be met, before the funds can be utilised. The remaining conditions that are still open are within the control of National Treasury and not SANRAL.

SANRAL continues to invest in the youth through educational programmes for a number of years. To this end a total of 260 scholarships were awarded during the period under review, for an investment of R7.2 million. Awards included learners in grades 8-12 who hail from across all Provinces. During the previous financial year, the External Bursary Committee awarded bursaries to 154 students across various tertiary institutions nationwide. This expanded SANRAL's educational investment footprint, including tertiary institutions seen as previously 'disadvantaged', was for a total spend of R11.6 million for the financial year.

SANRAL invests in employees through the provision of internal bursaries. During the period under review at least 30 employees concluded their studies, an increase from 19 employees in 2021/2022. A total investment of R2.766 million was made for 69 employees during the 2023 financial year. Internal bursary awards include a focus on the areas of accounting, social sciences, project management, general management, human resources management and engineering, for the period under review.

SANRAL has enhanced its pipeline of skills development through the Technical Excellence Academy (TEA), located in the Southern Region since 2013. The technical design focused TEA remains an innovative in-house programme, supporting skills development in the infrastructure public sector. To-date, 121 engineers have completed the programme, with 53 candidate engineers still actively in training.

SANRAL has expanded its external bursary programme and training to offer the Graduate Development Programme (GDP) that includes a wider range of qualifications, such as Finance, Supply Chain Management (SCM), Information Communications Technology (ICT), Human Resources (HR), labour relations, and marketing. The technical design focused TEA forms part of the GDP offered by SANRAL to civil engineering graduates.

SANRAL has embarked on a process of strengthening and accelerating transformation in the construction industry, by incorporating the principles in SANRAL's Transformation Policy into the Proforma tender documents, in order to remove previous obstacles and difficulties that new entities tendering for SANRAL experienced. SANRAL has structured some of its projects to create opportunities for the smaller contractors of CIDB grade 6CE, and higher, to be able to participate in SANRAL tenders. The Routine Road Maintenance (RRM) main contractor tenders have resulted in several tenders being awarded to Black-owned entities who are working for SANRAL for the first time as main contractors. Many of these contractors had worked as sub-contractors on the RRM projects previously, so this will be a natural evolution and growth for these companies and an excellent outcome of the SANRAL mentoring and development programmes over the previous years. On the consulting front, all RRM consulting tenders have been restricted to Exempted Micro Enterprises (EMEs) and Qualifying Small Enterprises (QSEs) that are B-BBEE contributor level 1 or 2. This has resulted in great interest and competition from Black-owned entities in participating in these tenders — 93 percent of these projects have been awarded to Black-owned entities during 2022/23.

SANRAL's significant efforts to speed up its new procurement processes to be able to stimulate the economy through the construction industry, have resulted in significant progress in the award of contracts. For the 2022/23 financial year a total of R51 297.1 million, up from R21 874.2 million. In February 2022, the Constitutional Court (ConCourt) ruling on the Preferential Procurement Regulations (PPR) 2017, resulted in National Treasury issuing an instruction to all government departments and public entities to stop the issuing of new tenders and advised entities to apply for exemption from the PPR 2017. SANRAL's application for exemption was approved by National Treasury on 7 April 2022, with an expiry of the first of either the ConCourt ruling on the suspension or the issuing of the new PPRs. The Board approved the Preferential Procurement Policy on 25 April 2022. Thereafter the Pro-Forma tender documentation was adjusted and submitted to the relevant approving authorities. The exemption expired with the ConCourt ruling on the suspension on 30 May 2022, but the use of the SANRAL Preference Procurement Policy meant that tenders could proceed. Tender advertisements commenced in August 2022 – in total resulting in a six (6) months' backlog. The Board approved a Procurement Turnaround Strategy in December 2022, which led to the significant increase in the number of awards in the last quarter of the financial year. Further actions to increase capacity and the modernisation of procurement systems will further assist in ensuring that SANRAL achieves its planned roll out of construction projects.

With the roll out of SANRAL's larger construction projects awarded in 2023, the impact of the requirement for 30 percent subcontracting of the work to entities owned by individuals from the Designated Groups, will result in a larger portion of the SANRAL's construction work going to Black-owned entities. In order to prepare these contractors to participate meaningfully in this work, SANRAL will shortly be providing South African Qualifications Authority (SAQA) and Construction Education & Training Authority (CETA) accredited training for these entities. This training will be offered to entities at no cost and will prepare these entities on how to tender, how to start and manage a business in the construction industry, how to manage resources, how to produce the work required to the correct quality required, basic entrepreneurship and some pointers on how to source business opportunities.

The training opportunities will be rolled out progressively throughout the country in areas where SANRAL's national road network traverses. The training initiative will result in many more entities being trained than the opportunities available on SANRAL projects, which is in the interests of developing and growing the local construction industry.

In the current year (2023), SANRAL has created job opportunities that are equivalent to 11 366 (2022: 9 129) full time employments, which includes 3 231 women (2022: 2 482), 5 436 youth (2022:4 435) and 85 people with disabilities.

Organisational structure

The Executive management of SANRAL consisted of the Acting Chief Executive Officer, Ms S.L. Memeza (up to 31 December 2022); Engineering Executive, Mr L. Kannemeyer; Chief Financial Officer, Ms I. Mulder; and the acting Business Operations Executive, Mr A. Tomes. The new Chief Executive Officer, Mr Reginald Demana, was appointed from 1 January 2023. Ms Memeza was appointed as Chief Corporate Affairs Officer on the same date.

The Executive management is supported by Mr I. Essa, the Head of Transformation; Mr T. Malahleha, the Head of Strategy; Ms B. Mgqibi, the Risk Officer; Adv S. Linda, the Head of Legal; and the acting Chief Audit Executive, Mr O. Goso with effect from 1 December 2021.

SANRAL is further divided into four (4) regional offices and a corporate office. The regional managers are Mr P. Hlahla (Northern Region – Pretoria), Mr R. Cable (Western Region – Cape Town), Mr M. Peterson (Southern Region – Port Elizabeth), and Mr D. Nkabinde (Eastern Region – Pietermaritzburg).

Financial results

In terms of legislation, funding for toll roads and non-toll roads are ring-fenced. SANRAL separates the business activities and accounting records into toll operations and non-toll operations. Non-toll roads are financed through parliamentary appropriations under the vote of the National Department of Transport (DoT).

For toll roads, the debt used to finance the initial construction of the road is repaid over a period of around 30 years primarily using the proceeds collected through tolling.

The financial statements on pages 85 to199 set out fully the financial position, results of operations, changes in equity and cash flows of SANRAL for the financial year ended 31 March 2023. The discussion that follows sets out some of the highlights.

Review of profit and loss

Revenue

- In 2023 revenue from non-toll operations was R9 354 million (2022: R6 425 million), which is a 45.5 percent increase from the previous year. This is mainly as a result of the increase in spending on operational projects, which led to a higher allocation of the non-toll grant to revenue. To comply with International Financial Reporting Standards (IFRS), the portion of the grant received from Government, which is utilised for capital projects, is capitalised and only recognised as revenue over the useful life of the assets. The total grant allocated in terms of the Budget Vote was R22 895 million (2022: R21 621 million), of which R4 769 million was allocated to GFIP. Of the R18 126 million allocated to non-toll, R7 925 million was spent on capital projects thereby increasing assets. The portion of previously deferred grants, which was realised in the current year as revenue, amounted to R2 448 million.

  The toll revenue from operations was R4 475 million for the year, which is a one (1) percent decrease from the previous year amount of R4 522 million. The Gauteng open road tolling (GORT)/ GFIP revenue increased by R20.3 million (3.6 percent) from R569 million in the prior year to R589 million. The increase is due to an increase in traffic volumes that returned to normal after the national lock down and a general increase in the inflation-related tariff adjustment of 6.58 percent. The revenue from conventional toll routes decreased from R3 953 million to R3 886 million due to general traffic volume fluctuations and the impact of KwaZulu-Natal (KZN) floods on toll routes. SANRAL lost toll fee revenue of R359 million on N2 toll route (oThongathi and Mvoti toll routes) in KZN as the toll fees were suspended by the Minister of Transport from April 2022 up to March 2023.

  On conventional toll roads funded by SANRAL, the comprehensive toll road operations and maintenance (CTROM) contract model consolidates responsibility for operational activities and risks. Under this arrangement, the main contractor is responsible for the total operation of the specific toll route, together with assuming the associated risks. The operator 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. In essence the operator assumes the risk of collection.

  In Gauteng for the Open Road Tolling, a service provider was appointed to manage the operations and collection. The operator is paid for actual services rendered to operate the tolling system and collect the toll on behalf of SANRAL. The risk of non-payment remains with SANRAL. The agreement with the operator includes performance clauses, as well as a performance guarantee in favour of SANRAL.

Finance charges

Net finance cost (finance cost less investment income) in 2023 is R1 022 million (2022: R2 529 million) which is 60 percent lower than the prior year. This was due to higher cash holdings earning interest and redemption of debt. All finance costs relate to toll debt.

Profit before taxation

- The profit after deducting finance costs amounted to R1 929 million (2022: R348 million).
- The non-toll operating profit after finance charges for the year ended 31 March 2023 was R27.749 million (2022: loss of R833 million). Income, mainly comprising the grant received from Government, increased by 46 percent, as a result of the improvement in operational expenditure which meant that there was a higher allocation of the grant to revenue. Operational expenditure, excluding the non-cash items such as impairment, depreciation and amortisation on assets increased by 42 percent, mainly as a result of an increase in capital expenditure projects on roads which includes the rehabilitation and strengthening of roads. Repairs and maintenance increased by R2 653 million (55 percent) to R7 516 million (R4 863 million) from prior year. The total depreciation and amortisation for the year amounted to R2 447 million (2022: R2 386 million).
- The toll operating profit after finance charges for the year ended 31 March 2023 was R1 902 million (2022: R1 182 million). Repairs and maintenance increased by R810 million (34 percent) to R3 218 million. Depreciation and amortisation (including concession assets) increased from R1 915 million to R1 958 million, due to increase in completed assets from capital works.

Irregular expenditure and fruitless and wasteful expenditure

In 2023 the confirmed irregular expenditure increased from R3 922 million in 2022 to R6 724 million. Included is R272 896 which related to irregular contracts identified and confirmed in the current 2023 financial year. The remaining balance was from irregular contracts identified in prior years. The details of the expenditure written off and condoned are contained in the annual report. The new irregular expenditure mainly relates to one contract where a bidder was erroneously disqualified during the tender evaluation process. A loss control function was formed to determine loss, the causes of the non-compliance and make recommendations to the Board, and its determinations are in progress. As at year end, there were no fraudulent or criminal acts found against employees and no material losses were regarded as recoverable from employees or perpetrators. A register of irregular expenditure, and fruitless and wasteful expenditure with detailed descriptions as required by the 2022/23 irregular expenditure framework issued by the National Treasury is maintained and available. A detailed analysis of the opening and closing balance of the irregular, and fruitless and wasteful expenditure is included in the integrated report on pages 33 and 34.

Fruitless and wasteful expenditure confirmed in 2023 amounted to R33.774 million of which R39 000 relates to travel costs by employees who could not travel on scheduled dates due to other urgent work commitments. The remaining R33.735 million relates to the costs incurred due to delays in providing site access to the contractor to commence with road construction. The accumulated fruitless and wasteful expenditure as at year end amounted to R52.168 million of which R18.433 million was written off. At year end the internal loss control committee was still assessing and determining the recoverability of the fruitless and wasteful expenditure for recommendation to Board.

Taxation

SANRAL was 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 is made for income tax or deferred tax.

Dividends

SANRAL does not declare dividends.

Review of financial position

Share capital

The shareholding for the current year has remained unchanged. The Government, represented by the Minister of Transport, holds all shares issued by SANRAL.

Land

SANRAL's property management is outsourced in nine (9) contracts, three (3) contracts are for land acquisition and survey, property management and valuation, valuation for financial services; and five (5) contracts are for facilities management. This allows for more opportunities for contractors to partake in SANRAL contracts. At year end, the Property Management contract, the Land Acquisition contract, Valuation for Financial Services contract, and all Facilities Management contracts were all awarded. The service providers have the skills and resources required to manage and maintain SANRAL's large land portfolio, consisting of road reserve and adjacent severed properties. The service providers are managed by a team of SANRAL staff located in the regional and head offices.

The contractual targets with the two (2) land property management companies include a large variety of work to be sub-contracted ranging from 30 percent to 80 percent for certain categories of work. This provides opportunities for small and previously disadvantaged entities to obtain property work from SANRAL. The service providers have complied with contractual requirements related to the provision of training, promotion of economic development, addressing skills shortages and making work available to targeted groups.

In line with the SANRAL Act, SANRAL ensures that all land acquired by it or its predecessors, whether inside or outside of the road reserve, is identified and transferred into SANRAL's name. All land acquired by SANRAL, since its inception, has been so transferred. The land identification process and the transfer of land to SANRAL will continue where further roads are added to the network.

Property, plant and equipment

Road assets are valued on a depreciated replacement cost basis. The revaluation gain on road network and structures was reviewed at year-end and increased to R70 188 million. The network replacement cost increase was due the incorporation of 1 266 km of roads from Provinces during 2022/23 as well as the increase in unit rates for road materials and material costs of structures, which increased significantly by 14.50%. The materials cost increase was principally driven by an increase in the crude oil prices, which impacted both the cost of bitumen and diesel fuel used in production and transport of construction materials. This can be attributed to current market conditions which are heavily influenced by global geo-political events and their continued effects on international supply chains.

The remaining life of the road assets is considered when determining their depreciated replacement cost, taking the condition of the pavement into account. In the financial year under review, the average condition of national roads improved due to the capital strengthening projects completed, as well as increased road maintenance.

SANRAL currently applies the benchmark treatment of International Accounting Standard (IAS) 16 on 'property, plant and equipment', which allows for the valuation of assets at fair value. As road assets are largely publicly owned and have rarely, if ever, been sold on the open market and they are mostly not created to produce revenue and therefore do not have a defined revenue stream, the typical 'market value' or 'revenue stream-based valuation methods are not appropriate for road assets. The only remaining option for valuation of road assets is the revaluation model. For this SANRAL adopted the Depreciated Replacement Cost (DRC) methodology.

The DRC is the Gross Replacement Cost (GRC) based on the cost of replacing an existing asset with a Modern Equivalent Asset (MEA) that provide similar performance using up to date technology and then appropriately reducing the GRC to reflect the current age, condition and performance of the existing asset.

Land outside of the road reserves is either categorised as investment property or 'other' land if it has insignificant or no investment value. The road reserve consists of 36 793 properties, while investment property (IP) comprises 2 102 properties.

The value of land within the road reserve was reviewed at year-end and increased by 7.9 percent from R22 599 million to R24 395 million due to:

a) Increase by 681 properties added, changing the total from 36 112 to 36 793 properties.

b) The average land value per hectare along national roads (strip value) increased from R213 148 to R214 182 (0.5 percent). The increase in value is mainly atributed to the increase in extent of the road reserve as well as the increase in registered parcels.

c) The total area of land increased with 7 871 hectares (7.4 percent) as a result of updated data on the previously incorporated roads and declaration of some of the roads by co-ordinates providing a more accurate measurement of properties that were previously only declared as National Roads by description.

The value of the IP portfolio increased by 3.35 percent from R1 684 million to R1 741 million. New market information indicates property growth to be lower than inflation (January 2023 inflation rate was 6.9 percent). This is mainly attributed to an increase in the prime lending rate 300 basis points in the 2022/23 financial year. On 24 March 2022, the prime lending rate was 7.75 percent. The current prime lending rate as stipulated on 31 July 2023 was 11.75 percent.

In terms of IAS 36, assets are 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. IFRS does not prescribe the impairment of non-cash generating units and allows 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.

Investments (financial assets)

The carrying amount of the financial assets was R7 610 million, including the insurance deposit and short-term fixed deposits. The market-making portfolio investment of R2 746 million is used to manage the credit risk that SANRAL is exposed to in the capital markets (on borrowings).

Trade and other Receivables

The trade and other receivables amount to R1 277 million. Gross toll debtors amounted to R9 847 million, which was reduced by an accumulated expected lifetime loss allowance of R9 573 million. Even though the debtor has not beenwritten off, the impairment reflects the expected future losses assessed annually at the end of each reporting period.

The probability of debt collection is based on historic trends and future factors that may affect the collection. Other receivables included in the balance are property debtors, sundry debtors and expansion fund held by concessions amounting to R468 million and related party debtors amounting to R47 million, after impairment.

Cash and Cash equivalents

At the reporting date, 31 March 2023, cash and cash equivalents held were R59 414 million (2022: R41 250 million). The significant increase in cash holdings is mainly as a result of the R23 736 million received from the Special Appropriations Act, to reduce the GFIP debt. The remaining R35 678 million is fully committed to contracts awarded over the MTEF period – total commitments are R65 880 million as at 31 March 2023 on capital projects already awarded. The award of 148 tenders in the last three (3) months of the financial year will have a significant impact on the cash spent in the three-year cycle. The unspent cash is invested with approved counterparties. The weighted average investment rate for the current financial year was 8.11 percent (2022: 4.61 percent).

Going concern

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

The Board is certain that the entity has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Board is not aware of any new material changes that may adversely impact the entity. The Board is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the entity's ability to continue operations. The going concern assessment covered the cashflow projections for period ending 31 July 2024.

We draw attention to the fact that, as at 31 March 2023, total assets exceeded total liabilities by R489 485 million, even though the entity had accumulated losses of R12 187 million. This basis presumes that funds will be available to finance future operations and settle liabilities and other commitments that occur in the ordinary course of business.

At reporting date of 31 March 2023, SANRAL's total assets were R662 000 million, a significant contributor to facilitating the movement of goods and services in the South African economy. The Board has confirmed that the current assets cover current liabilities. The current assets of R67 697 million include cash and cash equivalents of R59 414 million, of which R38 574 million relates to accumulated unspent grant received on non- toll roads. The current liabilities of R41 789 million include the deferred grant and deferred exchange income liability of R7 263 million which will not require cash for settlement. The unutilised portion of grant income received and deferred at year end was R3 295 million on non-toll portfolio. The second tranche of the special appropriation of R14 756 million is included as a current liability until the conditions have been met and the funds will be available to use for debt redemption.

SANRAL receives an annual grant from the fiscus mainly to fund its non-toll road portfolio. During the year under review, the Government grant allocated was R22 895 million, of which R4 404 million, including VAT, was allocated to GORT. In addition, R365 million in compensation for KZN flood damages occurred in 2023. The remaining non-toll grant is mainly for operational and capital expenditure on non-toll roads which comprise 87 percent of SANRAL's road network (operations). The annual budget allocation is expected to increase to R26 123 million for 2024, R29 689 million in 2025 and R33 211 million in 2026. The non-toll portfolio has no liquidity concerns as it currently has a significant cash surplus and receives adequate annual allocation from the fiscus. The non-toll cash surplus is expected to be utilised over the next three (3) financial years. R11 957 million of the cash reserves is committed to capital projects, contracts awarded, and will be utilised within the next 12 months (2023/24). Therefore, the non-toll portfolio is expected to remain cash-positive well into the foreseeable future.

On 26 July 2022 SANRAL received approval from the Department of Transport to un- earmark R3 740 million, including VAT, of its non-toll allocation and transfer it to the toll portfolio to compensate for the revenue loss on GFIP. This is based on the application made by the entity in April 2022. During July 2022, SANRAL used its available cash balance in the toll portfolio to redeem the maturing HWF11 and HWF12 bonds, to the value of R3 650 million. The conventional toll plazas do not have liquidity or going concern issues other than the impact of constraints on borrowing limits to fund capital toll projects.

On 26 October 2022 the MoF announced a Special Appropriation of R23 736 million. The MoF also indicated that an agreement with the GPG was reached to settle GFIP debt with 30/70 split between GPG and National Government, and that further details will be agreed to determine the final outcome on GFIP. The approved allocation was paid out in two (2) tranches. The first tranche of R8 980 million was received in January 2023 after the Special Appropriation Bill was promulgated into law. The second tranche of R14 756 million was received on 31 March 2023, even though the conditions of the transfer had not been met at year end, the Board and management are confident that they will be complied with and will confirm with the National Treasury before utilising the second tranche. The amount was allocated specifically for settlement of all maturing toll debt and all debt redemption related obligations. The cash flow forecast as at 31 March 2023, shows that the toll portfolio will remain cash positive until September 2024. Thus, the going concern matters have been mitigated. The tolling on GFIP continued until year end and will require a government gazette to suspend tolling.

Funding plans on the toll portfolio

Currently all loans and borrowings are being settled as they become due. There was a R1 000 million issue done in June 2022. Thereafter, there was no further refinancing and issuance that took place due to the borrowing limit restrictions in place.

Borrowing limits

The constraints on borrowing limits remain. SANRAL was informed by the Minister of Transport that the MoF has approved SANRAL's borrowing limit of R47.91 billion (nominal) up to the 31 March 2022. SANRAL has not yet received a response on its application to increase the current borrowing limit, which is already delaying the rolling out of capital projects on the toll portfolio. SANRAL is actively engaging with National Treasury to resolve this matter.

Conclusion on going concern

From the evidence of approved transfers of funds from non-toll to toll in the past years, the separation lines between toll and non-toll are less severe, even though legislative requirements must still be followed. Government views operating and management of national roads as a single mandate. Therefore, the assessment of the going concern and the financial status of the entity is done as a single entity. Even though a significant portion of SANRAL's debt is guaranteed by Government, Government has elected on several occasions to avert a default by providing funding to SANRAL, pending the outcome of the GFIP decision by Cabinet. It is therefore assumed that Government will continue to provide financial assistance for the foreseeable future unless a final policy decision is made to direct the future of road funding. 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).

Although there are still material uncertainties on the toll portfolio, there are no significant doubts about the going concern of SANRAL, after considering the potential mitigation actions announced by the MoF. The Board therefore supports management's assessment that SANRAL will remain a going concern in the foreseeable future. The Board is fully aware of the liquidity risk it faces in the short term should the GFIP agreement not materialise and is actively engaging with relevant stakeholders to resolve the matter before year end. SANRAL has significant cash reserves to remain a going concern for the foreseeable future of at least 12 months from the reporting date. Refer to note 45 for events after reporting date relating to GFIP.

Auditors

The Auditor-General (AGSA) is the external auditor of SANRAL, as prescribed in section 36(3)(a) of the SANRAL Act.

Materiality framework

A materiality framework has been developed for reporting losses through criminal conduct, irregular, fruitless and wasteful expenditure or significant transactions that require ministerial approval, as envisaged in section 54(2) of the PFMA. The framework is approved by the Board annually before the commencement of each financial year. The latest framework, however, was approved in March 2023 to incorporate the latest audited annual financial statements, resulting in an overall materiality value of R274 million on transactions.

Contingent liabilities

Municipality property rates

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, have 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 R83.5 million (31 March 2022: R55.3 million).

Maputo development corridor – overload

The concessionaire has claimed that the Mozambican Government has not complied with the N4 Maputo Development Concession requirements. This contingent liability for SANRAL is due to the joint and several liability under the concession agreement. The estimated overload damage values are based on the full concession period and are thus a combination of actual historic overload data and projected future overload up to the end of the concession period. Although agreed to in principle, the detailed inputs into SANRAL overload software utilised to derive the above values still need to be formally signed off between the parties. The quantification of estimated damage caused by overloaded vehicles is a technical exercise. There is no contingent liability to SANRAL on non-adjustments of toll tariffs by the Mozambican Government in the current year. The Trans African Concessions (TRAC) has sufficient funds held on behalf of the Mozambican Government to settle the estimated amount of R89 million. Thus, SANRAL has no obligation/contingence to reimburse TRAC at the end of the reporting period.

Credit rating

SANRAL's debt mainly comprises bonds that are listed and traded on the Johannesburg Stock Exchange (JSE), although there are a few unlisted instruments. The borrowing limit approved by Government is approximately R47 910 million (depending on CPI assumptions). Up to R37 910 million, in nominal terms, of this amount can be guaranteed.

To facilitate investment in its debt related to its toll portfolio, SANRAL has been rated by the international credit rating agency, Global Credit Ratings (GCR). Although Moody's contract with SANRAL ended in 2018, Moody's chose to continue to provide SANRAL with ratings without compensation. The credit rating enables SANRAL to raise unguaranteed and guaranteed debt competitively.

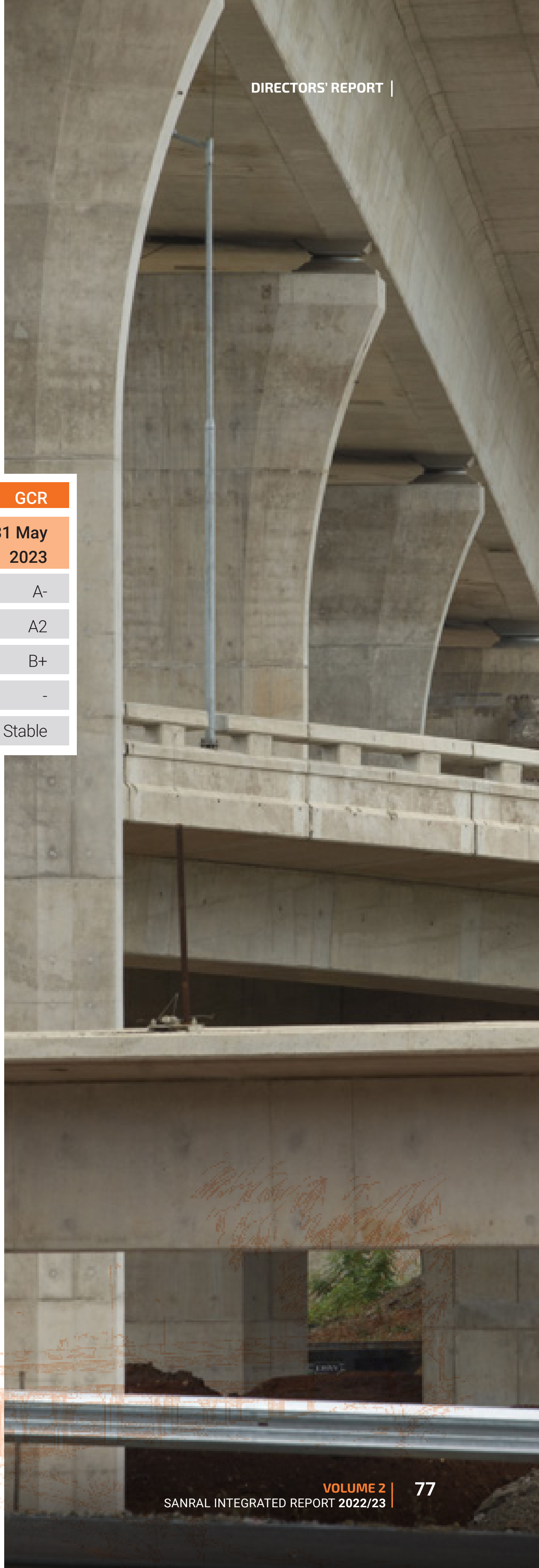
The following table shows the latest ratings by both agencies:

	GCR	Moody's	GCR
Date of last review	20 May 2022	22 Nov 2022	31 May 2023
National Scale Issuer: Long-term	A-	A1.za	A-
National Scale Issuer: Short-term	A2		A2
Global Scale Issuer: Long-term	B+	Ba3	B+
Global Scale Issuer: Short-term	-	-	-
Outlook	Negative	Stable	Stable

Concessions

In addition to its parliamentary appropriation, SANRAL has implemented concessions as an alternative means of financing and operating the national road network, with the costs recovered through user charges. Public/ Private Partnerships (PPPs) allow SANRAL to leverage funding available from the private sector to meet identified infrastructure and service delivery needs in a manner that is cost-effective and appropriate to each project. Furthermore, they ensure that financing is set aside for the improvement and preservation of the country's road assets for periods well beyond Government's three-year expenditure horizon. Annually the benefit is reflected in the increased values under Property, Plant and Equipment (PPE) under concession as the concessionaires upgrade the roads which belong to SANRAL.

- The agreement with Trans African Concessions Proprietary Limited (TRAC) became effective on 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 (RF) Proprietary Limited (N3TC) became effective on 2 November 1999 and terminates on 1 November 2029.
- The agreement with the N1-N4 Bakwena Platinum Corridor Concessionaire Proprietary Limited (Bakwena) became effective on 27 August 2001 and terminates on 26 August 2031.

SANRAL has considered the implications of International Financial Reporting Interpretation Code 12 (IFRIC) 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 to the annual financial statements.

Events after reporting date

In April 2023, severe rainfall led to the closure of some sections of the road on the Wild Coast. The damage has been estimated to be approximately R250 million.

On 2 August 2023 the MoF clarified the condition on the R14.76 billion, a second tranche of the special appropriation of the 2022/23 to SANRAL. The clarity condition is as follows:

- Should the government fail to conclude all the outstanding conditions as previously communicated on 5 December 2022. SANRAL is allowed to use a necessary share of the second tranche to settle bond HWAY23 due in December 2023.

- SANRAL, through DoT, must confirm in writing the status of all the outstanding conditions with National Treasury, for final confirmation of the use of the R14.76 billion no later than 31 October 2023.

Directors and Company Secretary

The Board, as appointed by the Minister, comprised the following individuals until 8 January 2023:

- **Executive Director**

  Mrs SL Memeza (Acting Chief Executive Officer – until 31 December 2022)
  Mr Reginald Demana, Chief Executive Officer – (from 1 January 2023)

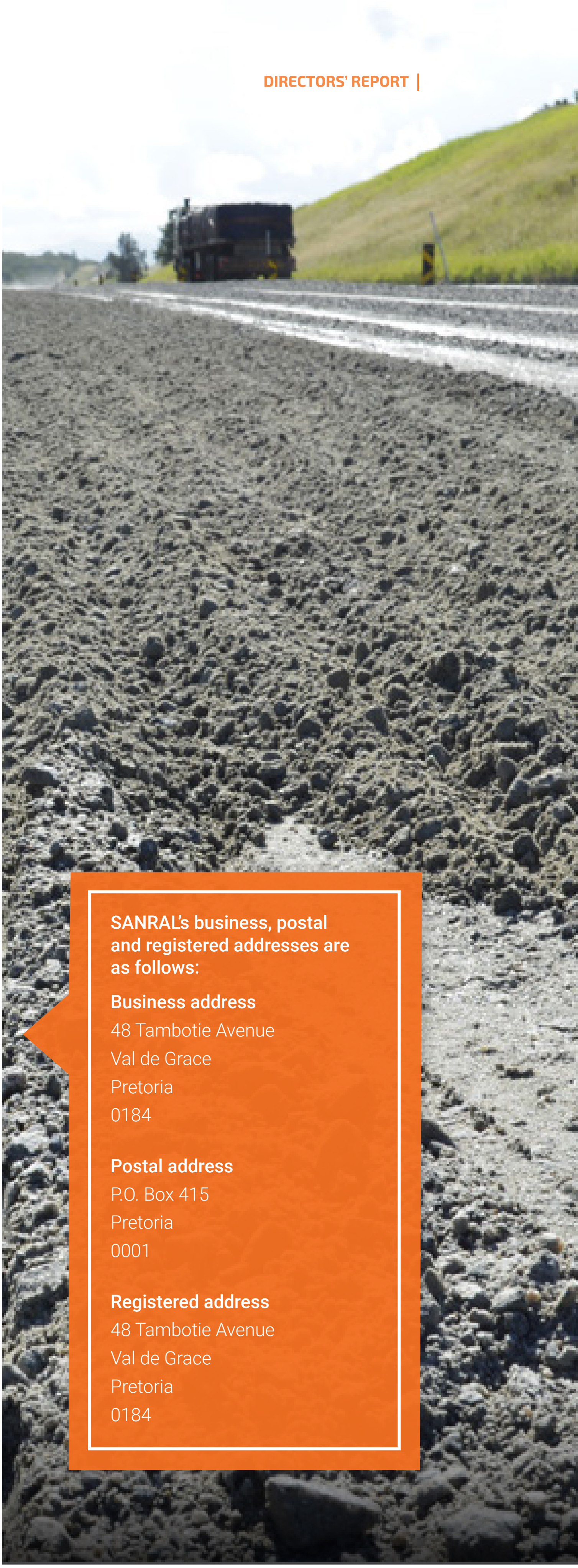
- **Non-executive Directors**
  Mr T Mhambi (Chairperson)
  Mr R Haswell
  Ms L Madlala (till 8 January 2023)
  Mr T Matosa
  Mr E Makhubela (Public official)
  Mr C Hlabisa (Public official)

  The term of the former Board ended on 8 January 2023, following which the Minister appointed the Board comprising of the following individuals, effective 9 January 2023:
  - Mr Themba Mhambi - Chairperson - Independent, non-executive
  - Ms Refilwe Buthelezi - Independent, non-executive
  - Mr Robert Haswell - Independent, non-executive
  - Mr Chris Hlabisa - Non-executive
  - Mr Errol Makhubela - Non-executive
  - Mr Thamsanqa Matosa - Independent, non-executive
  - Ms Noluphumzo Noxaka - Independent, non-executive
  - Mr Reginald Demana, CEO - Executive (from 1 January 2023)

For the year under review Ms A Mathew held the position of Company Secretary.

Directors' declaration of interests in contracts

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.



SANRAL's business, postal and registered addresses are as follows:

Business address
48 Tambotie Avenue
Val de Grace
Pretoria
0184

Postal address
P.O. Box 415
Pretoria
0001

Registered address
48 Tambotie Avenue
Val de Grace
Pretoria
0184

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the company's cash flow forecast for the year to 31 July 2024 and, in light of this going concern review and the current financial position, they are satisfied that the company has or will have access to adequate resources to continue in operational existence for the foreseeable future.

Further, the CEO, Mr Reginald Demana (executive director) and the CFO, Ms Inge Mulder, hereby confirm that –

- the Annual Financial Statements set out on pages 85 to 199, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- no facts have been omitted, or untrue statements made that would make the Annual Financial Statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the Annual Financial Statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls. There has been no fraud involving directors and therefore no remedial action has been necessary in that regard".

The external auditors are responsible for independently auditing and reporting on the company's Annual Financial Statements. The Annual Financial Statements have been examined by the company's external auditors and their report is presented on pages 56 to 66.

The Annual Financial Statements set out on pages 85 to 199, which have been prepared on the going concern basis, were approved by the board on 30 May 2023 and were signed on their behalf.

Signed on behalf of the Board of Directors by:

TB Mhambi (Chairperson)

Tuesday, 30 May 2023

CERTIFICATE OF THE **COMPANY SECRETARY**

I hereby confirm in terms of Companies Act, (Act No. 71 of 2008), as amended, that for the financial year ended 31 March 2023, 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
31 May 2023


ROADM

SANRAL
SOUTH AFRICAN NATIONAL ROADS AGENCY SOC LTD

BUILDING SOUTH AFRICA THROUGH BETTER ROADS

2022-2023

ANNUAL FINANCIAL **STATEMENTS**

General information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Construction and maintenance of the national road network and structures
Directors	Mr RF Haswell (Independent non-executive member) Mr R Demana (Chief Executive Officer - from 1 Jan 2023) Ms L Madlala (Independent non- executive member up to 7 Jan 2023) Mr E Makhubela (Public official) Mr TP Matosa (Independent non- executive member) Mr TB Mhambi (Chairperson - Independent non- executive member) Mrs SL Memeza (Acting CEO up to 31 Dec 2022) Mr C Hlabisa (Public official) Ms N Noxaka (Independent non- executive member from 8 Jan 2023) Ms R Buthelezi (Independent non- executive member from 8 Jan 2023)
Registered office	48 Tambotie Avenue Val de Grace Pretoria 0184
Postal address	PO Box 415 Pretoria 0001
Holding company	Department of Transport
Auditors	The Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
Level of assurance	These annual financial statements are not audited in compliance with s29(1)(e)(aa) of the Companies Act 71 of 2008.
Preparer	The annual financial statements were internally compiled by: Inge Mulder CA (SA)
Approved	30 May 2023

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

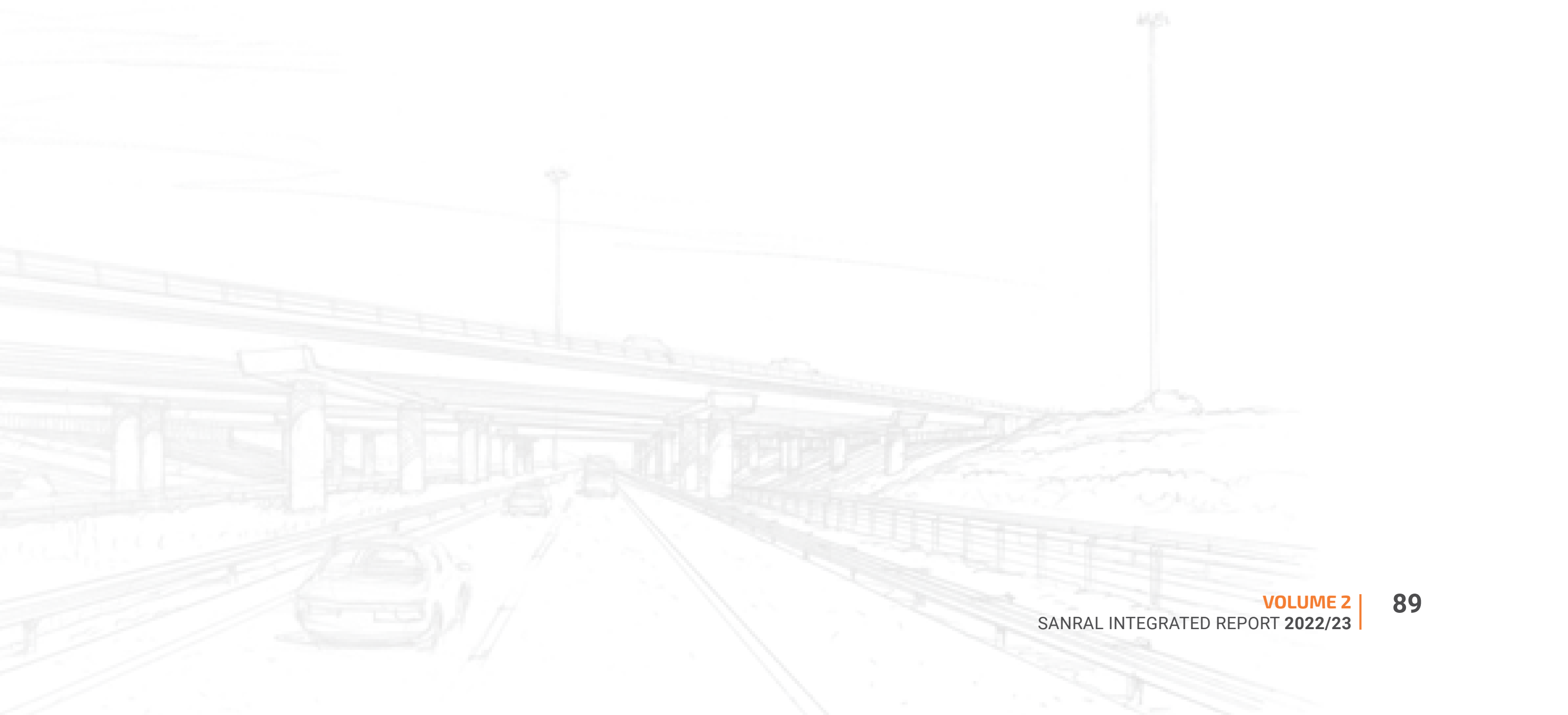
	Notes	2023 R'000	2022 R'000
Assets			
Non-current assets			
Property, plant and equipment under concession	4	75 570 038	68 066 584
Property, plant and equipment	5	516 226 102	448 642 030
Investment property	7	1 727 165	1 671 134
Intangible assets	8	126 611	121 018
Financial assets at amortised cost	9	605 361	570 321
		594 255 277	**519 071 087**
Current Assets			
Financial assets at amortised cost	9	4 307 403	500 000
Trade and other receivables	11	1 219 940	953 487
Financial assets at fair value	10	2 754 958	2 765 524
Cash and cash equivalents	12	59 414 201	41 249 968
		67 696 502	**45 468 979**
Non-current assets held for sale and assets of disposal groups	13	13 799	13 349
Total assets		**661 965 578**	**564 553 415**
Equity and liabilities			
Equity			
Share capital	14	1 091 044	1 091 044
Reserves	15	500 580 820	421 411 618
Accumulated loss	15	(12 187 152)	(14 120 586)
		489 484 712	**408 382 076**
Liabilities			
Non-current liabilities			
Financial liabilities at amortised cost	16	24 637 527	34 409 931
Financial liabilities at fair value through profit or loss	17	3 303 155	3 562 960
Retirement benefit obligation	18	64 705	60 472
Deferred income	19	92 621 854	79 226 254
Provisions	20	553 250	480 181
Deferred exchange consideration	21	9 510 905	10 046 987
		130 691 396	**127 786 785**
Current Liabilities			
Trade and other payables	23	5 020 264	4 808 600
Financial liabilities at amortised cost	16	11 307 920	8 410 866
Financial liabilities at fair value through profit or loss	17	3 156 174	3 213 056
Retirement benefit obligation	18	2 452	1 930
Deferred income	19	5 801 491	10 483 352
Provisions	20	5 054	1 333
Special appropriation from shareholder	15	14 756 424	-
Deferred exchange consideration	21	1 462 817	1 189 417
Third-party funding	22	276 874	276 000
		41 789 470	**28 384 554**
Total Liabilities		**172 480 866**	**156 171 339**
Total Equity and Liabilities		**661 965 578**	**564 553 415**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2023 R'000	2022 R'000
Revenue	25	17 976 153	14 804 545
Other income	26	2 045 374	1 985 219
Other operating gains (losses)	27	78 717	(97 581)
Movement in credit loss allowances	28	419 869	-
Operating expenses	28	(17 607 726)	(13 744 071)
Operating profit		**2 912 387**	**2 948 112**
Finance income	29	3 369 785	1 787 968
Finance costs	29	(4 392 107)	(4 316 882)
Fair value gains/(losses) on investment properties	7&13	39 254	(70 709)
Profit for the year		**1 929 319**	**348 489**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements on net defined benefit liability	18	4 115	(587)
Gains on property revaluation	15	70 189 202	67 882 275
Total items that will not be reclassified to profit or loss		**70 193 317**	**67 881 688**
Other comprehensive income for the year	**15**	**70 193 317**	**67 881 688**
Total comprehensive income for the year		**72 122 636**	**68 230 177**

STATEMENT OF CHANGES IN EQUITY

	Share capital R '000	Share premium R'000	Total share capital R '000	Revaluation reserve R '000	Share capital reserve R '000	Total reserves R '000	Accumulated loss R '000	Total equity R '000
Balance at 01 April 2021	**4**	**1 091 040**	**1 091 044**	**353 529 343**	**-**	**353 529 343**	**(14 468 488)**	**340 151 899**
Profit for the year	-	-	-	-	-	-	348 489	348 489
Other comprehensive income	-	-	-	67 882 275	-	67 882 275	(587)	67 881 688
Total comprehensive income for the year	**-**	**-**	**-**	**67 882 275**	**-**	**67 882 275**	**347 902**	**68 230 177**
Balance at 1 April 2022	**4**	**1 091 040**	**1 091 044**	**421 411 618**	**-**	**421 411 618**	**(14 120 586)**	**408 382 076**
Profit for the year	-	-	-	-	-	-	1 929 319	1 929 319
Other comprehensive income	-	-	-	70 189 202	-	70 189 202	4 115	70 193 317
Total comprehensive profit/(loss) for the year	**-**	**-**	**-**	**70 189 202**	**-**	**70 189 202**	**1 933 434**	**72 122 636**
Shareholder special appropriation	-	-	-	-	8 980 000	8 980 000	-	8 980 000
Total contributions by owners of entity recognised directly in equity	**-**	**-**	**-**	**-**	**8 980 000**	**8 980 000**	**-**	**8 980 000**
Balance at 31 March 2023	**4**	**1 091 040**	**1 091 044**	**491 600 820**	**8 980 000**	**500 580 820**	**(12 187 152)**	**489 484 712**
Note(s)		14	14	14	15	15	15	15



STATEMENT OF CASH FLOWS

	Notes	2023 R'000	2022 R'000
Cash flows from operating activities			
Cash receipts from customers	30	19 987 572	22 527 397
Cash paid to suppliers and employees	31	(13 489 058)	(9 519 614)
Cash generated from operations	32	6 498 514	13 007 783
Interest received		3 689 274	1 659 914
Interest paid		(3 579 561)	(3 772 058)
Net cash from operating activities		**6 608 227**	**10 895 639**
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	5	(8 280 102)	(4 772 217)
Proceeds from sale of property, plant and equipment		-	548
Purchase of investment property	7	(17 508)	-
Proceeds on disposal of investment property		2 725	17
Payments for purchases of other intangible assets	8	(15 947)	(26 735)
Proceeds from sale (payments for purchases) of financial assets at fair value through profit or loss		70 655	(2 060 264)
Proceeds from sale (payments for purchases) of financial assets at amortised cost		(3 785 040)	463 655
Net cash used in investing activities		**(12 025 217)**	**(6 394 996)**
Cash flows from financing activities			
(Payments for purchases) / proceeds from sale of financial assets at amortised cost	33	(7 766 906)	1 063 812
(Repayments of) / proceeds from financial liabilities at fair value through profit and loss	33	(313 410)	2 015 918
Proceeds from (payments of) third-party funding	33	-	(5 066)
Capital portion of government grant	34	7 925 115	4 334 371
Special reserve grant - proceeds from debt redemption grant	15	23 736 424	-
Net cash from financing activities		**23 581 223**	**7 409 035**
Cash and cash equivalents movement for the year		**18 164 233**	**11 909 678**
Cash and cash equivalents at the beginning of the year	12	41 249 968	29 340 290
Cash and cash equivalents at end of the year	**12**	**59 414 201**	**41 249 968**

CORPORATE INFORMATION

The South African National Roads Agency SOC Limited (SANRAL) is a not-for-profit state-owned entity incorporated and domiciled in South Africa.

The entity's primary business is the construction and maintenance of the South African national road networks and structures. The 2023 annual financial statements have been prepared internally by Inge Mulder (CA (SA)) and were audited by the Auditor General South Africa in compliance with section 29(1)(e)(aa) of the Companies Act 71 of 2008. The annual financial statements for the year ended 31 March 2023 were authorised by the Board on 30 May 2023 for submission to the auditors. The audit was concluded on 14 August 2023.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These accounting policies are consistent with the previous period.

1.1 BASIS OF PREPARATION

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ('IFRS') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations issued and effective at the time of preparing these annual financial statements, the Public Financial Management Act 1 of 1999 (PFMA), the South African National Roads Agency Limited and National Roads Act 7 of 1998 and the Companies Act of South Africa of South Africa, as amended.

These annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The annual financial statements have been prepared on the historic cost convention, except for those items that are measured at fair value or revalued amounts as stated in the significant accounting policies set out below. They are presented in South African Rands (Rs), which is the entity's functional currency and are rounded to the nearest thousand.

Directive 12 issued by the Accounting Standards Board (ASB)

Directive 12 issued by the Accounting Standards Board (ASB) requires SANRAL, as a schedule 3A entity, to apply the standards of Generally Recognised Accounting Practice (GRAP) as a reporting framework from 1 April 2018. SANRAL applied to be exempted from applying GRAP and to continue applying IFRS as its reporting framework. The initial exemption was granted by National Treasury for SANRAL to prepare its annual financial statements in accordance with IFRS, which was gazetted on 12 April 2019 and valid up to the 2021 financial year. A further two-year exemption was gazetted on 30 April 2021 and is valid until 31 March 2023. The application for further exemption was submitted to National Treasury for the 2024 financial year and future periods. However, the application for exemption was declined. Therefore, SANRAL will be required to adopt GRAP in the next financial years.

1.1 Basis of preparation (continued)

Going concern

The Board of Directors (the Board) has, at the time of preparation of the financial statements, a reasonable expectation that the entity will have adequate resources to continue operating and settle its debts as and when they become due for the foreseeable future, at least, but not limited to, 12 months from the end of the reporting date. Thus, the going concern basis of accounting principles has been adopted in the preparation of these financial statements. More details are contained in note 44.

1.2 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the current circumstances. 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 estimates are revised and in any future periods affected were it is material.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Revenue recognition

SANRAL derives revenue from conventional toll and Gauteng open road tolling (GORT) fees charged on road users passing through the toll gates and electronic tolling (e-tolls) gantries. Revenue from toll transactions is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which SANRAL expects to be entitled in exchange for those services.

Revenue is recognised only when it is probable, on transaction date, that the entity will collect the transaction price. As a practical expedient, the entity opted to assess the revenue collection threshold on a portfolio basis rather than on individual contracts with customers. Thus, Gauteng Freeway Improvement Project (GFIP) revenue (or GORT) is assessed separately from conventional toll plaza revenue.

In making their judgment, management considered the detailed criteria for the recognition of revenue as set out in IFRS 15 and, in particular, whether the entity had transferred control of the services to the customer or had completed a contractual performance obligation at transaction date.

Revenue is only recognised as and when the entity satisfies the performance obligation in the contract. The transaction price is the toll tariff per vehicle type as approved by the Minister of Transport. When the entity satisfies the performance obligation, the entity recognises the transaction price as revenue. Revenue excludes amounts collected on behalf of third parties and exempt transactions.

Critical judgments in recognising revenue

Contracts with customers are assumed as there are no written contracts with road users. Once a motorist has passed through the toll gate or the toll gate or gantry on national tolled roads, it is assumed that the customer has entered into a contract with SANRAL and is aware of the entity's performance obligation and the transaction price (tariff payable) as it is advertised a distance before on and off-ramps and before approaching the toll gate or gantry. The customer is deemed to have accepted the terms, therefore the entity has completed its performance obligations for that transaction.

1.2 Significant judgments and sources of estimation uncertainty (continued)

The road user is therefore liable for the amount payable. Non-registered users have seven days to settle their accounts from date of transaction, while registered users have a 31 days' grace period.

In identifying contracts with customers, management assesses the probability of collection by considering the ability and intention of customers to pay the consideration on the transaction date. Management evaluated the compliance rate of customers using available historical data to determine the probability of collection and to identify valid contracts with customers for revenue recognition. Revenue transactions are categorised into registered and unregistered road users to assess and determine the probability of collection and intention to pay. These groups are further split into paying and non-paying road users. It is assumed that unregistered and non-paying road users have no intention to pay when their debt becomes due, therefore these transactions do not meet the recognition criteria for a valid contract with a customer. Revenue transactions from contracts with customers that do not meet the assessment criteria above are not recognised but continually monitored and only recognised when paid.

Revenue from contracts with customers is recognised over a period of time as the entity provides services to the road users by allowing them access to the road until they pass a gantry or toll gate. However, the nature of these services does not take a substantial amount of time to complete a performance obligation thus the revenue is recognised as if it is at a point in time rather than over a period of time. The payment terms are 31 days, which is less than 12 months between performance and payment, therefore there is no significant financing component. Refer to note 25.

Other assumptions

The entity does not incur significant or material costs to obtain contracts with customers. Road users qualify for discounts if they settle their accounts within seven days and 31 days for non-registered and registered users respectively. If the account is not settled within the required timeframe, the transaction price reverts back to the full price. Thus the transaction price involves a variable consideration. For completed contracts that have such a variable consideration, the entity determines the transaction price by using the expected value method based on past trends. The entity assumes that etoll customers would take advantage of the discounts at recognition of revenue and the accounts revert back to the full amount when unpaid transactions are transferred to the Violations Processing Centre (VPC).

Significant judgments on lessee accounting

The leases held by SANRAL are not significant to its operations and therefore not considered as material, both in nature and in amount.

Key sources of estimation uncertainty

Expected credit losses of financial assets

The impairment provisions for financial assets are based on assumptions about the risk of default and expected loss rates. The entity uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the entity's past history and existing market conditions as well as material forward-looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

1.2 Significant judgments and sources of estimation uncertainty (continued)

Trade and other receivables

Trade and other receivables are recognised initially at the transaction price as per IFRS 15 provisions. Trade and other receivables do not contain a significant financing component in accordance with IFRS 15, as customers are expected to settle their accounts within a period of 12 months. Subsequently, trade and other receivables are measured at amortised cost less the lifetime expected credit loss allowance. The entity assesses its trade and other receivables for credit loss at the end of each reporting period using the simplified approach, Thus, all debt is assessed for lifetime expected credit loss at each reporting period. A loss allowance is recorded in profit or loss.

The lifetime credit loss is calculated based on historical loss ratios/trends, adjusted for any other available information and other indicators present at the reporting date that correlate with defaults on a collective basis.

In assessing toll debtors for expected credit loss (impairment), significant judgments and assumptions are considered based on the current prevailing conditions, forward-looking factors and historical trends. There is uncertainty with regard to the future of GFIP due to interventions by political parties and other civil organisations against open road tolling in Gauteng. This has had a significant impact on the expected credit loss allowance and the assessment of the probability of revenue recognition.

Capped insurance receivable at amortised cost

Based on past experience, management has assessed the risk of credit losses as low because the deposit is held with institutions that have a national scale credit rating of A1 and above. This asset earns interest on a monthly basis, which the debtor has been servicing without fail. Thus the fair value of the asset has been increasing on an annual basis. Consequently no expected credit loss allowance was made. Refer to note 9.

Fair value estimation

Some financial and non-financial assets and liabilities of the entity are either measured or disclosed at fair value. Investment properties (note 1.3), PPE (note 1.4), impairment of non-cash generating assets (note 1.10) and certain financial assets and liabilities (note 1.6) of the entity are measured at fair value and/or disclosure is made of their fair values.

When measuring the fair value of an asset or liability the entity uses observable market data as inputs to the extent that it is available. Qualified independent valuers are consulted for the determination of appropriate valuation techniques and inputs where appropriate. Fair values are categorised into valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included in level 1 that are observable for assets or liabilities either directly or indirectly
- Level 3: inputs for the assets and liabilities that are not based on any observable market data (unobservable inputs)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The entity 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 and amortised cost, are used to determine the fair value for the remaining financial instruments.

The entity recognises any transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

1.2 Significant judgments and sources of estimation uncertainty (continued)

For more information about the fair value hierarchy, assumptions, specific techniques and inputs of the qualifying assets and liabilities is disclosed in notes 4, 5, 7, 39 and note 40.

The entity obtains independent valuations for its investment properties and for owner-occupied land at the end of each financial year. Road network and structures are valued at depreciated replacement cost (DRC) as further detailed described in notes 4 and 5. Below is the reasons for choosing the DRC methody.

Road assets are largely publicly owned and have rarely if ever been sold on the open market. They are not created to produce revenue and therefore do not have a defined revenue stream, although revenue may be associated with them in certain cases (e.g. tolls) this revenue has not been derived from an 'open market'. Hence the 'market value' or 'revenue stream'-based valuation methods are not appropriate for Road assets.

Thus the only remaining option for road assets is the revaluation model. For this SANRAL adopted the DRC. The DRC is used to take into account the obsolescence of a road. The Gross Replacement Cost is based on the replacement cost of the modern equivalent of the road (not what is currently build in field) and is based on the actual traffic it carries currently, and what modern road design will be required today (taking into consideration latest material and construction technology) to carry the expected future traffic on that corridor. Therefore, if a road has become economically obsolete its traffic volume would have decreased, resulting in lower standard modern equivalent road design been required, resulting in lower replacement costs.

The depreciation of the road further directly takes economic obsolescence into consideration by firstly depreciating the pavement layers component based on actual measured road condition and secondly the roadbed based on 50-year straight line economic life expectancy to allow for technical obsolescence.

Impairment of non-financial assets

The entity assesses assets for impairment annually. Where impairment indicators are identified, management determines the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Property, plant and equipment, including those under concession and wayleaves, are assessed annually for impairment using the loans supportable by revenue (LSR) method excluding office furniture, vehicles and equipment. Refer to note 5.

Useful lives of property, plant and equipment

Management assesses the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on the entity's replacement policies considering the commercial and economic forecasts. Refer to note 1.4 for the estimated useful lives for property, plant and equipment and note 1.5 for intangible assets.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available to management. The entity uses the weighted average cost of capital rate in calculating the liability for overload control. A provision for overload control relates to claims from concessionaires against SANRAL for damage to pavements as a result of overloading on the various concession routes. The estimation is calculated using SANRAL overload software annually at year end. A combination of actual historic overload data and projected future overload up to the end of the concession period is used in the calculations. Additional disclosure of these estimates of provisions is included in note 20.

1.2 Significant judgments and sources of estimation uncertainty (continued)

Contingent assets and liabilities

Management applies its judgment to the facts, patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, possible and/or remote. This judgment is used to determine if the obligation is recognised as a liability or disclosed as a contingent asset or liability (note 36).

Commitments for capital project expenditure

Items are classified as commitments when an entity has committed itself to future actions that result in cash outflows. Commitments comprise estimated capital expenditure (contract amounts less capital expenditure already recognised) as approved by the Board of directors or delegated authority. Refer to note 35.

Post-employment benefit obligations

In applying its judgment to defined benefit plans, management consulted with independent external experts to determine the fair value of employee benefits. The critical estimates as used in each benefit plan are detailed in note 18 to the financial statements. The actuarial gains and losses on the employees' benefits are calculated in terms of three main components, namely: the effect of changes to the economic assumptions, number of members, and changes in the experience compared to what was expected as at the previous valuation.

1.3 INVESTMENT PROPERTY

SANRAL's primary responsibility relates to the construction and maintenance of national roads but, in execution of its normal responsibilities, SANRAL may also become the owner of surplus land (outside road reserve). 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, taking into account the entity's policy (R10 000 threshold).

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 entity and the cost of the investment property can be measured reliably. Investment property is held either to earn rental income or for capital appreciation or for both purposes.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Subsequent to initial measurement, investment properties are carried at fair value, which is considered to be market value at reporting date. The fair value on investment properties is determined by independent external valuers at the end of each reporting period. The fair value of investment properties was determined using the widely accepted "comparable sales method", taking into consideration the size, shape, accessibility and existing rights of the property.

In certain circumstances it is difficult to distinguish between investment property and owner-occupied property. In those circumstances the criteria used to distinguish what is investment property is based on the use. Where property within road reserve is leased together with a portion outside the road reserve, the whole lease property will be regarded as investment property. When the use of investment property changes such that it is reclassified as property, plant and equipment, its carrying value/cost is the fair value on the date of reclassification for subsequent accounting. Investment property classified as held for sale is measured in terms of IFRS 5. Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When investment property is derecognised, the carrying value is eliminated from the statement of financial position and the gains or losses arising from the disposal are recognised in profit or loss in the year of disposal. A gain or loss arising from a change in fair value is included in profit or loss for the period in which it arises.

1.4 PROPERTY, PLANT AND EQUIPMENT INCLUDING PPE UNDER CONCESSION

Property, plant and equipment are tangible assets which the entity holds for its own use or for rental to others and which are expected to be used for more than one year.

Recognition and measurement

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the entity, and the cost of the item can be measured reliably. SANRAL has assets measured under the cost model and under the revaluation model.

Property, plant and equipment are initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets.

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for land, road structures and road networks which are stated at revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Land, road structures and road networks are subsequently stated at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. An overall priority index and overall condition index are applied to calculate the depreciation on the revaluation gain. Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in reserves in shareholders' equity.

Revaluations are made annually such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting date.

When an item of property, plant and equipment is revalued, the gross carrying amount is adjusted consistently with the revaluation of the carrying amount. The accumulated depreciation at that date is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current year. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity.

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 it allows other sources such as pronouncements of other standard setting bodies to be considered. Therefore the use of IPSAS is not a departure from IFRS. The determination of the carrying amounts of non-cash-generating assets is guided by the International Public Sector Accounting Standard (IPSAS 17). IPSAS 17 paragraph 14 states that "the cost of an item of property, plant and equipment shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity; and the cost or fair value of the item can be measured reliably."

1.4 Property, plant and equipment including PPE under concession (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as deemed appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are recognised in profit or loss during the reporting period in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the entity. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Useful life
Buildings	Straight line	50 years
Equipment, vehicles and furniture	Straight line	3 - 30 years
Road network - road beds	Straight line	50 years
Road network - pavement layers	Straight line	20 years
Road structures	Straight line	50 years
Right of use assets (buildings, land and office equipment)	Straight line	1 - 3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Road beds are initially assumed to have a useful life of 50 years. For pavement layers and structures, the associated depreciation rate is related to condition indexes calculated from detailed condition assessments. The frequency of these condition assessments is related to the deterioration trend of the asset component and ranges from one to five years.

For roads that are still in use, the road beds will have a minimum remaining life of three years. This limit is introduced to prevent the anomaly of road sections that are in daily use yet the roadbed is valued at zero.

Land is not depreciated.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

Impairment indicators include the deterioration of physical condition of office furniture, equipment and vehicles. SANRAL uses the loan supportable by revenue (LSR) model to assess impairment for toll plazas. The LSR is defined as the present value of the capital and/or money market loans that a toll project will be able to service and repay from its net revenue during a selected evaluation period. The model provides the predicted capital and money market debt levels at the end of each financial year, putting SANRAL in a position where it can evaluate its current and predicted financial viability of toll plazas. Thus, the LSR model represents the value in use. A negative result of a particular toll plaza means the plaza is impaired.

1.4 Property, plant and equipment including PPE under concession (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

For accounting policy on impairment of non-cash generating assets, refer to note 1.10.

1.5 INTANGIBLE ASSETS

An intangible asset (purchased and internally generated) is recognised when:

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

Intangible assets, whether purchased or internally generated, are initially recognised at cost.

SANRAL has two types of intangible assets namely computer software and wayleaves.

Computer software

Purchased computer software is subsequently recognised at cost less accumulated amortisation and impairment loss.

Computer software arising from development (or from the development phase of an internal project) is recognised when:

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

Capitalised development costs are recognised and amortised when the asset becomes available for its intended use.

All costs associated with the maintenance of the computer software are recognised as an expense when incurred.

Wayleaves

A wayleave is a right of access to a private property. All wayleave agreements are entered with respective landowners.

SANRAL has two types of wayleave agreements:

- Finite wayleave agreements are wayleaves that have a finite period as per the contract. Finite agreements are as a result of SANRAL needing rights to access for a defined period, which is called the contract period. The landowners make the required part of their premises available to SANRAL for an agreed upon period of time in return for an agreed upon amount. The contract amount is then capitalised and amortised over the contract period.
- Indefinite wayleave agreements are wayleaves that have an indefinite contractual period. Indefinite agreements are entered into where SANRAL reserves the right to access the property but not the ownership of the property (e.g. communal/tribal land that cannot be transferred back to the landowner). The contract amount is capitalised and the wayleaves are not amortised.

Amortisation commences when the intangible assets are available for their intended use.

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

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

1.5 Intangible assets (continued)

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

Subsequent expenditure on capitalised intangible assets is capitalised only when it is probable that additional future economic benefits embodied within the wayleave will flow to the entity and the cost of such items can be measured reliably. All other expenditure is expensed when incurred.

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

Item	Amortisation method	Useful life
Computer software	Straight line	10 - 15 years
Finite wayleave agreements	Straight line	Contract period
Indefinite wayleave agreements	None	Not amortised

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal.

1.6 FINANCIAL INSTRUMENTS

Financial instruments held by the entity are classified in accordance with the provisions of IFRS 9 Financial Instruments.

All regular way purchases or sales of financial assets or liabilities are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Fair values at period end are calculated using the midpoint of closing market rates using trade date plus 1 day.

Broadly, the classification possibilities, which are adopted by the entity are as follows:

Financial assets

Financial assets are classified as follows:

- Amortised cost
- Mandatorily at fair value through profit or loss
- Designated at fair value through profit or loss.

Financial assets classified and subsequently measured at amortised cost are cash and cash equivalents, fixed deposits, capped insurance receivable and trade and other receivables.

Financial assets classified and subsequently measured at fair value through profit or loss are capital market bonds held for trading in the market-making portfolio.

The classification of financial assets depends on the contractual cash flows (CCF) characteristics and the entity's business model for managing financial assets at initial recognition. Financial assets that do not offer the CCF on specified dates that are solely payments of principal and interest are classified at fair value through profit or loss (FVTPL). Where the CCF test was not met the objective (hold to sell/hold to collect/both) of the entity's business model was considered to determine the classification of financial assets. The entity may reclassify assets when and only when its business model for managing those assets has changed.

Recognition and measurement

Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets carried at fair value through profit or loss where the transaction costs are expensed.

1.6 Financial instruments (continued)

For financial assets measured at amortised cost, interest income is calculated using the effective interest rate method and included in finance income. Any gains/losses on derecognition are recognised directly in profit or loss. Impairment losses are presented separately.

For financial assets measured at fair value, gains and losses are recognised in profit or loss in the period in which it arises and presented net with other gains and losses. Interest income is calculated using the effective interest rate method and included in finance income.

Expected credit losses

The entity assesses on a forward-looking basis the expected credit losses, to reflect changes in credit risk associated with its financial assets carried at amortised cost.

Credit ratings are used to determine whether credit risk on an instrument has significantly increased since initial recognition. Where there has been no significant increase and the instrument remains of investment grade quality, no credit risk impairment gain or loss is made.

Financial liabilities

Financial liabilities are classified as follows:

- Amortised cost; or
- Mandatorily at fair value through profit or loss; or
- Designated at fair value through profit or loss.

Recognition and measurement

Financial liabilities classified and subsequently measured at amortised cost are loans and bonds issued for raising capital to fund the national toll road networks and related operating expenditure and trade and other payables.

Financial liabilities mandatorily classified and subsequently measured at fair value through profit or loss are capital market bonds held for trading in the market-making portfolio.

Financial liabilities designated at fair value through profit or loss are capital market bonds, previously held for market-making and subsequently held to maturity and used to fund the national road networks and related operating expenditure.

Financial liabilities are initially recognised at fair value and subsequently in accordance with their above classification or measurement categories.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the entity are presented below.

Capped insurance receivable at amortised cost

Classification

The capped insurance receivable (note 9) is classified as a financial asset subsequently measured at amortised cost.

It has been classified as amortised cost because the contractual terms of this receivable give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding and the entity's business model is to collect the contractual cash flows on this receivable.

1.6 Financial instruments (continued)

Recognition and measurement

The receivable is recognised when the entity becomes a party to the contractual provisions of the receivable. The receivable is measured, at initial recognition, at fair value plus transaction costs, if any.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

Interest income is calculated using the effective interest method and is included in profit or loss in finance income (note 29).

Expected credit losses

The entity recognises a loss allowance for expected credit losses on all other receivables measured at amortised cost. The number of expected credit losses is assessed at each reporting date to reflect changes in credit risk since initial recognition of the respective receivables.

For the capped insurance deposits (measured at amortised cost) management has assessed the risk of credit losses as low because the deposit is held with institutions that have a national scale credit rating of A1 and above. This asset earns interest on a monthly basis which the debtor has been servicing without fail. Thus, the fair value of the asset has been increasing on an annual basis. Consequently, no expected credit loss allowance is made unless there is an indication of impairment.

Trade and other receivables

Classification

Trade receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 11).

They have been classified in this manner because their contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and the entity's business model is to collect the contractual cash flows on trade and other receivables.

Trade receivables are amounts due from customers for services performed in the ordinary course of business of the entity.

Recognition and measurement

Trade and other receivables are recognised when the entity becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, as per the revenue policy in line with IFRS 15.

The receivables are expected to be received in the short term (less than or equal to 12 months) and are therefore classified as current. Thus, the carrying amount approximates the fair value.

No finance income (interest) is recognised on trade receivables.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus any cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

1.6 Financial instruments (continued)

Expected credit losses

The entity measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses, which represents the expected credit losses that will result from all possible default events over the expected life of the receivable. The amount of expected credit losses is updated at each reporting date.

Measurement and recognition of expected credit losses

The entity applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. A loss rate method was opted for. With the loss rate method selected, a provision matrix is a practical expedient to the determination of expected credit losses. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The entity has identified political influences, GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis using the age analysis. Details of the provision matrix are presented in note 11.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance (note 28).

The fair value of trade receivables is considered to be the same as the carrying amount due to the short-term nature of the current trade receivables.

Write-off policy

The entity writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterpart is deceased or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the entity's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Credit risk is considered together with the expected credit loss assessment. The details of credit risk assessment are included in the trade and other receivables note 11.

Cash and cash equivalents

Cash is cash on hand and demand deposits. Cash equivalents (note 12) are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalents if they have a short maturity of three months or less from the date of acquisition. Financial instruments can only be included if they are in substance cash equivalents.

Fixed term deposits are presented as cash equivalents if they have a maturity of three months or less from the reporting date and are repayable within 24 hours' notice with no loss of interest.

1.6 Financial instruments (continued)

Trade and other payables

Classification

Trade and other payables (note 23), excluding VAT and amounts received in advance, are classified as financial liabilities (but disclosed separately) subsequently measured at amortised cost.

These amounts represent liabilities for unpaid goods and services provided to the entity before financial year end. These amounts are unsecured and are usually settled within 30 days of receipt of an invoice or recognition. They are therefore presented as current. Thus, its carrying amount approximates its fair value.

Recognition and measurement

They are recognised when the entity becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Their carrying amount is considered to be the fair value at reporting date due to the short-term nature of the current trade and other payables.

Trade and other payables expose the entity to liquidity risk and possibly to interest rate risk. Refer to note 39 for details of risk exposure and management thereof.

Third-party funding

Third-party funds (note 22) are monies received in advance from other entities which relate to projects managed by SANRAL including assets owned by the other entities. They contribute their proportionate share to the projects. SANRAL's obligation is to deliver completed project assets. The funds received are included and accounted for in cash and cash equivalents. Third-party funding is measured at amortised cost and its carrying amount approximates its fair value.

The project related costs are capitalised. The agreements are silent on interest earned on the funds held in short-term facilities, thus interest earned is for SANRAL and is included in profit or loss.

Financial liabilities at fair value through profit or loss

Classification

Financial liabilities which are held for trading are classified as financial liabilities mandatorily at fair value through profit or loss.

The entity has designated certain financial liabilities as at fair value through profit or loss. The reason for the designation is to reduce or significantly eliminate an accounting mismatch which would occur if the instruments were not classified as such, or if the instrument forms part of a group of financial instruments which are managed and evaluated on a fair value basis. Refer to note 10 (financial assets) and note 17 (financial liabilities) for details.

1.6 Financial instruments (continued)

Recognition and measurement

Financial liabilities at fair value through profit or loss are recognised when the entity becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Fair value gains or losses recognised on financial liabilities at fair value through profit or loss are included in other operating gains (losses) (note 27).

For financial liabilities designated at fair value through profit or loss, the portion of fair value adjustments which are attributable to changes in the entity's own credit risk, are recognised in profit or loss. This treatment arises as it would otherwise create or enlarge an accounting mismatch in profit or loss thus, the effects of the credit risk for both market-making financial assets and liabilities (held-for-trading) are recognised in profit or loss rather than in other comprehensive income.

Interest paid on financial liabilities at fair value through profit or loss is included as finance costs (note 29).

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the financial liabilities using the effective interest method. Interest is recognised as finance costs in the profit or loss in the period incurred. Refer to note 16.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity 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.

The cash flows (proceeds and repayments) of financial assets and liabilities are shown as net where it is impracticable to disclose separately due to the placement and withdrawal of large deposits to and from other financial institutions. Financial assets and liabilities in the market making portfolio may be managed together therefore movements are reported on a net basis.

Derecognition

Financial assets

The entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The entity derecognises financial liabilities when, and only when, the entity obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

1.7 TAX

Tax expenses

SANRAL was exempted from income tax in the Government Gazette of 22 December 2003, in terms of S10(1)(t)(iii) of the Income Tax Act of 1962. This exemption was backdated to the inception of the entity.

1.8 LEASES

The entity assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Entity as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date on a present value basis, for all lease agreements for which the entity is a lessee, except for short-term leases of 12 months or less and leases of low value assets. For short-term leases of 12 months or less, or leases of low value assets, the entity recognises the lease payments as an operating expense (note 28) on a straight-line basis over the lease term. The exclusion of low value and short- term assets from the right-of-use assets is applied on a lease-by-lease basis. Any leasehold improvements are recognised and measured in accordance with IAS 16.

The entity has elected not to separate the non-lease components for all leases and applies a single discount rate to a portfolio of leases with reasonably similar characteristics as practical expedients.

Details of leasing activities and arrangements where the entity is a lessee are presented in note 6 Leases (entity as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the entity's weighted average cost capital as its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives.
- Variable lease payments that depend on an index or rate (anniversary escalations embedded), initially measured using the index or rate at the commencement date.
- Lease payments in an optional renewal period if the entity is reasonably certain to exercise an extension option.
- Known penalties for early termination of a lease, if management is certain that the lease contract will be terminated and the penalty is certainly payable.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 6).

The lease liability is presented within borrowings on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount by interest on the lease liability and by reducing the carrying amount by lease payments made. Interest charged on the lease liability is included as finance costs (note 29).

1.8 Leases (continued)

The entity remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- There has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- There has been a change in the assessment of whether the entity will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- There has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- There has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- A lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented within property, plant and equipment on the Statement of Financial Position.

The right-of-use assets are initially measured at cost. The cost of right-of-use assets comprise the initial amount of the corresponding lease liability and any lease payments made at or before the commencement date, less any lease incentives received.

The entity has excluded the inclusion of initial direct costs in measurement of rights-of-use assets as a practical expedient. No material cost to dismantle and remove the underlying assets is expected.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation starts at the commencement date of a lease term. Depreciation and impairment loss from the right-of-use assets are recognised in profit or loss.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset, thus the right- of-use for kiosks, retail outlets and printers are depreciated over their lease terms.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

Low value leases

As IFRS does not provide a threshold amount for low value assets, SANRAL has decided that leased assets individually valued at less than or equal to R76 000 are treated as low value assets in line with the basis of conclusion to IFRS 16. The exclusion of these assets is not expected to have any significant impact on assets. Refer to note 5 and 6.

1.8 Leases (continued)

Lease term

The lease term excludes extension options in property leases. In determining the lease term, management has considered the uncertainties around the future of GORT. At reporting date, management was awaiting the decision on the future of the GORT; thus, it was uncertain whether the entity will renew the lease contracts on long term basis and management will only enter into short to medium term (1-3 years) agreements hence month to month extensions were not included in the lease assets and liabilities. The extension options for equipment were also not included as these can be replaced without significant cost or business interruptions.

Entity as lessor

Leases for which the entity is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification. SANRAL leases out excess land acquired for road reserve and this is accounted for as investment property in terms of IAS 40, refer to note 1.3. The leases are classified as operating leases. Refer to note 7.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease. Operating lease income is included in other operating income (note 26).

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

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

1.9 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount is recovered through a sale transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Due to the nature of land or property sales at SANRAL, the sale is regarded as highly probable and it is likely that the sale will be completed when there is a non-cancellable offer or the transaction has been transferred to an appointed conveyancer.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Investment property held for sale continues to be measured at the fair value model after classification as non-current assets held for sale, thus is not assessed for impairment as this is considered in the fair value model.

A non-current asset held for sale is not depreciated (or amortised) while it is classified as held for sale. Refer to note 13.

1.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment of toll assets (road construction assets funded through toll fees and borrowings)

At each reporting date, the entity 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. As per IPSAS 21, para. 45, the entity measures its non-toll assets (road network, structures and land) based on the Depreciated Replacement Cost (DRC). Therefore, the entity's valuation already takes any impairment effect into consideration, and no further specific impairment test is performed on non-toll assets. The remaining assets (equipment, vehicles, furniture, buildings and assets under construction) are measured on the cost model. Refer to note 1.4 and note 5.

Impairment loss and reversal

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.

1.10 Impairment of non-financial assets (continued)

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. 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 is 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 RESERVES

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 entity 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. All the shares are paid up. The shares are owned by the Department of Transport represented by the Minister of Transport. Capital reserves are derived from increase in revaluation of capital assets (land, road network and structures). These reserves may be used for contingencies or to offset major capital losses with approval from the National Treasury or Department of Transport. Revaluation reserves are not distributable. Refer to notes 14 and 15.

1.12 EMPLOYEE BENEFITS

Short-term employee benefits

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

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

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance. Currently the performance bonus is at the discretion of the Board and recognised when approved by the Board.

Defined contribution plans

The entity 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 entity, considering the recommendations of independent qualified actuaries. The entity's contributions to the defined contribution plans are recognised in profit or loss account as an employee benefit expense in the year to which they relate.

The entity has employees who are members of the Government Employees' Pension Fund (GEPF). Contributions to the GEPF are recognised in profit or loss in the year to which they relate as part of cost of employment. The entity has no legal or constructive obligation to pay further contributions if the GEPF does not hold sufficient assets to pay all employees their benefits relating to employee service in the current and prior periods.

1.12 Employee benefits (continued)

Defined benefit plans

SANRAL recognises the estimated liability on an accrued basis over the working life of the eligible employees. During 2014, SANRAL extended its post-employment 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 of uninterrupted service until retirement. For defined benefit plans (post-retirement medical aid) 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 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.

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 are recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In 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. Refer to note 18.

1.13 PROVISIONS

Provisions are recognised when:

- The entity has a present obligation as a result of a past event.
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- A reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where 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 such discount is recognised as a finance cost.

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

Provisions are not recognised for future operating losses.

Provision for rehabilitation costs

Provision for rehabilitation costs is 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 completed, the provision for rehabilitation costs is reversed as the actual cost has been incurred and recognised appropriately.

1.13 Provisions (continued)

Provision for rehabilitation costs for projects that are capital in nature is capitalised to the respective assets. Rehabilitation costs for projects that are operational in nature are expensed in profit or loss when incurred.

Provision for overload control

Provision for overload control is based on the contractual agreement signed with the concessionaires regarding control of overloading on the road network operated by concessions. SANRAL expects concessionaires to claim amounts due within a year as they rehabilitate the road network. The amount is an estimate and there is uncertainty of the time it will be payable, as there are continuous negotiations taking place. The overload provision is calculated using the overload control software and is evaluated annually at year end. Historical and projected future traffic data and weighted average cost per kilometre is used in the calculation. Refer to note 20.

1.14 GOVERNMENT GRANTS

The entity receives a significant amount of income from the National Treasury as a government grant annually as part of the estimates of national expenditure (ENE) allocations to the Department of Transport. The grant is unconditional and it is mainly for non-toll capital and operating expenditure. Government grant is recognised when there is reasonable assurance that:

- the entity will comply with the conditions attaching to them; and
- the grants will be received.

Government grant received to compensate the entity for capital expenditure (cost assets) is included in liabilities as deferred income and are released to income on a systematic basis in subsequent years over the estimated life of the related assets purchased, acquired or constructed. Government grant received as compensation for acquisition of land are recognised as income when received, because land is not depreciated.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to loan or debt redemption are presented in the statement of financial position by setting up the grant as capital reserve for future loan repayments and debt related costs. This grant is included in the equity as it is a special capital injection to finance the servicing of toll debt. The special grant is seen as contribution by the shareholder (Minister of Transport) in accordance with the special allocation Act. Any grant received with unfulfilled conditions will be recognised as a liability. The reserve is reconciled in note 15 (reserves and accumulated loss).

Government grant received to compensate the entity for operating expenditure is recognised in profit or loss when expenditure is incurred whilst for expenses already incurred are recognised in profit or loss immediately. All unspent grant received is deferred at reporting date and included in liabilities as deferred income. The current portion is what is expected to be utilised within the next 12 months after reporting date, considering the amount not spent and the amount that has been realised in profit or loss in current period. Any other grant received on toll portfolio is recognised as revenue when approved or received and when conditions of the the grant, if any, are met. Refer to note 19 (deferred income) and 25 (revenue).

1.15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue has been disaggregated using existing segments and presentations are regularly reviewed by management and decision makers.

The entity recognises revenue from the following major sources:

- GFIP/GORT revenue
- Conventional toll plaza revenue
- Non-toll government grant
- GFIP government grant

In recognising revenue from toll transactions, the following five steps were applied:

- Identify the contract with customers.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligation in the contract.
- Only recognise revenue when or as the entity satisfies the performance obligation in the contract.

Revenue is measured based on the consideration specified in a contract with a customer. The entity recognises revenue when it transfers control of a service to a customer. Refer to note 25.

When the entity satisfies the performance obligation, the entity recognises the transaction price as revenue. Transaction price is initially the toll tariff per vehicle type as approved by the Minister in a published gazette. Transaction price is adjusted to reflect the amount that the entity expects to be entitled to in exchange of goods and services. Transaction price excludes amounts collected on behalf of third-parties, payables to customers, contingent amounts, exempt transactions, discounts and foreign transactions as SANRAL does not expect to receive any income from these transactions. Transaction price includes estimated variable consideration. Accumulated experience or trend analysis is used to estimate and provide for the discounts using the expected value method. Thus, revenue that relates to variable consideration is only recognised to the extent that it is highly probable and that no significant reversals will occur.

Contract liability

Income received in advance (prepayments) is regarded as a contract liability. A contract liability is the obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the entity transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue only when the entity performs its contractual obligation. Revenue received in advance is measured at the amount of consideration received from the customer. Contract liabilities are disclosed in the notes as trade and other payables. Refer to note 24.

Contract assets

The entity does not have any contract assets.

Refer to critical judgments and assumptions in the recognition and measurement of revenue in note 1.2.

1.16 IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

Irregular expenditure is expenditure incurred in contravention of, or not in accordance with, a requirement of the PFMA and other legislation. Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Irregular, fruitless and wasteful expenditure is recorded and disclosed in the annual financial statements in the year that it was incurred (accrual basis). An investigation should be conducted and if it is found that an official was negligent, income should be recovered and recognised in profit or loss with a corresponding debtor. The irregular expenditure and fruitless and wasteful expenditure is removed for the disclosure notes on approval by the Board and National Treasury in accordance with the irregular expenditure and fruitless and wasteful expenditure frameworks issued in 2019 or the latest instruction notes. Refer to note 43.

1.17 PUBLIC-PRIVATE PARTNERSHIPS (PPPS)

PPPs entail private entities taking substantial risks 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. There are three concessions, N3 Toll Concession RF Pty Ltd (N3TC), N1/N4 Bakwena Platinum Corridor Concessionaire (Bakwena) and N4 Trans African Concessions (TRAC). Under these contracts, each concessionaire is responsible for the design, financing, construction, maintaining and operating of its contracted/ specified portion of the road network.

Concession income

Where concessionaires have the right to charge and collect tolls, the entity does not recognise any revenue. In circumstances where the concessionaire is required to pay a fee to the entity, this amount is recognised as concession income and included in other income.

Assets and depreciation

Toll concessions give the concessionaire the right to use the toll assets, while the entity 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.

Deferred exchange considerations

As the asset base increases (property, plant and equipment), a liability (deferred exchange consideration) is recognised when there are additions to complete/purchased assets and assets under construction (work in progress). This liability is realised to the income statement from the acquisition date until the end of the concession contract date (the remaining contract period from date acquired) in profit or loss. Where the acquisition date cannot be determined, the assumption is made that the asset was acquired at the beginning of the current financial period.

Expansion works funds

The TRAC concession is required to reserve funds for expansion works on toll roads under concessions. The reserved funds are calculated in accordance with the concession agreement. The balance of the expansion works fund is a receivable (asset) to SANRAL. SANRAL has full control of the funds and decides on the use of the funds. Currently the fund is kept for funding priorities or projects on the TRAC route, determined by SANRAL, which is outside of the concessionaire's responsibility. A separate contract was entered into and continues to be held for the purpose of the receipt or delivery of a non-financial item (fixed assets) and the entity has not changed its intention of taking delivery of the underlying assets per agreement. The recognition of the fund increases the deferred exchange consideration (liability). Interest earned is recognised in profit or loss. The fund is decreased as and when it is utilised on the construction projects.

1.17 Public-private partnerships (PPPs) (continued)

Guarantees

Concessionaires are required to obtain guarantees in the form of performance bonds in favour of the entity, relating to construction work, operation and maintenance activities of the concessionaire. Refer to note 41.

1.18 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying toll asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. SANRAL borrowings are for general use on to projects, not for specific projects. Non-toll projects are funded by government grant. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred.
- borrowing costs have been incurred.
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Borrowing costs are only applicable to toll portfolio on road network and structures under construction (projects). All other borrowing costs are recognised as an expense in the period in which they are incurred. Refer to note 29.

1.19 OTHER INCOME

Other income includes all other income receivable other than toll fees. This 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 in accordance with the applicable standard. Refer to note 7 on investment properties.

Concession income is recognised on a straight-line basis over the term of the concession contract as and when the performance obligations are satisfied. Refer to note 1.18 on PPPs.

All other sundry income is ad hoc income other than income from contracts with customers. It is recognised at the fair value of the consideration receivable. Interest income from non-financial assets is included in other income. Refer to note 26.

1.20 FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest earned on funds invested in financial assets measured at amortised cost and those measured at fair value through profit or loss. Finance costs comprise interest expenses on funds borrowed and changes in fair value of financial liabilities.

Finance income and costs are recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity. Finance income and costs 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.

1.20 Finance income and finance costs (continued)

The coupon interest of bonds included in market-making financial assets and liabilities is included in interest income and expenses respectively. The remaining difference between the 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.

Finance income and costs 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.

Any other changes in fair value adjustments from financial assets at fair value through profit or loss are included in net fair value gains/(losses) presented separately in profit or loss. Refer to note 29.

1.21 SEGMENT INFORMATION

Operational segment identification

For management purposes, SANRAL is currently organised into two divisions: toll and non-toll operations. These segments' operating results are regularly reviewed by the executive management and the Board and used to make decisions about resources to be allocated to the segments as well as to assess their performance. The Gauteng Freeway Improvement Project (GFIP), which represent less than 1% of SANRAL's total road network, is included and managed under toll portfolio. Although there are difficulties facing the entity in revenue collections for GORT, all the information reviewed for other conventional toll plaza is also reviewed for GORT, which included the collection rates and expected cash flows. The regulatory environment for GORT is not different for tolling operations. Thus, GORT is also tolling, the difference is the payment collection method, which is only through electronic payment, (pass now and pay later model), unlike normal tolls that use a stop and pay method.

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, roads and equipment. Segment liabilities comprise 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 is 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 from toll road users, 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 are also recognised as revenue, to the extent that they have been realised. The balance is deferred.

1.21 Segment information (continued)

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. Refer to note 42.

1.22 CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities and assets relates to claims by and against SANRAL. These claims are not recognised in the statement of financial position and statement of financial performance but rather included in the notes to the financial statements when it is highly probable, after considering all the possible obligations, that an inflow or outflow of economic benefits will flow to or from the entity. All contingent liabilities and assets that are remote are excluded from the disclosure note. Refer to note 36.

2. CHANGES IN ACCOUNTING POLICY

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year.There were no changes in key accounting policies identified in the current reporting period. The new standards, amendments and interpretations adopted in the current financial year did not result in any changes in significant accounting policies. Refer to note 3 below.

3. NEW STANDARDS AND INTERPRETATIONS

3.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

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

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the entity is for years beginning on or after 01 January 2022.

The entity adopted the amendment for the first time in the 2022 annual financial statements.

The impact of the amendment is not material.

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts is now specifically required.

The effective date of the entity is for years beginning on or after 01 January 2022.

The entity adopted the amendment for the first time in the 2022 annual financial statements.

There was no impact of the amendment.

Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example, depreciation allocation).

The effective date of the entity is for years beginning on or after 01 January 2022.

The entity has adopted the amendment for the first time in the 2022 annual financial statements.

There was no impact of the amendment.

3.1 Standards and interpretations effective and adopted in the current year (continued)

3.2 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 January 2023. These standards will initially be adopted at the beginning of SANRAL's new financial year after the effective date 1 April 2023. Only standards and interpretations that will be relevant to the entity's operations are disclosed below.

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 01 January 2023.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as 'monetary amounts in annual financial statements that are subject to measurement uncertainty'.

The effective date of the amendment is for years beginning on or after 01 January 2023.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2023.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

IFRS 17 Insurance contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 01 January 2023.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

4. PROPERTY, PLANT AND EQUIPMENT UNDER CONCESSION

	2023			2022		
	Cost / Valuation R'000	Accumulated depreciation /impairment R'000	Carrying value R'000	Cost / Valuation R'000	Accumulated depreciation/ impairment R'000	Carrying value R'000
Buildings	974 575	(271 912)	702 663	973 991	(252 417)	721 574
Road structures	14 805 769	(1 952 499)	12 853 270	13 220 928	(1 751 619)	11 469 309
Equipment	520 301	(224 178)	296 123	514 545	(226 889)	287 656
Property, plant and equipment under construction	2 822 995	-	2 822 995	2 979 456	-	2 979 456
Road network	76 241 719	(17 346 732)	58 894 987	67 575 484	(14 966 895)	52 608 589
Total	**95 365 359**	**(19 795 321)**	**75 570 038**	**85 264 404**	**(17 197 820)**	**68 066 584**

Reconciliation of property, plant and equipment under concession - 31 March 2023

	Opening balance R'000	Additions R'000	Transfers R'000	Revaluation R'000	Depreciation R'000	Total R'000
Buildings	721 574	-	584	-	(19 495)	702 663
Road structures	11 469 309	-	78 311	1 326 404	(20 754)	12 853 270
Equipment	287 656	15 743	31 208	-	(38 484)	296 123
Property, plant and equipment under construction	2 979 456	951 239	(1 107 700)	-	-	2 822 995
Road network	52 608 589	13 297	997 597	5 795 506	(520 002)	58 894 987
	68 066 584	**980 279**	**-**	**7 121 910**	**(598 735)**	**75 570 038**

4. Property, plant and equipment under concession (continued)

Reconciliation of property, plant and equipment under concession - 31 March 2022

	Opening balance R'000	Additions R'000	Transfers R'000	Revaluation R'000	Depreciation R'000	Total R'000
Buildings	739 010	-	2 037	-	(19 473)	721 574
Road structures	9 780 467	618	23 389	1 684 017	(19 182)	11 469 309
Equipment	287 107	15 005	19 917	-	(34 373)	287 656
Property, plant and equipment under construction	2 296 983	1 774 396	(1 091 923)	-	-	2 979 456
Road network	45 015 289	60 451	1 046 580	7 011 315	(525 046)	52 608 589
	58 118 856	**1 850 470**	**-**	**8 695 332**	**(598 074)**	**68 066 584**

Pledged as security

There is no property, plant and equipment under concession pledged as security for liabilities and no title restrictions exist on the property, plant and equipment under concession.

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 entity (SANRAL).

Methods and assumptions used in determining fair values of all SANRAL road network and structures

Road network and structures are valued at their depreciated replacement cost based on the estimated present cost of reconstructing an existing asset 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. The material unit rates used in the DRC were calculated by an independent estimator, with an Engineering degree and 30 years' experience as a civil engineer and 27 years as a professional providing estimating and tendering services to the civil engineering industry in South Africa and in Sub-Saharan Africa.

The depreciated replacement cost methodology, where replacement cost is based on that of modern equivalent assets, as utilised by SANRAL, is in direct alignment with the recommendations contained in the International Infrastructure Management Manual (IIMM) for specialised assets which are rarely, if ever, sold on the open market. This manual is used internationally in Australia, New Zealand, the United Kingdom, Canada, South Africa and other countries. The replacement cost is calculated using unit rates obtained from the independent valuer.

The depreciation of the asset is then calculated using the straight-line depreciation method for the road bed portion and the condition-based depreciation method for the pavement layers and structures. Pavement condition data is collected using survey vehicles equipped with lasers and 2D/3D cameras, enabling the determination of various pavement condition indicators for each 10m of the road network on a two-year basis (subject to construction activities on the network). The bridges are inspected by certified independent inspectors on a five-year basis.

The actual condition is then used to determine the depreciation rate that should be applied to the pavement layers for each 1km of road and to the road structures. The effective date of the valuation below is 31 March 2023.

4. Property, plant and equipment under concession (continued)

Factors impacting on the valuation of SANRAL's road network, land and structures assets as at 31 March 2023:

a. Percentage network change: In 1998, SANRAL had just less than 7 000km of roads in its asset portfolio. The incorporation of roads (1 266km) from provinces (as well as the upgrading of roads from single carriageway to four-lane road or dual carriageway impacting the value of the assets) has increased the road network over the years, bringing the total to 23 559km (centre-line kilometres) at 31 March 2023 (22 266km: 31 March 2022). This expansion has contributed to the increase in the fair value of the road assets.
b. Percentage CPA change (construction costs): In determining the replacement cost, the cost of construction is driven by various input costs such as the cost of bitumen (crude oil), diesel for construction plant operations, cement, steel and aggregate. Stats SA publishes the construction price adjustment (CPA) factor monthly, which all construction contracts are linked to. As such the economic climate impacts on the replacement cost of the road.
c. Percentage good condition: Any reseal, overlay, or strengthening work performed on the asset impacts on the condition of the asset, the remaining life of the asset and thus the condition-based depreciation of the asset.
d. Traffic volumes per class of vehicle: The volume and composition of traffic (light/heavy vehicles) which a road carries determines the standard to which the road must be built or maintained. This means that a road carrying 200 000 vehicles a day, will require additional lanes per direction and more pavement layers using higher-quality materials than a road carrying less than 500 vehicles a day. This impacts on the replacement cost of the 1km section of road. The traffic is therefore a direct proxy for the economic obsolescence of a route, i.e. a reduction of traffic will impact the standard to which the road should be built or maintained.
e. The topography: The flat, rolling or mountainous nature of the area has an impact on the size and extent of cuttings and fills and thus on the replacement cost of the 1km section of road.
f. The climate: A moderate or wet climate has a variable impact on the number of pavement layers, the quality of the material within layers, thus, replacement cost of the 1km section of road. Material changes to climate will affect the standard (layers) to which a road should be built or maintained.
g. Similarly, any cross-sectional changes (paved shoulders, additional lanes or climbing lanes) will increase the replacement cost of the 1km section of road.
h. Revenue: The extent to which revenue is received impacts on the entity's ability to build and maintain roads. Therefore, any change in revenue would impact the condition of the national road. For non-toll roads, the amount of grant funding received impacts the condition of the non-toll road network. Similarly, toll revenue collectable impacts the standard and condition to which the toll roads are built and maintained. Economic obsolescence is therefore impacted by the revenue and considered when the conditions of the road networks assets are assessed and revalued.

All the above factors and associated changes are considered within the SANRAL Integrated Transportation Information System (ITIS) Asset Value Calculation procedure that is performed for each 1km section of road and structure on an annual basis.

Management reviewed the valuations of the road network and structures at 31 March 2023 based on the changes in material unit rates, the unique nature of the assets and detailed data on conditions of the roads and structures required of the road network, structures and material unit costs. SANRAL performed the revaluation on the road network and structures using technical information supplied by industry experts. These valuation factors are applicable for all SANRAL's revalued assets on both toll and non-toll road network assets as disclosed in note 5 PPE. For detailed valuation information refer to note 40 on fair value analysis and accounting policies note 1.2.

4. Property, plant and equipment under concession (continued)

The carrying amounts of property, plant and equipment under concession if all accounted for under the cost model, would have been:

	2023 R '000	2022 R '000
Road structures	810 344	752 786
Road network	8 258 425	7 767 533
	9 068 769	**8 520 319**

5. PROPERTY, PLANT AND EQUIPMENT

	2023			2022		
	Cost or revaluation R'000	Accumulated depreciation/ impairment R'000	Carrying value R'000	Cost or revaluation R'000	Accumulated depreciation/ impairment R'000	Carrying value R'000
Land	23 878 578	-	23 878 578	22 527 841	-	22 527 841
Buildings	2 328 059	(530 830)	1 797 229	2 327 891	(497 502)	1 830 389
Equipment, vehicles and furniture	2 952 288	(1 608 539)	1 343 749	2 956 427	(1 384 193)	1 572 234
Road network	562 940 924	(201 761 440)	361 179 485	473 047 838	(163 598 101)	309 449 737
Property, plant and equipment under construction	18 318 314	-	18 318 314	12 724 049	-	12 724 049
Road structures	131 195 919	(21 488 440)	109 707 480	117 435 903	(16 899 666)	100 536 237
Leased assets						
Right-of-use assets	2 764	(1 497)	1 267	2 564	(1 021)	1 543
Total	**741 616 846**	**(225 390 746)**	**516 226 102**	**631 022 513**	**(182 380 483)**	**448 642 030**

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 31 March 2023

	Opening balance R'000	Additions/ reclassified R'000	Disposals/ write-offs R'000	Transfers R'000	Revaluations R'000	Borrowing costs capitalised R'000	Depreciation R'000	Impairment R'000	Total R'000
Land	22 527 841	35 902	-	-	1 314 835	-	-	-	23 878 578
Buildings	1 830 389	168	-	-	-	-	(46 271)	12 943	1 797 229
Equipment, vehicles and furniture	1 572 234	6 041	(1 287)	-	-	-	(235 647)	2 408	1 343 749
Road network	309 449 737	-	-	2 281 210	52 692 159	54 560	(3 298 181)	-	361 179 485
Property, plant and equipment under construction	12 724 049	8 256 989	-	(2 596 230)	-	(66 494)	-	-	18 318 314
Road structures	100 536 237	-	-	315 020	9 060 298	11 934	(216 010)	-	109 707 480
Right-of-use assets	1 543	1 193	(397)	-	-	-	(1 072)	-	1 267
	448 642 030	**8 300 293**	**(1 684)**	**-**	**63 067 292**	**-**	**(3 797 181)**	**15 351**	**516 226 102**

Reconciliation of property, plant and equipment - 31 March 2022

	Opening balance R'000	Additions/ reclassified R'000	Disposals/ write-offs R'000	Transfers R'000	Revaluations R'000	Borrowing costs capitalised R'000	Depreciation R'000	Total R'000
Land	21 760 200	3 730	-	-	763 911	-	-	22 527 841
Buildings	1 876 164	57	-	-	-	-	(45 832)	1 830 389
Equipment, vehicles and furniture	1 683 211	54 707	(6 025)	35 580	-	-	(195 239)	1 572 234
Road network	267 653 835	-	-	797 015	44 230 380	5 769	(3 237 262)	309 449 737
Property, plant and equipment under construction	8 646 665	4 930 020	-	(846 860)	-	(5 776)	-	12 724 049
Road structures	86 541 079	-	-	14 265	14 192 651	7	(211 765)	100 536 237
Right-of-use assets	1 695	1 232	-	-	-	-	(1 384)	1 543
	388 162 849	**4 989 746**	**(6 025)**	**-**	**59 186 942**	**-**	**(3 691 482)**	**448 642 030**

	2023 R'000	2022 R'000

5. Property, plant and equipment (continued)

Property, plant and equipment encumbered as security

Refer to note 35 for details on the capital and contractual commitments for the acquisition of property, plant and equipment.

None of the entity's property, plant and equipment are pledged as security for any liabilities and there are no title restrictions on the property, plant and equipment.

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 entity.

Changes in estimates

The changes in accounting estimates are reviewed annually at year end. The entity reviewed the depreciation methods, useful lives and residual values of all items of PPE at the end of the financial year in line with the accounting policy and IAS 16 Property, plant and equipment. These assessments were based on current asset conditions, historical analysis, benchmarking and the latest available and reliable information. The useful lives of some furniture items and equipment have been revised. The impact of the change is a reduction in the net carrying amounts by R28.5 million and net increase in depreciation in the current year by R28 million. The revised useful lives of furniture and equipment still falls within the approved policy ranges of 3 to 30 years, as per note 1.4 PPE useful lives (no changes on the policy). Therefore, the revision is not material in the current reporting period and the changes in future depreciation is not expected to have material impact on PPE valuations in future periods. No further disclosure has been made in this regard. These changes are included in the reconciliation of PPE above.

Borrowing costs capitalised

	2023	2022
Borrowing costs capitalised to qualifying toll assets	66 494	5 776
Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation	9.19 %	9.01 %

The carrying amount of property, plant and equipment, in R'000, if all accounted for under the cost model, would have been:

	2023	2022
Land	1 252 167	1 216 265
Road network	55 343 141	56 305 554
Road structures	9 259 815	9 148 870
	65 855 123	**66 670 689**

Revaluations

The entity's land, road structures and road network are stated at revalued amounts, being the fair value at the date of valuation less any subsequent accumulated depreciation and accumulated impairment losses. The asset valuation calculations are performed annually at year end using the Integrated Transportation Information System (ITIS). ITIS is an internal system, therefore the revaluations are calculated internally and reviewed by the executive of engineering services. The engineering executive has 26 years of experience post-professional engineering registration with the Engineering Council of South Africa (ECSA) and South African Council for the Project and Construction Management Professions (SACPCMP). He is also a member of the South African Institution of Civil Engineering (SAICE).

The material unit rates used in the DRC were calculated by an independent estimator, with an Engineering degree and 30 years' experience as a civil engineer and 27 years as a professional providing estimating and tendering services to the civil engineering industry in South Africa and in Sub-Saharan Africa.

The effective date of the valuations below is 31 March 2023. The revaluation method and approach are the same for both

5. Property, plant and equipment (continued)

toll and non-toll road assets on note 4 and 5. Refer to note 4 and note 40 for specific factors and assumptions considered in the valuation of the land, road network and structures.

Impairment

SANRAL uses the loan supportable by a revenue (LSR) model to calculate the recoverable amount of toll roads, as a cash-generating unit, and compares it to its carrying amount. A real discount rate of 3.5% (being the difference between the internal weighted average cost capital (interest rate) and the inflation rate).

The impairment reversal relates to N2 South toll route. The N2 South toll route was impaired in 2021 due to the negative LSR because of the low traffic volumes on the toll route. This year (2023), N2 South toll roads have recovered and traffic volumes have returned to normal resulting in positive LSR, the impairment was therefore reversed by R15.351 million. There are no other impairment indicators identified that could impact the above-mentioned and similar assets (equipment and buildings indicated above). Refer to note 5 PPE reconciliation table above for the classes of assets impaired.

An impairment assessment was also performed on other assets including assets on note 4. There was also no indication of impairment on property, plant and equipment under construction 31 March 2023, as disclosed above. Property, plant and equipment under construction relate to capital expenditure on roads such as strengthening, improvements, building of new roads and highway-monitoring equipment and other items of PPE.

Revaluation of land, road network and structures

The replacement cost of land is determined based on the recent selling prices of vacant land with comparable location and, where applicable, adjusted in respect of engineering services' status and development rights on the road reserves.

Road network and structures are valued at depreciated replacement cost based on the estimated present cost of constructing 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. The depreciated replacement cost methodology, where replacement cost is based on that of a modern equivalent asset, as utilised by SANRAL, is in direct alignment with the recommendations contained within the International Infrastructure Management Manual (IIMM) for specialised assets which are rarely, if ever, sold on the open market. This manual is used internationally in Australia, New Zealand, the United Kingdom, Canada, South Africa, and other countries.

The depreciation of the asset is then calculated using the straight-line depreciation method for the road bed portion and the condition-based depreciation method for the pavement layers and structures. Pavement condition data is collected using survey vehicles equipped with lasers and 2D/3D cameras enabling the determination of various pavement condition indicators for each 10m of the road network on a two-year basis. The bridges are inspected by certified independent inspectors on a five-year basis. The actual condition is then used to determine the depreciation rate that should be applied to the pavement layers for each 1km of road and to the structures. For factors impacting on the valuation of SANRAL's road network and structures refer to factors considered and assumptions used for revaluations on note 4.

For detailed valuation information refer to note 40 on fair value analysis.

Refer to note 6 for details of right-of-use-assets which have been included in property, plant and equipment.

Land identification process

At 31 March 2023, SANRAL had 36 793 (31 March 2022: 36 112) properties falling within road reserves and 2 102 confirmed investment properties which fall outside of the road reserve, in terms of the identification process, which was initiated on 1 April 1998. For investment property values refer to note 7. Land parcels are revalued annually at year end.

	2023 R'000	2022 R'000

6. LEASES (COMPANY AS LESSEE)

Leasing activities

The entity leases small customer services outlets at various shopping centres in the Gauteng province. Rental agreements are made for fixed terms ranging from 12 months to three years but may have extension/renewal options at the sole discretion of the lessee. These lease agreements contain similar terms and conditions. The entity did not separate lease and non-lease components but accounts for them as a single lease component.

The lease agreements over the right of use assets do not impose any covenants other than security deposit or interest in the leased assets held by the lessor. The leased assets are not used as security for borrowing purposes.

Details pertaining to leasing arrangements, where the entity is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets recognised in PPE are included in the following line items:

	2023 R'000	2022 R'000
Land/property	76	208
Office equipment (printers and plotters)	445	1 335
Buildings (kiosk/customer services outlets) - new long term leases	746	-
	1 267	**1 543**

Depreciation and other expenses recognised in profit or loss on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 28). Finance costs relate to the interest portion on lease payments (note 29).

	2023 R'000	2022 R'000
Low-value assets lease payments (excluded in right-of-use assets	128	308
Short-term lease payments (excluded in right-of-use assets	12 072	12 683
Finance costs on lease liability	171	218
Depreciation on buildings (kiosk/customer services outlets)	448	677
Depreciation on right of use of land/property	131	131
Depreciation on office equipment (printers/plotters)	493	575
	13 443	**14 592**

The total payments on all operating leases for the year was R13.340 million (2022: R14.157 million). There was no direct impact of COVID-19 on these operating leases in the current period. At 31 March 2023, the entity is committed to R6 million for short-term and low value leases.

Right-of-use assets held at revalued amounts

Refer to note 5 Property, plant and equipment for details of revaluations to right-of-use assets. The entity has land/property leases recognised as right-of-use assets. Their carrying amounts approximate their fair values and are immaterial to be presented separately. Even though land is not depreciated, the right of use recognised as assets is amortised over the lease term. The lease term is regarded as short term as the accounting useful life is generally indefinite, thus these lease terms on land properties do not represent a substantive portion of the indefinite useful life of land.

	2023 R'000	2022 R'000

6. Leases (company as lessee) (continued)

Lease liabilities

Lease liabilities have been included in the financial liabilities at amortised cost line item on the statement of financial position. Refer to note 16 Financial liabilities at amortised cost.

	2023 R'000	2022 R'000
The maturity analysis of lease liabilities is as follows:		
Within one year	1 239	893
Two to five years	208	966
	1 447	1 859
Less finance charges component	(79)	(176)
	1 368	**1 683**
Non-current liabilities	205	913
Current liabilities	1 163	770
	1 368	**1 683**

7. INVESTMENT PROPERTY

	2023		2022	
	Cost / Valuation R'000	Carrying Value R'000	Cost / Valuation R'000	Carrying Value R'000
Investment property	1 727 165	1 727 165	1 671 134	1 671 134

Reconciliation of investment property - 31 March 2023

	Opening balance R'000	Additions	Disposals R'000	Fair value adjustments R'000	Total R'000
Investment property	1 671 134	17 508	(1)	38 524	1 727 165

Reconciliation of investment property - 31 March 2022

	Opening balance R'000	Fair value adjustments R'000	Total R'000
Investment property	1 741 728	(70 594)	1 671 134

Refer to note 40 for fair value analysis and note 13 for investment properties held for sale. Investment properties are revalued annually at year end. The effective date of the valuation is 31 March 2023.

Details of property	2023 R'000	2022 R'000
Investment property		
Improved properties	402 412	387 761
Vacant properties	1 324 753	1 283 373
	1 727 165	**1 671 134**

Leasing arrangements

The entity has investment properties which are on surplus land outside the road reserve that is not owner occupied. The properties are leased to tenants under operating leases with rentals payable monthly. Lease payments are subject to agreed escalations annually. The escalations depend on index or market rates. Some of the lease contracts have variable payment terms linked to sales performance, e.g., filling stations.

No investment property is pledged as security for liabilities of the entity.

Registers with details of land and buildings are available for inspection by the shareholder or its duly authorised representatives at the registered office of the entity.

	2023 R'000	2022 R'000

7. Investment property (continued)

Details of valuation

The investment properties are reported at fair value and are reviewed annually at year end. Valuations were performed by independent registered property valuers. The effective date of the valuation is 31 March 2023. The individual valuers hold recognised and relevant professional qualifications, affiliated to the council of property valuers and have adequate experience in the industry and the type of investment property being valued. The fair value of investment property was determined using the widely accepted 'comparable sales method', taking into consideration the size, shape, accessibility and existing rights of the property. No investment property was reclassified to owner-occupied properties in the current reporting period.

For investment property where there was a lack of comparable market data, the valuation was based on the across-the fence (strip) valuation. The properties are assumed to have value that is consistent with the value of a typical adjacent/ adjoining piece of land as if vacant, without modification of shape, size and access.

Expectations about future residual values are reflected in the fair value of the properties.

Amounts recognised in profit and loss for the year		
Rental income from investment property	54 691	52 653
Direct operating expenses from rental generating property	(4 372)	(2 246)
Direct operating expenses from non-rental generating property	(12 126)	(12 819)
Cumulative change in fair value recognised in profit/(loss)	45 445	(70 709)
	83 638	**(33 121)**

The minimum lease payments receivable from investment property are as follows:

Rental income receivable within one year	3 796	8 837
Rental income receivable within two to five years	9 858	12 421
Rental income receivable later than five years	68 250	67 233
	81 904	**88 491**

Of the rental income from investment property listed above, variable lease income that depends on sales or financial performance of the tenant business (other than index/rates) was R22.829 million (31 March 2022: 16.988 million) for the year. These leases are excluded from the minimum lease receivables above.

8. INTANGIBLE ASSETS

	2023			2022		
	Cost R'000	Accumulated amortisation/ impairment R'000	Carrying value R'000	Cost R'000	Accumulated amortisation/ impairment R'000	Carrying value R'000
Computer software	90 900	(53 909)	36 991	90 235	(50 674)	39 561
Wayleave agreements	94 309	(4 689)	89 620	90 493	(9 036)	81 457
Total	**185 209**	**(58 598)**	**126 611**	**180 728**	**(59 710)**	**121 018**

Reconciliation of intangible assets - 31 March 2023

	Opening balance R'000	Additions	Disposals	Amortisation	Total R'000
Computer software	39 561	5 703	(378)	(7 895)	36 991
Wayleave agreements	81 457	10 244	(2)	(2 079)	89 620
	121 018	**15 947**	**(380)**	**(9 974)**	**126 611**

Reconciliation of intangible assets - 31 March 2022

	Opening balance R'000	Additions	Amortisation	Total R'000
Computer software	47 556	17	(8 012)	39 561
Wayleave agreements	58 256	26 718	(3 517)	81 457
	105 812	**26 735**	**(11 529)**	**121 018**

Pledged as security

None of the entity's intangible assets are pledged as security for liabilities.

Impairment assessment

An annual impairment assessment was done, however, there are no conditions that indicate that any of the intangible assets are impaired.

All the intangible assets disclosed above are purchased assets. The entity does not have any internally generated intangible assets. Included in the carrying amount is R85.401 million which relates to value of the intangible assets (wayleaves) with indefinite useful lives (not amortised). The useful lives and amortisation methods were reviewed at year end with no changes to the previous year's accounting estimates. The wayleaves are assessed as indefinite because of the nature of the agreements.

	2023 R'000	2022 R'000

9. FINANCIAL ASSETS AT AMORTISED COST

Financial assets at amortised cost are presented at amortised cost, which is net of loss allowance, as follows:

	2023 R'000	2022 R'000
Capped insurance deposit	605 361	570 321
SANRAL has a long-term insurance agreement with Centriq Insurance Company Ltd which is reviewed annually. SANRAL made an upfront deposit, and all claims up to the balance of the deposit are recovered from the funds deposited. The agreement provides for the repayment of the balance of the deposit at the end of the agreement period. These funds earned interest at the three-month JIBAR-based deposit rate of 7.96% (31 March 2022: 4.4%).		
Fixed deposits	4 307 403	500 000
The average effective interest rate on fixed deposits was 8.02% (31 March 2022: 4.65%). The deposits had an average maturity of 220 days (31 March 2022: 155 days). These short-term fixed deposits are held to meet financial liabilities nearing maturity.	**4 912 764**	**1 070 321**

Split between non-current and current portions

	2023 R'000	2022 R'000
Non-current assets	605 361	570 321
Current assets	4 307 403	500 000
	4 912 764	**1 070 321**

Exposure to credit risk

Financial assets at amortised cost inherently exposes the entity to credit risk, being the risk that the entity will incur financial loss if counterparties fail to make payments as they fall due.

The fixed deposits and capped insurance deposit are held at financial institutions which have a credit rating of A and above. There is no indication of any significant increase in credit risk. Both remain above investment grade rating. Consequently, there is no material credit loss adjustment expected.

Fair value of financial assets

Refer to note 39 Financial instruments and risk management and note 40 Fair value information for the fair value of financial assets measured at amortised cost.

	2023 R'000	2022 R'000

10. FINANCIAL ASSETS AT FAIR VALUE

Designated at fair value through profit or loss:		
Capital market bonds	2 754 958	2 765 524
Financial assets held for market-making consist of bonds traded on the fixed interest market of the JSE. These bonds yielded interest rates of between 8.12% and 10.78% as at year end (31 March 2022: 9.84% to 10.78%). Capital market bonds are held to manage liquidity and to reduce the cost of borrowing.		
	2 754 958	**2 765 524**

The entity opted, at initial recognition, to irrevocably designate the capital market bonds at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. This is consistent with the prior year classification, presentation and disclosure. These market-making financial assets, together with the market-making liabilities measured at fair value through profit or loss, are managed as a portfolio for performance and risk management purposes. To overcome any mismatch which may occur in the statement of profit or loss, both assets and liabilities have been designated and subsequently measured at fair value through profit or loss. Refer also to note 17.

The entity has not reclassified any financial assets from amortised cost to fair value, or from fair value to amortised cost during the current or prior years.

Refer to note 29 for amounts recognised in profit or loss.

Fair value information

Refer to note 39 Financial instruments and risk management for details of risk exposure and note 40 Fair value information for further details.

	2023 R'000	2022 R'000

11. TRADE AND OTHER RECEIVABLES

	2023 R'000	2022 R'000
Financial instruments at amortised cost:		
Trade receivables	9 876 977	9 777 164
Bad debts written off	(29 597)	(77 714)
Trade receivables at amortised cost	9 847 380	9 699 450
Sundry and other debtors	207 112	659 885
Other receivables due from related parties	47 506	316 637
Accrued interest	510 427	327 693
Third-party funding	35 441	35 072
Expected credit loss	(9 688 407)	(10 108 276)
Non-financial instruments:		
Expansion works fund receivable - TRAC & Bakwena funds	260 481	23 026
Total trade and other receivables	**1 219 940**	**953 487**

The gross trade receivables comprise mainly toll debtors. The expected credit losses (ECL) mainly relate to GORT debtors amounting to R9.573 billion (31 March 2022: R9.596 billion). The remaining GORT balance after impairment relates to key account holders/customers with accounts. The reduction of the ECL is as result of recoveries and adjustments for bad debts written off.

Expansion works fund receivable

TRAC has accrued funds for expansion works relating to the implementation of the Nelspruit ring road agreement and has reserved such funds on behalf of SANRAL for the expansion of specific capital projects. The remaining expansion works funds will be applied to other design and construction works as and when instructed in writing by SANRAL. Thus, it will be received through the delivery of fixed assets rather than cash. The receivable reduces when the funds are utilised on projects and a corresponding capital expenditure recognised as an asset. Karino interchange project is complete and currently the funds are being utilised on other similar expansion projects like Milly's access project. Refer to note 41 and note 1.17 for detailed information on concession arrangements.

Bakwena fund, similar to TRAC funds, the amount will be utilised on projects identified and expenditure determined and approved by SANRAL. The 6th amended contract with Bakwena makes a provision of an adjustment account for excess funds. The adjustment account is funded from the difference between the actual base toll tariff (as declared by the Minister of Transport) and the adjusted base toll tariff that is collected. These fund is mainly being utilised on SANRAL road expansion projects by Bakwena.

These funds or receivables are not past due; therefore it has been excluded from the age analysis below. This amount was assessed for impairment and no indicators of impairment existed at period end. The amount is expected to be utilised within 12-months on SANRAL projects.

Split between non-current and current portions

	2023 R'000	2022 R'000
Current assets	1 219 940	953 487

11. Trade and other receivables (continued)

Exposure to credit risk

Trade receivables inherently expose the entity to credit risk, being the risk that the entity will incur financial loss if customers fail to make payments as they fall due.

Trade receivables arise largely from GORT debtors in the Gauteng Province. The customer base for GORT is large, resulting in a significant credit risk from these trade receivables. Management assesses and monitors the credit risk annually.

The expected credit loss is assessed and recognised for all trade and other receivables in accordance with IFRS 9 Financial instruments at the end of each reporting period. In addition to the loss allowance, trade and other receivables are net of bad debts which are written off when there is no reasonable expectation of recovery.

The loss allowance provision as determined at 31 March 2023 is as follows:

Expected credit loss rate: Toll debtors

	Amounts outstanding R'000	Default rate	Expected credit loss R'000
0 - 30 days	264 539	- %	-
31 - 365 days	14 599	34.98 %	5 107
>365 days	9 568 242	100.00 %	9 568 242
	9 847 380		**9 573 349**

The default rates per ageing category above have been determined based on the average 3-year historical collection rates at reporting date. Based on the historical loss rates a forecasting trend was determined and a forecasted loss rate was then applied to the outstanding amounts to obtain the expected loss. Due to the application of IFRS 15 and the adopted revenue probability assessment policy, there are no material debtor transactions remaining between 60 days and 365 days. The debt over 365 days are mainly historical debtors prior to the adoption of IFRS 15 in 2019 held in the violations processing centre (VPC). This old debt is provided for at 100% expected credit loss rate. There is no expectation of significant recovery on these VPC amounts. Forward-looking information is expected to have little impact on loss rates.

The debtors In 0-60 days are managed separately and relate mainly to key account holders and registered customers. The conventional toll road users are included in the current debtors (<30 days); these relate to time differences in the system allocation of credit/e-tag transactions and there is no expected credit loss on conventional toll debtors. A further expected credit loss was only calculated on key account holders' debt. The key account holders' debt was split into two buckets: current and >31 days. The expected credit loss on +31 days, relate to key account holders (KAH) in transactions clearing house (TCH), is 34.97% with R5.105 million expected credit loss while the KAH of <30 days has a default rate of 0.0045% resulting to R2 473 (thousand) of ECL which gives a total of R5.107 million. This means that it is highly probable that all debtors in the current bracket will be recovered. The forecasting is sensitive to the values at which forecasting is performed and it takes into account the past recoverability and determines the expected loss.

Due to the short nature of the debtors' life cycle, considering forward-looking factors was regarded as irrelevant and would not make any significant difference. Based on the key account holders' assessment done at 31 March 2023, 95% of recoveries are made within the first month of the transaction (99% within 60 days), thus about 1% remain up to 365 days till impaired or written off annually. Further, the model assessed the existence of a correlation between the loss rates and certain key macro-economic indicators such as gross domestic product (GDP), unemployment rates and consumer price index (CPI) and no strong relationships between the macro-economic variables and the loss rates for the key account holders was identified. Based on the above reasons, incorporating forward-looking information on the loss rates did not have any material impact.

11. Trade and other receivables (continued)

The Board stopped the issuance of the summons to the public on 27 March 2019 for GORT debt. In October 2022 the Minister of Finance announced that the outstanding borrowing for GFIP will be paid by the government. The outcome of the agreement between the Gauteng provincial government, National Treasury and the Department of Transport will determine the way forward for GORT debtors. The agreement has not yet been concluded at year end. The final transfer has not been concluded by year end. It is not expected that final agreement will have significant impact on the GORT debtors balance as all the uncollected debt has been impaired. There has been no significant changes on the overall collection rate of old debt transferred to VPC compared to prior periods, which remains very low. The recoverability rate on historical debt transferred to VPC is less than 1% and it is anticipated that due to uncertainties on the future of GFIP and existing debt, the VPC debt is considered irrecoverable. The recoveries from the old debt are very insignificant. Therefore, the default rate was set at 100%, which is consistent with prior years. Refer to note 25 and 45 on the developments on GFIP decisions.

The following is the ECL and default rates for property and sundry debtors as at 31 March 2023.

Expected credit loss rate: Property debtors

Expected credit loss	Amounts outstanding R'000	Default rate	Expected Credit loss R'000
0 - 30 days	2 222	37.18 %	826
31 - 60 days	903	91.92 %	830
61 - 90 days	1 746	47.45 %	828
91 - 120 days	920	100.00 %	920
>120 days	20 899	100.00 %	20 899
	26 690		**24 303**

Expected credit loss rate: Sundry debtors	Amounts outstanding R'000	Default rate	Expected Credit loss R'000
0 - 30 days	138	- %	-
31 - 60 days	2	- %	-
61 - 90 days	52	- %	-
91 - 365 days	496	100.00%	496
>365 days	174 843	51.62%	90 257
	175 531		**90 753**

11. Trade and other receivables (continued)

The loss allowance is determined by grouping trade receivables as follows:

	31 March 2023	31 March 2023	31 March 2022	31 March 2022
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Figures in R'000s				
Toll debtors				
Less than 31 days past due	264 539	-	91 413	(193)
31 - 60 days past due	14 599	(5 107)	14 731	(2 600)
More than 60 days past due	9 568 242	(9 568 242)	9 593 305	(9 593 305)
	9 847 380	**(9 573 349)**	**9 699 449**	**(9 596 098)**
Property debtors				
Less than 31 days past due	2 222	(826)	2 759	(818)
31 - 60 days past due	903	(830)	970	(745)
61 - 90 days past due	1 746	(828)	1 381	(873)
91 - 120 days past due	920	(920)	849	(849)
More than 120 days past due	20 899	(20 899)	12 066	(12 066)
	26 690	**(24 303)**	**18 025**	**(15 351)**
Sundry debtors				
Less than 31 days past due	138	-	133 508	-
31 - 60 days past due	2	-	285 802	-
61 - 90 days past due	52	-	-	-
91 - 365 days past due	496	(496)	34 486	(32 075)
More than 365 days past due	174 843	(90 257)	464 752	(464 752)
	175 531	**(90 753)**	**918 548**	**(496 827)**
Total	**10 049 601**	**(9 688 407)**	**10 636 022**	**(10 108 276)**

A simplified approach was used to assess the expected credit loss. The default is 90 days as the credit risk increases significantly for debt not collected within 90 days, hence it is expected that there will be no collections after 90 days past due. For credit risk exposure refer to note 39 (risk management).

The entity does not adjust the transaction price and debtors' balance for the time value of money (there is no significant financing component) as it does not defer payment terms to a period exceeding 12 months.

There were no changes to the above policy and valuation method in the current reporting period. Refer to note 1.2 on accounting policies; significant judgment on trade and other receivables.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts due to their short term nature, therefore no further fair value sensitivity analysis is deemed necessary.

	2023 R'000	2022 R'000

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of:

Cash on hand	13	13
Bank balances	69 378	37 357
Short-term deposits and repos	59 344 810	41 212 598
	59 414 201	**41 249 968**

The effective interest rates on bank balances and money market funds were between 2.36% and 8.07% (31 March 2022: 2.48% and 4.52%) and the deposits have an average maturity of 6.4 days (31 March 2022: 5.7 days). Refer to note 39: Financial instruments and risk management for details of risk exposure and note 40: Fair value information for further details.

Fixed term deposits and short-term repos (repurchase agreements) are presented in cash and cash equivalents if they have a maturity of less than three months, refer to policy note 1.6.

Included in the cash and cash equivalents is the unspent grant, accumulated over the past years, of R38.574 billion for non-toll portfolio which will be utilised over the next two to three financial years - refer to note 35 (capital commitments).

Credit quality of cash at bank and short-term deposits, excluding cash on hand

All deposits are held at financial institutions which have a credit rating of an acceptable investment grade rating. Refer to note 39.

Restricted cash

The cash and cash equivalents disclosed above and in the statement of cash flows include R1.413 million (31 March 2022: R1.43 million), for tenant deposits, which are held in a trust account by Hornby Smyly Glavovic Trust. These deposits are subject to terms and conditions in lease contracts and are therefore not available for general use by SANRAL. The net movement was due to refunds and deposits of the security deposit held on tenant vacation or on-boarding of new agreements.

The cash and cash equivalents disclosed above include deposits held for guarantees on provision for land restoration (borrow pits) of R31.17 million (31 March 2022: R31.17 million) which are held by ABSA Bank for the Department of Minerals and Energy. These deposits are subject to terms and conditions in the guarantee agreements and are therefore not available for general use by SANRAL.

Included in the cash and cash equivalents above is the R23.736 billion received from the Department of Transport (shareholder) on 31 March 2023 with specific conditions. The amount is a special appropriation allocation for debt redemption and will be used as and when the debt obligations become due . For more details refer to note 15: reserves.

	2023 R'000	2022 R'000

13. NON-CURRENT ASSETS HELD FOR SALE

	2023 R'000	2022 R'000
Assets and liabilities		
Non-current assets held for sale		
Investment property	13 799	13 349
Reconciliation		
Opening balance	13 349	13 687
Investment property sold during the year	(280)	(222)
Net fair value adjustment	730	(116)
	13 799	**13 349**

These are investment properties held for sale which comprise excess land initially acquired for future road construction. Its carrying amount will be recovered principally through sale rather than continuing use. These are vacant properties that do not generate any income. The direct costs incurred on these properties are of a negligible amount. These properties were handed over to the conveyancers for selling and transfer process. It is expected that the sale of these properties will be completed within the next 12 months, except for circumstances beyond the control of the entity. Transfer of state-owned vacant land by its nature takes a substantial time to conclude; therefore, only properties that have been handed over to the conveyancers are recognised as held for sale and classified as current. There were no new held for sale properties due to the moratorium in place announced by the cabinet in October 2019 to support government objectives on land reforms. As at 31 March 2023, the moratorium is still effective.

14. SHARE CAPITAL

	2023 R'000	2022 R'000
Authorised		
4000 ordinary shares of R1 each	4	4
Issued		
4000 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**

These shares are held by the Government of South Africa represented by the Minister of Transport. The shares are fully paid.

15. REVALUATION AND CAPITAL RESERVES AND RETAINED INCOME

Revaluation reserves

The revaluation reserve relates to the revaluation of the following components of property, plant and equipment:

Revaluation reserves are not distributable.

	2023 R'000	2022 R'000

15. Revaluation and capital reserves and retained income (continued)

Land	22 632 784	21 317 949
Road network and structures	468 968 036	400 093 669
	491 600 820	**421 411 618**

Revaluations are done annually at year end. Refer to note 40 for the detailed sensitivity analysis and the reasons for the increase. At 31 March 2023; the materials cost increase was principally driven by an increase in the crude oil prices, which impact both cost of bitumen and diesel fuel used in the production and transport of construction materials. This can be attributed to current market conditions. 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 reserve for land	1 314 835	763 910
Increase in revaluation reserve for road network and structures	68 874 367	67 118 365
	70 189 202	**67 882 275**
Accumulated loss	(12 187 152)	(14 120 586)

Special appropriation - capital reserve

Special appropriation grant

This reserve relates to the special appropriation grant received from the Department of Transport (shareholder) after the announcement on 26 October 2022 by the Minister of Finance of a Special Appropriation of R23.736 billion for the 2022/23 financial year for SANRAL to settle maturing debt and debt-related obligations on toll portfolio. The Minister also indicated that an agreement with the Gauteng Provincial Government was reached to settle GFIP debt with 30/70 split between GPG and National Government, further details will be agreed to determine the final outcome on GFIP. The approved allocation was paid out in two tranches. The first tranche of R8.980 billion was received in January 2023 after the Special Appropriation Bill was promulgated into law. The second tranche of R14.76 billion was received on 31 March 2023, However, some of the conditions of the transfer have not been met at year end. SANRAL can only recognise this amount as an equity injection on its balance sheet once all the conditions are met. The amount was allocated specifically for settlement of maturing toll debt and all debt redemption obligations that became due since.

The Minister of Transport, the Minister of Finance and the Gauteng Provincial Government will sign an agreement on an equitable and sustainable solution for the Gauteng road network that is consistent with the policy principles set out in the White Paper on Transport Policy.

As this special allocation is conditional, the second tranche of R14.756 billion has been presented in the statement of financial position as a current liability because not all the conditions attached to it were met at year end. The letter stipulate that it can only be recognised as equity once the conditions are met. The R8.980 billion portion has been reserved in the equity account and will only be used for servicing toll debt and related cost (including related finance cost). The tolling on GFIP continued until year end and will require a gazette to stop charging of toll fees to the customers/road users on the 201km in Gauteng. The balance of the special reserve included in equity is R8.980 billion that can be utilised servicing debt. Refer to note 44 for subsequent events relating to the second tranche.

The following is the total balance of the reserves

	2023 R'000	2022 R'000
15. Revaluation and capital reserves and retained income (continued)		
Special appropriation from shareholder (DoT) in reserves	8 980 000	-
Revaluation reserves	491 600 820	421 411 618
Total reserves	**500 580 820**	**421 411 618**
The special allocation transferred to current liability is as follows:		
Current liability portion		
Special appropriation from shareholder (DoT)	14 756 424	-

16. FINANCIAL LIABILITIES AT AMORTISED COST

	2023 R'000	2022 R'000
Capital market loans (long-term)	23 819 462	33 543 418
Capital market loans (short-term)	11 246 425	7 229 416
EIB loan (long-term)	817 860	865 600
EIB loan (short-term)	60 332	43 812
SANRAL has entered into a loan facility agreement in 2011 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 commenced in the 2015 financial year. This loan, including interest accrued, is guaranteed by the Government under the R31.910 billion guarantee.		
Promissory notes (short-term)	-	1 136 868
SANRAL has issued promissory notes under its R6 billion guarantee to meet its short- term financing requirements. The promissory notes, which are repayable on one-year maturity, yield an interest linked to JIBAR. There were no promissory notes at 31 March 2023. (31 March 2022: 6.29% to 6.42% matured and paid).		
Lease liabilities		
Lease liabilities	1 368	1 683
Lease liabilities relate to the leasing of customer services retail outlets and printers, excluding short-term and low-value assets. Refer to leasing activities under right-of-use assets in notes 5 and 6.		
	35 945 447	**42 820 797**
Split between non-current and current portions		
Non-current liabilities	24 637 527	34 409 931
Current liabilities	11 307 920	8 410 866
	35 945 447	**42 820 797**

	2023 R'000	2022 R'000

16. Financial liabilities at amortised cost (continued)

Capital market loans

In September 2017 the South African Government issued an updated and reworded guarantee of R31.91 billion for borrowings by SANRAL, of which the payment obligations are limited to a maximum nominal amount of R31.91bn. SANRAL has issued an aggregate nominal amount of R22.30 billion as at reporting date (31 March 2022: R25.90 billion) under a guaranteed Domestic Medium-Term Note (DMTN) programme (HWAY bonds). The redemption amount of capital market loans, including interest accrued, issued under the R31.91 billion guarantee was R33.31 billion (31 March 2022: R35.88 billion). The funds raised through these borrowings may only be used for toll roads.

On 16 November 1999, the South African Government issued guarantees for borrowings (SZ bonds) by SANRAL up to a nominal amount of R6 billion. SANRAL has issued bonds with a nominal amount of R3.99 billion as at reporting date (31 March 2022: R5.23 billion) under this guarantee. The funds raised through these borrowings can only be used for toll roads.

The Government also approved an unguaranteed borrowing capacity of up to a nominal amount of R15 billion. SANRAL issued bonds with a nominal amount of R4.61 billion as at reporting date (31 March 2022: R7.32 billion) under the non-guaranteed DMTN programme (NRA bonds). The funds raised through these borrowings may only be used for toll roads.

Refer to note 33 Changes in liabilities arising from financing activities for details of the movement in the financial liabilities during the reporting period and note 39 Financial instruments and financial risk management and note 40 for the fair value of the financial liabilities.

17. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Capital market loan - market making (short-term)	3 156 174	3 199 235
Capital market loan (short-term)	-	13 821
Capital market loan (long-term)	3 303 155	3 562 960
	6 459 329	**6 776 016**

The long-term SANRAL capital market loan was designated as at fair value through profit or loss in prior periods. This option was not revoked with the adoption of IFRS 9 on 1 April 2018. The designation of financial liabilities at fair value through profit or loss (FVTPL) is based on the entity managing the performance of capital market-making financial instruments, both financial assets and financial liabilities, as a portfolio of financial instruments. Changes in the fair value of financial assets and liabilities in this portfolio are subject to the same risk, and an accounting mismatch will be eliminated or significantly reduced by the designation to FVTPL and the gains/losses from the financial liabilities are taken to profit or loss. A mismatch would arise if the effects of the credit risk on SANRAL's liabilities at fair value were taken to other comprehensive income and the effects of credit risk on market-making financial assets were taken to profit or loss. Refer to note 10.

The effects of changes in the credit risk of financial liabilities held as capital market loans measured at fair value through profit or loss is calculated in line with IFRS 9 guidance using published benchmark and market rates. The cumulative decrease in the credit risk as at 31 March 2023 is R110 million (31 March 2022: R162 million). The effects of credit risk for both market making financial assets and liabilities at fair value through profit or loss are recognised in profit or loss to ensure no mismatch effect on profit or loss.

The amounts the entity is contractually required to pay on its financial liabilities measured at fair value through profit or loss are the nominal amounts of the respective bonds. Details are disclosed in note 39.

	2023 R'000	2022 R'000

17. Financial liabilities at fair value through profit or loss (continued)

	2023 R'000	2022 R'000
Split between non-current and current portions		
Non-current liabilities	3 303 155	3 562 960
Current liabilities	3 156 174	3 213 056
	6 459 329	**6 776 016**

18. RETIREMENT BENEFITS

Defined benefit plan

The entitlement of these benefits is dependent upon the employee remaining in service until retirement age, 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. SANRAL extended its post-retirement medical aid benefits to all its employees in 2014. The entitlement is based on the employee remaining in the employment of the organisation for a period of 15 years of uninterrupted service until retirement.

The employee benefits are evaluated annually at year end. The valuation of the obligation was performed by ZAQ Consulting and Actuaries using the projected unit credit funding method. The projected unit credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date. The effective date of valuation below is 31 March 2023. As at the valuation date, the medical aid liability of the entity was unfunded, thus, no plan assets are recognised and therefore the value of the unfunded liability is equal to the accrued liability. The valuation was based on 395 employees. The actuarial report has further details.

The liability relates to medical aid which is regulated by Medical Schemes Act No. 131 of 1998 as amended. The valuation of this post-retirement liability was done in accordance with the actuarial practice note (AP 301). There is no other regulatory framework governing this defined benefit plan. The responsibilities for SANRAL in governance of this plan are to ensure adequate cash flows when the obligation becomes due and the post-employment medical aid subsidy policy stays the same.

	2023 R'000	2022 R'000
Post-retirement healthcare benefits		
Present value of the defined benefit obligation-wholly unfunded	(67 157)	(62 402)
Movement in liability for obligation		
Accrued liability at beginning of year	62 402	52 718
Benefits paid out	(2 258)	(1 531)
Interest cost	7 688	7 598
Service cost	3 440	3 030
	67 157	**62 402**

	2023 R'000	2022 R'000

18. Retirement benefits (continued)

The main reasons for the actuarial loss were:

a) changes in financial and economic variables

The yield curve as at 31 March 2023 was used to determine the discount rates and inflation assumptions. These variables differ from the interest rates used in the previous valuation. This resulted in a decrease in the liability by about R6.935 million.

b) Changes in demographic assumptions

Over the past year membership changes (current members decreased by 16 members and pensioners decreased by 2 members) and experience items, like demographic assumptions, have been different than expected from the previous valuation. The net effect of this, together with other smaller assumptions increased the liability by approximately R2.820 million.

The overall effect of variables and other changes in assumptions resulted in an increase in the total liability by R4.755 million.

	2023 R'000	2022 R'000
Non-current liabilities	(64 705)	(60 472)
Current liabilities	(2 452)	(1 930)
	(67 157)	**(62 402)**

At year end, the accrued liability of the defined benefit obligation included R39.681 million and R27.476 million (31 March 2022: R39.351 million and R23.051 million) relating to the active employees and continuation members in retirement respectively.

Net expense recognised in profit or loss

	2023 R'000	2022 R'000
Current service cost	3 200	3 030
Interest cost	8 939	7 598
	12 139	**10 628**

Key assumptions used

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). The valuation allowed for mortality, retirements and withdrawals from service as set out below.
The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. It is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future and that 100% of all active members on medical aid will remain on medical aid once they retire.
It has also been assumed that all active members will remain on the same medical aid option at retirement.

18. Retirement benefits (continued)

Assumptions used for valuation on 31 March 2023.		
Average retirement age	65	65
Consumer price inflation (CPI)	8.49 %	8.71 %
Discount rate used	13.23 %	12.17 %
Healthcare/medical aid cost inflation	9.99 %	9.62 %
Net effective discount rate	2.95 %	2.33 %

Historical information	**2023 R'000**	**2022 R'000**	**2021 R'000**	**2020 R'000**	**2019 R'000**	**2018 R'000**
Accrued liability at year end	67 157	62 402	52 718	49 626	50 891	49 200

Sensitivity analysis

The results are based on a number of assumptions. In order to illustrate the sensitivity of the results to certain key assumptions, we set out below how the results would vary if these assumptions changed. These scenarios may also be of use in illustrating the possible effect of policy changes on the liability.

The following tables show the sensitivity results. The accrued liability at valuation date was recalculated to show the effect of:

- A 1% increase and decrease in medical aid inflation
- A 1% increase and decrease in the discount rate used
- A 20% increase and decrease in the assumed level of withdrawal
- A 20% increase and decrease in the assumed level of mortality.

Sensitivity analysis on the accrued liability

The average retirement age for all active employees was assumed to be 65 years. This assumption implicitly allows for ill- health and early retirements.

	2023 R'000	2022 R'000

18. Retirement benefits (continued)

Assumption	**Change**	**Interest cost R'000**	**Service cost R'000**	**Accrued liability R'000**
Mortality rate	-20%	9 795	3 539	73 455
	+20%	8 239	2 921	62 011
Medical aid inflation rate	-1%	7 790	2 622	58 767
	+1%	10 342	3 942	77 387
Withdrawal rate	-20%	9 091	3 343	68 233
	+20%	8 801	3 075	66 176
Discount rate	-1%	10 673	3 949	77 296
	+1%	8 048	2 637	58 843

Risk to the entity

As at the valuation date, the medical aid liability of the entity was unfunded, that is, no dedicated assets have been set aside to meet this liability. By not setting aside any assets in order to meet the liabilities in the future, the entity is exposed to certain risks, such as longevity risk or liquidity risk. The entity has adequate cash reserves on non-toll portfolio to mitigate the risk exposed by this plan. The entity is under no obligation to cover any unfunded benefits.

The amount of the subsidies is linked to medical inflation, which poses a financial risk if medical inflation turns out to be higher than expected. Subsidy caps were placed on some of the members' plans, but the assumption that the subsidy caps also increase with inflation reduces the effect thereof with regards to the uncertainty of the amount paid.

All other risks are low and well mitigated.

Maturity profile of expected payments

The figures in the table below are discounted figures representing the full liability amounts. The liability accrues uniformly over the lifetime of the employee, and the full liability amount would be accounted for when the employee retires.

Figures in R'000s	**Within 1 year**	**1-2 years**	**2 -5 years**	**Over 5 years**	**Total**
Current (In service) members	79	222	2 215	77 961	80 477
Continuation members	2 287	2 185	5 948	17 056	27 476
	2 366	2 407	8 163	95 017	107 953
	2 366	**2 407**	**8 163**	**95 017**	**107 953**

	2023 R'000	2022 R'000

18. Retirement benefits (continued)

Defined contribution plan

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. SANRAL contributes 20.5%, of which administration and insurance costs amount to 3.59%. The Fund is administered by Alexander Forbes and 421 of the 558 employees (31 March 2022: 435 of the 439) are currently members of the Fund. One employee is a member of the Government Employees' Pension Fund (GEPF). Contributions to the GEPF comprise 20.5% of pensionable emoluments, of which a member pays 7.5% and SANRAL contributes 13%. Contributions are recognised in profit or loss when incurred.

	2023 R'000	2022 R'000
The total group contribution to such schemes	29	55
Provident costs	29 306	58 124

19. DEFERRED INCOME

Deferred income consists of deferred government grants and advances from concession contracts.

SANRAL, as a state-owned entity, receives government grants. These grants relate to the capital and operational expenses on the non-toll national routes. The portion spent on capital expenses is 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 in subsequent years.

SANRAL receives prepayments on concession contracts. These payments are deferred over the life of the concession contract. Refer to note 41 for details of the concession arrangements.

	2023 R'000	2022 R'000
Non-current liabilities	92 621 854	79 226 254
Current liabilities	5 801 491	10 483 352
	98 423 345	**89 709 606**
Toll - Concession contracts		
N3 toll concession		
Non-current		
Opening Balance forward	314 147	361 866
Amount transferred to current	(47 719)	(47 719)
Balance at end of period	**266 428**	**314 147**
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 period	47 719	47 719
Total balance for N3 toll concession	**314 147**	**361 866**

	2023 R'000	2022 R'000

19. Deferred income (continued)

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 results in a realisation of R47.719 million per annum. Refer to note 26 on other income.

	2023 R'000	2022 R'000
TRAC N4		
Non-current		
Balance brought forward	51 324	61 900
Amount transferred to current	(10 576)	(10 576)
	40 748	**51 324**
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 period	10 576	10 576
Total balance for TRAC N4	**51 324**	**61 900**

Refer to note 26 on other income.

	2023 R'000	2022 R'000
Bakwena concession		
Non-current		
Balance brought forward	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.

	2023 R'000	2022 R'000
Non-toll grant (operational and capital projects)		
Non-current		
Balance brought forward	51 598 531	48 923 264
Capital portion of government grants utilised and deferred	7 925 115	5 106 881
Net increase/(decrease) as a result of a decrease/increase in asset base	(62 237)	(45 713)
Amount transferred to current	(2 448 138)	(2 385 901)
	57 013 271	**51 598 531**
Current		
Balance brought forward	2 385 901	2 340 188
Increase as result in increase in asset base	62 237	45 713
Amount realised in profit or loss	(2 448 138)	(2 385 901)
Amount transferred from non-current	2 448 138	2 385 901
	2 448 138	**2 385 901**
Unutilised government grant surplus		
Balance brought forward (non-current)	35 279 627	27 240 472
Amounts (realised) /deferred/unutilised (current)	3 295 058	8 039 155
Balance at end of period	38 574 685	35 279 627
Total balance for non-toll government grants	**98 036 094**	**89 264 059**

The unspent grant balance at each period end is included in cash and cash equivalents (refer to note 12). The unspent grant balance increased due to slow progress in tender awards and project implementations during the past financial years. For amount realised in the profit or loss, refer to note 25.

20. PROVISIONS

Reconciliation of provisions - 31 March 2023

	Opening balance R'000	Additions/ Adjustments R'000	Utilised during the year R'000	Total R'000
Provision for rehabilitation costs	5 123	1 249	(477)	5 895
Provision for overload control	476 391	76 018	-	552 409
	481 514	**77 267**	**(477)**	**558 304**

Reconciliation of provisions - 31 March 2022

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Provision for rehabilitation costs	4 483	845	(56)	(149)	5 123
Provision for overload control	380 963	95 428	-	-	476 391
	385 446	**96 273**	**(56)**	**(149)**	**481 514**

	31 March 2023 R '000	31 March 2022 R '000
Non-current liabilities	553 250	480 181
Current liabilities	5 054	1 333
	558 304	**481 514**

20. Provisions (continued)

Section 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 a holder of mining permits, is ultimately responsible for the restoration of borrow pits. A provision is therefore raised each year for the obligation to rectify environmental damage caused during construction and maintenance of the national roads through the use of borrow pits.

The contractual rehabilitation costs per project were utilised to determine the most accurate cost of restoring borrow pits to their original condition. This was calculated by engineers and project managers as a reasonable indication of the market-related price of restoration. Rehabilitation of the borrow pits is performed on an ongoing basis throughout the project life, therefore the contractual cost was straight-lined over the remaining period of the project.

Rehabilitation costs pertaining to capital projects were capitalised at year end whereas maintenance projects were expensed immediately.

The provision for overload control relates to claims from concessionaires for damage to pavements as a result of overloading and is evaluated annually at year end. Provision for overload control is based on the contractual agreement signed with the concessionaires regarding control of overloading on the road network operated by concessionaires. SANRAL expects concessionaires to claim amounts due in a short term of 1-3 years, as they rehabilitate the road network. The amount is an estimate and there is uncertainty of the time it will be payable as there are continuous negotiations taking place. The overload provision is calculated using the overload control software and is evaluated annually at year end. Historical and projected future traffic data and weighted average cost per kilometre are used in the calculation. The effect of discounting was considered immaterial for separate disclosure purposes.

	2023 R'000	2022 R'000

21. DEFERRED EXCHANGE CONSIDERATION

Opening balance	11 236 405	10 575 352
Increase as a result of increase in the asset base	980 279	1 850 470
Exchange consideration realised to profit or loss	(1 462 817)	(1 189 417)
Bakwena fund	219 854	-
	10 973 721	**11 236 405**
Non-current	9 510 905	10 046 987
Current	1 462 817	1 189 417
	10 973 722	**11 236 404**

The entity does not have a contractual obligation to the concessionaires to contribute/pay for any work done. It controls the assets, which are subject to the concession agreement. The concessionaires have the right to receive income in return for managing, building and financing 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.

22. THIRD-PARTY FUNDING

Balance brought forward	276 000	280 855
Funds adjustments	-	211
Funds withdrawn during the current year	-	(5 066)
Additional funds received	874	-
	276 874	**276 000**

These are funds received from third parties (SANRAL is the implementing agent) mainly for the development of specific roads that do not form part of the declared national road infrastructure.

This balance is supported by cash held in call accounts (refer to note 12). Any interest received on cash balances is capitalised for the benefit of the third party project or at SANRAL's discretion, depending on the specific agreement. The unutilised funds are refundable in terms of the agreement. The effective interest rate on the cash held was 4.0% per annum (31 March 2022: 3.4% per annum).

	2023 R'000	2022 R'000

23. TRADE AND OTHER PAYABLES

Financial instruments:		
Trade payables	1 748 910	1 219 506
Accrued leave pay	20 859	22 907
Accrued interest on financial instruments	661 413	911 532
Non-financial instruments:		
Contract liabilities	160 136	152 584
VAT	2 428 946	2 502 071
	5 020 264	**4 808 600**

24. CONTRACT LIABILITIES

Reconciliation of contract liabilities

Opening balance	152 584	146 966
Utilised during the year	(99 493)	(123 921)
New payments received in advance at year end	107 045	129 539
	160 136	**152 584**

The contract liability amounts disclosed above relate to prepayments made by customers as at reporting date. SANRAL expects to satisfy its performance obligations within 12 months after reporting date. Revenue recognised in the current reporting period from SANRAL's performance obligations satisfied in previous financial years is disclosed under toll income, disaggregated as etoll/ GFIP revenue in note 25.

The changes in the contract liability are as a result of the utilisation of the amounts received in advance as and when SANRAL performs its obligation, that is, when the customer passes through the electronic toll plazas. There were no price adjustments or contract modifications affecting the contract liabilities.

Contract liabilities (all current) are effected mainly from pre-paid customers using e-tags and registered account holders who top-up their accounts before passing the electronic toll plazas.

25. REVENUE

Revenue from contracts with customers		
Toll revenue	4 475 314	4 522 032
Revenue other than from contracts with customers		
Non-toll government grant	9 353 503	6 425 412
GFIP /toll government grant	4 147 336	3 857 101
	13 500 839	**10 282 513**
	17 976 153	**14 804 545**

	2023 R'000	2022 R'000

20. Revenue (continued)

Disaggregation of revenue from contracts with customers

The entity disaggregates revenue from customers as follows:		
Toll revenue		
GFIP/GORT revenue	589 411	569 154
Conventional toll plaza revenue	3 885 903	3 952 878
	4 475 314	**4 522 032**

Included in GORT/GFIP revenue above is revenue recognised in the current reporting period from SANRAL's performance obligations satisfied in previous financial years which amounts to R9.95 million (31 March 2022: R16.83 million). Refer to note 1.2 for significant judgment.

Timing of revenue recognition

At a point in time		
Rendering of services	4 475 314	4 522 032

Revenue from external customers come from toll fees charged on toll roads. There were no incremental costs (contract assets) and unsatisfied performance obligations relating to contracts with customers (toll revenue). All possible discounts and exemptions were excluded from revenue.

The toll revenue disclosed above is the consideration amount which the entity expects to receive from customers (road users). The entity has determined the amount that is highly probable to meet the requirements of 'what the entity expects to receive from customers at the time of recognition' considering the intention and ability of customers. On conventional tolls, all amounts charged are per the latest gazette as the transaction price is recognised as revenue and tested for credit losses at the end of the reporting period. The probability test applied above does not include the customers' credit risk at this stage as that is considered when testing for impairment in terms of IFRS 9.

Non-toll grant reconciliation	**2023**	**2022**
Total government grant received	22 894 975	21 621 212
Less GFIP/toll grant portion (Incl. VAT)	(4 769 436)	(4 435 666)
Non-toll government grant received	18 125 539	17 185 546
Less capital portion of government grants received/deferred	(7 925 115)	(5 106 880)
Add deficit /(Less surplus) government grants	(3 295 058)	(8 039 155)
Realised portion of previously deferred government capital grant	2 448 138	2 385 901
	9 353 504	**6 425 412**

Grant allocations

In the current financial year an amount of R3.740 billion, including VAT, was transferred from non-toll allocation to toll for GFIP as additional grant to the annually GFIP grant of R664 million including VAT. An amount of R819 million, including VAT, was received for unavoidable and unforeseeable damage caused by the April 2022 floods in KZN province, of which R365 million related to toll. There were no unfulfilled conditions on the grants recognised in revenue.

		2023 R'000	2022 R'000

26. OTHER INCOME

	2023 R'000	2022 R'000
Concession income	164 701	141 261
Interest on staff loans and cashbook interest	2 279	1 022
Other interest	2 468	1 440
Realised portion of concession contract revenue (N3TC)	47 719	47 719
Realised portion of concession contract revenue (TRAC N4)	10 577	10 577
Realised portion of previously deferred exchange consideration from concessions	1 462 817	1 189 417
Rental income on investment property	54 691	52 653
Sundry revenue	300 122	541 130
	2 045 374	**1 985 219**

The sundry revenue above mainly relates to adhoc income received for implementing projects on behalf of other organs of state, application fees and sales of investment property.

27. OTHER OPERATING GAINS/(LOSSES)

	Note	2023 R'000	2022 R'000
Reversal of impairment losses			
Property, plant and equipment	5	15 351	-
Fair value gains/(losses)			
Financial assets designated as at fair value through profit or loss		60 089	(86 593)
Financial liabilities designated as at fair value through profit or loss		3 277	(10 988)
		63 366	**(97 581)**
Total other operating gains (losses)		**78 717**	**(97 581)**

	2023 R'000	2022 R'000

28. OPERATING EXPENDITURE

The breakdown of operating expenditure by nature is as follows:

Administration costs	621 294	680 916
Bad debts	29 597	77 714
Marketing and communications	522 775	396 532
Employee costs	491 726	446 876
Depreciation on concession assets	598 735	598 074
Director and management emoluments	40 393	42 553
Auditors' remuneration	33 581	25 624
Bank Charges	53 344	57 537
Depreciation and impairment loss on property, plant and equipment	3 797 181	3 691 482
Amortisation	9 974	11 529
Expected credit loss reversals - trade and other receivables	-	(63 974)
Loss on disposal of assets	1 602	5 682
Property management fees	105 252	65 681
Repairs and maintenance	10 734 315	7 270 406
Technical and computer services	567 957	437 439
	17 607 726	**13 744 071**

The marketing and communications cost increased due to the pothole campaign (Vala Zonke campaign) launched during the financial year.

The net expected credit loss (ECL) is made up of a decrease of R406.074 million (2022: R24.12 million) on sundry debtors due to old debt recovered and an adjustment (decrease) of R22.748 million (2022: R50.31 million) of impairment on GORT debtors due to recoveries and adjustment for bad debts written off. The ECL on property debtors (increase) amounted to R8.954 million in current year. In the 2022 financial year the ECL movement was not material for separate disclosure. Refer to note 11 (trade and other receivables) and 39 risk management notes for the details of ECL.

The following is the movement of accumulated expected credit loss of toll, property and sundry debtors.

Movement in credit loss allowance (net reversals)		
Opening balance of accumulated ECL	10 108 276	-
Closing balance of accumulated ECL	(9 688 407)	-
	419 869	**-**

	2023 R'000	2022 R'000

29. NET FINANCE COSTS

	2023 R'000	2022 R'000
Finance income		
Interest income on financial assets held for cash management purposes	2 966 471	1 558 718
Interest income on financial assets at fair value through profit or loss	264 501	206 463
Interest income on financial assets at amortised cost	29 731	17 684
TRAC fund interest income	1 728	5 103
Bakwena fund interest income	107 354	-
	3 369 785	**1 787 968**
Finance costs		
Interest on financial liabilities measured at amortised cost	(3 839 923)	(3 644 640)
Interest expense on financial liabilities at fair value through profit or loss	(226 333)	(430 440)
Interest on market-making financial liabilities at fair value through profit or loss	(341 122)	(266 422)
Borrowing costs capitalised	15 442	24 838
Interest expense on lease liabilities	(171)	(218)
	(4 392 107)	**(4 316 882)**
Net finance costs	(1 022 322)	(2 528 914)

The capitalisation rate used to determine the amount of finance costs/borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year. The rate was 9.19% (31 March 2022: 9.01%).

30. CASH RECEIPTS FROM CUSTOMERS

	2023 R'000	2022 R'000
Revenue per statement of comprehensive income	17 976 153	14 804 545
Movement in trade receivables	640 238	559 582
Other income	2 045 374	1 985 219
Deferred exchange consideration realised	(1 462 817)	(1 189 417)
Deferred income received - net (unrealised)	788 624	6 367 468
	19 987 572	**22 527 397**
Net debt reconciliation		
Cash and cash equivalents	59 414 201	41 249 968
Short-term financial assets	7 004 958	3 265 524
Less current financial liabilities	(14 451 502)	(4 380 685)
Less non-current financial liabilities	(27 940 682)	(45 216 128)
	24 026 975	**(5 081 321)**

	2023 R'000	2022 R'000

31. CASH PAID TO SUPPLIERS AND EMPLOYEES

	2023 R'000	2022 R'000
Expenses per statement of comprehensive income	17 607 726	13 744 071
Movement in trade payables	435 310	201 802
Depreciation on PPE under concession	(598 735)	(598 074)
Depreciation and impairment loss on PPE	(3 797 181)	(3 691 482)
Amortisation	(9 974)	(11 529)
Loss on sale of assets	(1 602)	(5 682)
Net impairment and movement in credit loss allowances	-	63 974
Bad debts	(29 597)	(77 714)
Movement in provision for overload control	(76 017)	(95 428)
Movement in retirement benefit asset and liability	(8 870)	(9 684)
Movement in provision for rehabilitation costs	(772)	(640)
Movement in accrued expenses	(31 230)	-
	13 489 058	**9 519 614**

32. CASH GENERATED FROM OPERATIONS

	2023 R'000	2022 R'000
Profit before taxation	1 929 319	348 489
Adjustments for:		
Depreciation and impairment reversal/loss on property, plant and equipment	3 781 830	3 691 482
Depreciation on PPE under concession	598 735	598 074
Amortisation	9 974	11 529
(Profit)/loss on disposal of assets	1 602	5 682
Net impairment and movement in credit loss allowances	(419 869)	(63 974)
Finance income	(3 369 785)	(1 787 968)
Finance costs	4 392 107	4 316 882
Fair value (gains)/losses on financial instruments and investment property	(102 620)	168 290
Movements in accrued expenses	31 230	-
Movements in retirement benefit assets and liabilities	8 870	9 684
Movements in provision for rehabilitation costs	772	640
Bad debts	29 597	77 714
Deferred exchange consideration	(1 462 817)	(1 189 417)
Deferred income	788 624	6 367 468
Movement in provision for overload control	76 017	95 428
Increase (decrease) in working capital:		
Trade and other receivables	640 238	559 582
Trade and other payables	(435 310)	(201 802)
	6 498 514	**13 007 783**

Notes to the Annual Financial Statements

33. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities - 31 March 2023

	Opening balance R'000	Funds adjustments balance R'000	Fair value changes R'000	Accrued interest R'000	Loan discount changes R'000	Total non-cash movements R'000	Cash flows R'000	Closing balance R'000
Financial liabilities measured at amortised cost	42 820 797	-	-	12 592	878 964	891 556	(7 766 906)	35 945 447
Financial liabilities measured at fair value	6 776 016	-	(3 277)	-	-	(3 277)	(313 410)	6 459 329
Third-party funding	276 000	874	-	-	-	874	-	276 874
	49 872 813	**874**	**(3 277)**	**12 592**	**878 964**	**889 153**	**(8 080 316)**	**42 681 650**
Total liabilities from financing activities	**49 872 813**	**874**	**(3 277)**	**12 592**	**878 964**	**889 153**	**(8 080 316)**	**42 681 650**

Reconciliation of liabilities arising from financing activities - 31 March 2022

	Opening balance R'000	Fair value changes R'000	Reclassified R'000	Loan discount changes R'000	Total non-cash movements R'000	Cash flows R'000	Closing balance R'000
Financial liabilities measured at amortised cost	41 187 323	-	-	569 662	569 662	1 063 812	42 820 797
Financial liabilities measured at fair value	4 749 110	10 988	-	-	10 988	2 015 918	6 776 016
Third-party funding	280 855	-	211	-	211	(5 066)	276 000
	46 217 288	**10 988**	**211**	**569 662**	**580 861**	**3 074 664**	**49 872 813**
Total liabilities from financing activities	**46 217 288**	**10 988**	**211**	**569 662**	**580 861**	**3 074 664**	**49 872 813**

	2023 R'000	2022 R'000

34. CAPITAL PORTION OF GOVERNMENT GRANT AND DEFERRED INCOME

N3TC contract realised in the statement of comprehensive income	(47 720)	(47 719)
N4 TRAC concession realised in the statement of comprehensive income	(10 576)	(10 576)
Non-toll government grant charged to statement of comprehensive income	(2 448 138)	(2 385 901)
Non-toll government grant unspent	3 295 058	8 811 664
Total (realised) unrealised income - net cash movement	788 624	6 367 468
Movement in deferred income	7 136 491	(2 033 097)
	7 925 115	**4 334 371**
Capital portion of government grant deferred - non-toll	7 925 115	4 334 371

35. COMMITMENTS

Property, plant and equipment

Already contracted for but not provided for

Contracts for capital projects authorised - toll	4 287 369	4 612 577
Contracts for capital projects authorised - non-toll	61 593 181	32 527 174

The commitments relate to the estimated acquisition of property from construction-related projects. The capital expenditure will be financed mainly from government grants, toll income and borrowings from capital markets (financial liabilities).
The commitments are broken down and expected to be incurred as follows:

Toll		
Within one year	420 896	710 861
Two to five years	3 866 472	3 901 716
	4 287 368	**4 612 577**
Non-toll		
Within one year	11 537 105	10 542 651
Two to five years	50 055 443	21 984 523
	61 592 548	**32 527 174**

36. CONTINGENT LIABILITIES AND ASSETS

36.1 CONTINGENT LIABILITIES

In terms of section 61 of the South African National Roads Agency Limited and National Roads Act, 1998, legal proceedings instituted against the then South African Roads Board with the cause of action arising before the 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 judgments 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.

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, have 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 R83.548 million (31 March 2022: R55.28 million).

Maputo development corridor - overload

The concessionaire has claimed that the Mozambican Government has not complied with the N4 Maputo Development Concession requirements. This contingent liability for SANRAL is due to the joint and several liability under the concession agreement. The estimated overload damage values are based on the full concession period and are thus a combination of actual historic overload data and projected future overload up to the end of the concession period. Although agreed to in principle, the detailed inputs into SANRAL overload software utilised to derive the above values still need to be formally signed off between the parties. The quantification of estimated damage caused by overloaded vehicles is a technical exercise. The contingent value at year end is at R0 (31 March 2022: R74.48 million). TRAC concession has sufficient funds held on behalf of the Mozambican Government to settle the estimated amount of R89 million. Thus, SANRAL has no contingent liability to reimburse TRAC at the end reporting period.

Non-adjustments of toll tariffs by the Mozambican Government

In terms of the N4/Maputo development corridor contract, the independent engineer shall determine the tariff adjustments within 14 days of being called upon to do so in writing by the concessionaire. This has not been done and has resulted in a revenue shortfall. At year end the contingent value was R0 (31 March 2022: R7.55 million). In the event that the Mozambican Government fails to compensate the concessionaire according to the determined claim amount, the South African Government, through SANRAL, will become liable for compensating the concessionaire in terms of the "mutually and severally liable" clauses in the concession agreement.

Udumo Trading Proprietary Limited claim against SANRAL

Udumo Trading constructed pedestrian and cyclist facilities on the N12 in 2017. SANRAL and Udumo Trading did not agree on the final payment certificate amount due to Udumo Trading, therefore Udumo is suing SANRAL for R3.3 million. The claim was initiated in 2017 and has been ongoing. SANRAL is awaiting the outcome of the court case. This claim was assessed by legal practitioners and found that the prospects of success against SANRAL are very low, therefore no contingent liability is raised for the 2023 reporting period (31 March 2022: R3.3 million).

36. Contingent liabilities and assets (continued)

Other small claims against SANRAL

SANRAL is defending various small claims instituted against the entity in court. At year end the outcome of the court cases was awaited. The aggregate amounts of the claims, that were regarded as highly probable that SANRAL will be liable for the claims, is R0 million (31 March 2022: R41.357 million). The decrease is as result of the assessment of the prospects of success of the claims found to be low or remote.

Claims against SANRAL by road users

The public liability claims against SANRAL. These are mainly small claims resulting from road related accidents. The entity has insurance to pay for the public liability claims with a claims in excess of R1 million per claim. Therefore, the amount payable by SANRAL is limited to R1 million per claim for all claims that have been identified as contingent liabilities. The claims are maintained in a register. As at 31 March 2023 the qualifying claims amounted to R615 395 (31 March 2022: R12.779 million). An assessment for the prospects of success was performed and resulted in the reduction of the contingent public liability.

36.2 CONTINGENT ASSETS

Claim against Nyoni Projects Proprietary Limited by SANRAL

The contract (NRA N.002·270.2012/1) for realignment of the national route 2, section 270 at Umhlali River bridge and at Umvoti River bridge was terminated due to poor performance. The initial claim to the value of R35.395 million including VAT was submitted to the liquidators of the estate of the contractor on 26 March 2019 in respect of costs incurred, or would be incurred, by SANRAL as a result of the termination of the above contract. A revised claim was submitted on 16 September 2020, to the value of R35.591 million including VAT. This contained updated values relating to the award of a new contract to Raubex Construction for the completion of the original contract. The claim was updated in 2021 to R44.445 million and submitted to the liquidators. A follow up was done during 2022 and 2023 financial with no success. SANRAL is one of many creditors on the estate, the prospects of success on this claim has been assessed to be very low at year end for disclosure purposes. Therefore, the contingent asset at year end is R0 (31 March 2022: R44.445 million).

Claims by SANRAL against GIBB Proprietary Limited

The contractor suffered a delay in the execution of the scope of works as a direct result of the Consulting Engineers' lack of timeous response to provide information as part of their scope of services. SANRAL paid the contractor for the delay damages suffered and in turn claimed a compensation of R257 198 (31 March 2022: R257 198) from the Consulting Engineer. Legal follow ups were done for the past two years and the legal matter was closed. The claim was assessed at year end and probability of receiving this amount is very low. Therefore, there is no contingent asset raised for this claim at 31 March 2023.

Claims by SANRAL against Mott MC-Donalds (ref:2367/2020)

In 2022/2023 SANRAL instituted a damages claim of R15 million against Mott MacDonald for additional costs associated with the contract concluded on 26 November 2010. The opponents are waiting for a response from their counsel on a way forward. At year end the matter was ongoing.

	2023 R'000	2022 R'000

37. RELATED PARTIES

Relationships

Holding company	Department of Transport (DoT)
Shareholder with significant influence	Principal shareholder of SANRAL is the DoT therefore the Minister of Transport has significant influence over SANRAL due to his/her position in 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 38.

Related-party transactions 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 PFMA. 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 International Accounting Standards (IAS) 24 (Amended). Transactions with parties identified as related parties were concluded at arm's length. The entity has applied the exemption in IAS 24 for government-related entities and within joint control.

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.

Related party balances

	2023 R'000	2022 R'000
Balances arising from services rendered to related parties		
Department of Transport	-	272 201
Road Accident Fund (RAF)	40 906	38 810
Road Traffic Management Corporation (RTMC)	6 600	5 626
Amounts included in trade receivables (trade Payables) regarding related parties		
Total receivables arising from related parties	47 506	316 637

	2023 R'000	2022 R'000
37. Related parties (continued)		
Related party transactions		
Government grant received		
Department of Transport - annual grant allocation	22 894 975	21 621 212
Department of Transport - Special appropriation Grant (Capital reserve)	23 736 424	-
Other services provided to (sales) related parties		
Department of Transport	2 134	14 019
Road traffic Management Corporation	2 096	1 192
Road Accident Fund	974	901
Other services provided by (purchases) related parties		
Department of Transport	(274 335)	(52 877)

Directors and related party transactions

The Board of directors and executive management 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.

Balances and transactions relating to the Department of Transport

For detailed information relating to the government grant refer to note 19 on deferred income and note 25 on revenue and grants received. The amount owed by the Department of Transport to SANRAL relates to mainly non-increase of toll tariffs by the Department at the Swartruggens toll plaza. Included in the services rendered by the Department is an expense of R52.877 million for bad debts written off in the 2022 financial year. The R274.335 million (2022: R272.201 million) owed by the DoT to SANRAL was received, the balance has reduced to zero at year end.

The special appropriation grant (capital reserve) relates to the amount received in 2022/23 from DoT specifically to settle maturing debt and all debt redemption obligations on toll portfolio. The amount has been credited to equity account. Refer to note 15 on capital reserves.

Other balances and transactions

The amount owed by the RAF relates to a sale transaction of land between SANRAL and the RAF. The sale is not yet complete; therefore the proceeds of sale are held by the trustees even though the RAF developed and occupied the property. The amount owed by RTMC relates to a rental agreement with RTMC whereby RTMC rents a portion of land as a parking lot on the SANRAL COC premises in Samrand.

38. DIRECTORS', EXECUTIVES' AND PRESCRIBED OFFICER'S EMOLUMENTS

Executives and key management personnel

31 March 2023

	Basic salary R'000	Bonuses and long service payments R'000	Other benefits* R'000	Pension contributions R'000	Total R'000
Mr R Demana (Chief Executive Officer - from 1 Jan 2023)	1 248	-	62	223	1 533
Mrs SL Memeza (Acting CEO up to 31 Dec 2022 and CCAO)	1 837	518	559	326	3 240
L Kannemeyer (Engineer executive)	2 534	773	312	543	4 162
I Mulder (CFO)	2 988	897	159	536	4 580
A Tomes (Acting Business operations executive)	1 335	333	344	262	2 274
DM Nkabinde (Regional manager - ER)	1 979	679	158	407	3 223
MS Peterson (Regional manager - SR)	2 210	859	96	573	3 738
R Cable (Regional manager - WR)	2 012	510	119	406	3 047
P Hlahla (Regional manager - NR)	2 030	632	143	370	3 175
A Mathew (Company secretary)	1 944	676	123	394	3 137
	20 117	**5 877**	**2 075**	**4 040**	**32 109**

31 March 2022

	Basic salary R'000	Bonuses and long service payments R'000	Other benefits* R'000	Pension contributions R'000	Total R'000
Mr S Macozoma (Former CEO)	2 830	1 172	1	-	4 003
Mrs SL Memeza (Acting CEO, 4 months)	579	-	26	103	708
L Kannemeyer (Engineering executive)	2 388	863	308	513	4 072
I Mulder (CFO)	2 797	1 530	162	503	4 992
A Tomes (Acting Business executive operations)	1 515	371	38	246	2 170
DM Nkabinde (Regional manager - ER)	1 854	366	156	382	2 758
MS Peterson(Regional manager - SR)	2 138	424	89	486	3 137
R Cable (Regional manager - WR)	1 893	501	117	382	2 893
P Hlahla (Regional manager - NR)	1 907	361	140	347	2 755
A Mathew (Company secretary, prescribed officer)	1 811	504	108	365	2 788
	19 712	**6 092**	**1 145**	**3 327**	**30 276**

Mr S. Macozoma's five-year term as the Chief Executive Officer (CEO) of SANRAL ended on 30 November 2021. Mrs S.L. Memeza (Chief Audit Executive) was appointed as the Acting CEO by the Board from 1 December 2021 to 31 December 2022 and was appointed as chief corporate affairs officer (CCAO) from January 2023. Mr R Demana was appointed as the new CEO effective from 1 January 2023 and he will also serve as the executive Board member.

38. Directors', executives' and prescribed officer's emoluments (continued)

The company secretary is a prescribed officer as disclosed above.

Mr A. Tomes was appointed Acting Business Operations Executive from 1 September 2019 to date. The regional managers are not executive members of the organisation; however, they are deemed to be key management personnel with a direct or indirect responsibility for planning and controlling the core activities of the entity.

A debtor was raised for the former CEO (Mr. Macozoma) for overpayment on leave payout for R151 thousand in the 2022 financial year. A settlement agreement (in instalments) was reached and the first instalment was received in May 2023.

* Other benefits comprise travel allowance, insurance and medical benefits.

Non-executive directors - Board members 31 March 2023

	Fees for services as director R'000	VAT R'000	Total R'000
Mr RF Haswell (Independent non-executive member)	1 288	194	1 482
Ms L Madlala (Independent non-executive member up to 7 Jan 2023)	923	-	923
Mr E Makhubela (Public official)	-	-	-
Mr TP Matosa (Independent non-executive member)	1 653	248	1 901
Mr TB Mhambi (Chairperson - Independent non-executive member)	2 907	436	3 343
Mr C Hlabisa (Public official)	-	-	-
Ms N Noxaka (Independent non-executive member from 8 Jan 2023)	388	32	420
Ms R Buthelezi (Independent non-executive member from 8 Jan 2023)	217	-	217
	7 376	**910**	**8 286**

31 March 2022

	Fees for services as director R'000	VAT R'000	Total R'000
Mr RF Haswell (Independent non-executive member)	1 095	164	1 259
Ms L Madlala (Independent non-executive member up to 7 Jan 2023)	1 094	-	1 094
Mr E Makhubela (Public official)	-	-	-
Mr TP Matosa (Independent non-executive member)	1 220	183	1 403
Mr TB Mhambi (Chairperson - Independent non-executive member)	1 881	282	2 163
Mr A Moemi (Public official)	-	-	-
Mr C Hlabisa (Public official)	-	-	-
	5 290	**629**	**5 919**

	2023 R'000	2022 R'000

38. Directors', executives' and prescribed officer's emoluments (continued)

The three-year term for the independent Board members ended on 31 August 2021. Their term was extended by the Minister of Transport till the new Board is appointed. On 8 December 2021, the DG Mr A Moemi resigned from the Department of Transport, and his position on the Board was replaced by Mr C Hlabisa as a representative of the Department of Transport on 9 December 2021. The shareholder representatives on the Board committee are appointed by the Minister. Mr E Makhubela was appointed on 13 May 2021 as a representative of Minister of Finance.

In December 2022, a new Board was announced. The Minister of Transport confirmed the appointment of two new members and reappointment of the existing Board members (except for Ms L Madlala) who will serve on the entity's Board for a three-year term effective 9 January 2023. The new Board members are Ms R Buthelezi and Ms N Noxaka who will serve as non-executive, independent Directors. Refer to the corporate governance and directors' report for more details of the Board members.

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

CAPITAL RISK MANAGEMENT

The capital structure of the entity consists of debt, which includes the financial liabilities disclosed in notes 16 and 17, cash and cash equivalents disclosed in note 12, and equity as disclosed in the statement of financial position. SANRAL shares are solely held by the Minister of Transport and any new share issues shall be authorised by the Minister of Transport. SANRAL's major borrowing facilities/loan agreements do not have entity-specific financial (e.g., debt-equity ratio) loan covenants. The Board and Executive Authority do not set any specific gearing ratio targets to be complied with. The overall borrowing limits are approved by the Minister of Finance. The majority of borrowings are government-guaranteed with approved borrowing limits in place. During the current reporting period, SANRAL complied with the approved borrowing limits.

The capital structure and gearing ratio of the entity at the reporting date was as follows:

		2023 R '000	2022 R '000
Financial liabilities at fair value	17	6 459 329	6 776 016
Borrowings	16	35 945 447	42 820 797
Total borrowings		**42 404 776**	**49 596 813**
Cash and cash equivalents	12	(59 414 201)	(41 249 968)
Net (excess funds)/borrowings		**(17 009 425)**	**8 346 845**
Equity	14&15	489 484 712	408 382 076
Net gearing ratio		(3)%	2 %

The entity has significant cash and cash equivalents exceeding the total borrowings by R17.022 million resulting in no gearing (negative percentage). The debt-equity ratio excluding cash and cash equivalents is 8% (2022: 12%).

39. Financial instruments and risk management (continued)

Financial risk management

Overview

The entity is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency risk, interest rate risk and price risk)

The Board has overall responsibility for the establishment and oversight of the entity's risk management framework. The board has established the risk committee and assets and liability committee, which are responsible for developing and monitoring the entity's operational risk management policies. The committees report quarterly and recommend approvals to the Board on its activities .

The entity's risk management policies are established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the entity's activities.

The audit and risk committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit and risk committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit and the risk committee and ultimately to the Board.

Nedbank corporate and investment banking (CIB) was appointed as a debt officer or sponsor to provide guidance and advice with regard to compliance with the debt listing requirements (JSE).

Credit risk

Credit risk is the risk of financial loss to the entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The entity is exposed to credit risk on trade and other receivables, lease receivables, cash and cash equivalents and repurchase agreements in publicly traded bonds.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring by the Assets and Liability Committee. The exposure to credit risk and the creditworthiness of counterparts are continuously monitored for financial assets other than trade receivables. Credit risk exposure arising on cash and cash equivalents is managed through dealing with well-established financial institutions with high credit ratings.

Trade receivables do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses using a simplified approach. Except for bad debts written off on trade receivables, there are no other financial assets written off.

	2023 R'000	2022 R'000

39. Financial instruments and risk management (continued)

The maximum exposure to credit risk is presented in the table below:

		2023 Gross carrying amount	2022 Gross carrying amount
Market-making financial assets	10	2 754 958	2 765 524
Capped insurance deposits	9	605 361	570 321
Trade and other receivables	11	959 459	930 461
Cash and cash equivalents	12	59 414 201	41 249 968
Fixed deposits	9	4 307 403	500 000
		68 041 382	**46 016 274**

Ratings	**Carrying amount R'000**	**AAA R'000**	**AA+ R'000**	**A+/A R'000**	**AA- R'000**
Bank balances	69 378	69 378	-	-	-
Money market deposits	40 038 000	-	40 038 000	-	-
Repurchase agreements	19 275 639	19 001 177	-	274 462	-
Market-making financial assets	2 754 958	2 754 958	-	-	-
Fixed-term deposits	4 307 403	4 307 403	-	-	-
Capped insurance deposits	605 361	-	-	-	605 361
	67 050 739	**26 132 916**	**40 038 000**	**274 462**	**605 361**

39. Financial instruments and risk management (continued)

Other receivables that are not financial assets (Expansion works fund receivable) are not included above. Petty cash balances (cash and cash equivalents) are not included on the ratings table.

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 on note 40. Collateral is held against repurchase investments in the form of government or corporate bonds approved by the Board. The objective is that, should a counterparty default, SANRAL can sell the bonds held as collateral to recoup the money. These repurchase agreements are included in the cash and cash equivalents which have a short-term maturity of less than three months. The collaterals are therefore also short-term in nature and approximate the fair value of the repurchase agreements. The carrying value of the repurchase agreements approximates their fair value. Repurchase agreements are held by counterparties with a minimum credit rating of A or equivalent.

Determination of any significant increase in credit risk

In line with IFRS 9 paragraph 5.5, credit risk on all financial assets at amortised cost is considered to be insignificant where the counterpart or a financial instrument has an investment grade rating and the rating shows no indication of deterioration at reporting date. Financial assets at fair value through profit or loss do not include a loss allowance. The fair value therefore equals the gross carrying amount.

Cash and cash equivalents, insurance receivable and repurchase agreements are held in bank deposits, money market funds and issuers which are A-rated and above. Except for the insurance receivable, the financial instruments are held to meet operational and financial obligations over the short term of three months or less. The risk of default on these instruments is therefore considered to be low. Consequently, no expected credit loss allowance was made.

Liquidity risk

The entity is exposed to liquidity risk, which is the risk that the entity will encounter difficulties in meeting its obligations as they become due. The entity manages its liquidity risk by monitoring cash flow forecasts, effectively managing its working capital and capital expenditure ensuring that a satisfactory level of cash and cash equivalents is maintained. Financing requirements are met through a mixture of cash generated from operations, long- and short-term borrowings and government grants.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts. It does not include future cash flows expected in the normal course of business. Inflation linked bonds included in capital market loans are reported at their carrying amounts at the reporting date.

39. Financial instruments and risk management (continued)

31 March 2023		Less than 1 year R'000	1 to 5 years R'000	5 to 10 years R'000	Over 10 years R'000	Total contractual cash flows R'000	Carrying amount R'000
Non-current liabilities							
Capital market loans - amortised cost	16	11 351 437	7 426 927	8 588 459	9 030 798	36 397 621	35 065 887
Capital market loan - FVTPL (designated)	17	-	1 561 179	82 367	1 659 609	3 303 155	3 303 155
Lease liabilities	16	1 163	205	-	-	1 368	1 368
EIB loan	16	60 332	237 796	438 849	141 215	878 192	865 600
Capital market loan - FVTPL (market-making)	17	-	-	544 614	2 611 560	3 156 174	3 156 174
Current liabilities							
Trade and other payables	23	2 431 182	-	-	-	2 431 182	2 443 775
Third-party funding	22	276 874	-	-	-	276 874	276 874
		(14 120 988)	**(9 226 107)**	**(9 654 289)**	**(13 443 182)**	**(46 444 566)**	**(45 112 833)**

31 March 2022		Less than 1 year R'000	1 to 5 years R'000	5 to 10 years R'000	Over 10 years R'000	Total contractual cash flows R'000	Carrying amount R'000
Non-current liabilities							
Capital market loans - amortised cost	16	7 229 416	27 828 117	5 689 130	10 260 554	51 007 217	40 772 834
Capital market loans - at FVTPL (designated)	17	13 821	1 615 817	188 981	1 758 162	3 576 781	3 576 781
Lease liabilities	16	770	913	-	-	1 683	1 683
Capital market loan at FVTPL - market-making	17	-	405	560 740	2 638 090	3 199 235	3 199 235
EIB Loan	16	43 812	218 221	402 687	244 692	909 412	909 412
Current liabilities							
Trade and other payables	23	2 153 945	-	-	-	2 153 945	2 153 545
Promissory notes	16	1 136 868	-	-	-	1 136 868	1 136 868
Third-party funding	22	276 000	-	-	-	276 000	276 000
		(10 854 632)	**(29 663 473)**	**(6 841 538)**	**(14 901 498)**	**(62 261 141)**	**(52 026 358)**

Other payables that are not financial instruments are not included above, refer to note 23.

39. Financial instruments and risk management (continued)

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 entity is exposed to the following market risks on price risk and interest rate risk. Financial instruments affected by market risk include capital market loans held at fair value, CPI-linked loans, call and money market instruments are affected by interest rate changes. The entity is exposed to price risk on its market-making assets and liabilities with variable interest rates as price of bonds change in relation to changes in interest rates. There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

Financial liabilities at fair value through profit or loss transferred from the market-making portfolio to the funding portfolio are classified and measured as financial liabilities at fair value through profit or loss and are therefore all carried at fair value. The fair value movements on these financial liabilities will not be realised/sold as these bonds form part of the funding portfolio at fair value and will therefore be held to maturity.

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

	Note	Carrying amount	
		2023 R'000	2022 R'000
Variable rate instruments:			
Assets			
Bank balances	12	69 378	37 357
Call deposits	12	35 238 000	22 546 000
Money-market instruments	12	-	200 000
Capital market bonds	10	2 754 958	2 765 524
Capped insurance deposits	9	605 361	570 321
		38 667 697	**26 119 202**
Liabilities			
Promissory notes	16	-	(1 136 868)
Capital market loans at fair value	17	(6 459 329)	(6 776 016)
		(6 459 329)	**(7 912 884)**
Fixed rate instruments: Assets			
Fixed deposits	9&12	9 107 403	4 250 000
Repurchase agreements	12	19 275 639	14 685 427
		28 383 042	**18 935 427**
Liabilities			
Capital market loans at amortised cost	16	(35 065 887)	(40 772 834)
EIB loan	16	(878 192)	(909 412)
		(35 944 079)	**(41 682 246)**

	2023 R'000	2022 R'000
39. Financial instruments and risk management (continued)		
Variable rate financial assets as a percentage of total interest bearing financial assets	57.67 %	57.97 %
Fixed rate financial assets as a percentage of total interest bearing financial assets	42.33 %	42.03 %
Variable rate financial liabilities as a percentage of total interest bearing financial liabilities	15.23 %	15.95 %
Fixed rate financial liabilities as a percentage of total interest bearing financial liabilities	84.77 %	84.05 %

Price risk

The entity is exposed to price risk because of some of its investments with variable interest rates, which are measured at fair value. The entity manages this price risk exposure through 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. Opportunities are identified for the natural offset 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 entity's liabilities in its funding portfolio at fair value through profit or loss, as these liabilities ultimately fund long-term capital expenditure. Price risk before maturity is therefore unrealised.

There have been no significant changes in the price risk management policies and processes since the prior reporting period.

Price risk sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which represents management's assessment of the most likely indicator of change in relevant prices. All other variables remain constant. The sensitivity analysis includes only investments held at the reporting date.

An increase of 100 basis points in interest rates at the reporting date would decrease profit by the amounts shown below. A decrease of 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 and loans held in the funding portfolio, market-making portfolio, held-for-trading and variable rate money market instruments. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2023	2023	2022	2022
Increase or decrease in rate	Increase	Decrease	Increase	Decrease
Impact on profit or loss:				
100 basis points increase (R'000)	82 271	-	156 592	-
100 basis points decrease (R'000)	-	82 271	-	156 592
	82 271	**82 271**	**156 592**	**156 592**

39. Financial instruments and risk management (continued)

Market-making portfolio

The entity 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 at fair value through profit or loss. 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.

Terms of market-making financial assets

Refer to note 10 for further terms and conditions for market-making financial assets.

Capital market bonds R'000	**Coupon rate**	**Maturity date**	**Nominal amount 31 March 2023**	**Carrying amount 31 March 2023**	**Nominal amount 31 March 2022**	**Carrying amount 31 March 2022**
R186 (2026)	10.50%	21 Dec 2026	58 250	62 044	61 250	66 852
R209 (2036)	6.25%	31 Mar 2036	1 538 400	1 033 671	1 319 800	928 829
R2035 (2035)	8.88%	28 Feb 2035	681 000	584 418	681 000	612 388
R2030 (2030)	8.00%	31 Jan 2030	599 000	545 717	670 000	612 520
R2037 (2037)	8.50%	31 Jan 2037	657 000	529 108	639 000	544 935
			3 533 650	**2 754 958**	**3 371 050**	**2 765 524**

Funding portfolio at amortised cost and at fair value

Terms and conditions of outstanding loans are reflected in the table below. For further terms and conditions refer to notes 16 and 17.

39. Financial instruments and risk management (continued)

Capital market loans at amortised cost R'000	**Coupon rate**	**Maturity date**	**Nominal amount 31 March 2023**	**Carrying amount 31 March 2023**	**Nominal amount 31 March 2022**	**Carrying amount 31 March 2022**
Guaranteed						
SZ25	9.00%	30 Sep 2025	2 430 184	2 440 493	2 430 184	- 2 444 143
HWAY23	5.50%	7 Dec 2023	2 905 382	9 588 710	2 917 353	9 240 360
HWAY24	5.50%	7 Dec 2024	1 499 000	5 111 743	1 499 000	4 910 683
HWAY30	10.37%	28 Aug 2030	1 738 000	1 744 735	1 738 000	1 745 340
HWAY33	2.25%	28 Feb 2033	1 567 000	2 136 883	1 667 000	2 117 245
HWAY34	9.25%	31 Jul 2034	5 689 769	5 389 479	5 689 769	5 376 739
HWAY35	9.25%	31 Jul 2035	3 333 032	3 081 637	2 303 032	2 194 919
HWF11	8.25%	15 Jul 2022	-	-	2 000 000	1 973 564
HWF12	8.26%	29 Jul 2022	-	-	1 650 000	1 627 336
HWF13	8.26%	28 Nov 2022	-	-	1 000 000	1 000 103
Subtotal		234	19 162 367	29 493 680	22 894 338	32 630 432
Unguaranteed						-
NRA22	12.25%	31 Oct 2022	-	-	2 608 000	2 628 413
NRA23	5.00%	31 May 2023	785 038	1 657 714	785 038	1 570 200
NRA28	12.25%	30 Nov 2028	3 681 269	3 914 493	3 681 269	3 943 790
			23 628 674	**35 065 887**	**29 968 645**	**40 772 835**

Capital market loans at FVTPL R'000	**Coupon rate**	**Maturity date**	**Nominal amount 31 March 2023**	**Carrying amount 31 March 2023**	**Nominal amount 31 March 2022**	**Carrying amount 31 March 2022**
Guaranteed						
SZ25	9.00%	30 Sep 2025	1 558 110	1 561 179	1 596 410	1 615 817
HWAY34	9.25%	31 Jul 2034	1 420 993	1 193 923	1 420 993	1 273 463
HWAY35	9.25%	31 Jul 2035	561 000	465 686	561 000	484 700
Subtotal		92	3 540 103	3 220 788	3 578 403	3 373 980
Unguaranteed						
NRA22	12.25%	31 Oct 2022	-	-	13 423	13 821
NRA28	12.25%	30 Nov 2028	78 115	82 367	175 674	188 980
			3 618 218	**3 303 155**	**3 767 500**	**3 576 781**

For market-making portfolio, refer to note 17.

39. Financial instruments and risk management (continued)

Capital market loans market making liabilities at FVTPL R'000	**Coupon rate**	**Maturity date**	**Nominal amount 31 March 2023**	**Carrying amount 31 March 2023**	**Nominal amount 31 March 2022**	**Carrying amount 31 March 2022**
Guaranteed						
HWAY30	10.37%	28 Aug 2030	471 000	472 026	495 000	502 822
HWAY34	9.25%	31 Jul 2034	2 618 502	2 200 074	2 448 360	2 194 165
HWAY35	9.25%	31 Jul 2035	495 706	411 486	513 806	443 925
SZ25	9.00%	30 Sep 2025	-	-	400	405
Unguaranteed					-	
NRA28	12.25%	30 Nov 2028	68 841	72 588	53 841	57 919
			3 654 049	**3 156 174**	**3 511 407**	**3 199 236**

The difference in the carrying amount of designated liabilities at fair value through profit or loss and held-for-trading and the amounts contractually required to pay at maturity is disclosed in the tables above. The contractual amount required to pay at maturity is the nominal amount. In the case of CPI-linked bonds, the contractual amount at maturity is the CPI-adjusted nominal amount.

39. Financial instruments and risk management (continued)

The entity is exposed to financial risks arising from changes in market prices caused by changes in interest rates. The entity has not entered into derivative contracts to manage the risk of any adverse change in market prices. The entity reviews its outlook for market prices regularly in considering the need for active financial risk management.

Financial liabilities at amortised cost (refer to note 16)

Financial liabilities at amortised cost R'000	**Coupon rate**	**Maturity date**	**Nominal amount 31 March 2023**	**Carrying amount 31 March 2023**	**Nominal amount 31 March 2022**	**Carrying amount 31 March 2022**
Guaranteed						
EIB loan - tranche 1	8.32%	15 Jun 2034	433 288	443 996	455 131	455 131
EIB loan - tranche 2	9.23%	15 Mar 2034	432 312	434 196	454 282	454 282
Promissory note PN11	6.29%	10 Feb 2023	-	-	-	-
Promissory note PN12	6.42%	17 Feb 2023	-	-	-	-
Promissory note PN09	4.75%	11 Feb 2022	-	-	560 000	531 158
Promissory note PN10	4.90%	18 Feb 2022	-	-	640 000	605 711
Subtotal			865 600	878 192	2 109 413	2 046 282
			865 600	**878 192**	**2 109 413**	**2 046 282**

Trade and other receivables

The maximum exposure (gross amounts) to credit risk relating to trade and other receivables at the reporting date by geographical region were as follows:

	2023 R '000	2022 R '000
Toll debtors		
Northern region	9 847 380	9 699 450
Property/tenant debtors		
Northern region	2 729	2 890
Eastern region	22 362	12 811
Western region	1 599	2 323
	26 690	**18 024**
Sundry and other debtors		
Head office	261 667	303 754
Eastern region	21 262	434 706
Western region	213	4 850
Northern region	6 013	51 409
Southern region	146 856	146 856
	436 011	**941 575**

The sundry and other debtors' balance for head office above includes the TRAC and Bakwena expansion works fund receivable.

39. Financial instruments and risk management (continued)

The following is the reconciliation of the movement of the ECLs. Refer to note 11 for details of the expected credit loss, (impairment) on trade and other receivables.

	2023 R '000	2022 R '000
Toll debtors		
Opening balance	9 596 098	9 646 411
Impairment loss recognised for current year	5 107	2 793
Impairment reversed on settled debts/adjustments	(27 856)	(53 106)
	9 573 349	**9 596 098**
Property debtors		
Opening balance	15 351	5 426
Impairment loss recognised for current year	8 952	9 925
	24 303	**15 351**
Sundry and other debtors		
Opening balance	496 827	520 942
Impairment loss recognised for current year	495	32 074
Bad debts	(292)	(52 877)
Less impairment adjustment on settled debts/ adjustments	(406 277)	(3 312)
	90 753	**496 827**

		2023 R'000	2022 R'000

40. 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 entity 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.

Levels of fair value measurements
Level 1
Recurring fair value measurements

	Note(s)	2023 R'000	2022 R'000
Assets	Note(s)		
Financial assets at fair value through profit or loss			
Capital market bonds	10	2 754 958	2 765 524
Liabilities	Note(s)		
Financial liabilities at fair value through profit (loss)			
Capital market loans	17	6 459 329	6 776 016
Financial liabilities at amortised cost			
Capital market loans at amortised cost	16	33 376 682	40 046 232
Total		**(37 081 053)**	**(44 056 724)**

Level 2
Recurring fair value measurements

	Note(s)	2023 R'000	2022 R'000
Liabilities	Note(s)		
Financial liabilities at amortised cost			
EIB Loan	16	761 500	856 780
Promissory notes		-	1 131 339
Total		**761 500**	**1 988 119**

40. Fair value information (continued)

	Note(s)	2023 R'000	2022 R'000
Level 3			
Recurring fair value measurements			
Assets	**Note(s)**		
Property, plant and equipment under concession			
Road structures	4	12 853 270	11 469 309
Road network		58 894 987	52 608 589
		71 748 257	**64 077 898**
Investment property			
Investment property	7	1 727 165	1 671 134
Property, plant and equipment			
Land	5	23 878 578	22 527 841
Road network		361 179 485	309 449 737
Road structures		109 707 480	100 536 237
Total property, plant and equipment		**494 765 543**	**432 513 815**
Total		**568 240 965**	**498 262 847**
Non recurring fair value measurements			
Assets held for sale in accordance with IFRS 5			
Investment property	13	13 799	13 349

40. Fair value information (continued)

Reconciliation of assets and liabilities measured at level 3

	Note(s)	Opening balance R'000	Gains (losses) recognised in profit (loss) comprehensive income R'000	Gains (losses) recognised in other	Purchases/ transfers R'000	Sales/ write-off R'000	Depreciation/ impairment R'000	Closing balance R'000
31 March 2023								
Assets								
Property, plant and equipment under concession	4							
Road structures		11 469 309	-	1 326 404	78 311	-	(20 754)	12 853 270
Road network		52 608 589	-	5 795 505	1 010 894	-	(520 002)	58 894 986
Total Property, plant and equipment under concession		**64 077 898**	**-**	**7 121 909**	**1 089 205**	**-**	**(540 756)**	**71 748 256**
Investment property	7&13							
Investment property		1 671 134	38 524	-	17 508	(1)	-	1 727 165
Non-current assets held for sale		13 349	730	-	-	(280)	-	13 799
Total investment property		**1 684 483**	**39 254**	**-**	**17 508**	**(281)**	**-**	**1 740 964**
Property, plant and equipment	5							
Land		22 527 841	-	1 314 835	35 902	-	-	23 878 578
Road network		309 449 737	-	52 692 159	2 335 770	-	(3 298 181)	361 179 485
Road structures		100 536 237	-	9 060 298	326 954	-	(216 010)	109 707 480
Total property, plant and equipment		**432 513 815**	**-**	**63 067 292**	**2 698 626**	**-**	**(3 514 191)**	**494 765 543**
Total		**498 276 196**	**39 254**	**70 189 201**	**3 805 339**	**(281)**	**(4 054 947)**	**568 254 763**

40. Fair value information (continued)

Reconciliation of assets and liabilities measured at level 3

	Note(s)	Opening balance R'000	Gains (losses) recognised in profit (loss) income R'000	Gains (losses) recognised in other comprehensive	Purchases/ transfers R'000	Sales/ write-off R'000	Depreciation/ impairment R'000	Closing balance R'000
31 March 2022								
Assets								
Property, plant and equipment under concession	4							
Road structures		9 780 467	-	1 684 017	24 007	-	(19 182)	11 469 309
Road network		45 015 289	-	7 011 315	1 107 031	-	(525 046)	52 608 589
Total Property, plant and equipment under concession	**5**	**4 795 756**	**-**	**8 695 332**	**1 131 038**	**-**	**(544 228)**	**64 077 898**
Investment property	7&13							
Investment property		1 741 728	(70 594)	-	-	-	-	1 671 134
Non-current assets held for sale		13 687	(116)	-	-	(222)	-	13 349
Total investment property		**1 755 415**	**(70 710)**	**-**	**-**	**(222)**	**-**	**1 684 483**
Property, plant and equipment	5							
Land		21 760 200	-	763 911	3 730	-	-	22 527 841
Road network		267 653 835	-	44 230 380	802 784	-	(3 237 262)	309 449 737
Road structures		86 541 079	-	14 192 651	14 272	-	(211 765)	100 536 237
Total property, plant and equipment		**375 955 114**	**-**	**59 186 942**	**820 786**	**-**	**(3 449 027)**	**432 513 815**
Total		**432 506 285**	**(70 710)**	**67 882 274**	**1 951 824**	**(222)**	**(3 993 255)**	**498 276 196**

Gains or losses recognised in profit or loss relates to fair value adjustments on investment properties.

Gains or losses recognised in other comprehensive income (OCI) relates to property revaluation adjustments.

40. Fair value information (continued)

Valuation techniques used to derive level 2 fair values

EIB loan

Valuation technique

The EIB loan is an amortising loan in two tranches, each tranche payable semi-annually. The tranches are not synchronised, resulting in quarterly payments. Final payment will be on 30 June 2034. The interest rate is fixed. The closest SANRAL bond is the HWAY34 with a yield of 11.85% (31 March 2022: 10.79%). This equates to an IRR of 12.20% (31 March 2022: 11.08%). The loan value, given all the outstanding payments to give an IRR of 12.20%, is equal to R762 million as at 31 March 2023 (31 March 2022: R856 million at IRR of 11.08%).

Significant observable inputs

HWAY34 bond

Sensitivity

A change of 20 basis points in the internal rate of return (IRR) changes the value of the loan by 0.86%, or R6.530 million (31 March 2022: 0.93%, or R7.890 million).

Promissory notes

Valuation technique

At 31 March 2023, the promissory notes were redeemed. The promissory notes were 12-month guaranteed discounted notes. The 2022 notes were issued at a rate between 6.29% to 6.42% at 31 March 2022 which was 12-month JIBAR rate plus 55 basis points. The 1-year JIBAR was 6.40% on 31 March 2022. The notes were therefore valued at 31 March 2022 at 6.95% for R1.131 billion (2022 comparative year).

Significant observable inputs

JSE bond curve

Sensitivity for comparative year (2022)

There were no promissory notes at 31 March 2023. A change of 20 basis points in the spread changes the value of the loan at 31 March 2022 by 0.16% or R1.866 million.

There were no changes to the valuation technique used in prior period for level 2.

Information about valuation techniques and inputs used to derive level 3 fair values

Investment property

Investment properties are revalued annually at end of each reporting period.

Investment properties with a fair value of R1.741 billion (31 March 2022: R1.684 billion) have been determined by direct comparison of selling prices achieved of comparable properties. The key unobservable inputs are selling prices of comparable properties and subjective adjustments by the valuer to account for differences between the property and comparable properties sold in terms of location, physical features (topography, shape, access) current and future land use, zoning and prevalent market conditions at dates of valuation. Valuations of properties are performed annually at year end.

40. Fair value information (continued)

Sensitivity

In accordance with the SANRAL investment property policy, the valuation of investment properties is only considered for properties greater than R10 000 outside of the declared road reserve and those properties with a valid lease agreement if they are within the road reserve. The valuation of properties considers other key factors such as topography, shape, legal ownership and ecological issues as rejection criteria. Refer to note 7 for additional details of investment properties.

Land

The valuation technique adopted for land is based on the 'across the fence' method using comparable sales (strip valuation) in respect of unimproved land through which the road passes. Once departure value ranges have been established through this method, adjustments are made by the valuer to account for development rights, physical features, engineering services and crop improvements. Valuations of land are performed annually at year end.

The carriageway length of the road network increased by 5.07% to 26 262km in the 2023 financial year. As a result, the total land area increased by 7 871ha (7.4%). The average strip value increased from R213 148 to R214 182 (0.5%) due to changes in economic activities and updated sales information that became available. For the 2023 financial year the market value of the land increased from R22.599 billion to R24.395 billion, mainly due to the increase in the land area. The higher the price per square metre and premium on quality, the higher the fair value and vice versa. It is unlikely that a variation in any input by a reasonably possible alternative amount will significantly impact the valuation.

Road network and road structures

Road network and structures are revalued annually at end of each reporting period.

The fair value of the road networks and road structures was determined using the depreciated replacement cost (DRC) approach for both toll and non-toll. Road assets are publicly owned and have rarely, if ever, been sold on the open market. They are not built for profit optimisation. There is currently no active market for the proclaimed national roads. The income and the market approach were evaluated and considered not to be appropriate valuation methods for these unique assets hence SANRAL adopted the DRC approach.

The DRC method takes into account the economic obsolescence for a reliable fair value. The gross replacement cost is based on the replacement cost of the modern equivalent of the road (not what is currently built on the field) and is based on the actual traffic it carries currently, and what modern road design will be required today (taking into consideration the latest material and construction technology) to carry the expected future traffic on that corridor. Therefore, if a road has become economically obsolete its traffic volume would have decreased, resulting in a lower standard modern equivalent road design being required, resulting in lower replacement costs. If on a particular route, traffic volume decreases, the decrease is also reflected in the fair value using the DRC. The same applies for an increase in traffic volumes. This decrease/increase surveys also informs the cost of expected maintenance, strengthening, improvements and rehabilitations of road assets. Fluctuations in traffic volumes leads to specifications changes; maintenance requirements change which ultimately changes or informs the DRC as the expected replacement cost changes.

National roads are of strategic and/or primary importance to SA and its economy. National roads are funded by direct or indirect charges, being tolls or taxes. An annual grant is received for non-toll for the maintenance and upgrade of the infrastructure. It is specific and can only be used for non-toll national roads. These roads do not generate any revenue. The DRC method assumes that if the road was to be sold to an active market participant, a private entity, the government would still be required to allocate the annual grant to this entity to operate, maintain and manage the road post-acquisition.

40. Fair value information (continued)

The assumption is similar to the GFIP/GORT model, where the full revenue projected could not be generated and for the past 3 years government has been subsidising SANRAL for the loss of GORT income. Therefore, if the market participant is unable to charge toll fees on non-toll roads post-acquisition, then the government is expected to allocate an annual grant to the operator to operate and maintain the good modern standard of the roads as these are national assets.

The economic obsolescence of road assets is indeed considered when the depreciated replacement cost is determined for both toll and non-toll roads in terms of cost, design and conditions of the roads. for example, the percentage with more than 5 000 vehicles per day: The volume and composition of traffic (light/heavy vehicles) which a road carries determines the standard to which the road must be built or maintained. This means that a road carrying 200 000 vehicles a day, will require additional lanes per direction and more pavement layers using higher-quality materials than a road carrying less than 500 vehicles a day. This impacts on the replacement cost of the 1km section of road. The traffic is therefore a direct proxy for the economic obsolescence of a route.

Non-market related toll fees - due to a non-profit objective, toll fees are generally lower than what a profit-orientated market participant could reasonably charge if government approval was not required. Refer to significant judgements applied in note 1.2 .

The following are key unobservable inputs and assumptions for the replacement costs for both toll and non-toll roads:

At 31 March 2023 the DRC has increased. This change is driven by a several factors. The main factor is the increase in unit rates. In addition, the road network has increased slightly due to the incorporation of existing roads from provincial authorities, opening of newly constructed roads as well as the dualling of roads. The dualling of existing roads is the reason the network carriageway length has increased by a larger percentage than the centerline length. However, the overall increase in the road network for the past financial year is minimal and is a small contributor to the increase in the network replacement cost.

The following factors impacted the annual change at 31 March 2023 in the gross replacement cost and depreciated replacement cost of SANRAL roads:

Change in network length: The incorporation of the remainder of strategic and primary road network from provinces during a year as well as the upgrading of roads from single carriageway to four-lane road or dual carriageway impacts on the value of the assets, as the asset value is calculated for every carriageway-km of road as at 31 March of each year. The carriageway length increased from 24 996km to 26 262km (5.07%) in 2023.

Change in unit rates: Change in standard unit rates from one year to another are influenced by exchange rate fluctuations, crude oil prices (impacts bitumen and diesel prices), steel prices, cement prices, equipment prices, labour costs and market conditions (supply and demand that determines mark-up of contractors). In addition, Stats SA publishes the construction price adjustment (CPA) factor which all construction contracts are linked to. While the average increase in unit rates for road materials was 14.50% in 2023, the increase in material costs of structures was 9.13%, resulting in the greater increase in the network replacement cost. This is principally driven by an increase in the materials and equipment needed for the construction of structures.

Change in condition: Since the depreciation of the pavement layer component and the structures component are directly related to the condition of the asset, deterioration in condition (due to traffic and climate) will result in a decrease in the depreciated replacement cost. The opposite also applies if the condition of the asset improves due to maintenance. As can be appreciated, for each carriageway-km, as used in the asset valuation, the condition will change based on numerous local climate, traffic and maintenance factors. The length of network in good condition decreased from 12 996km to 12 842km (0.92%). This can be attributed to delays in commencing construction and repair projects, as well as reductions in implementation of projects due to the impacts of regulatory changes.

40. Fair value information (continued)

The reason that the network depreciated replacement cost increased by a lower percentage than the network replacement cost can be attributed to this decrease in network condition.

Maintenance: Any reseal, overlay, or strengthening work performed on the assets impacts on the condition of the asset, the remaining life of the asset and thus the condition-based depreciation of each carriageway-km of road is affected.

Change in traffic: Since the depreciated replacement cost (DRC) method is based on replacing an existing asset with a modern equivalent asset (MEA) in today's prices, based on the traffic expected over the next 25 years, the impact of change in traffic is obvious. If the road design class is close to a transition interface, then a small increase in traffic over the year can result in a change in the MEA required (more layers and/or higher-quality materials), with associated cost increases for specific road assets. The opposite applies if the traffic decreases. SANRAL has over 1 000 traffic-monitoring stations on the network. On some sections traffic increases and on others it decreases from one year to another. The length of the network with more than 5000 vehicles per day increased by 1.37% from 8 922km to 9 045km in 2023. Traffic volume is considered as the direct proxy for economic obsolescence assessment.

Change in dimensions: Since the DRC method is based on replacing current road with the MEA, any change in road width or structure area from one year to the other, due to maintenance, addition of paved shoulders, addition of lanes and addition of climbing lanes will increase the replacement cost of each carriageway-km of road affected. The replacement value of the layer works is calculated using the different widths for each layer, by widening lower layers marginally based on the width and the thickness of the layer above. This valuation technique provides a better estimation of replacement cost that would be incurred if the layer works would be reconstructed. In 2023 the average cross-section of network increased by 1.73% from 10.13m to 10.19m, thereby increasing the revaluation gain compared to the previous valuation.

The Impact of COVID-19 on the valuation of road network and structures is incorporated in the change in traffic and other factors above.

There were no changes to the valuation technique used in prior period for level 3. Refer to accounting policy on note 1.2, 1.4 and 1.10. Note 4&5 for additional details of road network and structures valuation.

Fair value analysis

Set out below is a comparison by class of the carrying amounts and fair value of the entity's major financial instruments.

Financial assets R'000	**Fair value 31 March 2023**	**Carrying amount 31 March 2023**	**Fair value 31 March 2022**	**Carrying amount 31 March 2022**
Capital market bonds	2 754 958	2 754 958	2 765 524	2 765 524
Trade and other receivables	959 459	959 459	930 461	930 461
Cash and cash equivalents	59 414 201	59 414 201	41 249 968	41 249 968
Short term deposits	4 528 929	4 307 403	501 901	500 000
Capped insurance deposit	605 361	605 361	570 321	570 321
	68 262 908	**68 041 382**	**46 018 175**	**46 016 274**

40. Fair value information (continued)

Financial liabilities R'000	**Fair value 31 March 2023**	**Carrying amount 31 March 2023**	**Fair value 31 March 2022**	**Carrying amount 31 March 2022**
Capital market loans at amortised cost	33 376 682	35 065 887	40 046 232	40 772 834
Capital market loans at fair value	6 459 329	6 459 329	6 776 016	6 776 016
Promissory notes	-	-	1 131 339	1 136 868
Trade and other payables	2 431 182	2 431 182	2 153 545	2 153 545
EIB loan	761 500	878 192	856 780	909 412
	43 028 693	**44 834 590**	**50 963 912**	**51 748 675**

The fair value of the financial assets and liabilities is 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 cash equivalents, trade receivables, trade payables, and other short term financial assets and liabilities have carrying amounts approximating their fair values. These are all disclosed in note 39 for financial instruments and risk management. Thus, the disclosure on hierarchy levels not required and has been excluded as it would not provide any material additional information/analysis.

The fair value of listed bonds is based on quoted prices at the reporting date. The fair values of other financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

41. PUBLIC-PRIVATE PARTNERSHIPS - TOLL COLLECTION SERVICE CONCESSION ARRANGEMENTS

Description of the arrangements

SANRAL contracted partners in the private sector (concession contracts) as an alternative means for long-term financing, operating, maintaining and improving national road network infrastructure, with costs being recovered through toll charges levied. Currently there are three concessions: N3 Toll Concession RF Pty Ltd (N3TC), N1/N4 Bakwena Platinum Corridor Concessionaire (Bakwena) and N4 Trans African Concessions (TRAC). Under these contracts, each concessionaire is responsible for the design, financing, construction, maintaining and operating of its contracted/specified portion of the road network. There were no changes in the arrangements occurring during the reporting period.

Bakwena is responsible for the toll road between Pretoria and Bela-Bela on the N1 highway and between Pretoria and Botswana border post on N4 West for a period of 30 years, ending August 2031. Bakwena is also contracted for the Trans-Kalahari Highway between Walvis Bay and Maputo. N3TC is responsible for the toll route from Cedara to Heidelberg on the N3 highway for a period of 30 years, ending November 2029. TRAC is a cross-border concessionaire responsible for the toll road from Solomon Mahlangu Road in Pretoria to Maputo in Mozambique on the N4 highway east for a period of 30 years, ending February 2028.

The TRAC 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 being amortised over the remaining life of the concession.

Significant terms of the arrangements

For the N3 toll route, SANRAL received an upfront payment of R1.380 billion 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 because SANRAL was responsible for the initial construction. Significant terms that may affect the amount, timing or certainty of future cash flows are summarised below.

The concessionaires on the N3 and N4 Maputo toll roads are also required to pay SANRAL a highway usage fee (HUF) in certain circumstances (section 2.5 of the concession contract and annexure 15 to the concession contract). The HUF is a mechanism for limiting the return on the project which can be distributed by the concessionaire to its shareholders. On the N4 Platinum Corridor 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 of 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” 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.

41. Public-private partnerships - toll collection service concession arrangements (continued)

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 (for example, toll 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 operate and perform routine maintenance work on the road network to ensure proper operation and maintenance of the highway.

The contracts also require concessionaires to acquire or build items of property, plant and equipment:

- 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 (that is, 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.

SANRAL has the right to terminate the concession contract in any of the following circumstances:

- There is court action for the dissolution and/or liquidation of the concessionaire.
- The concessionaire receives a court order to be placed under judicial management or to commence liquidation procedures.
- The concessionaire fails to complete the initial construction works within three years of 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.

41. Public-private partnerships - toll collection service concession arrangements (continued)

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 or 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. The concessionaire requires SANRAL's approval for any additional debt. SANRAL would take over the concessionaire's indebtedness in the event of concessionaire default.

Classification

SANRAL recognises no revenue from services provided to the public for these concessions, except where HUFs 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.

There were no changes to any of the concession arrangements during the current year. Refer to note 4 for PPE under concession.

42. SEGMENT INFORMATION

SANRAL's operations are situated in South Africa. All revenues from external customers, as well as non-current assets, are attributable to SANRAL's South African domicile. The entity has only two distinct segments; the toll and the non toll portfolio. The Board and Executive Authorities budget and monitor these two portfolios. The income, expense, assets and liabilities reported in the segments above have been measured in the same way as reported in the primary financial statements of the entity and to decision makers/ management. As such, IFRS (accrual basis) was used as the accounting framework.

Statement of comprehensive income

	31 March 2023			31 March 2022		
Figures in R'000	Toll operations	Non-toll operations	Total	Toll operations	Non-toll operations	Total
Revenue	4 475 314	9 353 504	13 828 818	4 522 032	6 425 412	10 947 444
GFIP/Toll grant	4 147 337	-	4 147 337	3 857 101	-	3 857 101
Other income	1 873 312	172 062	2 045 374	1 471 613	513 606	1 985 219
Other expenses*	(3 441 331)	(9 340 637)	(12 781 968)	(2 872 229)	(6 570 757)	(9 442 986)
Net fair value gains	78 717	-	78 717	(97 581)	-	(97 581)
EBITDA	7 133 349	184 929	7 318 278	6 880 936	368 261	7 249 197
Depreciation on PPE	(1 353 533)	(2 443 648)	(3 797 181)	(1 311 729)	(2 379 753)	(3 691 482)
Depreciation on PPE under concession	(598 735)	-	(598 735)	(598 074)	-	(598 074)
Amortisation	(5 467)	(4 507)	(9 974)	(5 526)	(6 003)	(11 529)
Fair value adjustments - gain/(loss)	-	39 254	39 254	-	(70 709)	(70 709)
Finance income	1 117 981	2 251 804	3 369 785	532 694	1 255 274	1 787 968
Finance costs	(4 392 025)	(83)	(4 392 108)	(4 316 742)	(140)	(4 316 882)
	1 901 570	**27 749**	**1 929 319**	**1 181 559**	**(833 070)**	**348 489**

* Excluding depreciation, amortisation and asset impairment.

Other income on toll portfolio mainly relates to concession income and the deferred exchange income (non-cash) realised to profit or loss as shown on note 26.

The following are material expenditure included in other expenses above:

42. Segment information (continued)

Figures in R'000	31 March 2023			31 March 2022		
	Toll operations	Non-toll operations	Total	Toll operations	Non-toll operations	Total
Fees for services and other expenditure	(429 612)	(1 077 790)	(1 507 402)	(415 969)	(916 389)	(1 332 358)
Repairs and maintenance	(3 218 062)	(7 516 253)	(10 734 315)	(2 407 601)	(4 862 805)	(7 270 406)
	(3 647 674)	**(8 594 043)**	**(12 241 717)**	**(2 823 570)**	**(5 779 194)**	**(8 602 764)**

Material non-cash items (other than depreciation and amortisation)

Figures in R'000	31 March 2023			31 March 2022		
	Toll operations	Non-toll operations	Total	Toll operations	Non-toll operations	Total
Changes in fair value of investment property (gain/(loss))	-	39 254	39 254	-	(70 709)	(70 709)
Deferred exchange consideration	1 462 817	-	1 462 817	1 189 417	-	1 189 417
Revaluation of road network and structures	17 518 763	51 355 603	68 874 366	23 740 142	43 378 222	67 118 364
Revaluation of land	873 930	440 905	1 314 835	(361 890)	1 125 801	763 911
	19 855 510	**51 835 762**	**71 691 272**	**24 567 669**	**44 433 314**	**69 000 983**

42. Segment information (continued)

Statement of Financial Position reportable segment assets

Current and non-current assets

	31 March 2023			31 March 2022		
Figures in R'000	Toll operations	Non-toll operations	Total	Toll operations	Non-toll operations	Total
Property, plant and equipment under concession	75 570 038	-	75 570 038	68 066 584	-	68 066 584
Property, plant and equipment	130 165 548	386 060 554	516 226 102	120 272 641	328 369 389	448 642 030
Investment property	1 145 369	581 796	1 727 165	1 128 592	542 542	1 671 134
Intangible assets	46 931	79 680	126 611	46 762	74 256	121 018
Financial assets at amortised cost	292 575	312 786	605 361	257 535	312 786	570 321
Non-current assets	207 220 461	387 034 816	594 255 277	189 772 114	329 298 973	519 071 087
Current assets	28 644 373	39 052 130	67 696 503	9 736 115	35 732 864	45 468 979
Non-current assets held for sale	13 799	-	13 799	13 349	-	13 349
	235 878 633	**426 086 946**	**661 965 579**	**199 521 578**	**365 031 837**	**564 553 415**

Included in the current assets is the R38.574 billion of cash and cash equivalent from accumulated unspent non-toll grant received.

Statement of Financial Position reportable segment liabilities

Current and non-current liabilities

	31 March 2023			31 March 2022		
Figures in R'000	Toll operations	Non-toll operations	Total	Toll operations	Non-toll operations	Total
Financial liabilities at amortised cost	24 637 527	-	24 637 527	34 409 931	-	34 409 931
Financial liabilities at fair value through profit or loss	3 303 155	-	3 303 155	3 562 960	-	3 562 960
Retirement benefit obligation	-	64 705	64 705	-	60 472	60 472
Deferred income	328 957	92 292 897	92 621 854	387 256	78 838 998	79 226 254
Provisions	552 409	841	553 250	454 157	26 024	480 181
Deferred exchange consideration	9 349 147	-	9 349 147	10 046 987	-	10 046 987
Non-current liabilities	38 171 195	92 358 443	130 529 638	48 861 291	78 925 494	127 786 785
Current liabilities	34 988 666	6 800 804	41 789 470	17 227 058	11 157 496	28 384 554
	73 159 861	**99 159 247**	**172 319 108**	**66 088 349**	**90 082 990**	**156 171 339**

Included in the current liabilities for toll portfolio for the current year is the 2022/23 second tranche of the special appropriation of R14.756 billion. Refer to note 15 on special appropriation reserve.

42. Segment information (continued)

Capital expenditure

Figures in R'000	31 March 2023			31 March 2022		
	Toll operations	Non-toll operations	Total	Toll operations	Non-toll operations	Total
Additions to PPE	378 986	7 921 307	8 300 293	656 591	4 333 155	4 989 746
Borrowing cost capitalised	66 494	-	66 494	5 776	-	5 776
Additions to intangible assets	6 171	9 650	15 821	22 554	4 181	26 735
	451 651	**7 930 957**	**8 382 608**	**684 921**	**4 337 336**	**5 022 257**

Figures in R'000	31 March 2023			31 March 2022		
	Toll operations	Non-toll operations	Total	Toll operations	Non-toll operations	Total
Capital expenditure - PPE under concessions	980 279	-	980 279	1 850 470	-	1 850 470
Provision for rehabilitation cost	-	5 123	5 123	76	5 047	5 123
	980 279	**5 123**	**985 402**	**1 850 546**	**5 047**	**1 855 593**

Included in the current assets is the cash and cash equivalents of R38.574 billion on non-toll portfolio from accumulated unspent grant balance and R23.736 billion on toll portfolio for servicing toll debt.

Amendments to internal reporting organisation

No changes were made to the structure of SANRAL's internal organisational and operational structure (from a segment reporting perspective) that could have caused the composition of its reportable segments to change. The Board and the Executive Authority regularly review financial information broken down into toll and non-toll operations.

Other entity -wide disclosures

There is no other systematic method followed to allocate transactions and balances. Transactions are recorded to the segment they belong to when incurred. No customers were identified as major for segment reporting purposes. Refer to financial statements and the related disclosure notes for any restatement of comparative figures applicable.

Refer to accounting policy note 1.21.

	2023 R'000	2022 R'000

43. IRREGULAR, UNAUTHORISED AND FRUITLESS AND WASTEFUL EXPENDITURE

	2023 R'000	2022 R'000
Total non-compliance with laws and regulations confirmed	6 757 956	3 208 115
Irregular expenditure awaiting condonation (application submitted to National Treasury)	-	-
Irregular expenditure	6 724 182	3 208 115
Fruitless and wasteful expenditure	33 774	-
Unauthorised expenditure	-	-
	6 757 956	**3 208 115**
Details of irregular expenditure confirmed in current year		
A. Preference points not awarded	10 191	17 417
B. Additional expenditure not approved in terms of National Treasury Instruction Note of 2016/17	12 090	16 915
C. Bank rating letters were not submitted by bidder	2 714	2 302
D. Tender awarded to bidder without valid B-BBEE certificate	3 737	2 251
E. Possible unfair awarding of a consulting tender	13 885	7 251
F. Amount paid exceeds approved contract amount	-	5 482
G. Yellow metals equipment forms not completed - local content	168 570	412 562
H. Bank guarantee letter were not submitted by winning bidder	2 657	2 539
I. Deviations not approved by National Treasury or delegated authority	15 554	9 986
J. Additional scope not approved in terms of National Treasury instruction Note 3 of 2016/17	-	10 154
K. Contract not advertised for at least five working days on CIDB website	-	277
L. Non-compliance with board resolution	6 494 511	2 720 979
M. Amounts paid after contract expired	96	-
N. Bidder did not submit declaration of interest form (SBD 4)	177	-
	6 724 182	**3 208 115**

Confirmed irregular expenditure

31 March 2023

The above is a summary of the irregular expenditure incurred during the reporting period. Of the R6.724 billion disclosed above, R272 896 relates to new irregular contracts identified and confirmed in the current 2023 financial years, the remaining balance was identified in prior years. A loss control function was formed to determine loss, the causes of the noncompliance and make recommendations to the Board, and its determinations are in progress. The fruitless and wasteful expenditure of includes R33.735 million relating to the costs incurred due to delays in providing site access to the contractor to commence with road construction on project N.003-020-2017/9. The fruitless and wasteful expenditure of R39 000 relate to travelling cost paid for employees who did not attend due to other urgent commitments. As at year end, there were no fraudulent or criminal acts found against employees and no material losses were regarded as recoverable from employees or perpetrators. A register of irregular expenditure and fruitless and wasteful expenditure with detailed analysis and accumulated balances as required by the 2022/23 irregular expenditure framework issued by the National Treasury is maintained and available. A detailed analysis of irregular and fruitless and wasteful expenditure is also included in the integrated report, showing the accumulated balances of irregular fruitless and wasteful expenditure for the current and prior year period.

43. Irregular, unauthorised and fruitless and wasteful expenditure (continued)

This note is now conforming to the new disclosure requirement. The comparative year has also been re-arranged to combine similar transgressions together. The total confirmed irregular expenditure (including the non-compliance with the Board resolution of R3.434 billion that was under assessment by auditors in 2022) in the comparative year remained the same as audited in 2022 financial year, except for the R713.660 million of irregular previously under assessment (the noncompliance with Board resolution) confirmed in 2023 but relates to 2021 and 2020 financial years.

The details of the condoned irregular expenditure and the fruitless and wasteful expenditure written off in current period are detailed in the integrated report. The integrated report also provide detailed analysis of the opening and closing balances as required by the new framework.The following is the summary of matters that resulted in the irregular expenditure disclosed above:

A. Preference points not awarded

The evaluation of three (3) tender submissions for contract R.067-050-2016/1S were not completed, because it was believed that they will not score the highest points (price/preference). However, the requirements are that all tender submissions must be fully evaluated. This resulted in the award and the subsequent contract being identified as irregular from the 2016 financial year. The evaluation was later concluded and it was identified that the scoring was incorrect and that the three (3) tenderers did not meet quality/functionality threshold, but due to the erroneous records, it remained as irregular expenditure. The current year expenditure on these project amounted to R10.191 million (31 March 2022: R17.120 million). There is no expenditure in the current year for project N.002.068.2015/1 (31 March 2022: R296 125).

B. Additional expenditure not approved in terms of National Treasury Instruction Note 3 of 2016/17

In 2020 two contracts were identified as irregular, as additional scope was implemented without prior approval by delegated authorities. The amounts incurred in the current year was R12.090 million. The projects involved are N.001-270-2013/1 for R11.899 million and N.001-290-2005/1 for R191 000 (31 March 2022: R16.915 million).

C. Bank rating letters were not submitted by bidder

In 2019 the bid documents for project X.002-086-2019/1F were received but erroneously not evaluated and this resulted in the whole evaluation process being unfair. In addition, the winning bidder was not disqualified after failing to submit bank ratings as per the requirement stated in the tender documents. The current year's expenditure on these projects was R2.713 million (31 March 2022: R2.302 million).

D. Tender awarded to bidder without valid B-BBEE certificate

Project X.002-097-2019/1F was awarded in 2019 without submission of a valid B-BBEE certificate, the project was identified as irregular. The project was identified as irregular in 2020. The current year's expenditure on this project was R3.737 million (31 March 2022: R2.251 million).

E. Possible unfair awarding of a consulting tender

Three contracts were identified as irregular in the 2019 financial year because of perceived unfair awarding of the tender. The affected projects are as follows: SAPR N0010401/1, R.578-010-2020/1F and R.524-010-2019/1F. The expenditure incurred on project R.578-010-2020/1F in the current year is R715 thousand (31 March 2022: R2.817 million). Project R.524-010- 2019/1F incurred R10.720 million (31 March 2022: R1.285 million) and project SAPR N0010401/1 incurred R3.856 million (31 March 2022: R3.150 million), in the current year.

43. Irregular, unauthorised and fruitless and wasteful expenditure (continued)

F. Amount paid exceeds approved contract amount

In 2021, expenditure on five legal service provider contracts exceeded the contracted amount without obtaining prior approval and was therefore declared as irregular. The Board has approved that the irregular expenditure can be increased in order to finalise the cases assigned to the service provider. There was no irregular expenditure incurred in the current year on these contracts (31 March 2022: R5.482 million).

G. Yellow metals equipment forms not completed - local content criteria

Project R.067-050-2016/1S was confirmed as irregular in the 2022 financial year due to the bidder declared responsive without a completed form for 'yellow metal equipment'. The bidder indicated that it was exempted from this, but DTI confirmed that the requirement applies to existing 'yellow metal equipment' also, and not only new equipment, therefore the contract was registered as irregular.The expenditure incurred up to 31 March 2023 was R168.570 million (31 March 2022: R412.128 million.

The request for quotations for contract NR2020/017/62590 did not include a local production and content requirement for office furniture of 85% that must be considered for evaluation of submissions from the suppliers. The contract was awarded in June 2021. There was no expenditure incurred in the current year (31 March 2022: R434 600).

H. Bank guarantee letters were not submitted by bidder

Contract no. X.002-088-2019/1F was identified as irregular in the 2019 financial year, due to the winning bidder not submitting a bank letter as per the tender requirements at the time, which should have rendered the tender as non-responsive. The expenditure incurred in the current year amounted to R2.657 million (31 March 2022: R2.539 million.

I. Deviations not approved by National Treasury or delegated authority

Mtentu contract (N.002-200-2016/2) was terminated in 2020. Whilst awaiting the appointment of a new contractor, another contractor was appointed for emergency work, which was not submitted to National Treasury within 10 days of approval. Further work is continuing under this emergency appointment which has not been approved, resulting in these expenses being identified as irregular from the 2021 financial year. The expenditure incurred in the current year amounted to R15.554 million (March 2022: R9.986).

J. Additional scope not approved

On project N.002-270-2012/1, it was confirmed that additional works on P709 road was not included in the bill of quantities of the original contract and the additional works was not approved by National Treasury. The irregular contract was identified in 2020. There was no expenditure incurred in the current year (31 March 2022: R10.154 million).

K. Contracts not advertised for at least five working days

The tender notices of winning bidders were not placed on the CIDB i-tender website for at least five working days in 2016. This relates to projects N.002-012-2016 and R.300-010-2016/2. There was no expenditure incurred in the current year on this project (31 March 2022: R277 282).

43. Irregular, unauthorised and fruitless and wasteful expenditure (continued)

L. Non-compliance with Board resolution

This relates to construction tenders that were evaluated in contradiction of a Board resolution (passed in January 2020) which required that a technical design consulting engineer who has been appointed to do design(s) must not be involved in the technical evaluation of the construction tender of the same project because of possible conflict of interest. This involved 158 contracts with a value of R25.262 billion that were awarded. In the 2022 financial year, the irregular contracts were under assessment and it was confirmed as irregular in the 2023 financial year. Irregular expenditure of R6.495 billion was incurred in the current financial year (March 2022: R3.435 billion).

M. Expenditure paid after contract expired

SANRAL appointed a service provider (contract number:1006/587000/2022/02) for temporary employment services. The contract was awarded in 2022 financial year and confirmed as irregular in 2023 financial year as payments were made to the service provider after the contract expired . The irregular expenditure incurred up to 31 March 2023 is R96 000.

N. Bidder did not submit declaration of interest form (SBD 4)

An internet service contract was procured through an emergency procurement process and awarded on 30 September 2022 for an amount of R534 830. The winning bidder did not submit the Standard Bidding Document (SBD) 4 to declare the interest, therefore confirmed as irregular. The expenditure incurred in the current year is R176 896.

44. GOING CONCERN

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

The Board is certain that the entity has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Board is not aware of any new material changes that may adversely impact the entity. The Board is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the entity's ability to continue operations. The going concern assessment covered the cashflow projections for period ending 31 July 2024.

We draw attention to the fact that, at 31 March 2023, total assets exceeded total liabilities by R489.485 billion, even though the entity had accumulated losses of R12.187 billion. This basis presumes that funds will be available to finance future operations and settle liabilities and other commitments that occur in the ordinary course of business.

At 31 March 2023, SANRAL's total assets were R662 billion, a significant contributor to facilitating the movement of goods and services in the South African economy. The Board has confirmed that the current assets cover current liabilities. The current assets of R67.697 billion include cash and cash equivalents of R59.414 billion, of which R38.574 billion relates to the accumulated unspent grant received on non-toll roads. The current liabilities of R41.789 billion include the deferred grant and deferred exchange income liability of R7.263 billion which will not require cash for settlement. The unutilised portion of grant income received and deferred at year end was R3.295 billion on non-toll portfolio.

SANRAL receives an annual grant from the fiscus mainly to fund its non-toll road portfolio. During the year under review, the Government grant allocated was R22.895 billion, of which R4.404 billion, including VAT, was allocated to Gauteng Freeway Improvement Project (GFIP). In addition, R365 million in compensation for KZN flood damages occurred in 2022. The remaining non-toll grant is mainly for operational and capital expenditure on non-toll roads which comprise 87 percent

44. Going concern (continued)

of SANRAL's road network (operations). The annual budget allocation is expected to increase to R26.123 billion for 2024, R29.689 billion in 2025 and R33.211 billion in 2026 excluding the special appropriation bills. The non-toll portfolio has no liquidity concerns as it currently has a significant cash surplus and receives adequate annual allocation from the fiscus. The cash surplus is expected to be utilised over the next three (3) financial years. R11.957 billion of these cash reserves is committed to capital projects, contracts in construction phase, will be utilised within the next 12 months (2023/24). Therefore, the non-toll portfolio is expected to remain cash-positive well into the foreseeable future.

On 26 July 2022, SANRAL received approval from the Department of Transport to un-earmark R3.74 billion, including VAT, of its non-toll allocation and transfer it to the toll portfolio to compensate for the revenue loss on GFIP. This is based on the application made by the entity in April 2022 to cover the shortfall in revenue collection of the GFIP. During July 2022, SANRAL used its available cash balance in the toll portfolio to redeem the maturing HWF11 and HWF12 bonds, to the value of R3.65 billion. The conventional toll plazas do not have liquidity or going concern issues other than the impact of constraints on borrowing limits to fund capital toll projects.

On 26 October 2022, the Minister of Finance (MoF) announced a Special Appropriation of R23.74 billion. The MoF also indicated that an agreement with the Gauteng Provincial Government was reached to settle GFIP debt with 30/70 split between GPG and National Government, and that further details will be agreed to determine the final outcome on GFIP. The approved allocation was paid out in two (2) tranches. The first tranche of R8.98 billion was received in January 2023 after the Special Appropriation Bill promulgated into law. The second tranche of R14.76 billion was received on 31 March 2023, Even though the conditions of the transfer had not been met at year end, the Board and management are confident that they will be complied with in the 2024 financial year.

On 2 August 2023 the MoF has communicated to SANRAL that should the government fail to conclude on all the outstanding conditions as previously communicated on 5 December 2022. SANRAL will be allowed to use a necessary share of the second tranche to settle bond HWAY23 due in December 2023 (refer to note 45 events after reporting date). The amount was allocated specifically for settlement of all maturing toll debt and all debt redemption related obligations. The cash flow forecast at year end shows that the toll portfolio will remain cash positive until September 2024 (after taking into account the R14.76 billion). The tolling on GFIP continued until year end and will require a gazette to stop the operations and billings.

Funding action plans on the toll portfolio

Currently all loans and borrowings are being settled as they become due. There was a R1 billion issue done in June 2022. Thereafter, no further refinancing and issuance took place due to the borrowing limit restrictions in place. The constraints on borrowing limits remains. SANRAL was informed by the Minister of Transport that the MoF has approved SANRAL's borrowing limit of R47.91 billion (nominal) up to the 31 March 2022. SANRAL had not yet received a response on its application to increase the current borrowing limit, which is already delaying the rolling out of capital projects on the toll portfolio. The entity is actively engaging with the National Treasury to resolve this matter.

Conclusion on going concern

From the evidence of approved transfers of funds from non-toll to toll in the past years, the separation lines between toll and non-toll are less severe, even though legislative requirements must still be followed. Government views operating and management of national roads as a single mandate. Therefore, the assessment of the going concern and the financial status of the entity is done as a single entity. Even though a significant portion of SANRAL's debt is guaranteed by Government, Government has elected on several occasions to avert a default by providing funding to SANRAL, pending

44. Going concern (continued)

the outcome of the GFIP decision by Cabinet. It is therefore assumed that Government will continue to provide financial assistance for the foreseeable future unless a final policy decision is made to direct the future of road funding. 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.

Although there are still material uncertainties on the toll portfolio, there are no significant doubts about the going concern of SANRAL, after considering the potential mitigation actions announced by the MoF. The Board therefore supports management's assessment that SANRAL will remain a going concern in the foreseeable future. The Board is fully aware of the liquidity risk it faces in the short term should the GFIP agreement not materialise and is actively engaging with relevant stakeholders to resolve the matter before year end. SANRAL has significant cash reserves to remain a going concern for a foreseeable future of at least 12 months from the reporting date.

45. EVENTS AFTER THE REPORTING PERIOD

In April 2023, severe rainfall led to the closure of some sections of the road on the Wild Coast. The damage has been estimated to be approximately R250 million.

On 2 August 2023 the MoF clarified the condition on the R14.76 billion, a second tranche of the special appropriation of the 2022/23 to SANRAL. With this clarification, the going concern on toll portfolio is mitigated. The clarity condition is as follows:

- Should the government fail to conclude all the outstanding conditions as previously communicated on 5 December 2022. SANRAL is allowed to use a necessary share of the second tranche to settle bond HWAY23 due in December 2023.
- SANRAL, through DoT, must confirm in writing the status of all the outstanding conditions with National Treasury, for final confirmation of the use of the R14.76 billion no later than 31 October 2023.


HAMM

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SANRAL maintained its efforts and commitment to transform the construction sector.
SANRAL is currently a level 4 B-BBEE contributor.